



Easou Technology Holdings Limited

宜搜科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2550

GLOBAL OFFERING



Sole Sponsor, Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager



Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager



Joint Bookrunners and Joint Lead Managers



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



Easou Technology Holdings Limited 宜搜科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Total number of Offer Shares under the Global Offering	: 14,802,500 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 1,480,500 Shares (subject to reallocation)
Number of International Offer Shares	: 13,322,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	: Not more than HK\$8.00 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund) and expected to be not less than HK\$5.80 per Offer Share
Nominal Value	: US\$0.00001 per Share
Stock Code	: 2550

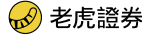
Sole Sponsor, Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager



Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager



Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered To the Registrar of Companies in Hong Kong And Available On Display" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Overall Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or before Wednesday, June 5, 2024 (Hong Kong time). The Offer Price will be not more than HK\$8.00 per Offer Share and is currently expected to be not less than HK\$5.80 per Offer Share, unless otherwise announced. If, for any reason, the Offer Price is not agreed by 12:00 noon on Wednesday, June 5, 2024 (Hong Kong time) between the Overall Coordinators (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse. Applicants for Hong Kong Offer Share are required to pay, on application, the maximum Offer Price of HK\$8.00 for each Hong Kong Offer Share together with a brokerage fee of 1.0%, a SFC transaction levy of 0.0027%, a Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, subject to refund if the Offer Price as finally determined is less than HK\$8.00.

The Overall Coordinators, on behalf of the Underwriters, and with our consent may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (which is HK\$5.80 to HK\$8.00) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of our Company at <http://www.easou.cn> and on the website of the Stock Exchange at www.hkexnews.hk. Further details are set forth in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, in particular, the risk factors set out in the section headed "Risk Factors".

Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement in respect of the Offer Shares, the Overall Coordinators, on behalf of the Hong Kong Underwriters, have the right in certain circumstances, in their absolute discretion, to terminate the obligation of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting – Underwriting Arrangements and Expenses – Grounds for Termination". It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered or sold, pledged or transferred within the United States, except that the Offer Shares may be offered, sold or delivered in offshore transactions outside the United States in reliance on Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk and our website at <http://www.easou.cn>. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

May 30, 2024

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at <http://www.easou.cn>. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

- (i) apply online through the **White Form eIPO** service at www.eipo.com.hk; or
- (ii) apply electronically through the **HKSCC EIPO** channel and cause HKSCC Nominees to apply on your behalf by instructing your **broker** or **custodian** who is a HKSCC Participant to give **electronic application instructions** via HKSCC’s FINI system to apply for the Hong Kong Offer Shares on your behalf.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed document as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to “How to Apply for Hong Kong Offer Shares” in this prospectus for further details on the procedures through which you can apply for the Hong Kong Offer Shares electronically.

IMPORTANT

Your application through the **White Form eIPO** service or the **HKSCC EIPO** channel must be made for a minimum of 500 Hong Kong Offer Shares and in multiples of that number of Hong Kong Offer Shares as set out in the table below. No application for any other number of Hong Kong Offer Shares will be considered and such an application is liable to be rejected.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

Easou Technology Holdings Limited (Stock Code: 2550) (HK\$8.00 per Hong Kong Offer Share) NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS							
No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application
	<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>
500	4,040.35	7,000	56,564.75	50,000	404,034.00	300,000	2,424,204.00
1,000	8,080.68	8,000	64,645.45	60,000	484,840.80	350,000	2,828,238.00
1,500	12,121.02	9,000	72,726.12	70,000	565,647.60	400,000	3,232,272.00
2,000	16,161.35	10,000	80,806.80	80,000	646,454.40	450,000	3,636,306.00
2,500	20,201.70	15,000	121,210.20	90,000	727,261.20	500,000	4,040,340.00
3,000	24,242.05	20,000	161,613.60	100,000	808,068.00	600,000	4,848,408.00
3,500	28,282.38	25,000	202,017.00	125,000	1,010,085.00	700,000	5,656,476.00
4,000	32,322.72	30,000	242,420.40	150,000	1,212,102.00	740,000 ⁽¹⁾	5,979,703.20
4,500	36,363.05	35,000	282,823.80	175,000	1,414,119.00		
5,000	40,403.40	40,000	323,227.20	200,000	1,616,136.00		
6,000	48,484.08	45,000	363,630.60	250,000	2,020,170.00		

Notes:

- (1) Maximum number of Hong Kong Offer Share you may apply for.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on our Company's website at <http://www.easou.cn> and the website of the Stock Exchange at www.hkexnews.hk.

Hong Kong Public Offering commences 9:00 a.m. on Thursday, May 30, 2024

Latest time for completing electronic applications
under **White Form eIPO** service through the designated website www.eipo.com.hk . 11:30 a.m.
on Tuesday, June 4, 2024

Application lists open 11:45 a.m. on Tuesday, June 4, 2024

Latest time for:

- (a) completing payment for **White Form eIPO** applications
by effecting internet banking transfer(s)
or PPS payment transfer(s) or 12:00 noon on Tuesday, June 4, 2024
- (b) electronic application instructions to HKSCC . . . 12:00 noon on Tuesday, June 4, 2024

If you are instructing your **broker** or **custodian** who is a HKSCC Participant to give **electronic application instructions** via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close 12:00 noon on Tuesday, June 4, 2024

Expected Price Determination Date Wednesday, June 5, 2024

Announcement of the final Offer Price on our website
at <http://www.easou.cn> and the website of
the Stock Exchange at www.hkexnews.hk at or before 11:00 p.m. on
Thursday, June 6, 2024

Announcement of the level of indications of interest
in the International Offering, the level of applications in the Hong Kong Public Offering and
the basis of allocation of the Hong Kong Offer Shares on our website
at <http://www.easou.cn> and the website of the Stock Exchange
at www.hkexnews.hk at or before 11:00 p.m. on
Thursday, June 6, 2024

EXPECTED TIMETABLE

The results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

in the announcement to be posted on our website and
the website of the Stock Exchange
at <http://www.easou.cn> and www.hkexnews.hk respectively at or before
11:00 p.m. on
Thursday, June 6, 2024

from the designated results of allocations website at www.iporeresults.com.hk
(alternatively: www.eipo.com.hk/eIPOAllotment) with
a "search by ID" function from 11:00 p.m. on
Thursday, June 6, 2024 to
12:00 midnight on
Wednesday, June 12, 2024

from the allocation results telephone enquiry by
calling 2862 8555 between 9:00 a.m. and 6:00 p.m. from Friday, June 7, 2024 to
Thursday, June 13, 2024
(except Saturday, Sunday and
Hong Kong public holidays)

Share certificates in respect of wholly or partially
successful applications to be dispatched or
deposited into CCASS on or before Thursday, June 6, 2024

White Form e-Refund payment instructions/refund
cheques in respect of wholly or partially successful
applications (if applicable) or wholly or partially
unsuccessful applications to be dispatched on or before Friday, June 7, 2024

Dealings in the Shares on the Stock Exchange
expected to commence at 9:00 a.m. on Friday, June 7, 2024

Notes:

- (i) All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.
- (ii) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

EXPECTED TIMETABLE

- (iii) If there is a “black” rainstorm warning, Extreme Conditions and/or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, June 4, 2024, the application lists will not open or close on that day. Further information is set out in the section headed “How to Apply for Hong Kong Offer Shares – E. Severe Weather Arrangements” in this prospectus.
- (iv) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to “How to Apply for Hong Kong Offer Shares – A. Application for Hong Kong Offer Shares – 2. Application Channels” in this prospectus.
- (v) The Price Determination Date is expected to be on or before Wednesday, June 5, 2024. If, for any reason, the Offer Price is not agreed on or before 12:00 noon on Wednesday, June 5, 2024 between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse accordingly.
- (vi) None of the websites set out in this section or any of the information contained on the websites forms part of this prospectus.
- (vii) Share certificates for the Hong Kong Offer Shares are expected to be issued on Thursday, June 6, 2024, but will only become valid evidence of title provided that the Global Offering has become unconditional in all respects prior to 8:00 a.m. on Friday, June 7, 2024. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid evidence of title do so entirely at their own risk.

White Form e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and in respect of successful applicants in the event that the final Offer Price is less than the price payable per Offer Share on application.

- (viii) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Thursday, May 30, 2024 to Friday, June 7, 2024, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) dispatch of Share certificates and refund cheques/ **White Form** e-Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions thereof, please refer to the sections headed “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus, respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such case, our Company will make an announcement as soon as practicable thereafter.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment.

Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Founded in 2005, we operate four business lines covering online reading platform services, digital marketing services, online games publishing services and other digital content services. We generated over 90.0% of our revenue from our advertising services provided under the online reading platform services and digital marketing services in each year of the Track Record Period. Specifically, we apply our proprietary intelligent recommendation engine, Easou Recommendation Engine, to collect, analyze, match and predict the demand and/or preferences of our users and customers to serve their various needs under the following business lines:

- *Online reading platform services.* We predict users’ preferences, generate recommendation strategies and make adjustments thereto, and intelligently recommend to our users suitable literary content that meets their personalized needs. As a third-party platform, we do not produce proprietary digital content and primarily rely on third-party content providers of online literature. In addition, we place advertisements for our advertising customers on our proprietary platform by collecting, analyzing and predicting users’ appetite for advertising contents. We have two types of customers under this business line, namely, users and advertising customers.
 - (a) with respect to reading with advertising, our customers are advertising customers that place advertisements to the users who use our free reading resources;
 - (b) with respect to reading with paid services, our customers are users who pay for our paid services, including the purchase of our paid reading resources and the subscription of our premium membership, from which we do not generate any advertising service income;
- *Digital marketing services.* We collect, analyze and predict users’ appetite for advertising contents and match the needs of our advertising customers for advertisement placements with suitable third-party advertising channels. Under this business line, our customers are generally advertising customers;
- *Online games publishing services.* We identify online games with commercial value and market performance that meet our selection criteria, and publish and recommend such games to suitable users on our proprietary platform and external channels based on our analysis of user behaviors and their preferences in game category or content. Our customers under this business line are users of the online games we publish; and

SUMMARY

- *Other digital content services.* We recommend value-added services of telecommunications operators, including various types of digital content, such as music and ringback tones, to help them reach target users on our proprietary platform or external channels based on our analysis of the behavior, content preferences and willingness to pay of our users. Our customers under this business line are telecommunications operators who receive income from their users and subsequently share such income with us based on agreed-upon proportions.

Our AI-based recommendation technology is the foundation that empowers all of our businesses. We are committed to continuously improving the AI-based recommendation technology and plan to explore business opportunities to apply our Easou Recommendation Engine in additional scenarios. Please refer to “Business – Technology” in this prospectus for details.

Specifically, under our online reading platform services, we have accumulated a large user base. The number of our cumulative registered users of our Easou Reading App Series was 44.7 million as of December 31, 2023. The level of our user activity on our platform has been increasing during the Track Record Period. Our average MAU on our Easou Reading App Series increased from 23.9 million in 2021 to 25.6 million in 2022, and further to 26.0 million in 2023.

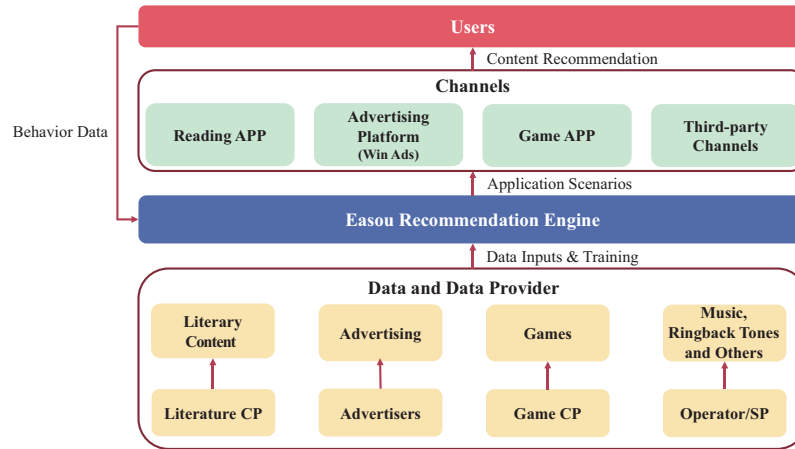
We experienced steady growth during the Track Record Period. Our revenue increased from RMB433.1 million in 2021 to RMB456.4 million in 2022, and further to RMB559.0 million in 2023. We believe we will be able to capitalize on the opportunities arising from the advances in AI-based recommendation technology and maintain our business growth.

OUR BUSINESS MODEL

We primarily leverage our proprietary intelligent recommendation engine, Easou Recommendation Engine, to collect, analyze, match and predict the demand and/or preferences of our users and customers to serve their various needs under our four business lines. Our Easou Recommendation Engine serves as the core technology driver for us to conduct the relevant businesses.

We provide various types of third-party content data on our platform, including online literature, advertisements, online games and other digital content such as music and ringback tones, to our users and customers. When users use or consume this content data, their user behavior data is generated. Our Easou Recommendation Engine collects and analyzes such user behavior data to recommend more relevant content data, including literary resources and advertising content, to our users and to continuously train the algorithms to improve the recommendation efficiency and effectiveness. The following diagram sets forth an illustration of our business model:

SUMMARY



With respect to our online reading platform services, we use our Easou Recommendation Engine to analyze user behaviors and their willingness to pay for online literature. We recommend suitable online literary content to users through two types of services, namely, reading with advertising and reading with paid services. Under reading with advertising, we primarily use our proprietary advertisement platform, Win Ads, to provide data support, assist us to generate placement strategies and display the suitable advertisements to users who read our free reading resources and do not subscribe to our premium membership. In this scenario, Win Ads primarily utilizes our proprietary platform traffic of Easou Reading App, Easou Reading App Light Version and Easou H5 Pages. Under reading with paid services, we offer paid literary resources or premium membership services to our users. Specifically, our premium membership includes purchase discount, advertisement-free services and enhanced book storage capacity. We provide discount to our premium members when they purchase paid literary content by “pay-per-chapter” and we do not provide such discount for our non-membership users. Our users who purchase our reading with paid services are also able to access our free reading resources, for which we do not display advertisements to those who subscribe to our premium membership. Accordingly, we do not generate any advertising service income from this type of services. According to Analysys, our Easou Reading App ranked fifth in China’s online literature market in terms of average MAU in 2023.

With respect to our digital marketing services, leveraging our Easou Recommendation Engine, we provide customized marketing services based on our analysis of the needs of our advertising customers and match their needs with users’ appetite for advertising content on suitable third-party advertising channels. We also developed our digital marketing services through our proprietary advertisement platform, Win Ads, to serve our advertising customers under the digital marketing services to distribute their advertisements to downstream third-party media platforms for placement mainly through our cooperative third-party media agents, as opposed to the placement of advertisements on our proprietary platform under the reading with advertising of our online reading platform services business.

With respect to our online games publishing services, we cooperate with game content providers, and publish and recommend game content to users on our proprietary platform or external channels by attracting the users to download and install the game Apps on their mobile devices. For the games we publish, we cover the introduction, evaluation, launch and management

SUMMARY

of the games. We identify potential games, screen and conduct evaluation of each game before we decide to officially publish it. We perform game test, collect feedback, analyze game user's in-game behavior and work with game content providers to improve the games. We subsequently distribute and promote the games by leveraging the user traffic of our platform and cooperating with external channels. We are generally responsible for customer services, including customer communication, collection and refunding of user payments, accounts security protection and minor protection. Historically, we have successfully brought several online games to the market, such as Age of Empires (帝王世紀) in 2016, The Bold and The Beauty (愛江山更愛美人) in 2019, Campus Belle Factory (校花夢工廠) in 2019, War and Soldiers (我的坦克我的團) and Civilization (文明) in 2022, and The Legend of Ninja (忍者傳奇) and The Awakening of Super Saiyan (超賽覺醒) in 2023. In particular, the Bold and The Beauty game received market recognition after its launch, which was evidenced by a growing user base. In 2019 and 2020, the number of newly registered users were 13.1 million and 2.4 million, respectively, and the ARPPU per year were RMB253.6 and RMB450.1 for the same years, respectively. The average DAU were more than 418,000 and 220,000 in 2019 and 2020, respectively.

With respect to our other digital content services, we primarily cooperate with telecommunications operators through either the channel cooperation model or the content cooperation model, and recommend value-added digital content, such as ring back tones and music, to users on our proprietary platform or external channels based on our analysis of user behaviors and their content preferences and willingness to pay. For further details of our business model, please refer to the section headed "Business – Our Business Model" in this prospectus.

We have achieved diversified commercialization, which primarily includes subscription, pay per use, advertising income and revenue sharing, among others. The details of our diversified monetization model for our various business lines are as follows:

- *Online reading platform services.* We generate revenue primarily through (i) advertisements displayed in the literary resources from our advertising customers in connection with reading with advertising in which we charge them on CPC basis and CPM basis; and (ii) paid readership, including the purchase of our paid reading resources and the subscription of our premium membership, from our users under reading with paid services;
- *Digital marketing services.* We generally cooperate with advertising customers based on the relevant framework agreements to generate advertising income and charge them primarily on CPC basis, CPM basis and CPA basis;
- *Online games publishing services.* We generally charge users for their in-game purchases and share a portion of the income with third-party game content providers (i.e., revenue sharing); and
- *Other digital content services.* After receiving income settlement from the users, the telecommunications operators we cooperate with will subsequently share such income with us (i.e., revenue sharing) based on agreed-upon proportions.

SUMMARY

KEY OPERATING METRICS

We measure our business performance by using various operating metrics for each of our business lines. The following tables set forth the key operating metrics for (i) online reading platform services; (ii) digital marketing services; (iii) online games publishing services; and (iv) other digital content services, for the periods indicated.

	For the year ended December 31,		
	2021	2022	2023
Online Reading Platform Services			
– MAU ⁽¹⁾ (<i>million</i>)	23.9	25.6	26.0
Reading with advertising			
– Number of clicks per year (<i>million</i>)	329.3	349.7	393.1
– Number of displays per year (<i>million</i>)	53,676.6	57,928.2	62,879.0
– Click-through rate ⁽²⁾ (%)	0.6	0.6	0.6
Reading with paid services			
– MPU ⁽³⁾ (<i>thousand</i>)	68.4	42.2	21.5
– MPU/MAU ⁽⁴⁾ (%)	0.3	0.2	0.1
– ARPPU ⁽⁵⁾ (<i>RMB</i>)	45.2	54.8	42.1 ⁽⁵⁾

Notes:

- (1) The increase of MAU under our online reading platform services during the Track Record Period was in line with the business expansion of our online reading platform services.
- (2) Click-through rate equals the number of clicks per year divided by the number of displays per year.
- (3) The decrease of MPU under our online reading platform services during the Track Record Period was primarily due to our exposure to the ongoing free-to-read industry trend. According to Analysys, in addition to the paid readership, our industry peers in China’s online literature market sought to achieve multi-faceted monetization by generating advertising income through expanding the offerings of free reading resources. The availability of reading with advertising services led to an industry-wide decrease in users’ willingness to pay for literature content, and a more rapid growth of user base compared to reading with paid services, as well as broader acceptance of reading with advertising by users. Therefore, in order to respond to such prevailing industry trend, we increased the promotion of free reading products and related resources on our platform (e.g., Easou Reading App Light Version) to (i) attract new users to use our reading with advertising services; and (ii) offer our users with expanding free reading resources. For details, please refer to the “Industry Overview” section of this prospectus.
- (4) The decrease of MPU/MAU was mainly due to the combined effect of the decreasing MPU and increasing MAU.
- (5) The ARPPU decreased in 2023 compared to that of 2022 primarily because we provided discount on premium membership subscription at the beginning of 2023.

	For the year ended December 31,		
	2021	2022	2023
Digital Marketing Services			
– Number of clicks per year (<i>million</i>)	331.5	327.9	415.8
– Number of displays per year (<i>million</i>)	38,239.4	38,927.8	44,524.5
– Click-through rate ⁽¹⁾ (%)	0.9	0.8	0.9

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Note:

- (1) Click-through rate equals the number of clicks per year divided by the number of displays per year.

The various key operating metrics under our digital marketing services increased or remained relatively stable during the Track Record Period, such as the number of clicks per year, the number of displays per year and click-through rate, primarily because we expanded business scale of our digital marketing services.

	For the year ended December 31,		
	2021	2022	2023
Online Games Publishing Services⁽¹⁾			
<i>Age of Empires</i> (帝王世紀)			
– Number of newly registered users (thousand)	23.7	–	–
– ARPPU per year (RMB)	714.5	–	–
– Average DAU (thousand)	1.0	–	–
<i>Civilization</i> (文明)			
– Number of newly registered users (thousand)	–	243.7	428.5
– ARPPU per month (US\$)	–	66.3	177.9
– Average DAU (thousand)	–	3.4	3.6

Note:

- (1) We started the official operation of The Legend of Ninja (忍者傳奇) and The Awakening of Super Saiyan (超賽覺醒) in the second half of 2023. Due to the limited period of operation, the operating metrics of these two games were not comparable with other games, which were launched before 2023.

We temporarily suspended our online games publishing services in June 2020 to further optimize our business structure and streamline our operations. Due to our temporary suspension, we only retained a few of the external channels to publish the game called the Age of Empires in 2021. We resumed our online games publishing services in the fourth quarter of 2021 and officially launched our first overseas online game, Civilization (文明), in October 2022 mainly in the United States, Canada and Europe.

OUR PLATFORM AND PRODUCTS

We have built an online platform around our Easou Recommendation Engine, our user base and diversified digital content. Our platform connects cross-scenario digital content, involves various participants, such as digital content providers, media channels, users, advertising customers and telecommunications operators, and enables them to interact with each other. This allows us to achieve synergy across our various business lines and helps us achieve diversified monetization.

Our platform primarily consists of following three types of proprietary products:

- *Easou Reading App Series*. We mainly rely on the Easou Reading App Series to conduct our online reading platform services. Our flagship application, Easou Reading App, was launched in 2013 and provides a large number of e-books with diversified product

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functions featuring personalized reading experience for our users, such as audiobooks and eye-care reading mode. In 2017, we launched Easou Reading App Light Version to cater to different user needs and usage scenarios and expand our user acquisition channels.

- *Easou H5 Pages.* Easou H5 Pages is mainly designed for users who prefer to read online literature through mobile browsers and webpages instead of an App, and serves as a channel for us to attract more users to Easou Reading App Series.
- *Win Ads.* Win Ads is our proprietary intelligent advertising platform that serves as the core platform for our advertising services under our online reading platform services business and our digital marketing services business. It is primarily composed of three core modules: a demand-side platform, a supply-side platform and an algorithm strategy system, which are used collectively by us mainly to provide data support, assist us to generate placement strategies and display the advertisements, thereby enabling us to achieve suitable multi-matching between our advertising customers and media. For further details, please refer to the section headed “Business – Our Platform and Products – Our Proprietary Products” in this prospectus.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to the success of our business and facilitate our future development:

- We are a technology-driven mobile internet company dedicated to the research, development and application of our Easou Recommendation Engine;
- We have successfully applied our Easou Recommendation Engine to a number of application scenarios;
- We operate the largest third-party online literature platform and the fifth largest online literature APP in China, and provide users with fair, accurate and personalized online reading platform services through our Easou Recommendation Engine;
- As a third-party platform that connects content providers and users, we have built a platform of mutually beneficial businesses and achieved multi-faceted monetization of our proprietary platform traffic;
- We are capable of continuously leveraging a large amount of user behavior data generated from our increasing user traffic and user base to optimize our Easou Recommendation Engine; and
- Our dedicated and experienced management team possesses the execution capability and deep understanding and insights into technology development and evolving industry trends.

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OUR BUSINESS STRATEGIES

We intend to pursue the following strategies to facilitate our future development:

- Continue to invest in R&D to maintain long-term technological advantage;
- Further tap the potential of online literature industry to increase our market share and improve our operating metrics;
- Continue to leverage the capability of our Easou Recommendation Engine to increase the business scale of our digital marketing services; and
- Expand our online games publishing services, primarily in overseas markets.

CUSTOMERS

Our customers primarily consist of (i) users of our online reading platform services (reading with paid services) and our online games publishing services, who usually make payments through third-party payment channels; and (ii) advertising customers for our online reading platform services (reading with advertising services) and digital marketing services. In each year of the Track Record Period, revenue from our five largest customers amounted to RMB143.3 million, RMB133.5 million and RMB129.6 million, respectively, accounting for 33.1%, 29.2% and 23.2%, respectively, of our total revenue. In each year of the Track Record Period, revenue from our largest customer amounted to RMB41.4 million, RMB35.2 million and RMB27.4 million, respectively, accounting for 9.6%, 7.7% and 4.9%, respectively. In each year of the Track Record Period, all of our five largest customers were Independent Third Parties. None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any interest in these customers during the Track Record Period and up to the Latest Practicable Date. Please see “Business – Customers” for details.

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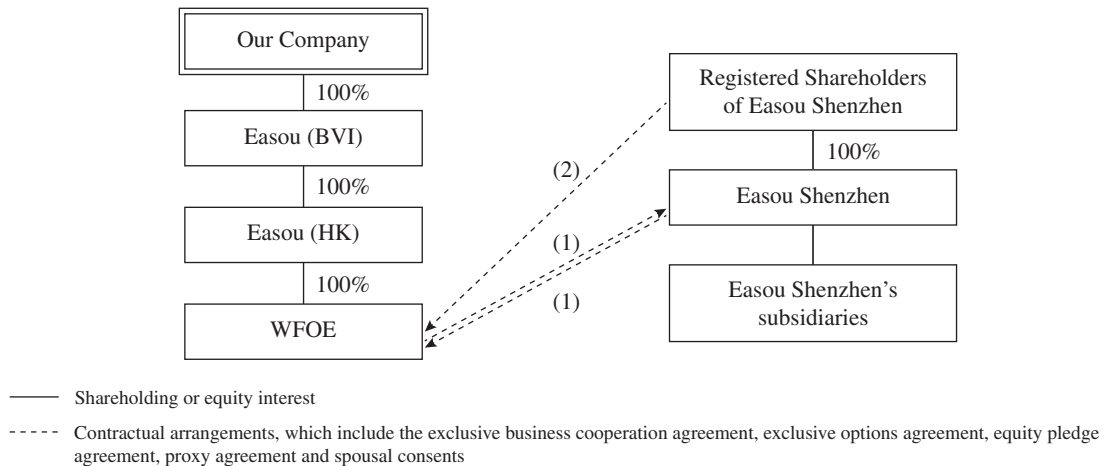
SUPPLIERS

Our suppliers primarily consist of (i) content suppliers, including suppliers for literary content and game content; (ii) internet traffic suppliers, including suppliers for business promotion and advertising; and (iii) other product or service suppliers, such as suppliers for bandwidth services and servers and third-party payment service providers. In each year of the Track Record Period, purchases from our five largest suppliers amounted to RMB115.6 million, RMB146.4 million and RMB167.3 million, respectively, accounting for 35.3%, 42.9% and 34.9%, respectively, of our total purchases. In each year of the Track Record Period, purchases from our largest suppliers amounted to RMB28.6 million, RMB43.0 million and RMB39.3 million, respectively, accounting for 8.7%, 12.6% and 8.2%, respectively. In each year of the Track Record Period, all of our five largest suppliers were Independent Third Parties, and none of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any interest in these suppliers during the Track Record Period and up to the Latest Practicable Date. Please see “Business – Suppliers” for details.

CONTRACTUAL ARRANGEMENTS

Our Company operates or intends to operate certain businesses that are subject to restrictions and/or prohibitions under the current PRC laws and regulations. In order to comply with such laws and regulations, while availing ourselves of international capital markets and maintaining effective control over all of our operations, we control our Consolidated Affiliated Entities through the Contractual Arrangements entered into on December 31, 2022.

The following simplified diagram illustrates the flow of economic benefits from the Consolidated Affiliated Entities to our Group under the Contractual Arrangements:



Notes:

- (1) Pursuant to an exclusive business cooperation agreement, WFOE shall provide technical support, consulting services and other services in exchange for a service fee from Easou Shenzhen.

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- (2) Representing:
- (a) an exclusive option agreement executed by the Registered Shareholders of Easou Shenzhen in favor of WFOE for the acquisition of all or part of the shares and/or assets in Easou Shenzhen;
 - (b) an equity pledge agreement executed by the Registered Shareholders of Easou Shenzhen, pursuant to which the Registered Shareholders of Easou Shenzhen granted security interests in favor of WFOE over the shares in Easou Shenzhen held by the Registered Shareholders of Easou Shenzhen;
 - (c) a proxy agreement executed by the Registered Shareholders of Easou Shenzhen in favor of WFOE for the exercise of all shareholders' rights in Easou Shenzhen; and
 - (d) the spousal consents executed by the spouse of each individual Registered Shareholder of Easou Shenzhen in favor of WFOE.

Given the principal business activities of the Consolidated Affiliated Entities as outlined below, the Consolidated Affiliated Entities operate in the foreign-prohibited business and foreign-restricted business under the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》) published by certain departments of the State Council (the “2021 Negative List”):

- (i) the principal businesses of Easou Shenzhen, Shenzhen Dahuatong, Shenzhen Chuangtu and Guangzhou Tianshitong involve the operation of online entertainment, including publication of games and music, whereas the principal business of Shenzhen Eayou, Guangzhou Ledian, Easou Beijing, Shenzhen Taite, Shanghai Yinggao and Shenzhen New Drive involve internet cultural activities, including but not limited to online advertising or online reading platform services, which fall within the scope of internet cultural business;
- (ii) the principal business of Beijing Yike involves the publication of digitized works with characteristics of publishing, which falls within the scope of internet publishing business; and
- (iii) the principal businesses of Easou Shenzhen, Shenzhen Dahuatong, Shenzhen Chuangtu, Beijing Yike, Shenzhen Eayou, Shenzhen New Drive and Shenzhen Taite involve internet information services provided through mobile Apps and websites, which fall within the scope of value-added telecommunication services.

Given that Easou Shenzhen, Shenzhen Dahuatong, Shenzhen Eayou, Shenzhen Chuangtu, Easou Beijing, Beijing Yike, Shenzhen Taite, Guangzhou Tianshitong, Shenzhen New Drive, Guangzhou Ledian and Shanghai Yinggao (i.e., the Consolidated Affiliated Entities) operate in the foreign-prohibited business and foreign-restricted business under the current PRC laws and regulations, our Company would not be currently allowed to hold any equity interest in these companies. In order to comply with such laws and regulations, while availing ourselves of the international capital markets and maintaining effective control over all of our operations, we control our Consolidated Affiliated Entities through the Contractual Arrangements. Pursuant to the Contractual Arrangements, we have effective control over and are entitled to receive all the economic benefits generated by the businesses currently operated by the Consolidated Affiliated Entities. For further details, please see “Contractual Arrangements” in this prospectus.

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OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering (assuming full conversion of the Pre-IPO Preferred Shares and without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), Mr. Wang, through Growth Value, Fase Ltd and Gather Forever, will control the exercise of voting rights attached to Shares representing approximately 32.49% of the issued share capital of our Company at general meetings of our Company.

Growth Value is controlled by Mr. Wang, upon the establishment of The Hope Trust, it is owned as to (i) 99% by Gather Forever, which is in turn wholly-owned by CMB Wing Lung (Trustee) Ltd. (the trustee of The Hope Trust); and (ii) 1% by Fase Ltd, which is wholly-owned by Mr. Wang. The Hope Trust is an irrevocable reserved power trust established by Mr. Wang, as the settlor and protector, with CMB Wing Lung (Trustee) Ltd., an independent trustee, as trustee, for the benefit of Mr. Wang and his family members. Accordingly, Mr. Wang, Growth Value, Fase Ltd and Gather Forever will be our Controlling Shareholders upon completion of the Global Offering.

PRE-IPO INVESTMENTS

SBCVC Fund III, BlueSky Holding, Estate Success, Ventech China II SICAR, Shenzhen Lihe Partnership, Shenzhen Lihe, Mr. Ding and Jinhe Capital Limited are regarded as pre-IPO investors of our Company. Please see “History, Reorganization and Corporate Structure – The 2023 Subscription and the Pre-IPO Investments” in this prospectus for details of the background of the Pre-IPO Investors.

As of the Latest Practicable Date, the Pre-IPO Investors held approximately 24.94% of our issued share capital. Immediately following the completion of the Global Offering, the Pre-IPO Investors will hold approximately 23.82% of our total issued share capital (assuming full conversion of the Pre-IPO Preferred Shares and without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme). All the special rights granted will be automatically terminated immediately upon the Listing. The Shares held by the 2023 Subscribers (including the Pre-IPO Investors) are subject to a lock-up period of six months commencing from the Listing Date, save for (i) the use of the Shares as security in favor of an authorized institution for a bona fide commercial loan, provided that the person making such loan also undertakes to be bound by such lock-up undertaking; (ii) the Shares to be acquired by the 2023 Subscribers after the Listing Date to the extent that such acquired Shares are not subject to any lock-up or similar transfer restrictions; and (iii) the transfers to another corporation, partnership or other business entity that wholly owns, is wholly owned by or is wholly owned by an entity that wholly owns, the relevant 2023 Subscriber, provided that there is no change in the ultimate beneficial ownership to such Shares and that such entity gives a written undertaking agreeing to be bound by the same lock-up undertaking given by the relevant 2023 Subscriber.

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SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth a summary of our consolidated financial information for the Track Record Period, extracted from the Accountants' Report set out in Appendix I to this prospectus. The summary of consolidated financial information set forth below should be read together with, and qualified in its entirety by reference to, the consolidated financial statements in this prospectus, including the related notes. Our consolidated financial information was prepared in accordance with HKFRSs.

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

The table below presents a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated.

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
Revenue	433,108	100.0	456,411	100.0	559,045	100.0
Cost of sales	(224,416)	(51.8)	(217,741)	(47.7)	(299,317)	(53.5)
Gross profit	208,692	48.2	238,670	52.3	259,728	46.5
Other income and gains	11,531	2.7	6,528	1.4	3,157	0.6
Selling and distribution expenses	(99,270)	(22.9)	(133,612)	(29.3)	(153,660)	(27.5)
Administrative expenses	(18,642)	(4.3)	(19,774)	(4.3)	(25,566)	(4.6)
Research and development expenses	(50,951)	(11.8)	(38,738)	(8.5)	(37,615)	(6.7)
Fair value losses on financial assets at FVTPL	–	–	(5,897)	(1.3)	(10,925)	(2.0)
Other expenses	(580)	(0.1)	(301)	*	(592)	(0.1)
Finance costs	(305)	(0.1)	(2,131)	(0.5)	(8,442)	(1.5)
Profit before tax	50,475	11.7	44,745	9.8	26,085	4.7
Income tax expenses	(464)	(0.1)	(297)	(0.1)	(1,074)	(0.2)
Profit for the year	50,011	11.5	44,448	9.7	25,011	4.5
Other comprehensive loss						
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of the Company's financial statements	–	–	–	–	(4,799)	(0.9)
Total comprehensive income for the year	50,011	11.5	44,448	9.7	20,212	3.6
Attributable to:						
Owners of the parent	49,983	11.5	44,388	9.7	20,172	3.6
Non-controlling interests	28	*	60	*	40	*

Note:

* Less than 0.1%

For the years ended December 31, 2021, 2022 and 2023, our revenue amounted to RMB433.1 million, RMB456.4 million and RMB559.0 million, respectively. During the Track Record Period, we generated revenue from four business lines, namely, online reading platform services, digital marketing services, online games publishing services and other digital content services. The increase in our revenue during the Track Record Period was mainly due to increased revenue from online reading platform services business and digital marketing services business.

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The decrease in our profit for the year from RMB50.0 million in 2021 to RMB44.4 million in 2022 was primarily due to the combined effects of (i) our increased selling and distribution expenses as we relaunched our online games publishing services; and (ii) our decreased other income and gains mainly as a result of a decrease of one-off government subsidies and a reduction in interest income. Our profit for the year decreased from RMB44.4 million in 2022 to RMB25.0 million in 2023, primarily due to the combined effects of (i) our increased fair value losses on financial assets at FVTPL arising from our private equity fund investments; (ii) our increased selling and distribution expenses as we increased our promotional activities relating to the expansion of our online games publishing services business; and (iii) our increased listing expenses in connection with our preparation for the Listing. See “Financial Information – Period to Period Comparison of Results of Operations” in this prospectus for more information.

We incurred fair value losses on financial assets at FVTPL of nil, RMB5.9 million and RMB10.9 million for the years ended December 31, 2021, 2022 and 2023, respectively, primarily due to the losses incurred from our private equity fund investments as we purchased two open-ended private equity funds denominated in RMB and US dollar, respectively. Specifically, in January 2022, we invested in an open-ended private equity investment fund denominated in RMB (the “RMB Fund”) with an aggregate subscription amount of RMB88.0 million. We redeemed RMB76.8 million of the RMB Fund in December 2022, and subsequently made additional investments in the fund with a subscription amount of RMB5.0 million and RMB3.0 million in May and June 2023, respectively. In addition, we invested in an open-ended US dollar-denominated private equity fund (the “USD Fund”) with a subscription amount of US\$9.9 million (equivalent to RMB70.4 million) in January 2023. Please see “Financial Information – Description of Certain Key Items from Our Consolidated Statements of Financial Position” in this prospectus for more information.

The following table sets forth revenue attributable to each of our four business lines for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Online reading platform services:						
– Reading with advertising	185,959	42.9	220,007	48.2	229,416	41.0
– Reading with paid services	32,173	7.4	24,703	5.4	19,513	3.5
Sub-total	218,132	50.4	244,710	53.6	248,929	44.5
Digital marketing services	201,607	46.5	200,721	44.0	288,836	51.7
Online games publishing services	4,330	1.0	4,944	1.1	10,553	1.9
Other digital content services	9,039	2.1	6,036	1.3	10,727	1.9
Total	433,108	100.0	456,411	100.0	559,045	100.0

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The table below sets forth our cost of sales and the components as a percentage of total cost of sales by nature for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Internet traffic cost	185,038	82.5	184,754	84.9	265,670	88.8
Online reading content cost	9,803	4.4	6,328	2.9	2,995	1.0
Depreciation and amortization.	16,453	7.3	16,808	7.7	19,665	6.6
Operator value-added service content cost.	4,243	1.9	3,098	1.4	4,498	1.5
Staff costs	7,488	3.3	5,344	2.5	5,057	1.7
Mobile game content cost	42	*	384	0.2	11	*
Server maintenance cost	961	0.4	793	0.4	1,019	0.3
Rental	388	0.2	232	0.1	402	0.1
Total	224,416	100.0	217,741	100.0	299,317	100.0

Note:

* *Less than 0.1%*

We incurred cost of sales of RMB224.4 million, RMB217.7 million and RMB299.3 million for the years ended December 31, 2021, 2022 and 2023, respectively. Our cost of sales decreased from RMB224.4 million in 2021 to RMB217.7 million in 2022, mainly due to a decrease in online reading content cost and staff cost. The decrease in online reading content cost was primarily due to a decrease in revenue from reading with paid services. The decrease in staff cost was primarily because we reduced staff headcount in an effort to improve our operating efficiency. Our cost of sales increased from RMB217.7 million in 2022 to RMB299.3 million in 2023, mainly due to increases in internet traffic cost and depreciation and amortization. Internet traffic cost increased primarily because we procured additional internet traffic to serve the development of our digital marketing services business. Depreciation and amortization increased mainly because we continued to expand our online games offering, including beta testing, official launch of new games and continued operation of several existing games, and incurred amortization expenses of the intangible assets.

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The table below sets forth the gross profit and gross profit margin by our business lines for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Online reading platform services	184,488	84.6	217,596	88.9	224,739	90.3
Digital marketing services	15,787	7.8	15,482	7.7	22,494	7.8
Online games publishing services	4,048	93.5	2,839	57.4	6,570	62.3
Other digital content services	4,369	48.3	2,753	45.6	5,925	55.2
Total	208,692	48.2	238,670	52.3	259,728	46.5

For the years ended December 31, 2021, 2022 and 2023, our gross profit amounted to RMB208.7 million, RMB238.7 million and RMB259.7 million, respectively. During the same years, our gross profit margin was 48.2%, 52.3% and 46.5%, respectively. The increase in our gross profit and gross profit margin from 2021 to 2022 was primarily due to an increase in the gross profit margin of online reading platform services in 2022. The decrease in our gross profit margin in 2023 compared to 2022 was primarily because the revenue contribution from digital marketing services increased, the gross profit margin of which was significantly lower than that of our other business lines.

The gross profit margin of each of our four business lines varied during the Track Record Period. For the years ended December 31, 2021, 2022 and 2023, the gross profit margin of our online reading platform services was 84.6%, 88.9% and 90.3%, respectively, and the gross profit margin of our digital marketing services remained relatively stable at 7.8%, 7.7% and 7.8%, respectively. For the same years, the gross profit margin of our online games publishing services was 93.5%, 57.4% and 62.3%, respectively.

The gross profit margin of online reading platform services remained relatively high during the Track Record Period primarily because (i) our online literature platform services enabled us to generate revenue from our use of literary content and our user traffic; (ii) cost of sales under the pro-rata income sharing model decreased given the decreased revenue generated from reading with paid services and cost of sales under the buy-out model (purchasing content rights from content providers in a lump sum) remained relatively stable; and (iii) we utilized our proprietary platform user traffic to serve the demand of our advertising customers under reading with advertising, which allowed us to save internet traffic cost. The gross profit margin of online games publishing services was relatively high in 2021, mainly because we only operated a game called “Age of Empires (帝王世紀)”, which generated revenue but did not incur any amortization of content cost in 2021. The gross profit margin of online games publishing services decreased from 93.5% in 2021 to 57.4% in 2022, primarily because we launched a game called “Civilization (文明)” in the overseas markets in 2022, which did not generate significant revenue at such stage but we had begun to amortize the game content costs during this period. The gross profit margin of online

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games publishing services increased from 57.4% in 2022 to 62.3% in 2023, mainly because we continued to expand our online games offering, including beta testing and official launch of new games as well as continued operation of several existing games.

Summary of Consolidated Statements of Financial Position

	As of December 31,		
	2021	2022	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total non-current assets	91,617	82,421	105,488
Total current assets	313,330	311,892	399,943
Total assets	404,947	394,313	505,431
Total non-current liabilities	6,480	4,668	4,367
Total current liabilities	48,552	132,976	121,730
Total liabilities	55,032	137,644	126,097
Net current assets	264,778	178,916	278,213
Net assets	349,915	256,669	379,334
Non-controlling interests	528	588	628

Our net current assets increased from RMB178.9 million as of December 31, 2022 to RMB278.2 million as of December 31, 2023, which was primarily attributable to the increase in our current assets and a decrease in our current liabilities. Our current assets increased from RMB311.9 million as of December 31, 2022 to RMB399.9 million as of December 31, 2023, primarily due to (i) an increase in trade receivables from RMB127.0 million as of December 31, 2022 to RMB161.5 million as of December 31, 2023, mainly due to our increased sales in reading with advertising under the online reading platform services business and increased sales in digital marketing services business; (ii) an increase in prepayment, deposits and other receivables from RMB23.5 million as of December 31, 2022 to RMB76.0 million as of December 31, 2023, primarily because we increased the prepayment of advertising expenses relating to the increased promotional activities for our Easou Reading App Series, and we increased our prepayment to procure internet traffic to support the growth of our digital marketing services business and to expand our online games offering in 2023; and (iii) an increase in financial assets at FVTPL from RMB5.3 million as of December 31, 2022 to RMB73.3 million as of December 31, 2023, primarily because we made additional investments in two open-ended private equity funds in 2023. The increase in our current assets was partially offset by a decrease in cash and cash equivalents from RMB152.2 million as of December 31, 2022 to RMB89.1 million as of December 31, 2023, as we utilized a portion of our cash to invest in two open-ended private equity funds in 2023 as part of our wealth management activities. Our current liabilities decreased from RMB133.0 million as of December 31, 2022 to RMB121.7 million as of December 31, 2023, primarily due to a decrease in other payable and accruals from RMB19.6 million as of December 31, 2022 to RMB11.1 million as of December 31, 2023, mainly because (i) we distributed the 2022 bonuses for our employees before December 31, 2023 and such delayed distribution was mainly a result of the impact of the COVID-19 pandemic; and (ii) we cooperated with certain new advertising service providers who required us to make prepayments to them prior to using their products/services.

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Our net current assets decreased from RMB264.8 million as of December 31, 2021 to RMB178.9 million as of December 31, 2022, which was primarily attributable to an increase in our current liabilities and a slight decrease in our current assets. Our current liabilities increased from RMB48.6 million as of December 31, 2021 to RMB133.0 million as of December 31, 2022, primarily due to an increase in interest-bearing bank and other borrowings as we incurred new bank borrowings to fund our working capital, partially offset by (i) a decrease in trade payables mainly because the number of suppliers using prepayment settlement method has increased in 2022; and (ii) a decrease in contract liabilities mainly due to a decrease in service fee collected in advance as we performed our obligations under the relevant contracts. Our current assets decreased slightly from RMB313.3 million as of December 31, 2021 to RMB311.9 million as of December 31, 2022, primarily due to a decrease of cash and cash equivalents because we utilized a portion of our cash as deemed distribution to the then equity owners of our Group in connection with the Reorganization, partially offset by (i) an increase of prepayments, deposits and other receivables, reflecting the expansion in our digital marketing services; and (ii) an increase in trade receivables, which was mainly due to increased sales in reading with advertising under our online reading platform services business and increased sales in digital marketing services.

In addition, as of December 31, 2021, 2022 and 2023, our net assets amounted to RMB349.9 million, RMB256.7 million and RMB379.3 million, respectively. Our net assets decreased from RMB349.9 million as of December 31, 2021 to RMB256.7 million as of December 31, 2022, mainly due to the deemed distribution to the then equity owners of our Group of RMB137.7 million in connection with the Reorganization, partially offset by profit and total comprehensive income for the year of RMB44.4 million in 2022. Our net assets increased from RMB256.7 million as of December 31, 2022 to RMB379.3 million as of December 31, 2023, primarily due to capital contribution from holders of preferred shares of RMB559.5 million in connection with the Reorganization, which involved the issuance of Pre-IPO Preferred Shares to a new investor and the then shareholders of Easou Shenzhen, partially offset by the deemed distribution to the then equity owners of our Group of RMB468.2 million in connection with the Reorganization.

SUMMARY

Summary of Consolidated Statements of Cash Flows

	For the year ended December 31,		
	2021	2022	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Cash generated from operations before changes in working capital . . .	69,299	73,237	69,849
Net cash flows from/(used in) operating activities.	50,952	6,070	(29,501)
Net cash flows used in investing activities	(22,430)	(20,696)	(127,044)
Net cash from/(used in) financing activities.	(20,265)	(48,179)	97,488
Net increase/(decrease) in cash and cash equivalents	8,257	(62,805)	(59,057)
Cash and cash equivalents at the beginning of year.	206,703	214,960	152,155
Effect of foreign exchange rate changes, net	–	–	(4,017)
Cash and cash equivalents at the end of year	214,960	152,155	89,081
Cash and balances	112,960	152,155	89,081
Non-pledge time deposits with original maturity of less than three months when acquired.	102,000	–	–
Cash and cash equivalents as stated in the consolidated statements of financial position and consolidated statements of cash flows . . .	214,960	152,155	89,081

Our cash and cash equivalents decreased substantially as of December 31, 2022 compared to that as of December 31, 2021 primarily due to a deemed distribution of RMB137.7 million to the then equity owners of our Group in connection with the Reorganization. Our cash and cash equivalents decreased as of December 31, 2023 compared to that as of December 31, 2022, mainly because we utilized a portion of our cash to invest in two open-ended private equity funds in 2023 as part of our wealth management activities. For details, please referred to the sections headed “History, Reorganization and Corporate Structure – Reorganization” and “Financial Information – Description of Certain Key Items from Our Consolidated Statements of Financial Position” in this prospectus.

In 2023, we had net cash flow used in operating activities of RMB29.5 million. The net cash used in operating activities was mainly attributable to (i) negative movements in working capital of RMB91.7 million; and (ii) interest paid of RMB8.4 million, partially offset by (i) positive total adjustments before movements in working capital of RMB43.8 million; and (ii) profit before tax of RMB26.1 million. See “Financial information – Liquidity and Capital Resources – Cash Flow Analysis” for more information.

SUMMARY

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates and for the periods indicated:

	As of/For the year ended December 31,		
	2021	2022	2023
Net profit margin	11.5%	9.7%	4.5%
Current ratio	6.5	2.3	3.3
Gearing ratio	–	34.9%	22.4%
Return on equity	14.3%	17.3%	6.6%

Net profit margin equals profit for the year divided by the revenue for the same year. Our net profit margin decreased from 2021 to 2022 mainly because our selling and distribution expenses increased significantly as we expanded the scale of advertising for our online reading platform services and online games publishing services. Our net profit margin further decreased in 2023 primarily because (i) our private equity fund investment incurred losses; (ii) we continued to expand our online games offering, including beta testing, official launch of new games and continued operation of several existing games that involved the purchases of the relevant game content and incurred amortization expenses of the intangible assets; and (iii) our listing expenses increased as a result of our continued preparation for the Listing. For details, please refer to “Financial Information – Period to Period Comparison of Results of Operations” in this prospectus for the reasons of the fluctuations in our net profit margin.

Current ratio equals our current assets divided by current liabilities as of the end of the year. Our current ratio decreased from 6.5 as of December 31, 2021 to 2.3 as of December 31, 2022 mainly because our current liabilities increased at a faster pace than our current assets. Our current liabilities increased mainly as a result of additional bank loans we borrowed to fund our working capital. Our current assets increased slightly primarily due to increases in trade receivables and financial assets at FVTPL, partially offset by a decrease in our cash and cash equivalents mainly as a result of a deemed distribution to the then equity owners of our Group in connection with the Reorganization. Our current ratio increased from 2.3 as of December 31, 2022 to 3.3 as of December 31, 2023, mainly because our current assets increased while our current liabilities decreased. Our current assets increased primarily due to increases in trade receivables, prepayments, deposits and other receivables and financial assets at FVTPL, partially offset by a decrease in our cash and cash equivalents mainly due to additional investments we made in two open-ended private equity funds in 2023. Our current liabilities decreased mainly due to a decrease in other payables and accruals.

Gearing ratio equals total debt as of the end of the year divided by total equity as of the end of the same year. Total debt includes all interest-bearing borrowings. Gearing ratio was not applicable as of December 31, 2021 because we did not record any outstanding bank loans as of December 31, 2021. Our gearing ratio was 34.9% as of December 31, 2022 because we had outstanding bank loans of RMB89.7 million and there had been a deemed distribution to the then equity owners of our Group in connection with the Reorganization, which reduced our total equity. Our gearing ratio decreased to 22.4% as of December 31, 2023, primarily because our total equity

SUMMARY

increased from RMB256.7 million as of December 31, 2022 to RMB379.3 million as of December 31, 2023 while our total outstanding bank loans remained relatively stable at RMB89.7 million and RMB84.9 million as of December 31, 2022 and 2023.

Return on equity equals net profit for the year divided by total equity as of the end of the year. Our return on equity was 14.3%, 17.3% and 6.6% for the years ended December 31, 2021, 2022 and 2023, respectively. The changes in our return on equity primarily reflected the fluctuations of our net profit in the corresponding years.

RISK FACTORS

Our business faces risks including those set out in the section headed “Risk Factors” in this prospectus. As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the “Risk Factors” section in its entirety before you decide to invest in the Offer Shares. Some of the major risks that we face include:

- If our Easou Recommendation Engine fails to properly analyze and predict the users’ behavior and preferences or to keep up with the technological changes, our business, results of operations, financial condition and prospects may be materially and adversely affected;
- We apply our Easou Recommendation Engine to our various business lines, which involve separate and independent industries, and the developments in those industries could subject our business to risks, which makes it difficult to evaluate our business and prospects;
- We do not produce proprietary digital content and the content we recommend to our users and customers was primarily sourced from third-party content providers of online literature, online games and other digital content;
- Our online reading platform services accounted for a significant portion of our revenue during the Track Record Period. If we fail to retain our user or if user engagement ceases to grow or declines, which may materially and adversely affect our business, financial condition, results of operations and prospects;
- We generate a significant portion of our revenue from digital marketing services. If we fail to attract new advertising customers, retain existing advertising customers, or maintain their demand for our services, our business, results of operations and financial condition may be materially and adversely affected;
- We temporarily suspended our online games publishing services beginning in June 2020 and resumed such services in December 2021. If we fail to promote new games with good market reception or efficiently and effectively operate our existing games, we may not be able to maintain or grow our revenue generated from online game publishing, and our business, financial condition and results of operations may be materially and adversely affected;

SUMMARY

- If we fail to anticipate user/customer preferences and provide attractive services, or if we fail to keep up with rapid changes in user behavior or customer requirements, we may not be able to retain existing users, attract sufficient user traffic or enhance user/customer engagement; and
- We operate in highly competitive industries. If we are unable to compete effectively against other industry players, our user and customer bases, market share and profitability may be materially and adversely affected.

FUTURE PLANS AND USE OF PROCEEDS

The estimated net proceeds of the Global Offering which we will receive after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering (assuming the Over-allotment Option is not exercised), will be approximately HK\$56.2 million, assuming an Offer Price of HK\$6.90 (being the mid-point of the Offer Price Range). We intend to use the net proceeds as follows (based on the mid-point of the Offer Price range stated in this prospectus):

- Approximately 45.0%, or HK\$25.2 million, will be used to enhance our R&D capabilities to ensure long-term technological advantage;
- Approximately 25.0%, or HK\$14.2 million, will be used to reinforce our strength as a third-party online literature platform;
- Approximately 15.0%, or HK\$8.4 million, will be used to expand our digital marketing services; and
- Approximately 15.0%, or HK\$8.4 million, will be used to expand our online games publishing services in overseas markets.

Please refer to “Future Plans and Use of Proceeds” in this prospectus for details.

GLOBAL OFFERING STATISTICS ⁽¹⁾

	<u>Based on an Offer Price of HK\$5.80 per Offer Share</u>	<u>Based on an Offer Price of HK\$8.00 per Offer Share</u>
Market capitalization of our Shares upon completion of the Global Offering ⁽²⁾	HK\$1,907.8 million	HK\$2,631.5 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share ⁽³⁾	HK\$1.17	HK\$1.26

Notes:

- (1) All statistics in this table are presented based on the assumption that the Over-allotment Option is not exercised.
- (2) The calculation of market capitalization is based on 328,937,244 Shares expected to be in issue immediately following the completion of the Global Offering.

SUMMARY

- (3) The unaudited pro forma adjusted consolidated net tangible asset value per Share is calculated after the adjustments referred to in “Appendix II – Unaudited Pro Forma Financial Information” to this prospectus and on the basis of 328,937,244 Shares expected to be in issue and outstanding immediately following the completion of the Global Offering.

LISTING EXPENSES

Our listing expenses mainly include underwriting fees and commissions and professional fees paid to legal advisers and service providers for their services rendered in relation to the Global Offering. We expect to incur a total of approximately RMB41.8 million of listing expenses (assuming an Offer Price of HK\$6.90, being the mid-point of the indicative Offer Price range between HK\$5.80 and HK\$8.00, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, including (i) underwriting commission of approximately RMB4.2 million; and (ii) non-underwriting related expenses of approximately RMB37.6 million, which consist of fees and expenses of legal advisers and Reporting Accountants of approximately RMB22.6 million and other fees and expenses of approximately RMB15.0 million, which account for approximately 44.9% of the gross proceeds from the Global Offering. We estimate that approximately RMB17.6 million will be charged to our profit or loss after December 31, 2023, and the balance of approximately RMB5.0 million, which was directly attributable to the issue of the Shares, will be deducted from equity upon listing. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only, actual amount may differ from this estimate. Listing expenses of approximately RMB19.2 million were incurred on or before December 31, 2023, of which approximately RMB0.9 million were recorded as prepayment, and the remaining approximately RMB18.3 million were charged to our profit and loss.

DIVIDEND

No dividend has been paid or declared by our Company since its incorporation or other companies comprising our Group during the Track Record Period. Our Group currently does not have a pre-determined dividend policy. The Board may declare, and we may pay, dividends after taking into account our results of operations, financial condition, cash flow, operating and capital expenditure requirements, future business development strategies and estimates and other factors as it may deem relevant. We may distribute dividends by way of cash, or warrant. We may distribute stock dividends if our Directors consider that our stock price and equity scale do not match and that distribution of stock dividends is beneficial to all Shareholders’ interest. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Act. Any proposed distribution of dividends shall be determined by our Board and must be approved by our shareholders at a general meeting. In addition, we may declare interim dividends as our Board considers to be justified by our profits and overall financial requirements. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Board and subject to the approval of Shareholders’ meeting. Please refer to the section headed “Financial Information – Dividends” in this prospectus for more information.

SUMMARY

LEGAL PROCEEDINGS AND COMPLIANCE

From time to time, we may be subject to legal proceedings, investigations and claims incidental to the conduct of our business. During the Track Record Period, there were three legal proceedings involving two of our subsidiaries in the PRC with the amount in dispute in each of which was over RMB1.0 million. Among these cases, we were the plaintiff in two proceedings with an aggregate dispute amount of approximately RMB6.4 million and the defendant in one other proceeding with the dispute amount of approximately RMB2.7 million. Two proceedings had received the final judgment and one proceeding had been settled as of the Latest Practicable Date as disclosed in the section headed “Business – Legal Proceedings and Compliance – Legal Proceedings” in this prospectus. The court was partially in favor of us for the two proceedings that received the final judgment, and was in full favor of us for the proceeding that was subsequently settled. These legal proceedings would not, individually or in the aggregate, have any material adverse effect on our Group’s business, financial condition or results of operations. Our Directors confirmed that there had been no litigation or arbitration or administrative proceedings pending or threatened against our Group or any of our Directors which could have a material adverse effect on our business, financial condition or results of operations. Our Directors are also of the view that we have complied with all relevant laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material adverse impact on our business, financial condition and results of operations.

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the date of this prospectus, our business and operation have remained stable, which was in line with our past trends and expectations. According to the operating metrics recorded in our business operation system, on Easou Reading App Series, our cumulative registered users increased to 44.9 million as of March 31, 2024, and our average MAU were 26.3 million for the three months ended March 31, 2024.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since December 31, 2023 (being the date on which the latest consolidated financial information of our Group was prepared) and there is no event since December 31, 2023 which would materially affect the information shown in our consolidated financial statements included in the Accountants’ Report in Appendix I to this prospectus.

SUMMARY

IMPACT OF THE COVID-19 PANDEMIC

Beginning in December 2019, there was an outbreak of the novel coronavirus, COVID-19, around the world. On January 30, 2020, the World Health Organization declared that the outbreak of COVID-19 constitutes a Public Health Emergency of International Concern. In February and March 2020, an increasing number of additional cases were confirmed around the world. In March 2020, the World Health Organization declared the coronavirus disease, or COVID-19, as a global pandemic.

The PRC government gradually eased the restrictive measures on business and social activities in December 2022, and re-opened the borders and eliminated mandatory quarantine requirements on January 8, 2023. As of the Latest Practicable Date, COVID-19 was stabilized and all of our businesses had returned to normal.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, our operations had not experienced any material suspension due to the COVID-19 pandemic. Our Directors confirm that our business and financial performances were not materially and adversely impacted by the COVID-19 pandemic. As of the Latest Practicable Date, our services, marketing and business operation of our Group remained stable and normal. Furthermore, on the basis of actions taken to date, our Directors believe that we have demonstrated our ability to respond swiftly in these emergency circumstances and that the overall impact of COVID-19 on us was limited. Please refer to the section headed “Business – Impact of COVID-19 Pandemic on Our Group” in this prospectus for more information.

REGULATORY UPDATE

Overseas Listing

On February 17, 2023, the CSRC released the Trial Measures for Administration of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the “Trial Measures”) and new rules for the filing-based administration of overseas securities offerings and listings by Chinese domestic companies (the “New Filing Rules”). As advised by our PRC Legal Advisers, the Global Offering is determined as an indirect overseas offering or listing that requires filing with the CSRC under the Trial Measures. Subject to the New Filing Rules, we are required to go through the filing procedures with the CSRC after the submission of our application for the initial public offering to the Stock Exchange and to obtain the CSRC approval with respect to the Listing. We submitted the filing application to the CSRC on April 27, 2023 with respect to the submission of our application for Listing to the Stock Exchange and our filing application was received by the CSRC on May 19, 2023. We obtained the filing notice issued by the CSRC dated April 22, 2024 indicating that we have completed the filing application. Please see the section headed “Regulatory Overview – Regulations Relating to M&A and Overseas Listing” in this prospectus for further details.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

“2015 Employee Incentive Platforms”	collectively, Hongxin Boyuan, Zhongzheng Boyuan, Zhongzheng Dinglong and Zhongzheng Xinding, all of which were established in 2015
“Accountants’ Report”	the accountants’ report of our Group for the Track Record Period as set out in Appendix I to this prospectus
“affiliate(s)”	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Analysys”	Shanghai Deyun Network Technology Limited* (上海鐳雲網絡科技有限公司), an independent market research and consulting company
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company, which shall become effective upon Listing, as amended from time to time, a summary of which is contained in Appendix III to this prospectus
“Asia”	the continent that is to the east of Europe, the west of the Pacific Ocean, and the north of the Indian Ocean, including countries of China, Japan, among others
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Beijing Yike”	Beijing Yike Culture Co., Ltd.* (北京宜科文化有限責任公司), a limited liability company established in the PRC on July 17, 2020, a non wholly-owned subsidiary of Easou Shenzhen and a Consolidated Affiliated Entity
“Board”	the board of directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands

DEFINITIONS

“CAC”	Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室)
“CAGR”	compound annual growth rate
“Capital Market Intermediaries”	the capital market intermediaries participating in the Global Offering and has the meaning ascribed thereto under the Listing Rules
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this prospectus, Hong Kong Special Administrative Region of the People’s Republic of China, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Circular 13”	Circular of the State Administration of Foreign Exchange on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) promulgated by SAFE on February 13, 2015 and effective from June 1, 2015
“Circular 37”	Circular of the State Administration of Foreign Exchange on Issues Related to Foreign Exchange Administration in Terms of Overseas Investments and Financing and Return Investment by Domestic Residents via Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) promulgated by the SAFE on July 4, 2014 and effective from the same day
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Act” or “Cayman Companies Act”	the Companies Act (as revised), of the Cayman Islands, as amended, supplemented or modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company”, “our Company”, “the Company” or “we”	Easou Technology Holdings Limited (宜搜科技控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on February 9, 2022
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Affiliated Entity(ies)/PRC Operating Entity(ies)”	collectively, Easou Shenzhen and its subsidiaries, namely Beijing Yike, Easou Beijing, Guangzhou Ledian, Guangzhou Tianshitong, Shenzhen New Drive, Shanghai Yinggao, Shenzhen Chuangtu, Shenzhen Dahuatong, Shenzhen Eayou and Shenzhen Taite, the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, WFOE and Easou Shenzhen, details of which are described in the section headed “Contractual Arrangements” in this prospectus
“Controlling Shareholder(s)”	in the case of our Company, means Mr. Wang, Growth Value, Fase Ltd and Gather Forever, who will, in aggregate, control the exercise of the voting rights of approximately 32.49% of the Shares immediately following the completion of the Global Offering (assuming full conversion of the Pre-IPO Preferred Shares and without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme)
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“COVID-19”	COVID-19 virus, a coronavirus identified as the cause of an outbreak of respiratory illness that believed to have first emerged in late 2019
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Deed of Indemnity”	the deed of indemnity dated May 27, 2024 and executed by our Controlling Shareholders in favor of our Company, particulars of which are set out in the section headed “Statutory and General Information – E. Other Information – 1. Estate duty, tax and other indemnities” in Appendix IV to this prospectus

DEFINITIONS

“Deed of Non-competition”	the deed of non-competition dated May 27, 2024 and executed by our Controlling Shareholders in favor of our Company, particulars of which are set out in the section headed “Relationship with our Controlling Shareholders” in this prospectus
“Director(s)”	the director(s) of our Company
“Easou Beijing”	Beijing Easou Tianxia Technology Co., Ltd.* (北京宜搜天下科技有限公司), a limited liability incorporated in the PRC on July 8, 2011, a wholly-owned subsidiary of Easou Shenzhen and a Consolidated Affiliated Entity
“Easou (BVI)”	Easou Technology Limited (宜搜科技有限公司), a BVI business company incorporated in the BVI on February 14, 2022 and a wholly-owned subsidiary of our Company
“Easou (HK)”	Easou Technology (HK) Limited (宜搜科技(香港)有限公司), a limited liability company incorporated in Hong Kong on March 11, 2022 and a wholly-owned subsidiary of our Company
“Easou Reading App Series (宜搜系列閱讀App)”	Easou Reading App (宜搜小說App) and Easou Reading App Light Version (快看小說閱讀)
“Easou Shenzhen”	Shenzhen Easou Technology Co., Ltd.* (深圳宜搜天下科技股份有限公司) (formerly known as Shenzhen Easou Technology Development Co., Ltd.* (深圳宜搜科技發展有限公司)), a limited liability company established in the PRC on April 27, 2005, which was converted into a joint stock company in 2016 and a Consolidated Affiliated Entity
“Easou Shenzhen Transferring Shareholder(s)”	has the meaning as defined in the paragraph headed “History, Reorganization and Corporate Structure – Reorganization – 9. Transfer of the Shares in Easou Shenzhen by the Easou Shenzhen Transferring Shareholders to Wang PRC SPV and Mr. Wang”
“Easou Union”	Easou Union Ltd (宜搜聯合有限公司), a BVI business company incorporated in the BVI on February 17, 2022 and a wholly-owned subsidiary of Shenzhen Yijiujiu
“Escalated Easou Shenzhen Shareholders”	has the meaning as defined in the paragraph headed “History, Reorganization and Corporate Structure – Reorganization – 10. Escalated of Shareholdings in Easou Shenzhen to the Company and the 2023 Subscription”

DEFINITIONS

“EIT”	enterprise income tax
“EIT Law”	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
“Extreme Condition(s)”	extreme conditions, including, but not limited to, serious disruption of public transport services, extensive flooding, major landslides or large-scale power outage after super typhoons as announced by the government of Hong Kong
“Fase Ltd”	FASE LTD., a BVI business company incorporated in the BVI on December 24, 2021 and wholly-owned by Mr. Wang, one of the Controlling Shareholders
“FIL”	Foreign Investment Law of the PRC (《中華人民共和國外商投資法》)
“FINI”	“Fast Interface for New Issuance”, an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
“first-tier cities”	metropolises that play an important role in national political, economic and other social activities and have a leading role and radiating ability, including Beijing, Shanghai, Shenzhen, and Guangzhou
“Full Ocean”	FULL OCEAN INVESTMENTS LTD., a BVI business company incorporated in the BVI on December 24, 2021 and wholly-owned by Mr. Zhao
“GAPP”	The General Administration of Press and Publication (新聞出版總署) of the PRC
“Gather Forever”	Gather Forever Investments Limited (齊遠投資有限公司), a BVI business company incorporated in the BVI on January 5, 2023 and wholly-owned by CMB Wing Lung (Trustee) Ltd. (the trustee of The Hope Trust), one of the Controlling Shareholders
“General Rules of HKSCC”	the General Rules of HKSCC as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures

DEFINITIONS

“GFA”	gross floor area
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group”, “our Group”, “the Group” “we”, “us”, or “our”	our Company and its subsidiaries from time to time, or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities or the predecessors of the present subsidiaries (as the case may be) which carried on the business of the present Group at the relevant time
“Growth Value”	Growth Value LTD., a BVI business company incorporated in the BVI on December 29, 2021 and owned as to 99% and 1% by Gather Forever and Fase Ltd, respectively, upon the establishment of The Hope Trust, and one of the Controlling Shareholders
“Guangzhou Ledian”	Guangzhou Ledian Information Technology Co., Ltd.* (廣州樂點信息科技有限公司), a limited liability company established in the PRC on February 24, 2011, a wholly-owned subsidiary of Easou Shenzhen and a Consolidated Affiliated Entity
“Guangzhou Tianshitong”	Guangzhou Tianshitong Computer Network Technology Co., Ltd.* (廣州天時通計算機網絡科技有限公司), a limited liability company established in the PRC on December 21, 2004, a wholly-owned subsidiary of Guangzhou Ledian and a Consolidated Affiliated Entity
“high-tier regions”	first-tier cities, new first-tier cities and second-tier cities in China
“HK\$”, “Hong Kong dollars” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards, as issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

DEFINITIONS

“HKSCC EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant’s stock account through causing HKSCC Nominees to apply on your behalf by instructing your broker or custodian who is a HKSCC Participant to submit an EIPO application on your behalf through HKSCC’s FINI system in accordance with your instructions
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HKSCC Participant”	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
“HKSCC Operational Procedures”	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC’s services and the operations and functions of CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC, as from time to time in force
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 1,480,500 Shares initially being offered for subscription in the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%) on the terms and subject to the conditions described in this prospectus, as further described in the section headed “Structure of the Global Offering – The Hong Kong Public Offering” in this prospectus
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering as listed in the section headed “Underwriting – Hong Kong Underwriters” in this prospectus

DEFINITIONS

“Hong Kong Underwriting Agreement”	the underwriting agreement, dated May 29, 2024, relating to the Hong Kong Public Offering, entered into by, among others, our Company, the Sole Sponsor, and the Hong Kong Underwriters, as further described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Underwriting Agreement in this prospectus
“Hongxin Boyuan”	Tianjin Hongxin Boyuan Enterprise Management Consulting Partnership (Limited Partnership)* (天津鴻新博遠企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on September 9, 2015
“ICP License”	the value-added telecommunications business operating license (增值電信業務經營許可證) for internet content provider
“ID”	identification
“Independent Third Party(ies)”	a person or persons, or entity or entities, who/which, as far as our Directors are aware having made all reasonable enquiries, is/are not connected person(s) of our Company
“International Offering”	the conditional placing of the International Offer Shares at the Offer Price outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Offer Shares”	the 13,322,000 Shares being initially offered for subscription and purchased at the Offer Price under the International Offering together, where relevant, with any additional Shares that may be sold and transferred pursuant to any exercise of the Over-allotment Option, subject to reallocation as described under the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering and expected to be entered into by, among others, our Company, the Overall Coordinators and the International Underwriters on or about June 5, 2024, as further described in the section headed “Underwriting – Underwriting Arrangements and Expenses – The International Offering” in this prospectus

DEFINITIONS

“Internet Cultural Operation License”	the internet cultural operation license (網絡文化經營許可證) for operating internet cultural business
“Internet Publishing Service License”	the internet publishing service license (網絡出版服務許可證) for publishing on the internet
“Joint Bookrunners”	BOCI Asia Limited, Guotai Junan Securities (Hong Kong) Limited, BOCOM International Securities Limited, China Everbright Securities (HK) Limited, Citrus Securities Limited, Guosen Securities (HK) Capital Company Limited, ICBC International Securities Limited, Livermore Holdings Limited, Shenwan Hongyuan Securities (H.K.) Limited, SPDB International Capital Limited, Tiger Brokers (HK) Global Limited, Yue Xiu Securities Company Limited and Zhongtai International Securities Limited
“Joint Global Coordinators”	BOCI Asia Limited and Guotai Junan Securities (Hong Kong) Limited
“Joint Lead Managers”	BOCI Asia Limited, Guotai Junan Securities (Hong Kong) Limited, BOCOM International Securities Limited, China Everbright Securities (HK) Limited, Citrus Securities Limited, Guosen Securities (HK) Capital Company Limited, ICBC International Securities Limited, Livermore Holdings Limited, Shenwan Hongyuan Securities (H.K.) Limited, SPDB International Capital Limited, Tiger Brokers (HK) Global Limited, Yue Xiu Securities Company Limited and Zhongtai International Securities Limited
“Latest Practicable Date”	May 21, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	the date, expected to be on or around Friday, June 7, 2024, from which the Shares are listed and dealings in the Shares are permitted to take place on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“low-tier regions”	third-tier cities and below in China

DEFINITIONS

“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company, which shall become effective upon Listing, as amended from time to time, a summary of which is contained in Appendix III to this prospectus
“MIIT”	the Ministry of Industry and Information Technology (中華人民共和國工業和信息化部), and its predecessor was known as the Ministry of Information Industry of the PRC (中華人民共和國信息產業部)
“MOC”	the Ministry of Culture of the PRC (中華人民共和國文化部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Chen”	Chen Jun (陳鈞), our executive Director, chief financial officer and joint company secretary and one of our Shareholders
“Mr. Lu”	Lu Jin (呂晉), one of our Shareholders
“Mr. Wang”	Wang Xi (汪溪), our chairman, executive Director, chief executive officer and one of the Controlling Shareholders
“Mr. Zhao”	Zhao Lei (趙磊), our executive Director, chief operating officer and one of the Shareholders
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國發展和改革委員會)
“NEEQ”	the National Equities Exchange and Quotations Co., Ltd. (全國中小企業股份轉讓系統有限責任公司), a PRC over-the-counter system for trading shares of public companies
“new first-tier cities”	some provincial capital cities and coastal open cities with strong commercial activity and developed economy, such as Changsha, Hefei, Nanjing, etc.
“NPC”	the National People’s Congress of China(中華人民共和國全國人民代表大會)

DEFINITIONS

“Offer Price”	the offer price per Offer Share (exclusive of brokerage of 1.0%, Stock Exchange trading fee of 0.00565%, SFC transaction levy of 0.0027% and AFRC transaction levy of 0.00015%) at which the Offer Shares are to be subscribed pursuant to the Global Offering
“Offer Shares”	Hong Kong Offer Shares and International Offer Shares
“Overall Coordinators”	BOCI Asia Limited and Guotai Junan Securities (Hong Kong) Limited
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters under the International Underwriting Agreement, exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 2,220,000 Shares at the Offer Price, to cover over allocations in the International Offering, if any, as further described in “Structure of the Global Offering” in this prospectus
“PBOC”	the People’s Bank of China (中國人民銀行)
“PRC Legal Advisers”	Global Law Office, the legal advisers of our Company as to PRC laws in connection with the Global Offering
“PRC Legal Advisers relating to Data Compliance”	Global Law Office, the legal advisers of our Company as to PRC data compliance
“Pre-IPO Investment(s)”	the investments made by the Pre-IPO Investors in our Company, details of which are set out in “History, Reorganization and Corporate Structure – The 2023 Subscription and the Pre-IPO Investments” in this prospectus
“Pre-IPO Investor(s)”	the pre-IPO investors of our Company as defined in the section “History, Reorganization and Corporate Structure – The 2023 Subscription and the Pre-IPO Investments” in this prospectus
“Pre-IPO Preferred Share(s)”	convertible and redeemable preferred share(s) of par value US\$0.00001 each in the share capital of our Company
“Price Determination Date”	the date, expected to be on or before Wednesday, June 5, 2024, on which the Offer Price will be determined

DEFINITIONS

“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“R&D”	research and development
“Registered Shareholder(s) of Easou Shenzhen”	Wang PRC SPV, Mr. Wang, Mr. Zhao, Mr. Lu and Mr. Chen, being the registered shareholders of Easou Shenzhen
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganization”	the corporate reorganization of our Group conducted in preparation for the Listing, details of which are set out in the section headed “History, Reorganization and Corporate Structure” in the prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
“SAIC”	the State Administration for Industry & Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SAMR”	the State Administration of Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SCNPC”	the Standing Committee of the National People’s Congress of China
“second-tier cities”	prefecture-level capitals and large and medium-sized cities with relatively high economic level, such as Huizhou, Nanning, Haikou, etc.
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Yinggao”	Shanghai Yinggao Information Technology Co., Ltd.* (上海贏告信息科技有限公司), a limited liability company established in the PRC on April 2, 2014, a wholly-owned subsidiary of Guangzhou Ledian and a Consolidated Affiliated Entity

DEFINITIONS

“Share(s)”	ordinary share(s) with a nominal or par value of US\$0.00001 each in the share capital of our Company
“Share Buy-back Mandate”	the general unconditional mandate granted to our Directors relating to the repurchase of Shares, details of which are set out in the paragraph headed “Statutory and General Information – A. Further Information about our Group – 6. Repurchase by our Company of our securities” in Appendix IV to this prospectus
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on May 17, 2024, the principal terms of which are summarized under the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of Shares
“Shenzhen Chuangtu”	Shenzhen Chuangtu Technology Co., Ltd.* (深圳市創圖科技有限公司), a limited liability company established in the PRC on April 7, 2005, a wholly-owned subsidiary of Easou Shenzhen and a Consolidated Affiliated Entity
“Shenzhen Dahuatong”	Shenzhen Dahuatong Information Technology Co., Ltd.* (深圳市達華通信息技術有限公司), a limited liability company established in the PRC on December 18, 2000, a wholly-owned subsidiary of Easou Shenzhen and a Consolidated Affiliated Entity
“Shenzhen Eayou”	Shenzhen Eayou Network Technology Co., Ltd.* (深圳市宜遊網絡技術有限公司), a limited liability company established in the PRC on August 11, 2006, a wholly-owned subsidiary of Easou Shenzhen and a Consolidated Affiliated Entity
“Shenzhen New Drive”	Shenzhen New Drive Technology Co., Ltd.* (深圳市新動力科技有限公司), a limited liability company established in the PRC on June 22, 2001, a wholly-owned subsidiary of Shanghai Yinggao and a Consolidated Affiliated Entity
“Shenzhen Taite”	Shenzhen Taite Technology Co., Ltd.* (深圳市泰特科技有限公司), a limited liability company established in the PRC on May 17, 2004, a wholly-owned subsidiary of Shenzhen Eayou and a Consolidated Affiliated Entity

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“Shenzhen Yijiujiu”	Shenzhen City Yijiujiu Business Consulting Partnership (Limited Partnership)* (深圳市宜玖玖商務諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on January 20, 2022
“Skymobi”	SKYMOBI LTD., a BVI business company incorporated in the BVI on December 24, 2021 and wholly-owned by Mr. Chen
“SP license”	the value-added telecommunications business operating license for provision of information services (other than internet information services) (增值電信業務經營許可證) (信息服務業務，不含互聯網信息服務)
“SSE STAR Market”	the Shanghai Stock Exchange Science and Technology Innovation Board
“Stabilizing Manager”	BOCI Asia Limited
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the agreement expected to be entered into on or about June 5, 2024 between Growth Value as lender and BOCI Asia Limited as borrower, pursuant to which Growth Value shall, upon request, make available to BOCI Asia Limited up to 2,220,000 Shares to cover, inter alia, over-allocation in the International Offering
“Sole Sponsor”	BOCI Asia Limited
“sq.m.”	square metre(s)
“STA”	the State Taxation Administration of the PRC(中華人民共和國國家稅務總局)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Sunbird International”	Sunbird International Ltd., a BVI business company incorporated in the BVI on December 24, 2021 and wholly-owned by Mr. Lu

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“Sunin Tech”	Sunin Technology Limited (香港閃影科技有限公司), a limited liability company incorporated in Hong Kong on May 3, 2024 and a wholly-owned subsidiary of our Company
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“The Hope Trust”	an irrevocable reserved power trust established by Mr. Wang (as the settlor and protector) and CMB Wing Lung (Trustee) Ltd., an independent trustee (as the trustee), for the benefit of Mr. Wang and his family members
“third-tier cities”	small and medium-sized cities with strategic significance or relatively developed or with large economic aggregates
“Track Record Period”	the years ended December 31, 2021, 2022 and 2023
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “U.S. dollar”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act 1933, as amended, supplemented or otherwise modified from time to time
“VAT”	value-added tax
“VIE”	variable interest entity or variable interest entities
“Wang PRC SPV”	Shenzhen Yijuhui Technology Co., Ltd.* (深圳宜聚匯科技有限責任公司), a limited liability company established in the PRC on April 24, 2022 and wholly-owned by Mr. Wang
“WFOE”	Easou Holdings (Hainan) Co., Ltd.* (宜搜控股(海南)有限公司), a limited liability company established in the PRC on May 6, 2022 and a wholly-owned subsidiary of Easou (HK)

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“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the White Form eIPO Service Provider, www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Zhongzheng Boyuan”	Tianjin Zhongzheng Boyuan Business Consulting Partnership (Limited Partnership)* (天津中正博遠商務諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on August 31, 2015
“Zhongzheng Dinglong”	Tianjin Zhongzheng Dinglong Business Consulting Partnership (Limited Partnership)* (天津中正鼎龍商務諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on August 31, 2015
“Zhongzheng Xinding”	Tianjin Zhongzheng Xinding Business Consulting Partnership (Limited Partnership)* (天津中正新鼎商務諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on September 1, 2015
“%”	per cent

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this prospectus, unless otherwise stated, certain amounts denominated in Renminbi have been translated into Hong Kong dollars or U.S. dollars at an exchange rate of RMB0.9115 = HK\$1.00 or RMB7.1069 = US\$1.00, respectively, for illustration purpose only. Such conversions shall not be construed as representations that amounts in Renminbi were or could have been or could be converted into Hong Kong dollars or U.S. dollars at such rates or any other exchange rates on such date or any other date.

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the names of any of the entities, laws and regulations mentioned in this prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail. The English translations are marked with “” for identification purpose only.*

Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Over-allotment Option.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and as they are used in this prospectus in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions.

“A/B-Test”	a user experience research methodology. A/B-tests consist of a randomized experiment with two variants, A and B. It includes application of statistical hypothesis testing or “two-sample hypothesis testing” as used in the field of statistics. A/B-test is a way to compare two versions of a single variable, typically by testing a subject’s response to variant A against variant B, and determining which of the two variants is more effective
“active users”	a group of users who engage with mobile Apps or webpages within a given period of time (day/week/month)
“AI”	artificial intelligence to describe the ability of a digital computer or computer-controlled robot to perform tasks commonly associated with intelligent beings
“ALS”	alternating least squares, in machine learning, which refers specifically to a collaborative filtering algorithm that applies alternating least squares solutions
“API”	application programming interface, which is a software intermediary that allows two applications to communicate with each other
“App”	an application designed for a mobile device
“Apple”	Apple Inc., an American multinational corporation and technology company that designs, develops, and sells consumer electronics, computer software, and online services
“AR”	augmented reality, an interactive experience that combines the real world and computer-generated content
“ARPPU”	average revenue per paying user, which refers to the average amount of revenue generated from each paying customer
“ATT Policy”	an App tracking transparency feature in the iOS software introduced by Apple in April 2021, which requires explicit permission from iOS device users before tracking them across other apps or cross-selling and other marketing activities among the Apps

GLOSSARY OF TECHNICAL TERMS

“Attention Mechanism”	the input processing techniques for neural networks that allows the network to focus on specific aspects of a complex input
“BERT”	bidirectional encoder representations from transformers, which is a transformer-based machine learning model for natural language processing
“beta testing”	a type of user acceptance testing where the product team gives a nearly finished product to a group of target users to evaluate product performance in the real world
“big data”	a collection of data whose contents cannot be crawled, managed and processed by conventional software tool in a certain period of time
“blockchain”	a type of digital ledger technology that consists of growing list of records, called blocks, that are securely linked together using cryptography
“CCG”	collectible card game, which is a type of card game that mixes strategic deck building elements with features of trading cards
“click-through rate”	the ratio of mobile device users or webpage viewers who click on the advertisement to the number of total mobile device users or webpage viewers who view the advertisement
“collaborative filtering” or “CF”	a mainstream recommendation algorithm which is based on the preferences of groups with similar interests and common experiences to make recommendations of information to users
“convolutional neural network”	a deep learning algorithm which can take in an input image, assign importance (learnable weights and biases) to various aspects/objects in the image and be able to differentiate one from the other
“CP”	content provider
“CPA”	cost per action, which refers to an advertising pricing model where advertising is paid on the basis of certain actions (such as purchase and registration)
“CPC”	cost per click, which refers to an advertising pricing model where advertising is paid on the basis of each click of the advertisement

GLOSSARY OF TECHNICAL TERMS

“CPD”	cost per download, which refers to an advertising pricing model where advertising is paid on the basis of each download
“CPM”	cost per mille, which refers to an advertising pricing model where advertising is paid on the basis of thousand impressions
“CPT”	cost per time, which refers to an advertising pricing model where advertising is paid on the basis of the time displayed
“cryptocurrencies”	any form of currency that exists digitally or virtually and uses cryptography to secure transactions
“DAU”	daily active users, which is a metric used to measure the active users on a daily basis
“deep learning”	a type of machine learning and AI that imitates the way humans gain certain types of knowledge
“demand-side platform” or “DSP”	a type of software that allows an advertising customer to buy advertising with the help of automation
“EB”	exabyte, which is a multiple of a byte, which is the unit of file size for storing digital information
“freeWAP”	a concept relative to the official wireless application protocol of telecom operators. FreeWAP is also known as a free WAP portal because there is no surrogate fee from the operator and users do not have to pay to browse the freeWAP website
“fully connected neural networks”	a type of artificial neural network where the architecture is such that all the nodes, or neurons, in one layer are connected to the neurons in the next layer
“GBDT”	gradient boosted decision trees, an effective machine learning algorithm for solving prediction problems in both classification and regression domain
“H5 Pages”	a mobile website that can be seamlessly integrated into mobile browsers to create interactive marketing campaigns

GLOSSARY OF TECHNICAL TERMS

“hybrid mode recommendation algorithm based on deep learning”	a recommendation algorithm that combines various recommendation algorithms (e.g., combining content-based recommendation algorithm with collaborative filtering recommendation algorithm). Introducing deep learning into hybrid recommendation algorithm can effectively improve the accuracy of recommendation
“hybrid recommendation algorithm based on integrated learning”	a hybrid recommender system is proposed to recommend learning items in users’ learning processes. The proposed method consists of two steps: (i) discovering content-related item sets using item-based collaborative filtering; and (ii) applying the item sets to sequential pattern mining algorithm to filter items according to common learning sequences. The two approaches are combined to recommend potentially useful learning items to guide users in their current learning processes
“IDFA”	identifier for advertising
“IP”	intellectual property
“IP (address)”	the unique address that identifies a device on the internet or a local network
“Item2Vec algorithm”	Item2Vec is one of the item-to-item recommender systems, which is capable of inferring item-item relations even when the user information is not available
“KNN”	k-nearest-neighbor algorithm, which is an approach to data classification that estimates how likely a data point is to be a member of one group or the other depending on what group the data points nearest to it are in
“life cycle”	the entire process of a product from entering the market to being eliminated and exiting the market
“LDA”	latent dirichlet allocation. A generative statistical model that explains a set of observations through unobserved groups, and each group explains why some parts of the data are similar
“LR”	logistic regression. A bottom-up parser for context-free grammar that is very generally used by computer programming language compiler and other associated tools

GLOSSARY OF TECHNICAL TERMS

“machine learning”	a type of AI that allows software applications to become more accurate at predicting outcomes without being explicitly programmed to do so. Machine learning algorithms use historical data as input to predict new output values
“MAU”	<p>monthly active users, which is a metric used to measure the active users on a monthly basis:</p> <p>“MAUs” for a specific mobile app of ours are calculated using the number of unique devices that activate the App at least once during the calendar month in question. If a mobile device accesses two different mobile Apps of ours over the course of a calendar month, it would, under this methodology, be counted as two MAUs, which is common and in line with the industry practice, according to Analysys</p>
“Metaverse”	an immersive, interactive virtual world that is facilitated by the use of VR and AR headsets
“MMO”	massively multiplayer online game, in which a large number of people can play simultaneously
“MMORPG”	massively multiplayer online role-playing game, which is a video game that combines aspects of a role-playing video game and a massively multiplayer online game
“MPU”	<p>monthly paying users who make payments through our Apps or webpages for our services on our platform at least once during the calendar month</p> <p>For online reading platform services, the MPUs are calculated by dividing the total MPUs who make payments through our Apps or webpages for our services for the period by the number of months within that period. For online games publishing services, average MPUs are calculated by dividing the aggregate of the total MPUs of the games for the period by the number of months within the period during which any of the games is in operation</p>
“Nginx”	an open source software for web serving, reverse proxying, caching, load balancing, media streaming, and more. It started out as a web server designed for maximum performance and stability

GLOSSARY OF TECHNICAL TERMS

“NLP”	natural language processing, which is a field of AI in which computers analyze, understand and derive meaning from human language in a smart and useful way. By utilizing NLP, developers can organize and structure knowledge to perform tasks such as automatic summarization, translation, named entity recognition, relationship extraction, sentiment analysis, speech recognition, and topic segmentation
“paying users”	users who make payments for various services on our Apps or webpages. A user who makes payments across different products and services offered on our platform using the same registered account is counted as one paying user
“popularity recommendation algorithm”	a type of recommendation algorithm which works on the principle of popularity and/or anything which is in trend. These algorithms check on the products or services which are in trend or are most popular among the users and directly recommend them
“recommendation algorithm based on content similarity”	a type of recommendation algorithm that recommends items to a user by using the similarity of items. This recommender algorithm recommends products or items based on their description or features. It identifies the similarity between the products based on their descriptions. It also considers the user’s previous purchase history in order to recommend a similar product
“recurrent neural networks”	a type of artificial neural networks that uses sequential data or time series data and allows previous outputs to be used as inputs while having hidden states
“RPG”	role-playing game, which is a genre of video game where the gamer controls a fictional character (or characters) that undertakes a quest in an imaginary world
“SDK”	software development kit, which is a set of software-building tools for a specific platform, including the building blocks, debuggers and, often, a framework or group of code libraries such as a set of routines specific to an operating system
“SLG”	simulated life game, a type of video game which forms a subgenre of simulation video games in which the player lives or controls one or more virtual characters (human or otherwise). Such a game can revolve around “individuals and relationships, or it could be a simulation of an ecosystem”

GLOSSARY OF TECHNICAL TERMS

“SP”	service provider
“supply-side platform” or “SSP”	a software system that allows publishers to offer their available inventory to advertisement exchanges and DSPs
“SVD”	singular value decomposition. A classical method from linear algebra is getting popular in the field of data science and machine learning
“TensorFlow”	an end-to-end open source platform for machine learning
“user retention rate”	the percentage of people who continue to use the product or service over a given period of time (such as week, month, quarter, or annual)
“VR”	virtual reality, a simulated experience that employs pose tracking and 3D near-eye displays to give the user an immersive feel of a virtual world
“We-media”	the dissemination method in which the general public publishes their own facts and news through the Internet and other channels. In a narrow sense, it refers to a media that creates content with a single individual as the main body of news production and has an independent user account
“2B”	to business
“2C”	to customer

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “anticipate”, “believe”, “could”, “estimate”, “expect”, “forecast”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would”, “wish” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Company’s management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These forward-looking statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results could be materially different from our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in “Risk Factors”, “Business”, “Financial Information” and other sections in this prospectus. You should read thoroughly this prospectus with the understanding that our actual future results may be materially different from and worse than what we expect.

You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company that could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business strategies, plans, objectives and goals and our ability to implement such strategies, plans, objectives and goals;
- our future business development, financial conditions and results of operations;
- our ability to develop new services and bring them to market in a timely manner and make enhancements to our existing services;
- our ability to acquire new users/customers and enhance their loyalty;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- the future developments and competitive environment in our industry;
- our ability to stay in compliance with laws and regulations that currently apply or become applicable to our business both in China and internationally;
- our ability to maintain, protect, and enhance our intellectual property;
- margins, overall market trends, risk management and exchange rates;
- the actions and developments of our competitors;
- capital market development;

FORWARD-LOOKING STATEMENTS

- other statements in this prospectus that are not historical fact; and
- all other risks and uncertainties described in the section headed “Risk Factors” in this prospectus.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no responsibility to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of any subsequent unanticipated event. Statements of or references to our intentions or those of any of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

All forward-looking statements in this prospectus are expressly qualified by reference to this cautionary statement.

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An investment in our Shares involves a high degree of risk. You should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with the investment in our Shares. You should pay particular attention to the fact that we conduct our operations in China, the legal and regulatory environment of which in some respects may differ from that in Hong Kong and other jurisdictions. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of our Shares, and could cause you to lose all or part of your investment.

We believe that there are certain risks involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to our Contractual Arrangements; (iii) risks relating to doing business in China; and (iv) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

If our Easou Recommendation Engine fails to properly analyze and predict the users' behavior and preferences or to keep up with the technological changes, our business, results of operations, financial condition and prospects may be materially and adversely affected.

Our business primarily depends on our technical ability to precisely and accurately recommend suitable digital content to users. We have successfully applied our Easou Recommendation Engine to the following four application scenarios: online reading, digital marketing, online games publishing and other digital content. The user experience largely depends on the technical advancement of our Easou Recommendation Engine and the breadth and depth of the specific application scenarios. Our Easou Recommendation Engine study the characteristics of data and the behaviors of users in specific scenarios, predict their demands for digital content therein, and recommend suitable digital content that may be of interest to them. However, we cannot assure you that our Easou Recommendation Engine can remain advanced as compared to those employed by our competitors, nor we can assure you that we can apply our Easou Recommendation Engine effectively to each application scenario. We may not be able to precisely and accurately analyze users' preferences and predict their appetite towards digital content, and thus, we may not be able to provide tailored products and services to meet their needs.

Our future success also depends on our ability to improve the technologies underlying our Easou Recommendation Engine and provide precise and accurate recommendation services on a continuing basis. If we fail to adapt our services to technological changes in an effective and timely manner, or if we adopt new technologies that turn out to be less proven than we expect, or if our Easou Recommendation Engine or existing business model cannot fit in new application scenarios, we may suffer from decreased user traffic, which may result in a decrease of revenue from our application scenarios. In addition, enhancing the existing technologies and incorporating new technologies into our products and services may involve numerous technical challenges, substantial requirements of capital and personnel resources and significant time, and we may not be able to meet these challenges effectively due to various factors, some of which are beyond our control. We may not be able to effectively develop new technologies or improve existing technologies, which may decrease user satisfaction. Moreover, new technologies may not succeed

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or integrate well with our existing products and services. Even if integrated, these technologies may not function as expected or may not help us retain existing users, grow user base or enhance user engagement.

We apply our Easou Recommendation Engine to our various business lines, which involve separate and independent industries, and the developments in those industries could subject our business to risks, which makes it difficult to evaluate our business and prospects.

We have successfully applied our Easou Recommendation Engine to the following four business lines: online reading platform services, digital marketing services, online games publishing services and other digital content services. These business lines belong to separate and independent industries, such as online literature industry, digital marketing industry and online games industry. Therefore, our business operation is subject to the changes and developments in these industries, which may fluctuate drastically from time to time. For example, as one of our application scenarios, our online reading platform services are subject to the overall development of China's internet business industry and online literature industry. According to Analysys, the online literature market in China has grown from RMB25.5 billion in 2018 to RMB56.7 billion in 2023, representing a CAGR of 17.4%, and is expected to further increase to RMB76.1 billion in 2027, representing a CAGR of 6.9% from 2024 to 2027. In addition, digital marketing and online games are our other important application scenarios. China's digital marketing industry and online games industry both realized growth with a CAGR of 8.1% and 10.6%, respectively, in the past five years. However, the growth in each of our business lines may not be sustainable in the future and is subject to various factors that are uncertain and beyond our control, including the general economic conditions, the fluctuation or downturn in the overall development of the industries that we operate in and uncertainties of the relevant laws, rules and regulations. As a result, our business, financial condition and results of operations may be materially and adversely affected. For details, please see "Industry Overview" in this prospectus.

We do not produce proprietary digital content and the content we recommend to our users and customers was primarily sourced from third-party content providers of online literature, online games and other digital content.

As we are a third-party intelligent recommendation platform, we do not produce any proprietary digital content. We typically rely on third-party content providers to provide digital content and then distribute their digital content through our platform. Such third-party content providers primarily include literature content providers and game content providers. However, there can be no assurance that our cooperation agreements with third-party content providers will be extended or renewed after their respective expiration or that we will be able to extend or renew such agreements on terms and conditions favorable to us. In terms of access to digital content, we may face delays in launching new digital content as we are selective in choosing the suitable content offerings from third-party content providers. We may not be able to timely access high-quality or comprehensive digital content, or at all. In addition, if any of our third-party content providers breaches its obligations under any of these agreements, we may lose a portion of the user base we have developed and maintained. In the event that this occurs, our business growth and prospects may be materially and adversely affected.

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Our online reading platform services accounted for a significant portion of our revenue during the Track Record Period. If we fail to retain our user or if user engagement ceases to grow or declines, which may materially and adversely affect our business, financial condition, results of operations and prospects.

With respect to our online reading platform services business, we offer literary content to our users under reading with advertising and reading with paid services primarily through our Easou Reading App Series. Under reading with advertising, we obtain advertising revenue from advertising customers while users watch or click digital advertisements during their reading. Under reading with paid services, we charge users by “pay-per-chapter” or “monthly/quarterly/yearly membership subscription package” of our premium membership. During the Track Record Period, a significant portion of our revenue was generated from online reading platform services. For the years ended December 31, 2021, 2022 and 2023, the revenue generated from our online reading platform services amounted to RMB218.1 million, RMB244.7 million and RMB248.9 million, respectively, which accounted for approximately 50.4%, 53.6% and 44.5% of our total revenue, respectively. For the years ended December 31, 2021, 2022 and 2023, we had average MAU on our Easou Reading App Series of 23.9 million, 25.6 million and 26.0 million, respectively.

We believe online reading platform services will continue to be an important revenue stream of us in the future. The success of our business depends largely on our ability to generate sufficient user traffic, retain existing users and attract new users. In order to do so, we must launch products and services that meet users’ reading habits, update and enrich literary resources in a timely manner, continuously recommend literary content to users that meet their evolving preferences, provide reasonable pricing for paid reading resources, hold promotional activities and maintain good interaction with the users. If we fail to satisfy the evolving needs and preferences of our users, or if we fail to provide satisfactory user experience, our users may find our services not attractive and may reduce their spending or time associated with using on our platform, which may lead to a reduction of user traffic and our user base. The failure to retain existing users or attract new users could materially and adversely affect our business, financial condition, results of operations and prospects.

We generate a significant portion of our revenue from digital marketing services. If we fail to attract new advertising customers, retain existing advertising customers, or maintain their demand for our services, our business, results of operations and financial condition may be materially and adversely affected.

Our advertising customers mainly comprise advertisers and third-party advertising agencies. We generated a significant portion of our revenue from digital marketing services during the Track Record Period. For the years ended December 31, 2021, 2022 and 2023, revenue generated from our digital marketing services amounted to RMB201.6 million, RMB200.7 million and RMB288.8 million, respectively, which accounted for approximately 46.5%, 44.0% and 51.7% of our total revenue, respectively. Our ability to grow the digital marketing services depends on a number of factors, including application of new technologies, combination of digital content resources, maintenance and enhancement of our brand, engagement and loyalty of our customers, market competition on advertising prices and changes in the regulatory environment. We cannot assure you that we will be able to retain existing customers or attract new ones. There is also uncertainty

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about the demand of digital marketing services from advertising customers. If we fail to retain and enhance our relationships with our advertising customers, our business, financial condition, results of operations and prospects may be adversely affected.

Advertisements shown on our platform may subject us to penalties and other administrative actions.

Under the relevant PRC advertising laws and regulations, we are obligated to monitor the advertising content shown on our platform to ensure that such content is true and accurate and in compliance with applicable laws and regulations. In addition, where a special government review is required for specific types of advertisements prior to internet posting, such as advertisements relating to pharmaceuticals, medical instruments, agrochemicals and veterinary pharmaceuticals, we are obligated to confirm that such review has been performed and approval has been obtained. Violations of these laws and regulations may subject us to penalties, including imposition of fines, confiscation of our advertising income, orders to cease dissemination of the advertisements and orders to publish an announcement correcting the misleading information. In circumstances involving serious violations by us, PRC governmental authorities may force us to terminate our advertising operations or revoke our licenses.

We cannot assure you that all the content contained in the advertisements shown on our platform will be in compliance with the relevant advertising laws and regulations at all times. Please see “Regulatory Overview – Regulations Relating to Digital Marketing” in this prospectus for further details. If we are found to be in violation of applicable PRC advertising laws and regulations, we may be subject to penalties and our reputation may be harmed, which may have an adverse effect on our business, financial condition, results of operations and prospects.

We temporarily suspended our online games publishing services beginning in June 2020 and resumed such services in December 2021. If we fail to promote new games with good market reception or efficiently and effectively operate our existing games, we may not be able to maintain or grow our revenue generated from online game publishing, and our business, financial condition and results of operations may be materially and adversely affected.

During the Track Record Period, we derived in the aggregate 86.3%, 92.9% and 76.0% of our revenue in the online games publishing services business from a small number of landmark games, including Age of Empires (帝王世紀), War and Soldiers (我的坦克我的團), Civilization (文明) and The Legend of Ninja(忍者傳奇) in 2021, 2022 and 2023, respectively. To further optimize our business structure and streamline our operations, we strategically suspended our online games publishing services on a temporary basis in June 2020 and only retained the publishing of Age of Empires (帝王世紀) through a few channels. We subsequently began to resume our online games publishing services in December 2021 after we completed the optimization and determined that it was beneficial to do so. Please see “Business – Our Business Model – Online Games Publishing Services” in this prospectus for further details.

We experienced fluctuation in the number of game team staff and made certain adjustments in team functions during the Track Record Period. Currently, we primarily rely on our existing technologies and know-hows to resume our operation in online games publishing services, recruit and retain talents to meet our demand in the development of our online games publishing services

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in a cost-effective manner. We cannot assure you that we could keep up with the latest industry trends and technologies or we could recruit and retain sufficient talents. If we fail to do so given the rapid changes in China's online games industry, our growth and prospects may be materially and adversely affected.

In addition, we expect that we will continue to focus on searching and testing SLGs and female-oriented games based on our internal standards and criteria on online game selection, and anticipate that the future landmark games will be able to contribute revenue to our online games publishing services business. However, we cannot assure you that these games will continue to attract and retain a sufficient number of users, as our users may lose interest in these games if their interests and preferences change over time or if they become attracted to newer games genres.

Our growth also depends on our ability to continuously launch new games that attract and retain a significant number of users, which in turn depends on our ability to (i) test new games in a timely manner and evaluate new games thoroughly based on our internal criteria; (ii) anticipate and respond to the changes in users' interests and preferences; (iii) source, sustain and expand the games that appeal to our users; (iv) effectively market new games and enhancements to our existing and prospective users; and (v) minimize launch delays and cost overruns on new games and enhancements. In addition, there are some factors affecting the introduction and operation of new games that we believe are beyond our control, including, among others, (i) any failure by game content providers to upgrade, enhance or optimize the features of these games in a timely manner or at all; (ii) any lasting or prolonged server interruption due to technical failures or other reasons; and (iii) any other unfavorable changes made to these games, after we have selected and published them.

Moreover, the policies with respect to China's online games industry change from time to time. For example, China started to tighten its international standard book number ("ISBN") policy for game developers in July 2021 and did not release any ISBN for new games until April 2022. Our game content providers were still in the process of applying for ISBN review for the new games that we plan to launch in China's domestic market as of the Latest Practicable Date. In addition, on December 22, 2023, the National Press and Publication Administration of the PRC issued the Draft Online Games Measures to solicit public opinions. If the Draft Online Games Measures are adopted in the current form, we may be required to obtain relevant licenses to conduct certain of our online games business in China's domestic market, which may limit the operating scope and development of our online game businesses before we obtain such licenses.

Our failure to keep up with online games industry regulatory dynamics could materially and adversely affect our business, financial condition and results of operations.

If we fail to anticipate user/customer preferences and provide attractive services, or if we fail to keep up with rapid changes in user behavior or customer requirements, we may not be able to retain existing users, attract sufficient user traffic or enhance user/customer engagement.

Our ability to retain, grow and engage our users and customers depends heavily on our ability to provide satisfactory user and customer experience in each application scenario. Due to the changing users' tastes and preferences in each application scenario and the evolving industry

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standards, we must predict and cater to the needs of our users and customers, provide precise and accurate recommendation services and attractive digital content, introduce successful new services and develop user-/customer-friendly platform features and functions. For example, according to Analysys, the growth of reading with advertising in terms of user scale is more rapid than that of reading with paid services with broad user acceptance in China's online literature market, and we are exposed to the ongoing free-to-read industry trends that are highly competitive, where failure to manage sustainable monetization model or maintain or expand the user base with preference for reading with advertising could adversely affect our business, results of operations and financial condition. We cannot assure you that we will be able to anticipate the changes in user or customer preferences, and respond to such changes in a timely and effective manner. If we are unable to provide satisfactory user or customer experience, we may not be able to expand our user or customer base, and user or customer engagement in our products and services, as the case may be, may decline, which could materially and adversely affect our business and growth prospects.

The acquisition and engagement of our users and customers may fluctuate depending on a number of factors, some of which are beyond our control, such as the competition for internet users' time and attention from live streaming and short video, business changes in our channel partners and the macroeconomic environment in China. We experienced an increase in the size of our active user base since the COVID-19 pandemic and we have benefited from the growth of the per capita consumption expenditure of Chinese residents on education, culture and entertainment. However, offline entertainment activities have gradually resumed after the COVID-19 pandemic. If the customers with online entertainment habits switch to offline, we may experience a decrease in customers' demand for our products and services. We may not be able to maintain the growth of our user or customer base, or continue to focus on user or customer acquisition or engagement in the long term. Even if we could manage to grow our user or customer base and increase the level of user/customer engagement, we may incur additional costs, such as licensing fees and royalties for paid content to further expand our content library to meet the growing and diversified demands of our users/ customers. If such expansion is not properly managed or if we are unable to generate sufficient revenue to outpace the increase in costs, we may incur more losses and our business, financial condition and results of operations may be materially and adversely affected.

We operate in highly competitive industries. If we are unable to compete effectively against other industry players, our user and customer bases, market share and profitability may be materially and adversely affected.

We face competition in every aspect of our business and in each industry involving our various application scenarios, including the availability of digital content on our platform, the ability to identify and satisfy user or customer preferences, the availability of and ability to access the digital content resources from different channels, the ability to keep up with the changes in industry competitive landscape, and the effectiveness of evolving marketing methods, such as live and short-video marketing, among other things. Please see the section headed "Business – Competition" in this prospectus.

Some of our competitors may have greater financial, R&D and other resources than us. They may use their resources in ways that could affect our competitive position, including providing new services, continuing to invest heavily in R&D and in talent, making acquisitions, and the acquisition of user traffic and digital content. We also cannot assure you that our current or

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potential competitors will not market services comparable or superior to those we provide or adapt more quickly to the evolving industry trends or changing regulatory requirements. We may also need to increase spending on marketing, advertising and new service innovations to maintain or increase our existing market share, and incur additional R&D expenses, which could place pressure on our gross profit margin and affect our profitability. For the years ended December 31, 2021, 2022 and 2023, our selling and distribution expenses amounted to RMB99.3 million, RMB133.6 million and RMB153.7 million, respectively, which accounted for approximately 22.9%, 29.3% and 27.5% of our total revenue, respectively. For the same years, our R&D expenses amounted to RMB51.0 million, RMB38.7 million and RMB37.6 million, respectively, which accounted for approximately 11.8%, 8.5% and 6.7% of our total revenue, respectively. We cannot guarantee that our sales and marketing and R&D efforts will be sufficient to compete with our competitors.

In addition, any of our current or future competitors may be acquired by, receive investments from or enter into other strategic or commercial relationships with larger, more established industry players and/or financial institutions and therefore, obtain significantly greater financial, marketing and development resources than we do. If any of our competitors achieves greater market acceptance than we do or is able to offer more attractive or comparable contents or services at lower costs, our user and customer bases and market share may decrease, which may have a material adverse effect on our business, financial condition and results of operations.

If our expansions into new businesses and monetization strategies are not successful, our future results of operation and growth prospects may be materially and adversely affected.

As part of our growth and monetization strategies, we may expand our existing businesses to more markets and apply our Easou Recommendation Engine to more application scenarios, and enter into new businesses or industries through organic business initiatives or investments and/or acquisitions.

Expansions into new businesses may present operating, marketing and compliance challenges that differ from those that we currently encounter in the course of our operations. These challenges include, but are not limited to, (i) the failure of our Easou Recommendation Engine to effectively collect and analyze the data in the new industry due to a lack of proven AI-based recommendation technology; (ii) the low digitalization of the new industry, which prevents us from capturing sufficient data for our Easou Recommendation Engine to perform the analysis; and (iii) the substantial amount of data in the new industry could require a significant increase in our capital expenditures to effectively implement the application of our Easou Recommendation Engine in the new industry.

We may enter into other markets and industries that are new to us through organic business initiatives or investments and acquisitions. However, we cannot assure you that such efforts will be successful. For these new markets and industries, we may not have sufficient experience and may not be able to navigate the rapidly evolving regulatory environment, forecast and meet the continually changing user/customer demands and preferences for products and services, adopt new technologies, recruit qualified talents and effectively manage our operating cost. Some of these new markets and industries are emerging with relatively novel and untested business models. Any of the foregoing could pose significant challenges to us. We may not realize the anticipated benefits of our investments or acquisitions, due to (i) the uncertainties related to the performance

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and valuation of the relevant targets; (ii) failure to integrate the acquired businesses into our Group; or (iii) the difficulty in operating the acquired businesses with our existing expertise and resources. See also “– If we are not able to properly manage our overseas expansion, our business, results of operations, financial condition and prospects may be materially and adversely affected” in this section.

It is uncertain whether our strategies will attract new users and customers or generate sufficient revenue required to succeed. If we fail to generate sufficient usage of our new services, our revenue may not grow in line with the significant resources we invest in these new businesses. This may negatively impact our gross profit margin and operating income. Commercial success of our expansion into new business domains depends on many factors, including technological innovativeness, overall competitiveness, effectiveness of distribution and marketing, and pricing and investment strategies. Accordingly, we may not be able to achieve significant revenue contribution from the new businesses we developed or acquired/invested in for several years, or at all, and we may incur significant losses during the process and fail to recoup our investments. If the markets of our new businesses do not develop and grow as we anticipate, we may incur significant losses from new businesses and our business, results of operations and growth prospects may be materially and adversely impacted.

The profitability of our online games publishing services depends largely on the life cycles of the games and we cannot assure you the length of time a game would be active at each life cycle stage and that it will continue to enjoy revenue-generating capability during each stage.

Our online games generally experience several stages in their life cycles, including (i) the growth stage, during which we build up user base and achieve market coverage; (ii) the maturity stage, during which the revenue tends to be continuously and steadily generated by the games and the number of game users generally remains stable during this stage; and (iii) the recession stage, during which the number of game users and revenue generated by the games may decline. Our games may rely on either the growth stage or the maturity stage for generating a significant portion of revenue. We cannot predict how long a game would stay at each life cycle stage and whether a game with a shorter maturity stage may generate less revenue than a game with a longer maturity stage. Therefore, the life cycle stages vary from game to game and may not be indicative of a game’s rate of growth and revenue-generating which may cause uncertainties on our profitability and results of operations.

The PRC government has taken steps to limit online game playing time for all minors and to monitor the content and operation of online games. Such restrictions on online games may materially and adversely impact our business and results of operations.

Minors (youth under the age of 18) in China are prohibited from playing games exceeding a certain period of time per day or putting money into their accounts exceeding a certain amount and are required to complete real name registration before they log in their game accounts. On August 30, 2021, National Press and Publication Administration released Notice on Further Strict Management and Practically Preventing Minors from Indulging in Online Games (《國家新聞出版署關於進一步嚴格管理切實防止未成年人沉迷網絡遊戲的通知》), which imposed restrictions over the provision of online gaming services to minors, aiming at curbing excessive indulgence in online game and protecting minors’ mental and physical health. For a detailed description of these

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regulations, see “Regulatory Overview – Regulations Relating to Online Games – Anti-addiction System and Protection of Minors” in this prospectus. Further restrictions on the content and operation of online games could negatively affect our business operations and financial performance, as online game operators are required to explore the manners to be used to notify users of different ages about the online games based on various criteria, such as the game content and the amount of money anticipated to be charged for playing the games, on the game’s download, registration and log-in pages in a prominent way.

If we are not able to properly manage our overseas expansion, our business, results of operations, financial condition and prospects may be materially and adversely affected.

We intend to further expand our online games publishing services to international markets, including Europe, the United States, Japan and Korea. We also plan to expand our online reading platform services overseas and are actively searching for suitable markets. Our business expansion may subject us to the dynamic and complex challenges of conducting business in an environment involving multiple languages, cultures, customs, legal systems, alternative dispute resolution systems and commercial infrastructures. A number of risks could adversely affect our operations and expansion in international markets, including:

- our limited prior experience in international business operation;
- increased and sometimes conflicting regulatory compliance requirements;
- increased costs to protect intellectual property rights and enforce data security;
- inability to cope with protectionist laws and business practices that favor local businesses in some countries;
- inability to recruit and retain talented and capable management and employees with the experience and insight necessary for global operation;
- inability to cope with challenges caused by distance, language and cultural differences;
- inability to localize and customize our services and other offerings to cater for the preferences of overseas users;
- inability to implement alternative payment methods for virtual items in a manner that complies with local laws and practices and protects us from payment fraud;
- currency exchange rate fluctuations;
- inability to build and maintain strong relationships with local partners; and
- political, economic and social instability.

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If we are unable to effectively manage the risks and costs associated with our overseas expansion in our online games publishing services and our online reading platform services, our growth and prospects may be materially and adversely affected.

Privacy and cybersecurity concerns relating to our use of user information, or any actual or perceived failure by us or third parties to comply with applicable data protection laws and regulations or privacy policies, could negatively impact our reputation, subject us to governmental or legal obligations and substantially harm our business.

We collect, store and process certain personal data of our users in order to provide services and better understand them and their needs, which subject us to cybersecurity and data privacy laws in China and other applicable jurisdictions, including without limitation the Constitution of the PRC (《中華人民共和國憲法》), the Criminal Law of the PRC (《中華人民共和國刑法》), the Civil Code of the PRC (《中華人民共和國民法典》), the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the “PRC Cybersecurity Law”), the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the “PRC Data Security Law”), and the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the “PRC Personal Information Protection Law”), pursuant to which we are required to ensure the security and stability of the services provided via network and protect individual privacy and the security of personal data. The personal data of our users include, among others, their identification numbers on our platform, and certain of their billing information, such as their payment amounts.

Concerns about the collection, use, disclosure or security of personal information or other privacy-related matters, even for those without merit, could damage our reputation, cause us to lose users and adversely affect our business and results of operations. We are required by privacy and data protection laws in China, including, without limitation, the PRC Cybersecurity Law, to ensure the confidentiality, integrity and availability of the information of our users, customers and third-party content providers, which is also essential to maintaining their confidence in our services.

In November 2016, the SCNPC promulgated the PRC Cybersecurity Law, which provides that network operators must meet their cybersecurity obligations and must take technical measures and other necessary measures to protect the safety and stability of their networks. Pursuant to the PRC Cybersecurity Law, network operators must not, without users’ consent, collect their personal information, and may only collect such personal information necessary to provide their services. Providers are also obliged to provide security maintenance for their products and services and shall comply with provisions regarding the protection of personal information as stipulated under the relevant laws and regulations. The data we obtain and use may include information that is deemed as “personal information” under the PRC Cybersecurity Law and related data privacy and protection laws and regulations. See “Regulatory Overview – Regulations Relating to Cybersecurity, Data Security and Personal Information Protection” in this prospectus.

On June 10, 2021, the SCNPC promulgated the PRC Data Security Law, which became effective on September 1, 2021. The PRC Data Security Law imposes data security and privacy obligations on entities and individuals carrying out data activities, and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public

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interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. The PRC Data Security Law provides for a data security review procedure for the data processing activities that affect or may affect national security. It also imposes data security obligations on persons and entities conducting data processing activities and requires data processors to take necessary measures to protect data security. On July 6, 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly promulgated the Opinions on Strictly Combatting Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), which called for a heightened scrutiny over overseas-listed China-based companies of their compliance with the laws and regulations regarding data security, cross-border data flow and management of confidential information, and such laws and regulations are expected to undergo further changes, which may require increased information security responsibilities and stronger cross-border information management mechanism and process.

On August 20, 2021, the SCNPC promulgated the PRC Personal Information Protection Law, which came into effect in November 1, 2021. In addition to other rules and principles of personal information processing, the PRC Personal Information Protection Law specifically provides rules for processing sensitive personal information. The PRC Personal Information Protection Law requires, among others, that (i) the processing of personal information shall have a clear and reasonable purpose, which shall be directly related to the processing purpose in a method that has the least impact on personal rights and interests; (ii) where a personal information processor provides other personal information processors with the relevant personal information, it shall inform the individual of the name and contact information of the recipient, the purpose and method of handling and the type of personal information, and shall obtain the individual's separate consent; and (iii) the personal information processor shall regularly conduct compliance and security audits on its processing of personal information in accordance with applicable laws and administrative regulations. Different types of personal information and personal information processing will be subject to various rules on consent, transfer and security. Entities processing personal information bear responsibilities for their activities of processing personal information, and shall adopt necessary measures to safeguard the security of the personal information that they process. Otherwise, the entities processing personal information could be ordered to correct, or suspend or terminate the provision of services, and face confiscation of illegal income or be subject to fines or other penalties. Although the PRC Personal Information Protection Law raises the protection requirements for processing personal information, many specific requirements of this law remain to be clarified by the CAC, other regulatory authorities, and courts in practice. We may be required to make further adjustments to our business practices to comply with the personal information protection laws and regulations.

Furthermore, the PRC government authorities have taken steps to limit the method and manner that the internet companies may apply when using the algorithms. For instance, the CAC, together with eight other government authorities, jointly issued the Guidelines on Strengthening the Comprehensive Regulation of Algorithms for Internet Information Services (《關於加強互聯網信息服務算法綜合治理的指導意見》) on September 17, 2021, which provide that daily monitoring of data use, application scenarios, and effects of algorithms must be carried out by the relevant regulators, and relevant regulators should conduct security assessments of algorithms. The guidelines also provide that an algorithm filing system should be established, and classified security management of algorithms should be promoted. In addition, on December 31, 2021, the

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CAC, the MIIT, the Ministry of Public Security, and the SAMR promulgated the Administrative Provisions on Internet Information Service Algorithm-Based Recommendation (《互聯網信息服務算法推薦管理規定》), which became effective on March 1, 2022. The Administrative Provisions on Internet Information Service Algorithm-Based Recommendation stipulates that algorithm-based recommendation service providers should inform users of their provision of algorithm-based recommendation services in a conspicuous manner, and publicize the basic principles, purpose intentions, and main operating mechanisms of algorithm-based recommendation services in an appropriate manner, and shall provide users with the function of selecting or deleting user tags based on their personal characteristics used for algorithm recommendation services. Regulatory requirements and enforcement regarding the Administrative Provisions on Internet Information Service Algorithm-Based Recommendation are constantly evolving, and the levels of practice in industrial implementation are not same. We will continue to take necessary measures and will closely monitor the regulatory development and adjust our business operations from time to time to comply with the regulations over algorithm-based recommendation. Further amendment or tightening of the algorithm-based recommendation rules may adversely affect our ability to grow our online content recommendation services business.

On November 14, 2021, the CAC published the Regulations on Network Data Security Management (Draft for Comment) (《網絡數據安全管理條例(徵求意見稿)》 (the “Draft Data Security Regulations”), which stipulate that data processors shall engage professional data security audit institutions to conduct regular compliance audits of whether their processing of personal information is in compliance with applicable laws and administrative regulations. They also reiterate that a data processor who processes personal information of more than one million individuals must submit the application of cybersecurity review if it intends to be listed in a foreign country, and further stipulate that a data processor shall also apply for the cybersecurity review if its intended listing in Hong Kong affects or may affect national security. Its enactment timetable, final content, interpretation and implementation, especially the detailed interpretation of the standard for determining whether a listing in Hong Kong “affects or may affect national security” are to be issued. We cannot predict the impact of the Draft Data Security Regulations will have, if any, at this stage, and we will closely monitor and follow any development in the promulgation process. We cannot ascertain when the final measures will be issued and take effect, how they will be enacted, interpreted, or implemented, and whether and how they will affect us. If we are not able to comply with the cybersecurity and data privacy requirements in a timely manner, or at all, we may be subject to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations, or removal of our Apps from the relevant application stores, among other penalties, which could materially and adversely affect our business and results of operations. The introduction of new services or other actions that we may take may also subject us to additional laws, regulations, or other government scrutiny. Complying with new laws and regulations could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

On June 27, 2022, the CAC promulgated the Administrative Provisions on the Account Information of Internet Users (《互聯網用戶帳號信息管理規定》), which became effective on August 1, 2022. The obligations of internet-based information service providers include, but not limited to, (i) authenticate the identity information of the users who apply for registration of relevant account and verify the account information submitted by users upon registration; (ii) equip themselves with professional and technical capabilities appropriate to the scale of services; and (iii) internet-based information service providers shall display the home location information of the Internet protocol

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(IP) addresses of internet users' accounts within a reasonable scope on the information page of internet users' accounts so as to facilitate supervision by the public for public interests. In addition, many laws and regulations regarding App-specific compliance requirements are issued in recent years. See "Regulatory Overview — Regulations Relating to Cybersecurity, Data Security and Personal Information Protection — App Provisions" in this prospectus.

Regulatory requirements regarding the protection of data are constantly evolving and can be subject to significant changes of interpretations, making the extent of our responsibilities in that regard subject to corresponding adjustments. Despite our efforts to comply with applicable laws, regulations and other obligations relating to privacy, data protection and information security, it is possible that our practices or platform could fail to meet all of the requirements imposed on us by such laws, regulations or obligations. In addition, the interpretation and application of the aforementioned laws and regulations are evolving. Our practice may become inconsistent with these laws and regulations.

We had not been subject to any investigation, inquiry, notice, warning or sanction in relation to cybersecurity or data privacy or cybersecurity review from the CAC, the CSRC or any other relevant government authority during the Track Record Period and up to the Latest Practicable Date. However, any failure on our part to comply with applicable laws or regulations or any other obligations relating to privacy, data protection or information security, or any compromise of security that results in unauthorized access, collection, transfer, use or release of personally identifiable information or other data, or the perception or allegation that any of the foregoing types of failure or compromise has occurred, could damage our reputation, discourage new and existing users from using our platform or result in investigations, fines, suspension of one or more of our Apps, or other penalties by government authorities and private claims or litigation, any of which could materially adversely affect our business, financial condition and results of operations.

Our platform and internal systems depend on the ability of software and hardware developed and maintained internally and/or by third parties to store, retrieve, process and manage immense amounts of data, including personal information or other privacy-related matters. The software and hardware on which we rely may now or in the future contain, undetected programming errors, bugs, or vulnerabilities which may result in errors or compromise our ability to protect the data of our users and in turn adversely affect our business, financial condition and operation results. Any systems failure or compromise of security that results in the unauthorized access to or release of the data of our users could significantly limit the adoption of our services, as well as harm our reputation and brand, result in litigation against us, liquidation and other damages, regulatory investigations and penalties, and we could be subject to material liability. Additionally, we connect our platform with software development kit provided by third parties who may also process users' data. The integrity of our user data also depends on their ability to secure and protect the data they process. The risk that these types of events could seriously harm our business is likely to increase as we expand the scope of services we offer and as we increase the size of our user base.

While we take measures to comply with all applicable data privacy and protection laws and regulations, such as establishing internal policies and responsible team regarding personal data protection, and arranging data security system safeguards and technical protection measures, we cannot guarantee the effectiveness of the measures undertaken by us and our business partners. The activities of third parties, such as our users, customers, content providers, and other business

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partners are beyond our control. Any failure or perceived failure to comply with all applicable data privacy and protection laws and regulations, or any failure or perceived failure of our business partners to do so, or any failure or perceived failure of our employees to comply with our internal control measures, may result in negative publicity and legal proceedings or regulatory actions against us, and could damage our reputation, discourage current and potential users, customers, content providers and other business partners from using our services or collaborating with us and subject us to claims, fines, and damages, which could have a material adverse effect on our business and results of operations. We cannot assure you that we will comply with all applicable data privacy and protection laws and regulations in all respects and regulatory authorities may order us to rectify or terminate our current practice of processing personal information. We may also become subject to fines and/or other penalties which may have a material adverse effect on our business, operations and financial condition.

Furthermore, restrictions on our ability or the ability of the third-party channels to legally collect, process and allow access to data, or interruptions, failures or defects in their data collection systems, as the case may be, as well as privacy concerns, could limit our ability to access and analyze such data in connection with our business and operations, which could in turn adversely affect the demand for or effectiveness and value of our services. In addition, there is no assurance that the government will not adopt more stringent legislation that prohibits or limits the collection and use of certain data on the internet, or that third parties will not bring lawsuits against us or our media channels relating to internet privacy and data protection, which would in turn affect our business cooperation with them. Due to the recent development of the laws and regulations on data protection and privacy, industry players may be subject to more stringent requirements on data sharing with third-parties, which may in turn limit our ability to conduct business involving data collected by our business partners. If any of the above happens, we may be unable to provide effective services, lose users or customers, and our business, financial condition and results of operations could be adversely affected. Lawsuits or administrative inquiries may also be costly and divert management resources, and the outcome of such lawsuits or inquiries may be beyond our control and may adversely affect our business, reputation and prospects.

In April 2021, Apple introduced the ATT Policy, which is a new App tracking transparency feature in its iOS software, which requires explicit permission from iOS device users before tracking them across other Apps for cross-selling and other marketing activities among the Apps. This policy affects how users using iOS devices receive targeted digital marketing content, as users may reject providing IDFA to us and/or our third-party media platforms. This may lead to less accuracy and more difficulties in the measurement of targeted online marketing, together with a higher cost in driving outcomes from marketing campaigns. Following the introduction of the ATT Policy, many of advertising service providers engaging in digital marketing had experienced the negative impact of the ATT Policy on their online marketing activities in the short-term, according to Analysys. For more details, see “Business – Data Protection and Cybersecurity – The Implication of App Tracking Transparency” in this prospectus. We cannot guarantee whether the ATT Policy or similar policies (such as similar cross-App tracking restrictions expected to be applied on mobile devices operating on Google’s Android system) will continue to affect the industry participants in general. Moreover, if third-party media platforms that we work with obtain user data in breach of the ATT Policy or similar policies or requirements, our ability to conduct business involving these media channels or other data from our business partners may be indirectly

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impacted. We cannot assure you that our sources of data for business operation will remain as accessible at all times or at all due to regulatory, industry or other changes in the future which are beyond our control.

In addition, we may also become subject to laws and regulations affecting data protection, data privacy and/or information security in other jurisdictions by virtue of having users who reside in these jurisdictions, even if we do not have a physical presence there. Many jurisdictions have in the past adopted, and may in the future adopt, new laws and regulations, or amendments to existing laws and regulations, affecting data protection, data privacy and/or information security, such as the General Data Protection Regulation adopted by the European Union that became fully effective on May 25, 2018. The interpretation of these laws or regulations are evolving, and application may be therefore adjusted. We cannot assure you that our practice is consistent with these laws and regulations. Moreover, our practice may become inconsistent with these laws and regulations, and if so, we could be subject to fines and orders requiring that we change our practices, which could have an adverse effect on our business and results of operations. Complying with new data laws and regulations could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

Regulations on information disseminated over mobile devices and internet may subject us to liability or administrative and regulatory actions involving the distributed content posted on our platform.

The PRC government has enacted laws and regulations governing the publishing industry, internet access and distribution of literary content and other information over the internet. In the past, the PRC government has banned the distribution of content and information over the internet that, among others, violates PRC laws and regulations, are pornographic, obscene or defamatory, or would incite violence, endanger the national security, or contravene national interest. If the PRC regulatory authorities were to take any action to limit or prohibit the distribution of content through our platform, or if they find our content objectionable or otherwise in violation of the applicable PRC laws or regulations, and impose penalties on us or take other administrative actions against us in the future, our business, financial condition, results of operations or reputation could be materially and negatively affected.

We are committed to complying with the applicable laws and regulations regarding the provision of content through the internet. We have made substantial investments in resources to monitor the digital content from content providers. Under our online literature content recommendation business, there are two levels of content monitoring system consisting of automated screening and manual screening to thoroughly monitor the content and advertisements distributed. Under our online games publishing services, we have a team of game specialists to review the overall structure and content of each game we plan to publish. We normally review the profiles of game content providers in terms of legal proceedings and administrative disputes. We also check the App installers of the games to ensure that the collection scope of personal data is legal and reasonable. In addition, we have set up a feedback channel for game users to collect their feedback on the games we publish. Under our digital marketing business, our advertising review specialists review the content and form of advertisements in accordance with relevant laws and regulations, and verify for the truthfulness of the content of advertisements. Only the advertisements that pass our review can be published on our platform. In addition to our internal

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content monitoring, we also require our content providers to confirm that the content they provide to us is in compliance with applicable PRC laws and regulations and does not infringe third parties' legal rights. For details of our content review process, please see "Business – Content Monitoring" in this prospectus. However, we cannot ensure that our internal content monitoring efforts will be sufficient to remove all content that may be viewed as indecent or otherwise non-compliant with PRC laws and regulations. Moreover, because the definition and interpretation of the prohibited content are in many cases vague and subjective, it is not always possible to determine or predict what content is prohibited under the existing restrictions or restrictions that may be imposed in the future. Failure to properly identify and prevent illegal or inappropriate content from being displayed on our platform may subject us to severe sanctions and penalties.

Our failure to obtain, maintain or renew requisite approvals, licenses or permits applicable to our business, or any required compliance actions that are time-consuming or costly, or any changes in government policies or regulations, may have a material and adverse impact on our business, financial condition and operational results.

PRC government authorities promulgate and enforce laws and regulations that cover many aspects of telecommunications, internet information services, online games services and internet advertising services, including entry into such industries, scope of permitted business activities, licenses and permits for various business activities and restriction or prohibition of foreign investments into such industries. Operators are required to obtain various government approvals, licenses and permits in connection with their provision of internet information services, internet publication services, online audio-visual products and other related value-added telecommunications services. Part of our current and future business operations are subject to various licenses, permits and approvals. For example, we are required to obtain and maintain ICP Licenses for the provision of internet information services which we are engaged in. For details, please see "Business – Licenses, Certificates and Permits" in this prospectus. Furthermore, PRC government authorities may pass new rules regulating the industries where we are operating in and have been expanding into. We may be required to obtain additional licenses, permits or approvals so that we can continue to operate our existing or future businesses or otherwise prohibit our operation of the types of businesses to which the new requirements apply. New regulations or new interpretations of existing regulations may increase our compliance costs of doing business and prevent us from efficiently delivering solutions and products and expose us to potential penalties and fines.

If any of our Group entities is deemed by the relevant government authorities to be operating without appropriate and sufficient permits and licenses or outside of their authorized scopes of business, fails to maintain or renew the existing permits and licenses in a timely manner, fails to obtain any new permits and licenses required by any future laws or regulations, or otherwise fails to comply with the relevant laws and regulations, we may be subject to penalties and our business and results of operation may be materially and adversely affected.

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Our business is subject to evolving laws, regulations and governmental policies. Any failure or perceived failure by us to comply with these laws and regulations could result in claims, changes to our business practices, increased cost of operations, declines in our growth or engagement, or otherwise harm our business.

We are subject to a variety of laws and regulations that involve matters important to or that may otherwise impact our business. The introduction of new services, the entry into new industries, expansion of our activities in certain jurisdictions, or other actions to be taken by us may subject us to additional laws, regulations, or other government scrutiny. For example, regulatory or legislative actions affecting the manner in which we display content to our users could adversely impact user growth and engagement, and legislations implementing data protection requirements could increase the cost and complexity of delivering our services. In addition, we are subject to cybersecurity and data privacy laws and regulations in China, including but not limited to, the PRC Cybersecurity Law, the PRC Data Security Law and the PRC Personal Information Protection Law. For details, please see “– Privacy and cybersecurity concerns relating to our use of user information, or any actual or perceived failure by us or third parties to comply with applicable data protection laws and regulations or privacy policies, could negatively impact our reputation, subject us to governmental or legal obligations and substantially harm our business” in this section. The interpretation and application of such cybersecurity and data privacy laws and regulations, in particular, the Cybersecurity Review Measures and the Draft Data Security Regulations, are evolving. For details, please see “Regulatory Overview – Regulations Relating to Cybersecurity, Data Security and Personal Information Protection” in this prospectus. We cannot assure you that relevant government authorities will not interpret or implement these and other laws or regulations in ways that may negatively affect us.

These laws and regulations are continuously evolving and can be subject to significant change. New laws, regulations and governmental policies may be adopted from time to time by the PRC government to address new issues that arise from time to time, which may require us to obtain new license and permits, or take certain actions that may adversely affect the industry that we operate in and our business operations. Complying with new laws and regulations could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business. Our failure to timely comply with new laws and regulations in the future could have material and adverse effect on our business, financial condition, results of operations and prospects.

We may be subject to intellectual property infringement claims or other allegations, which could result in material damage to our reputation and brand, payment of substantial damages, penalties and fines, removal of relevant content from our platform or seeking license arrangements which may not be available on commercially reasonable terms.

Content distributed on our platform may expose us to allegations by third parties of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation and other violations of third-party rights. We were involved in one legal proceeding in which we were sued for alleged infringement of third-party copyright due to the content available on our platform during the Track Record Period. We entered into a settlement agreement with the plaintiff of the legal proceeding, and the plaintiff withdrew its claim accordingly. The settlement amount with the plaintiff was insignificant. Such legal proceeding had no material adverse effect on our business,

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results of operations and financial condition. Due to a large amount of content distributed, we may not be able to timely identify all content that may infringe on third-party rights or at all. Accordingly, we may be involved in lawsuits based on allegations of infringement of third-party copyrights from time to time in the ordinary course of our business.

In addition, our exposure to infringement actions may increase when we primarily rely on third-party intellectual property providers to verify the origin and ownership of the intellectual property. We may be subjected to allegations as a result of the misconduct of our third-party content providers. While we require our content providers to provide only legally compliant and inoffensive materials and have set up appropriate screening procedures, nevertheless, they may fail to properly identify and screen all potentially offensive or non-compliant content and, even if properly screened, a third-party may still find the content distributed on our platform to be offensive and take actions against us in connection with their distribution. We may also face litigations or administrative actions for defamation, negligence or other purported injuries resulting from the content we provide or the nature of our services.

Regardless of the outcome, these potential lawsuits and any other litigation that may be brought against us or our current or former directors and officers could be time-consuming, result in significant expenses and divert our resources and the attention of our management and other key employees from our day-to-day operations and adversely affect our brand and reputation. An unfavorable outcome in any of these matters could result in payment of substantial damages, penalties and fines, removal of the relevant content from our platform or seeking license arrangements which may not be available on commercially reasonable terms. In addition, we may be subject to administrative actions brought by the National Copyright Administration of the PRC (中華人民共和國國家版權局) (the “National Copyright Administration”) or its local branches or related law enforcement departments for alleged copyright infringement.

Unauthorized use of our intellectual property and the expenses we may incur in protecting our intellectual property rights may harm our business and competitive position.

We consider our proprietary domain names, copyrights, trademarks, patents, trade secrets and other IP rights to be critical to our business operations. We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. Despite our efforts to protect our proprietary rights, third parties may attempt to copy or otherwise obtain or use our intellectual property, including seeking court declarations that they do not infringe upon our intellectual property rights.

Monitoring unauthorized use of intellectual property is difficult and costly, and the steps we or our business partners have taken may not fully prevent the infringement or misappropriation of our intellectual property rights. From time to time we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources and management’s attention, and thus may materially and adversely affect our business and results of operations.

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The successful operations of our business and our growth depend upon the stability of internet infrastructure and telecommunications networks in China, our proprietary information technology and those of third-party service providers we rely upon. Any malfunction, capacity constraint or operation interruption for any extended period may have an adverse impact on our business.

Almost all access to the internet in China is maintained through state-owned telecommunications operators under the administrative control and regulatory supervision of the MIIT. Moreover, we primarily rely on a limited number of telecommunications service providers to provide us with data communications capacity through local telecommunications lines. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with China's internet infrastructure or telecommunications networks provided by telecommunications service providers. Internet traffic in China has experienced significant growth during the past few years. Effective bandwidth and server storage at internet data centers in large cities such as Beijing, Shenzhen and Guangzhou are scarce. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our mobile Apps and webpage. We cannot assure you that the internet infrastructure and telecommunications networks in China will be able to support the demands associated with the continued growth in internet usage. If we were unable to increase our online content and service delivering capacity accordingly, we may not be able to continuously grow our internet traffic and the adoption of our products and services may be hindered, which could adversely impact our business and our Share price. In addition, we have no control over the costs of the services provided by telecommunications service providers. If the prices we pay for telecommunications and internet services rise significantly, our results of operations and financial performance may be materially and adversely affected. Furthermore, if internet access fees or other charges to internet users increase, users may be discouraged or prevented from accessing the internet and thus cause the growth of internet users to decelerate. Such deceleration may adversely affect our ability to continue to expand our user base, which in turn could adversely affect the operation of our business and our growth.

In addition, we rely on the continuous and reliable operation of our proprietary information technology and communications infrastructure or those of third-party service providers to provide superior user experience on our platform. We cannot assure you that we will be able to procure sufficient bandwidth in a timely manner or on acceptable terms or at all. Failure to do so may significantly impair user experience on our platform and decrease the overall effectiveness of our platform to users, content providers and advertising customers. Our proprietary information technology and communications infrastructure or those of third-party service providers are vulnerable to damage or interruption as a result of fires, floods, earthquakes, power losses, telecommunications failures, undetected errors in software, computer viruses, hacking and other attempts to harm our proprietary information technology and communications infrastructure or those of third-party service providers. Disruptions, failures, unscheduled service interruptions or a decrease in connection speeds could damage our reputation and cause our users, content providers and advertising customers to migrate to our competitors' platforms. If we experience frequent or persistent service disruptions, whether caused by failures of our proprietary information technology and communications infrastructure or those of third-party service providers, our user experience may be negatively affected, which in turn, may have a material and adverse effect on our reputation and business. We cannot assure you that we will be successful in minimizing the

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frequency or duration of service interruptions. As the number of our users and content providers increases and the content available on our platform will increase accordingly, we may be required to expand and adapt our technology and infrastructure to reliably store and process content. It may become increasingly difficult to maintain and improve the performance of our platform in a timely and reliable manner, especially during peak usage times, as our services become more complex and our user traffic increases. Any failure to do so could materially and adversely affect our business and reputation.

The proper functioning of our mobile Apps and webpage is essential to our operations and any failure to maintain the satisfactory performance, will materially and adversely affect our business, reputation, financial condition and results of operations.

Our ability to provide users and customers with a superior user/customer experience depends on the continuous and reliable operation of our systems and proper functioning of our mobile Apps and webpage. Failure to do so may significantly impair user experience on our mobile Apps and webpage and decrease the overall effectiveness of our platform to our users. Disruptions, failures or unscheduled service interruptions could hurt our reputation and cause our users to switch to our competitors' platforms. Our systems are vulnerable to damage or interruption as a result of fires, floods, earthquakes, power losses, telecommunications failures, undetected errors in software, computer viruses, hacking and other attempts to harm our systems. In addition, we rely on servers, cloud services and other network facilities provided by third parties, and the limited availability of service providers with sufficient capacity to house additional network facilities and broadband capacity in China may lead to higher costs or limit our ability to offer certain services or expand our business. If we experience frequent or persistent service disruptions, whether caused by failures of our own systems or those of service providers, our users' experience may be negatively affected, which in turn, may have a material and adverse effect on our reputation. We cannot assure you that we will be successful in minimizing the frequency or duration of service interruptions.

Any cybersecurity incidents, including data security breaches or viruses could materially and adversely affect our business, results of operations and reputation.

Our products and services involve the storage and transmission of users' and customers' information, and security breaches or vulnerabilities affecting our technologies or the technologies of our third-party service providers, products and systems could expose us to a risk of loss of this information, litigation and potential liability. Historically, we have experienced cyber-attacks of varying degrees from time to time, and we have been able to rectify damages caused by such cyber-attacks without significant impact to our operations in the past. Our security measures may also be breached due to employee error, malfeasance or otherwise. Additionally, outside parties may attempt to fraudulently induce employees, or users to disclose sensitive information in order to gain access to our data or our users' data or accounts, or may otherwise obtain access to such data or accounts. Because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against us or our third-party service providers, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed, we could

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lose users and customers, and may be exposed to significant legal and financial risks, including legal claims and regulatory fines and penalties. Any of these actions could have a material and adverse effect on our business, results of operations and reputation.

If we fail to successfully adapt our mobile Apps and webpage to user requirements, emerging industry standards or technologies, our business, prospects and financial results may be materially and adversely affected.

In recent years, mobile devices, such as mobile phones, tablets, wearable devices and other internet-enabled mobile devices, have been increasingly used in China and have surpassed personal computers as the primary means to access the internet in the key Chinese markets in which we operate, and we expect this trend to continue when 5G and more advanced mobile communications technologies are broadly implemented. As we make our services available across a variety of mobile operating systems and devices, including Easou Reading App Series on iOS and Android, we are dependent on the interoperability of our services with popular mobile devices and mobile operating systems that we do not control, such as iOS and Android. Any changes in such mobile operating systems or devices that degrade the functionality of our services, such as being incompatible with our solutions and services, preventing customers from accessing our merchants' storefronts, or give preferential treatment to competitive services could adversely affect the usage of our services and may have a material and adverse impact on our business and prospects.

Further, if the number of platforms for which we develop our services increases, which is typically seen in a dynamic and fragmented mobile services market such as China, it will result in an increase in our Group's costs and expenses. In order to deliver high-quality services, it is important that our services work well across a range of mobile operating systems, networks, mobile devices and standards that are beyond our control. For our business to be successful, we will need to design, develop, promote and operate new services that will be compatible and popular with such devices. We may encounter difficulties with the installation of such new products for those mobile devices, and such products may not function smoothly or properly. As new devices are released or upgraded, we may encounter problems in developing and upgrading our products/services for use on mobile devices and we may need to devote significant resources to the creation, support and maintenance of such products/services for mobile devices. Despite these efforts, we may not be successful in doing so, and our business, prospects and results of operations may be materially and adversely affected.

Our businesses depend heavily on the market recognition of our brand, and any harm to our brand or our failure to maintain and enhance our brand recognition may materially and adversely affect our business, results of operations and financial condition.

We rely on our strong brand, principally Easou Reading App Series, to attract and retain users. Maintaining and enhancing our brand depends largely on our ability to continue to provide online reading platform services, online games publishing services and digital marketing services, which may not always be successful. It also depends on our ability to retain our leading position in China's third-party online literature recommendation platforms industry, which could be difficult and costly. If we do not successfully maintain our strong brand recognition or reputation, our business prospects could be harmed.

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Our brand may be impaired by a number of factors, including, but not limited to, any failure to keep pace with the technological advances, slower loading times for our services, a decline in the quality or breadth of our literary content offerings available on our platform, any failure to protect our intellectual property rights, alleged violations by us or our third-party content providers of the applicable law and regulations, negative claims or publicity, or our inability to address user complaints. Any difficulty or failure to maintain and enhance our brand and corporate reputation could have an adverse effect on our business, results of operations and financial condition.

Our business, prospects and financial performance may be subject to the new terms agreed upon in the business contracts we negotiate in the future with third-party original content providers, distribution platforms or operators as well as our relationship with them.

We generally enter into cooperation agreements with various third parties during the course of our operations, including content providers, advertising customers, telecommunications operators, payment service providers and others. However, there can be no assurance that our agreements with those third parties will be extended or renewed after their respective expiration or that we will be able to extend or renew such agreements on terms and conditions favorable to us. In addition, if any of these third parties breaches its obligations under any of these agreements or refuses to extend or renew such agreements when they expire, we may not operate effectively or need to find an alternative third party in a timely manner. We may have legal or other disputes with the third-party distribution platforms that may affect our relationship with such platforms or have an adverse effect on our business.

We utilize third-party payment collection channels to collect proceeds from our paying users' purchases. Any failure by those payment collection channels to process payments effectively and securely may materially and adversely affect our revenue realization and brand recognition.

We depend on the billing and payment systems of third parties, such as online third-party payment processors, to maintain accurate and complete payment records of the sales proceeds by the paying users and collect such payments. We receive periodic statements from these third parties which indicate the aggregate amount of fees that were charged to the paying users of our services. Our business and results of operations could be adversely affected if these third parties fail to accurately account for, or calculate the revenue generated from, the sales of our services. If there are security breaches or failures or errors in the payment process of these third parties, user experience may be adversely affected and our business and results of operations may be negatively impacted.

Failure to timely collect our receivables from third parties whose billing and payment systems we use and third-party payment processors may adversely affect our cash flows. Our third-party payment processors may from time to time experience cash flow difficulties. Consequently, they may delay their payments to us or fail to pay us at all. Any delay in payment or inability of current or potential third-party payment processors to pay us may significantly harm our cash flows and results of operations.

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In addition, we do not have control over the security measures of our third-party payment service providers, and security breaches of the online payment systems that we use could expose us to litigation and possible liability for failing to secure confidential customer information. If a well-publicized internet security breach were to occur, users/customers concerned about the security of their online payments may become reluctant to purchase our products through payment service providers even if the publicized breach did not involve payment systems or methods used by us. Further, billing software errors could damage user/customer confidence in these payment systems. If any of the above were to occur, our reputation and the perceived security of the payment systems we use could be damaged, and we may lose paying users as they may be discouraged from purchasing products or services on our platform, which in turn may have a material and adverse effect on our business, financial condition and results of operations.

Furthermore, our payment channels are subject to various laws and regulations governing the transfers of electronic funds and virtual currencies, which could change or be reinterpreted in a way that will adversely affect their compliance. Any non-compliance incidents or breaches may subject our third-party payment processors to fines, higher transaction fees or even the interruption of their businesses, which in turn would materially and adversely affect our ability to monetize our services and our business prospects.

We made significant prepayments to our major suppliers during the Track Record Period. The significant increase in prepayments or any failure to recover our prepayments in part or in full could have a material and adverse impact on our business and financial position.

During the Track Record Period, we made significant prepayments to procure the services for advertising activities and internet traffic acquisition. As of December 31, 2021, 2022 and 2023, the balance of our prepayments to suppliers was RMB6.6 million, RMB21.4 million and RMB68.8 million, respectively. Some leading suppliers of the services for advertising activities and internet traffic acquisition generally require us to make prepayment to them upon purchase of relevant services or internet traffic from them. If our suppliers change the prices or material terms of our advertising and purchase arrangements, we may incur more traffic acquisition costs and make more prepayments than we anticipate. If the amount of prepayments paid to major suppliers increase significantly in the future, we may experience issues relating to business operation and capital insufficiency caused by mismatched prepayment for the purchases of the services for advertising activities and internet traffic and the collection of trade receivables. In addition, as we make prepayments with cash on hand, the significant increases in prepayment may materially and adversely affect our operating cash flow. Although we made prepayments to our major suppliers, if there is any material adverse change to the financial performance or financial condition of these suppliers or if they fail to provide any service to us, we may not be able to find alternative suppliers in time, which may materially and adversely affect our business and financial condition. In the event these suppliers fail to provide the relevant services and traffic resources to us, even if they had agreed to refund the prepayments to us, we may not be able to receive such refunds for prepayments in time to supplement our operating cash flow, which may also materially and adversely affect our business and financial condition.

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If we are unable to collect trade receivables from our customers, our results of operations and cash flows could be adversely affected.

Our business depends on our ability to successfully and timely obtain payments from our customers of the amounts they owe us for the services we provide. As of December 31, 2021, 2022 and 2023, our trade receivable balance amounted to approximately RMB86.3 million, RMB127.0 million and RMB161.5 million, respectively. The growth in trade receivables during the Track Record Period reflected, in part, our growth in sales. In particular, under our digital marketing services, we enter into advertising contracts with our advertising customers, and the financial soundness of these customers may affect our ability to collect outstanding trade receivables. We generally make a credit assessment of the advertising customers to evaluate the collectability of the advertising service fees before entering into advertising contracts. However, we cannot assure you that we are or will be able to accurately assess the creditworthiness of each advertising customers and its inability to pay us the full amounts due and in a timely manner. If we are unable to timely collect our trade receivables on a timely and consistent basis, our cash flows and access to operating capital could be adversely affected.

Fluctuation of our financial assets at fair value through profit and loss (“FVTPL”) may materially affect our financial condition and results of operations.

Our financial assets at FVTPL mainly consist of two open-ended private equity fund investments, which are considered as a short-term investment. As of December 31, 2021, 2022 and 2023, we recorded nil, RMB5.3 million and RMB73.3 million of financial assets at FVTPL, respectively. The fair value of such private equity fund investment at FVTPL has been stated with reference to the adjusted net asset value provided by the relevant administrator of the private equity fund investment. The fair value measurement is positively correlated to the net asset value of the underlying fund. Changes in fair value are reflected in our profit or loss. For the years ended December 31, 2021, 2022 and 2023, we incurred fair value losses on financial assets at FVTPL of nil, RMB5.9 million and RMB10.9 million, respectively, due to the losses incurred from our private equity fund investments.

Any change in securities prices and market conditions could lead to volatility in the fair values of our short-term investments accounted for at fair value, which could impact our financial condition and results of operations and may also impact our ability to dispose of these investments at favorable prices.

We may incur impairment charges for our intangible assets/goodwill.

As of December 31, 2021, 2022 and 2023, our goodwill remained stable at RMB32.3 million. As of the same dates, we had other intangible assets of RMB35.5 million, RMB32.2 million and RMB50.8 million, respectively. Due to the frequent changes and development in technology, the assumptions we used in estimating the cash flow generated from our intangible assets may change, and the estimated useful life of our intangible assets might also be subject to significant uncertainty. If any significant changes were to occur, we may incur impairment charges for our intangible assets, and if any significant impairment charges were made, our results of operations may be negatively affected.

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In addition, our equity investments and acquired businesses may not generate the financial results we expect. They could result in the occurrence of significant investments and goodwill impairment charges, as well as amortization expenses for other intangible assets. We periodically review goodwill and investments for impairment. If we conclude that any of these equity investments and acquired businesses are impaired, we will write down the asset to its recoverable amount and take a corresponding charge to our profit or loss. As a result, our results of operations may be negatively affected.

We had net cash outflows from operating activities during the Track Record Period, which we may continue to experience in the future.

We had net cash used in operating activities of RMB29.5 million in 2023. This net cash outflow in operating activities in 2023 was primarily due to (i) negative movements in working capital of RMB91.7 million; and (ii) interest paid of RMB8.4 million, partially offset by (i) profit before tax of RMB26.1 million; and (ii) positive total adjustments before movements in working capital of RMB43.8 million. For details, please refer to the section headed “Financial Information – Liquidity and Capital Resources – Cash Flows Analysis – Net Cash Flows Generated from/Used in Operating Activities” in this prospectus.

While we generated net cash from operating activities in 2021 and 2022, we cannot assure you that we will be able to continue to do so in the future or the amounts of cash generated from operating activities will increase due to the expansion of our business. If we record net operating cash outflows in the future, our working capital may be constrained, which may adversely affect our liquidity and financial condition. If we do not have sufficient working capital and are unable to generate sufficient revenue or raise additional funds, we may delay the completion of or significantly reduce the scope of our current business plan or substantially curtail our operations, any of which could materially and adversely affect our business, financial condition and results of operations. In addition, if we determine that our cash requirements exceed our available cash on hand, we may seek to issue debt or equity securities or obtain a credit facility. We cannot assure you that we would be able to obtain debt or equity financing in the current economic environment. In addition, any issuance of equity or equity-linked securities could dilute our shareholders’ ownership, while any incurrence of indebtedness could increase our debt service obligations and cause us to be subject to restrictive operating and finance covenants. As a result, we may face liquidity issues and our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to sustain profitability in the future.

While we realized steady increase in revenue during the Track Record Period and recorded a net profit during the same period, we cannot assure you that we will be able to maintain or increase our profitability in the future. Our future profitability will depend on a variety of factors, many of which are beyond our control, including the macroeconomic and regulatory environment, the development of recommendation-related technologies, changes in customers’ preferences, and evolution in the competitive landscape in which we operate. If we fail to sustain or increase profitability, our business, results of operations and financial condition could be adversely affected.

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We will adopt a share option scheme in the future, which could materially and adversely affect our results of operations and dilute your interest in our Company.

We may grant employee share options and other share-based compensation from time to time in the future to our Directors, senior management and employees to recognize their contribution to our Group and to attract and retain key personnel. The fair value of the services received in exchange for the grant of these share options and employee share options will be recognized as share-based compensation expenses over the vesting period, which will have a material adverse effect on our profits. Moreover, exercise of the share options we may grant will increase the number of our Shares in circulation and dilute the interest of our existing shareholders. Any actual or perceived sales of additional Shares acquired upon the exercise of the share options we may grant may materially and adversely affect the trading price of our Shares.

We might not be able to realize the revenue from contract liabilities, which may have impact on our cash flows or liquidity position.

We recognize a contract liability when a customer/user pays us non-refundable consideration before we recognize the relevant revenue. Contract liabilities are reclassified as revenue when we fulfill our obligations under a contract through when we transfer control of the related goods or services to the customer. Our aggregate contract liabilities decreased from RMB19.9 million as of December 31, 2022 to RMB17.7 million as of December 31, 2023. See “Financial Information – Description of Certain Key Items from Our Consolidated Statements of Financial Position” in this prospectus for further details. If we fail to fulfill our obligations in respect of our contract liabilities or if our users/customers dispute the services we provide, we may not be able to reclassify the full amount of contract liabilities as revenue, and we will have to refund all or a portion of the payments made by our user/customers, which will in turn adversely affect our results of operations, liquidity and financial position.

Our success depends on the efforts of our key employees, including our senior management members and other technical personnel. If we fail to hire, retain or motivate our key employees, our business may suffer.

Our business depends on the continued contributions of our senior management and other key employees, including our technical personnel, many of whom are difficult to be replaced. We benefit from the leadership of a strong management team with proven vision, rich professional work experience and extensive knowledge of developing intelligent recommendation engine and operating internet platforms. In addition, our future success depends on our ability to attract a significant number of qualified employees and retain existing key employees. Our need to continue to attract and retain skilled and experienced staff may cause us to materially increase compensation-related costs.

If one or more of our key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all. Competition for qualified talent in China is intense, particularly in the internet-related industries. We may incur additional expenses to recruit and train new personnel and there can be no assurance that we will be able to attract or retain qualified employees. As a result, our business could be severely disrupted, and our business, financial condition and results of operations could be materially and adversely affected. In

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addition, if any of our executive officers or key employees joins a competitor or forms a competing company, we may lose know-how, trade secrets, suppliers and customers. All of our executive officers and key technical personnel have entered into employment agreements with us, which contains customary non-compete provisions.

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

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of Directors and other significant corporate actions. Immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised, our Controlling Shareholders will be interested in 32.49% of the issued share capital of our Company. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

We may need additional capital to fund our operations and business expansion, and we may not be able to obtain such capital in a timely manner or on terms acceptable to us, or at all. Moreover, our future capital needs may require us to sell additional equity or debt securities that may dilute the interest of our shareholders or introduce covenants that may restrict our operations or ability to distribute dividends.

We may need additional capital to fund our operations and business expansion. For details, please see “Future Plans and Use of Proceeds” in this prospectus. Our future capital requirements are uncertain and actual capital requirements may be different from those we currently anticipate. There can be no assurance that we will generate sufficient cash flows from our operating activities for our intended future plans. Therefore, we may need to seek equity or debt financing to finance a portion of our capital expenditures. Our ability to obtain additional capital is subject to a variety of uncertainties, including:

- our market position and competitiveness in the online literature industry, digital marketing industry and online games industry in China;
- our future profitability, overall financial condition, results of operations and cash flow;
- general market conditions for capital raising activities by companies with intelligent recommendation engines and other internet companies in China;
- investor acceptance of our business model; and

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- economic, political and other conditions in China and globally.

As a result, there can be no assurance that we will be able to obtain adequate financing in a timely manner or on acceptable terms, or at all. If we cannot obtain sufficient additional capital, our ability to continue to pursue our business objectives, and our business, results of operations, financial condition and prospects could be materially and adversely affected.

In addition, our future capital needs and other business reasons could require us to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity or equity-linked securities could dilute our Shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that may restrict our operations or our ability to pay dividends to our Shareholders.

We maintain limited insurance coverage which could expose us to significant costs and business disruptions.

The insurance industry in China is still in an early stage of development, and insurance companies in China currently offer limited business-related insurance products. We do not maintain business interruption insurance or general third-party liability insurance, nor do we maintain property insurance, product liability insurance or key-man insurance. There is no assurance that our insurance coverage will be sufficient to compensate us for losses and we will be able to successfully claim our losses under our current insurance policy at all times. Any uninsured risks may result in substantial costs and diversion of resources, which could adversely affect our results of operations and financial condition.

Many of our products and services contain open-source software, which may pose particular risks to our proprietary software, products and services in a manner that negatively affects our business.

We use open-source software in our services and will continue to use open-source software in the future. We strictly comply with the license requirement of each open-source software. However, There is a risk that open-source software may have security vulnerabilities and open-source software licenses may be subject to further changes in the future, which are beyond our control, or which we may not be able to anticipate. It may also interfere with the deployment or impair the functionality of our platform, delay the introductions of new solutions, and harm our reputation and business prospects.

We may face administrative penalties or challenges from third parties arising from the defects of certain properties occupied by us.

As of the Latest Practicable Date, we leased 14 properties with a total GFA of approximately 2,407.44 sq.m. from Independent Third Parties, of which, two properties with a total GFA of approximately 38.0 sq.m. had not completed the lease registration and filing (租賃登記備案) in China. As advised by our PRC Legal Advisers, failure to register a lease agreement with the relevant Chinese government authorities does not affect the validity and enforceability of such agreement, but the relevant Chinese government authorities may order us or the lessor to, within a

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prescribed time limit, register the lease agreement. Failure to do so within the time limit may subject us to a maximum fine of not more than RMB10,000 for each non-registered lease. For details, please see “Business – Properties” in this prospectus.

In addition, certain lessors of our leased properties have not provided us with valid property ownership certificates or any other documentation proving their right to lease those properties to us. If our lessors are not the owners of the properties or they have not obtained consents from the owners or their lessors or permits from the relevant government authorities, our leases could be invalidated.

As of the date of this prospectus, we were not aware of any actions, claims or investigations threatened against us or our lessors with respect to the defects in our leasehold interests. However, if any of our leases is terminated as a result of the challenges made by third parties or government authorities for the lack of title certificates or proof of authorization to lease, we do not expect to be subject to any fines or penalties, but we may be forced to relocate the affected offices and incur additional expenses relating to such relocation.

We rely on certain key operating metrics to evaluate the performance of our business, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

We rely on certain key operating metrics, such as the number of registered users, MAU, MPU and ARPPU with respect to our online reading platform services; the number of clicks per year, number of displays per year and click-through rate with respect to our digital market services to evaluate the performance of our business; and the number of new registered users, ARPPU and DAU with respect to our online games publishing services. Our operating metrics may differ from estimates published by third parties or from similarly titled metrics used by other companies due to differences in methodology and assumptions. We calculate these operating metrics using internal company data that have not been independently verified. If we discover material inaccuracies in the operating metrics we use, or if they are perceived to be inaccurate, our reputation may be harmed and our evaluation methods and results may be impaired, which could negatively affect our business. If investors make investment decisions based on operating metrics we disclose that are inaccurate, we may also face potential lawsuits or disputes.

Any future litigation, legal disputes, claims or administrative proceedings against us could be costly and time-consuming to defend.

We may from time to time, become subject, to legal proceedings and claims that arise in the ordinary course of business or pursuant to governmental or regulatory enforcement activity. While we do not believe that the resolution of any lawsuits against us will, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations, litigations to which we subsequently become a party may result in substantial costs and divert management’s attention and resources. Furthermore, any litigations, legal disputes, claims or administrative proceedings which are initially not of material importance may escalate and become important to us due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved.

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Our insurance may not be sufficient to cover claims brought against us, may not provide sufficient payments to cover all of the costs to resolve one or more such claims and may not continue to be available on terms acceptable to us. In particular, any claim could result in unanticipated liability to us if the claim is outside the scope of the indemnification arrangement we have with our users or customers, our users or customers do not abide by the indemnification arrangement as required, or the liability exceeds the amount of any applicable indemnification limits or available insurance coverage. A claim brought against us that is uninsured or under-insured could result in unanticipated costs and could have a material adverse effect on our financial condition, results of operations or reputation.

Our performance during the Track Record Period may not be indicative of our future prospects.

Our financial condition and results of operations may fluctuate due to a number of factors, many of which are beyond our control, including: (i) our ability to retain and increase the number of our users/customers; (ii) our ability to maintain and develop our relationship with third-party content providers; (iii) our success in capturing the opportunities in the industry in which we operate; (iv) our ability to maintain and advance our technological capability; and (v) our future business expansion.

In addition, we may not be able to maintain our historical growth in future periods, and we may not be able to sustain profitability on an interim or annual basis in the future. Our historical results, growth rates and profitability may not be indicative of our future performance. Our Shares could be subject to significant price volatility should our earnings fail to meet the expectations of the investment community. Any of these events could cause the price of our Shares to materially decrease and in turn, further harm our business and financial conditions.

We face risks related to natural disasters, health epidemics and other outbreaks, such as the COVID-19 pandemic, which could significantly disrupt our operations.

Our business could be adversely affected by natural disasters or outbreaks of epidemics. These natural disasters, outbreaks of contagious diseases, and other adverse public health developments in China or any other market in which we operate and conduct business could severely disrupt our business operations by damaging our network infrastructure or information technology system or affecting the productivity of our workforce. The outbreak of any severe epidemic disease, such as severe acute respiratory syndrome, or SARS, Ebola virus, the H1N1 influenza or other subtypes of avian flu, including H5N1 and most recently H7N9, may disrupt our operations, which could negatively affect our financial condition and business prospects.

Our headquarters are located in Shenzhen, Guangdong Province, and maintain key business offices in Beijing. Most of our directors and management and a large majority of our employees currently reside in these cities. Consequently, we are highly susceptible to factors adversely affecting Shenzhen and Beijing. If any of the abovementioned natural disasters, health epidemics or other outbreaks were to occur in Shenzhen and Beijing, our operation may experience material disruptions, such as temporary closure of our offices and suspension of services, which may materially and adversely affect our business, financial condition and results of operations.

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The COVID-19 outbreak has impacted our results of operations. We have taken a series of measures in response to the outbreak, including, among others, remote working arrangements for some of our employees. These measures could reduce the capacity and efficiency of our operations, which in turn could negatively affect our results of operations. The COVID-19 also brought uncertainty to the industries in which we operate. Due to the COVID-19 pandemic policies of the PRC government, people have spent more time on online entertainment and in-door activities, such as online reading and online games, which have driven the growth of the online literature industry and online games industry in China. In addition, our digital marketing services were partially impacted due to the reduced demand from our advertising customers who faced suppressed consumer desire of the end users during the lock down. Consequently, we experienced a slowdown in the revenue growth in reading with advertising under our online reading platform services and in digital marketing services during the Track Record Period. As of the Latest Practicable Date, many aspects of daily business operations in China gradually returned to a normal routine.

We are also vulnerable to natural disasters and other calamities. If any such disaster were to occur in the future affecting Shenzhen, Beijing, Guangzhou or any other cities where we have major operations in China, our operations could be materially and adversely affected due to loss of personnel and damages to property, including our technology systems. Our operation could also be severely disrupted if our suppliers, customers or business partners were affected by such natural disasters or health epidemics.

Any fluctuation in the regional or global economy, any financial or economic crisis, or any perceived threat of such crisis, could materially and adversely affect our business and financial condition.

There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world's leading economies. The ongoing Russo-Ukrainian War, the current conflict in the Middle East, the unrest, terrorist threats and the potential for war elsewhere, as well as geopolitical uncertainty and international tension may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as the changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition.

We are subject to anti-corruption, anti-bribery and other laws and regulations, and the third-party payment channels we cooperate with are subject to anti-money laundering laws.

We are subject to anti-corruption, anti-bribery and other relevant laws and regulations in China and certain overseas jurisdictions. We have direct or indirect interactions with the officials and employees of the PRC government agencies and state-owned affiliated entities in the ordinary course of business. These interactions subject us to an increased level of compliance-related

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concerns. We may be subject to investigations and proceedings by governmental authorities for alleged infringements of these laws and regulations if our processes or systems are not conducted or are not operating properly. These proceedings may result in fines or other liabilities and could have a material and adverse effect on our reputation, business, financial condition, results of operations and prospects. If any of our subsidiaries, operating entities, employees or other persons engaged in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal controls, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws and regulations, which may result in penalties, fines and sanctions and in turn adversely affect our reputation, business, financial condition, results of operations and prospects.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

If the PRC government finds that the Contractual Arrangements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations on foreign investment in internet and other related businesses, or if these laws and regulations or their interpretation change in the future, we could be subject to severe consequences, including penalties, nullification of the Contractual Arrangement or to be forced to relinquish our interests in those operation.

Current PRC laws and regulations impose certain restrictions and prohibitions on foreign ownership of companies that provide internet culture business, internet publication business, value-added telecommunication and other related businesses, unless certain exceptions are available.

We are a company incorporated under the laws of the Cayman Islands, and the WFOE, our PRC subsidiary, is considered as a foreign-invested enterprise. To comply with PRC laws and regulations, we conduct substantially all of our business in China mainly through the Consolidated Affiliated Entities based on the Contractual Arrangements, which enable us to (i) be the exclusive provider of business support, management and consultation services in exchange for a fee; (ii) receive all of the economic benefits after offsetting the prior-year loss (if any), offsetting operating costs, expenses, taxes and other statutory contributions in any financial year; (iii) have an irrevocable and exclusive right to purchase, or to designate one or more persons to purchase, from the Registered Shareholders of Easou Shenzhen all or any part of their equity interests in Easou Shenzhen at any time and from time to time in our absolute discretion to the extent permitted by PRC laws; (iv) have an irrevocable and exclusive right to purchase, or to designate one or more persons to purchase from Easou Shenzhen all or any part of its assets at any time and from time to time in our absolute discretion to the extent permitted by PRC laws; (v) appoint us, any directors authorized by us or his/her successors, or a liquidator replacing the director as our exclusive agent and attorney to act on our behalf to exercise the voting and all other rights as a registered shareholder of Easou Shenzhen in connection with their equity interests in accordance with PRC laws and the articles of Easou Shenzhen; and (vi) pledge as first charge all of the equity interests in Easou Shenzhen to us as collateral security for any and all of the guaranteed debt under the Contractual Arrangements and to secure performance of the obligations under the Contractual Arrangements. Our Consolidated Affiliated Entities hold the licenses, approvals and key assets that are essential for our business operations. The Contractual Arrangements allow the results of

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operations and assets and liabilities of Easou Shenzhen and its subsidiaries to be consolidated into our results of operations and assets and liabilities as if they were wholly owned subsidiaries of our Group. See “Contractual Arrangements” in this prospectus for more details.

Our PRC Legal Advisers are of the opinion that (i) the Contractual Arrangements would not fall within the circumstances as stipulated in the PRC Civil Code, which will render the arrangements to be an invalid act thereunder; (ii) each of the agreements comprising the Contractual Arrangement do not violate the provisions of the articles of associations of the WFOE and Easou Shenzhen, respectively; (iii) except for certain clauses regarding the remedies that may be awarded by the arbitration tribunal and the power of courts of competent jurisdictions to grant interim remedies in support of the arbitration and liquidation arrangements concerning our Consolidated Affiliated Entities, and clauses on the formation of liquidation committee in the event of winding-up for Easou Shenzhen, each of the agreements comprising the Contractual Arrangements, are valid, legally binding and enforceable under the PRC laws and regulations; and (iv) the execution and performance of the Contractual Arrangements does not fall within the circumstances under which a contract may become null and void pursuant to the PRC Civil Code (中華人民共和國民法典). However, there can be no assurance that the PRC government authorities will take a view in the future that is not contrary to or otherwise different from the opinion of our PRC Legal Adviser stated above, and there is also the possibility that the PRC government authorities may adopt new laws and regulations in the future which may invalidate the Contractual Arrangements.

If the PRC government determines that our Contractual Arrangements do not comply with its restrictions on foreign investment, or if the PRC government otherwise finds that we, the Consolidated Affiliated Entities or any of its subsidiaries are in violation of PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant PRC regulatory authorities, including but not limited to the MOFCOM, the MIIT and the National Press and Publication Administration of the PRC (國家新聞出版署) (the “NPPA”), would have broad discretion in dealing with such violations or failures, including, but not limited to:

- requiring the nullification of the Contractual Arrangements;
- revoking our business and operating licenses of relevant entities;
- discontinuing or restricting any related-party transactions between our Company and our affiliated entities;
- imposing fines, confiscating any of the income from the Consolidated Affiliated Entities that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which we or our Consolidated Affiliated Entities may not be able to comply;
- requiring us or our Consolidated Affiliated Entities to restructure the relevant ownership structure or operations; or to re-apply for the necessary licenses, or to relocate our businesses, staff and assets;

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- restricting or prohibiting our use of the proceeds from the initial public offering or our other financing activities to finance the business and operations of our Consolidated Affiliated Entities; or
- taking other regulatory or enforcement actions that could be harmful to our business.

Any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our business, financial condition and results of operations. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of the Consolidated Affiliated Entities and its subsidiaries in our consolidated financial statements, if the PRC governmental authorities find our legal structure and Contractual Arrangements to be in violation of PRC laws, rules and regulations. If any of these penalties result in our inability to direct the activities of the Consolidated Affiliated Entities that most significantly impact their economic performance and/or our failure to receive the economic benefits from the Consolidated Affiliated Entities, we may not be able to consolidate the Consolidated Affiliated Entities into our consolidated financial statements in accordance with the HKFRS.

We rely on the Contractual Arrangements with our Consolidated Affiliated Entities for our operations in China, which may not be as effective in providing operational control as direct ownership, and our Consolidated Affiliated Entities may fail to perform their obligations under our Contractual Arrangements, resulting in litigation that may be time-consuming, costly, and unpredictable and adversely impact our operations and results.

Due to the PRC restrictions or prohibitions on foreign ownership of the value-added telecommunications services, internet cultural business and online publishing activities in China, we operate our businesses in the PRC through our Consolidated Affiliated Entities, in which we have no ownership interest. We rely on the Contractual Arrangements with the Consolidated Affiliated Entities and the Registered Shareholders of Easou Shenzhen, including the powers of attorney, to control and operate their businesses. The Contractual Arrangements are intended to provide us with effective control over our Consolidated Affiliated Entities and allow us to obtain economic benefits from them. Please see “Contractual Arrangements” in this prospectus for more details. In particular, our ability to control the Consolidated Affiliated Entities depends on the powers of attorney, pursuant to which the WFOE can vote on all matters requiring shareholder approval in the VIE. We believe these powers of attorney are legally enforceable but may not be as effective as direct equity ownership.

As advised by our PRC Legal Advisers, except that the enforcement of the succession is subject to the succession rules of the PRC Civil Code and except for certain clauses regarding the remedies that may be awarded by the arbitration tribunal and the power of courts of competent jurisdictions to grant interim remedies in support of the arbitration and liquidation arrangements concerning our Consolidated Affiliated Entities, and clauses on the formation of liquidation committee in the event of winding-up of Easou Shenzhen, each of the contracts among the WFOE, Easou Shenzhen and the Registered Shareholders of Easou Shenzhen is valid and binding on the parties of the contracts under existing PRC laws and regulations, the Contractual Arrangements may not be as effective in providing us with control over the Consolidated Affiliated Entities as direct ownership. If the Consolidated Affiliated Entities or its shareholders fail to perform their

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respective obligations under the Contractual Arrangements, we may incur substantial costs and expend substantial resources to enforce our rights. All of the Contractual Arrangements are governed by and interpreted in accordance with PRC laws and disputes arising from the Contractual Arrangements will be resolved through arbitration in China. However, there are very few precedents and little official guidance as to how contractual arrangements in the context of a VIE should be interpreted or enforced under PRC laws. There remain significant uncertainties regarding the ultimate outcome of arbitration should legal action become necessary. Such uncertainties could limit our ability to enforce the Contractual Arrangements. In addition, arbitration awards are final and can only be enforced in PRC courts through arbitration award recognition proceedings, which could cause additional expenses and delays. In the event we are unable to enforce the Contractual Arrangements or we experience significant delays or other obstacles in the process of enforcing the Contractual Arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entities and may lose control over the assets owned by our Consolidated Affiliated Entities. As a result, we may be unable to consolidate our Consolidated Affiliated Entities in our consolidated financial statements, and our ability to conduct our business may be materially and adversely affected.

Certain terms of the Contractual Arrangements through which we conduct our business operations in the PRC may not be enforceable under the PRC laws.

Our Contractual Arrangements provide for the resolution of disputes through arbitration in accordance with the then effective arbitration rules of Shenzhen Court of International Arbitration. Our Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the equity interest and property interest and other assets of the WFOE, injunctive relief and/or order the winding up of the WFOE or our Consolidated Affiliated Entities. In addition, our Contractual Arrangements contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws, the abovementioned provisions may not be enforceable. Under PRC laws, a tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of the WFOE or our Consolidated Affiliated Entities and in addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and Cayman Islands may not be recognizable or enforceable in the PRC. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in our Contractual Arrangements.

The interpretation and implementation of the FIL, the Implementation Rules and how they may impact the viability of our current corporate structure, business, financial condition and results of operations change from time to time.

The VIE structure has been adopted by many China-based companies, including us, to obtain licenses and permits necessary to operate in industries that currently are subject to restrictions on or prohibitions for foreign investment in China. The NPC promulgated the FIL in March 2019, which became effective from January 1, 2020, and the State Council promulgated the Implementing Rules of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the “Implementation Rules”), in December 2019, effective from January 1, 2020, which replaced major former laws and regulations governing foreign investment in the PRC. See “Regulatory Overview – Regulations Relating to Foreign Investment” in this prospectus. On December 30, 2019, the

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MOFCOM and the SAMR issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which became effective on January 1, 2020 and replaced the Interim Measures for the Recordation Administration of the Formation and Modification of Foreign-Funded Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Pursuant to the Measures for the Reporting of Foreign Investment Information where a foreign investor carries out investment activities in the PRC directly or indirectly, the foreign investor or the foreign investment enterprise shall submit the investment information to the competent commerce department.

The 2019 PRC Foreign Investment Law and the Implementation Rules do not use the concept of “control” in determining whether a company should be deemed as a foreign-invested enterprise, nor do they explicitly classify the VIE structure as a method of foreign investment. However, the 2019 PRC Foreign Investment Law has a catch-all provision that broadly defines “foreign investments” as those made by foreign investors in China through other methods as specified in laws, administrative regulations, or as stipulated by the State Council. Due to this broad definition of “foreign investments” since the 2019 PRC Foreign Investment Law and the Implementation Rules are newly adopted and relevant government authorities may promulgate additional rules and regulations as to the interpretation and implementation of the 2019 PRC Foreign Investment Law, there can be no assurance that the VIE structure adopted by us will not be deemed as a method of foreign investment by other laws, regulations and rules. Accordingly, there are substantial uncertainties as to whether our VIE structure may be deemed as a method of foreign investment in the future. If our VIE structure were to be deemed as a method of foreign investment under any future laws, regulations and rules, and if any of our business operations were to fall under the “negative list” as either “restricted” or “prohibited” from foreign investment in the 2021 Negative List, we would need to take further actions in order to comply with these laws, regulations and rules, which may materially and adversely affect our current corporate structure, business, financial condition and results of operations.

In an extreme scenario, we may be required to unwind the Contractual Arrangements and/or dispose of the WFOE, which could have a material and adverse effect on our business, financial condition and result of operations. In the event that we no longer have a sustainable business after the aforementioned unwinding of the Contractual Arrangements or disposal or in the event such measures are not complied with, the price of our Shares may significantly drop, and the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares or even result in the delisting of our Company.

We may not be able to conduct a substantial portion of our operations without the services provided by certain of our Consolidated Affiliated Entities.

Our operations are currently dependent upon our commercial relationships with our Consolidated Affiliated Entities, and we derive most of our revenues from our Consolidated Affiliated Entities. If our Consolidated Affiliated Entities are unwilling or unable to perform the Contractual Arrangements which we have entered into with them, we may not be able to conduct our operations in the manner in which we currently do. In addition, our Consolidated Affiliated Entities may seek to renew the Contractual Arrangements on terms that are disadvantageous to us. We may not succeed in enforcing our rights under them. If we are unable to renew the Contractual Arrangements on favorable terms, or to enter into similar agreements with other parties, our business may not expand, and our operating expenses may increase.

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We may lose the ability to use and enjoy licenses, approvals and assets held by our Consolidated Affiliated Entities that are material to our business operations if our Consolidated Affiliated Entities declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

Our Consolidated Affiliated Entities hold certain licenses, approvals and assets that are important to our operations, including but without limitation, the ICP License, Internet Cultural Operation License and Internet Publishing Service License. Under our Contractual Arrangements, the Registered Shareholders of Easou Shenzhen may not voluntarily liquidate our Consolidated Affiliated Entities or approve them to sell, transfer, mortgage or dispose of their assets or legal or beneficial interests exceeding certain threshold in the business in any manner without our prior consent. However, in the event that the shareholders breach this obligation and voluntarily liquidate our Consolidated Affiliated Entities, or our Consolidated Affiliated Entities declare bankruptcy, or all or part of their assets become subject to liens or rights of third-party creditors or are distributed to other persons of higher priority than us in accordance with the applicable PRC laws and regulations, we may be unable to continue some or all of our operations, which could materially and adversely affect our business, financial condition and results of operations. Furthermore, if any of our Consolidated Affiliated Entities undergoes a voluntary or involuntary liquidation proceeding, their shareholders or unrelated third-party creditors may claim rights to some or all of its assets, thereby hindering our ability to operate our business as well as constraining our growth, which could materially and adversely affect our business, financial condition and results of operations.

The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities. A finding that we owe additional taxes could negatively affect our financial condition and the value of your investment.

Pursuant to applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by PRC tax authorities within ten years after the taxable year when the transactions are conducted. We may be subject to material and adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements signed by, among others, our WFOE, our Consolidated Affiliated Entities and the Registered Shareholders of Easou Shenzhen are not at an arm's-length basis and adjust our Consolidated Affiliated Entity's income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by our Consolidated Affiliated Entities, which could in turn increase its tax liabilities without reducing our tax liabilities. In addition, the PRC tax authorities may impose late payment fees and/or other penalties to our Consolidated Affiliated Entities for under-paid taxes. Our consolidated net loss may be increased if our tax liabilities increase or if we are found to be subject to late payment fees or other penalties. As a result, our consolidated results of operations may be adversely affected.

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We will be subject to higher income tax rates and incur additional taxes as a result of the Contractual Arrangements, which may increase our tax expenses and decrease our net profit margin.

Our Consolidated Affiliated Entities retained all net profits generated by them during the Track Record Period. However, under the Contractual Arrangements, the WFOE is entitled to receive the total consolidated profit, after offsetting the prior-year losses (if any) and operating costs, expenses, taxes and other statutory contributions in any financial year of Easou Shenzhen, as service fees, subject to adjustments made by the WFOE at its sole discretion. Such service fees payments to the WFOE are subject to VAT at the tax rate of 6% in the PRC. In addition, the WFOE is subject to EIT of 25% while certain of our Consolidated Affiliated Entities are entitled to preferential tax treatment, details of which are discussed in the paragraph headed “Financial Information – Description of Major Components of Our Consolidated Statements of Profit or Loss and Other Comprehensive Income – Income Tax Expense” in this prospectus. As a result of the different income tax rates applicable to the WFOE and certain of our Consolidated Affiliated Entities and the VAT as mentioned above, any payment of service fees by the Consolidated Affiliated Entities to the WFOE under the Contractual Arrangements may increase our tax expenses and decrease our net profit and net profit margin.

The Registered Shareholders of Easou Shenzhen, directors and executive officers of our Consolidated Affiliated Entities may have potential conflicts of interest with us, and they may breach the Contractual Arrangements or cause such arrangements to be amended in a manner contrary to our interests, which may materially and adversely affect our business.

The PRC laws provide that a director and an executive officer owes a fiduciary duty to the company he or she directs or manages. The directors and executive officers of the Consolidated Affiliated Entities must act in good faith and in the best interests of the Consolidated Affiliated Entities and must not use their respective positions for personal gain. On the other hand, as a director of our company, the relevant individuals have a duty of care and loyalty to us and to our shareholders as a whole under Cayman Islands law. Nonetheless, conflicts of interests for these individuals may arise due to dual roles both as equity holders, directors and executive officers of the Consolidated Affiliated Entities and as our director or employee.

There can be no assurance that the Registered Shareholders of Easou Shenzhen will always act in our best interests should any conflicts of interest arise, or that any conflicts of interest will always be resolved in our favor. There also can be no assurance that these individuals will ensure that the Consolidated Affiliated Entities will not breach the Contractual Arrangements. If we cannot resolve any of these conflicts of interest or any related disputes, we would have to rely on legal proceedings to resolve these disputes and/or take enforcement action under the Contractual Arrangements. There is substantial uncertainty as to the outcome of any of these legal proceedings. Please see “– We rely on the Contractual Arrangements with our Consolidated Affiliated Entities for our operations in China, which may not be as effective in providing operational control as direct ownership, and our Consolidated Affiliated Entities may fail to perform their obligations under our Contractual Arrangements, resulting in litigation that may be time-consuming, costly, and unpredictable and adversely impact our operations and results.” in this section.

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If we exercise the option to acquire equity ownership or assets of our Consolidated Affiliated Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs.

Pursuant to the Contractual Arrangements, the WFOE or its designated person(s) has the irrevocable and exclusive right to purchase all or any part of the equity interests in our Consolidated Affiliated Entities from the Registered Shareholders of Easou Shenzhen for a nominal price allowed under PRC laws and regulations at the time of transfer.

The transfer of equity or assets may be subject to the approvals from and filings with the SAMR and other competent governmental authorities and/or their local competent branches. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax or commerce authority with reference to the fair value of such assets. The Registered Shareholders of Easou Shenzhen will pay the equity transfer price they receive to Consolidated Affiliated Entities instead of the price as stipulated under the Contractual Arrangements. The amount to be received by Consolidated Affiliated Entities may also be subject to EIT and these tax amounts could be substantial.

We may rely on dividends paid by our PRC subsidiaries to fund cash and financing requirements. Any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business and to pay dividends to our Shareholders.

We are a holding company, and we may rely on dividends to be paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our Shareholders and service any debt we may incur and meet our other cash requirements. If our PRC subsidiaries or our Consolidated Affiliated Entities incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us.

Under applicable PRC laws and regulations, a wholly foreign-owned enterprise in China, such as the WFOE, may pay dividends only out of its accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds, until the aggregate amount of such fund reaches 50% of its registered capital. These reserve funds are not distributable as cash dividends. Any limitation on the ability of the wholly foreign-owned enterprise to pay dividends or make other distributions to us or on the ability of our Consolidated Affiliated Entities to make remittance to our wholly-owned PRC subsidiaries could materially and adversely limit our ability to grow, make investments or acquisitions decisions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

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RISKS RELATING TO DOING BUSINESS IN CHINA

The interpretation and enforcement of the PRC laws and regulations may evolve from time to time.

The PRC legal system is based on written statutes. Unlike common law systems, it is a system in which legal cases have limited value as precedents. In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly increased the protections afforded to various forms of foreign or private-sector investment in China. Our PRC subsidiaries are subject to various PRC laws and regulations generally applicable to companies in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the enforcement of these laws, regulations and rules involves uncertainties.

In particular, PRC laws and regulations concerning internet-related industries and online games industry are developing and evolving. The PRC government authorities may promulgate new laws and regulations to regulate these relevant industries in the future. We cannot assure you that our practice would not be deemed to violate any new PRC laws or regulations relating to these relevant industries. Moreover, developments in internet-related industries and online games industry may lead to changes in PRC laws, regulations and policies or in the interpretation and application of existing laws, regulations and policies that may restrict our business operations, which could materially and adversely affect our business and results of operations.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since the PRC administrative and court authorities have discretion in interpreting and implementing statutory and contractual terms, the outcome of administrative and court proceedings and the level of legal protection we enjoy would be subject to the prevailing legislative environment and the conditions for implementation and enforcement. Any failure to respond to changes in the regulatory environment in the PRC could materially and adversely affect our business and impede our ability to continue our operations.

The heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.

On February 3, 2015, SAT promulgated the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (the “Circular 7”), which heightened the PRC tax authorities’ scrutiny on indirect transfers, by a non-resident enterprise, of assets (including equity interests) of a PRC resident enterprise (the “PRC Taxable Assets”) and stipulated that tax authorities in the PRC are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of an equity interest in an overseas holding company which directly or indirectly hold the PRC Taxable Assets, by disregarding the existence of the overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been made for the purpose of evading PRC enterprises income tax and without any reasonable commercial purpose.

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The Circular 7 may be determined by the tax authorities to be applicable to our offshore restructuring transactions, future acquisitions or sale of the shares of our offshore subsidiaries, where non-resident enterprise transferors were involved. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with the Circular 7 or to establish that we and our non-resident enterprises should not be taxed under the Circular 7 for our restructuring or disposal of shares of our offshore subsidiaries, which may have a material adverse effect on our financial condition and results of operations.

Failure to respond to the developments in China’s economic, political or social environment or government policies may have a material adverse effect on our business.

Substantially all of our operations are located in China. Accordingly, our business, prospects, financial condition and results of operations may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government regulations on capital investments or changes in tax regulations. In addition, in the past the Chinese government has implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China. Any slowdown in the China’s economic growth may reduce the demand for our services and could materially and adversely affect our business and results of operation.

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

The M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, among other things, established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. Such regulation requires, among other things, that the foreign investor should submit a declaration to the MOFCOM in advance of any change-of-control transaction in which a foreign investor acquires control of a PRC domestic enterprise and involves any of the following circumstances: (i) any important industry is concerned, (ii) such transaction involves factors that impact or may impact national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, the Anti-Monopoly Law (中華人民共和國反壟斷法) promulgated by the SCNPC, which became effective in 2008, requires that the transactions which are deemed concentrations and involve parties with specified turnover thresholds must be notified and cleared by the Anti-Monopoly Bureau of SAMR before they can be completed. In addition, Implementation of Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, effective in September 2011 and Measures for the Security Review of Foreign Investment that came into effect in January 2021,

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requires acquisitions by foreign investors of PRC companies engaged in certain industries that are crucial to national security be subject to security review before consummation of any such acquisition.

The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies. Moreover, such offshore special vehicle, if through acquisitions of PRC domestic companies by its affiliated PRC companies or individuals in the process of its corporate offshore restructuring, shall also obtain the approval of MOFCOM.

We may pursue potential strategic acquisitions that are complementary to our business and operations in the future. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval or clearance from MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

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

Under the EIT Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a resident enterprise and will be subject to the EIT on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation, or SAT, issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners like us, the criteria set forth in the circular may reflect the SAT's general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC EIT on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

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We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that our Company or any of our subsidiaries outside of China is a PRC resident enterprise for PRC EIT purposes, then Easou Technology Holdings Limited or such subsidiary could be subject to PRC tax at a rate of 25% on its world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC EIT reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for EIT purposes, gains realized on the sale or other disposition of our ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

Government regulations on currency exchange may limit our foreign exchange transactions, including dividend payment on our Shares.

The PRC government regulates the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive all of our revenue in RMB. Under our current corporate structure, our Company in the Cayman Islands relies on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE, subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulation, such as the overseas investment registrations by the beneficial owners of our company who are PRC residents. However, approval from or registration with appropriate governmental authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. If we cannot convert RMB to foreign currency in a timely manner to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries and Consolidated Affiliated Entities, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in

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China, capital contributions to our PRC subsidiaries are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System, or FICMIS, and registration with other governmental authorities in China. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE, or its local branches, and (ii) each of our PRC subsidiaries may not procure loans which exceed the difference between its registered capital and its total investment amount as recorded in FICMIS. Any medium or long term loan to be provided by us to our Consolidated Affiliated Entities must be recorded and registered by the NDRC and the SAFE or its local branches. We may not be able to complete such recording or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such recording or registration, our ability to use the proceeds of this offering and to capitalize our PRC operations maybe negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises, or SAFE Circular 19. SAFE Circular 19 became effective on June 1, 2015. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises and allows foreign-invested enterprises to settle their foreign exchange capital at their discretion, but continues to prohibit foreign-invested enterprises from using the RMB fund converted from their foreign exchange capitals for expenditures beyond their business scopes. On June 9, 2016, the SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange, or SAFE Circular 16. SAFE Circular 19 and SAFE Circular 16 continue to prohibit foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capitals for expenditure beyond its business scope, investment and financing (except for securities investment or non-guaranteed bank products), providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer to and use in China the net proceeds from this offering, which may adversely affect our business, financial condition and results of operations.

Failure to obtain any preferential tax treatments or government subsidies, or the discontinuation, reduction or delay of any of the preferential tax treatments or government subsidies that may be available to us in the future could materially and adversely affect our business, financial condition and results of operations.

We have been granted certain governmental subsidies and tax preferences. Enterprises that qualify as “High and New Technology Enterprises” are entitled to a preferential rate of 15% for three years. Easou Shenzhen was accredited as a “High and New Technology Enterprise” in 2019 and therefore, it was entitled to a preferential EIT rate of 15% from 2019 to 2021. Easou Beijing was accredited as “High and New Technology Enterprise” in 2019 and therefore, it was entitled to a preferential EIT rate of 15% from 2019 to 2021. In October 2022, Easou Beijing successfully renewed its certificate of High and New Technology Enterprise and was entitled to continue to enjoy the preferential EIT rate of 15% from 2022 to 2024. In December 2022, Easou Shenzhen successfully renewed its certificate of High and New Technology Enterprise and was entitled to continue to enjoy the preferential EIT rate of 15% from 2022 to 2024. Guangzhou Ledian was accredited as a “High and New Technology Enterprise” in 2021, and therefore, was entitled to a

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preferential EIT rate of 15% from 2021 to 2023. Certain of our subsidiaries applied for preferential tax treatment under the “Small-Scaled Minimal Profit Enterprise Income Tax Preferential Policy” (《小微企業所得稅優惠政策》) during the Track Record Period, and therefore, were entitled to a preferential EIT rate ranging from 2.5% to 10.0% from 2021 to 2023. See the section headed “Financial Information – Description of Major Components of Our Consolidated Statements of Profit or Loss and Other Comprehensive Income – Income Tax Expenses” in this prospectus. Nevertheless, the preferential tax rates enjoyed by certain of our Consolidated Affiliated Entities are non-recurring in nature, and the government agencies may decide to reduce, eliminate or cancel such subsidies and preferential tax treatments at any time. We cannot assure you of the continued availability of the government subsidies and preferential tax treatments currently enjoyed by us. The discontinuation, reduction or delay of these governmental subsidies and preferential tax treatments could adversely affect our financial condition and results of operations.

There are uncertainties with respect to value-added tax rates relating to the tax liabilities of our PRC subsidiaries.

The MOF, the STA and the General Administration of Customs promulgated the Notice On Relevant Policies for Deepening Value Added Tax Reform (《關於深化增值稅改革有關政策的公告》) on March 20, 2019, which provides that the value-added tax rate of 16% in manufacturing and other industries is reduced to 13%, the value-added tax rate of 10% in transportation and other industries is reduced to 9%, and the value-added tax rate in value-added telecommunications service and other industries stays at 6% from April 1, 2019. It is uncertain whether the value-added tax rate will be raised in the future, which could have a material adverse effect on our financial condition and results of operations.

We may be subject to penalties, including restriction on limiting our PRC subsidiaries’ ability to increase their registered capital or distribute profits to us, if our PRC resident shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations.

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with and obtain approval from local branches of the SAFE in connection with their direct or indirect offshore investment activities. Circular 37 was promulgated by the SAFE in July 2014 that requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. These regulations apply to our shareholders who are PRC residents and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger or division. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing their profits

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and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas or into PRC within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into PRC and deemed to have been evasive or illegal and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

We have requested PRC residents holding direct or indirect interest in our Company to our knowledge to make the necessary applications, filings and amendments as required by applicable foreign exchange regulations. All individual Shareholders of our Company who are PRC citizens have duly completed their registration under the Circular 37. We are committed to complying with and to ensuring that our Shareholders who are subject to the regulations will comply with the relevant SAFE rules and regulations. However, due to the fact that the current applicable regulations and regulatory requirements of the PRC authorities may be amended from time to time, such registration might not be always practically available in all circumstances as prescribed in those regulations. In addition, we may not always be able to compel them to comply with Circular 37 or other related regulations. We cannot assure you that the SAFE or its local branches will release explicit requirements or interpret the relevant PRC laws and regulations otherwise. Failure by any such Shareholders to comply with Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC and overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects. As of the Latest Practicable Date, our individual Shareholders who are PRC citizens have completed their registration under the Circular 37.

As there is uncertainty concerning the reconciliation of these foreign exchange regulations with other approval requirements, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant governmental authorities. We cannot predict how these regulations will affect our business operations or future strategy. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

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

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, or SAFE Circular 7, replacing the previous rules issued by SAFE in March 2007. Under the SAFE Circular 7 and other relevant rules and regulations, PRC

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residents who participate in a stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. Additionally, Circular 37 stipulates that PRC residents who participate in a share incentive plan of an overseas non-publicly-listed special purpose company may register with SAFE or its local branches before they exercise the share options. We may grant share options in the future, which will be subject to these regulations upon the completion of this offering. Failure of our PRC share option holders or restricted shareholders to complete their SAFE registrations may subject these PRC residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary, limit our PRC subsidiary's ability to distribute dividends to us, or otherwise materially adversely affect our business.

The SAT has also issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options or grant of the restricted shares. Our PRC subsidiaries have obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options or grant of the restricted shares. If our employees fail to pay or we fail to withhold their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities.

You may have limited resources in effecting services of legal process or enforcing overseas judgments against us, our Shareholders, Directors and senior management.

We are an exempted company incorporated in the Cayman Islands. Substantially all of our assets are located in China, which is also where all of our current operations are conducted. In addition, a majority of our current directors and officers are nationals and residents of China and substantially all of the assets of these persons are located in China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise.

On July 14, 2006, China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "2006 Arrangement"), pursuant to which a party with a final judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement

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of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a China Court or a Hong Kong court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain. On January 18, 2019, the Supreme People's Court and the Hong Kong SAR Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "2019 Arrangement"), which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between China and Hong Kong, based on criteria other than a written bilateral choice of court agreement. The 2019 Arrangement became effective on January 29, 2024 and the 2006 Arrangement has been superseded.

The interpretation and implementation of the Anti-Monopoly Guidelines for the Internet Platform Economy Sector may evolve.

In February 2021, the Anti-Monopoly Commission of the State Council published the Anti-Monopoly Guidelines for the Internet Platform Economy Sector (《關於平台經濟領域的反壟斷指南》) that aims at specifying some of the circumstances under which an activity of internet platforms may be identified as monopolistic act as well as setting out merger controlling filing procedures involving variable interest entities. Due to evolving legislative activities and varied local implementation practices of anti-monopoly and competition laws and regulations in the PRC, it may be costly to adjust some of our business practice in order to comply with these laws, regulations, rules, guidelines and implementations, and any incompliance or associated inquiries, investigations and other governmental actions may divert significant management time and attention and our financial resources, bring negative publicity, subject us to liabilities or administrative penalties, and/or materially and adversely affect our financial conditions, operations and business prospects.

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

The value of RMB against HKD, USD and other currencies fluctuates is subject to changes resulting from the PRC government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between RMB and HKD, USD or other currencies in the future. In addition, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policy goals.

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

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for the Shares. The liquidity, trading volume and market price of our Shares may be volatile.

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of and permission to deal in our Shares on the Stock Exchange. There is no assurance that the Global Offering will result in the development of an active, liquid public trading market for our Shares.

The liquidity, trading volume and market price for our Shares could be highly volatile and subject to wide fluctuations in response to factors including the following:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance; the history of, and the prospects for, us and the industry in which we compete;
- assessments of our management, our past and present operations, and the prospects for, and timing of, our future revenue and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- general market sentiment regarding the entertainment industry and companies;
- changes in laws and regulations in China;
- our ability to compete effectively in the market; and
- political, economic, financial and social developments in China and worldwide.

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In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of their Shares regardless of our operating performance or prospects.

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

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

Potential investors could face dilution as a result of future equity financings.

The Offer Price of our Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma adjusted consolidated net tangible asset. There can be no assurance that if we were to immediately liquidate after the Global Offering, any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider offering and issuing additional Shares in the future. In addition, purchasers of our Shares may experience further dilution of their interest if the Underwriters exercise the Over-allotment Option or if we issue additional shares in the future.

Future or perceived sales of substantial amounts of our Shares could affect their market price.

Future sales or perceived sales by our existing Shareholders of our Shares after the Global Offering could result in a significant decrease in the prevailing market price of our Shares. Only a limited number of our Shares currently outstanding will be available for sale or issuance immediately after the Global Offering due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our Shares in the public market or the perception that these sales may occur could significantly decrease the prevailing market price of our Shares and our ability to raise equity capital in the future.

We may not be able to distribute dividends to our Shareholders.

We cannot assure you when and in what form dividends will be paid on our Shares after the Global Offering. The declaration and distribution of dividends is at the discretion of the Board, and our ability to pay dividends or make other distributions to our Shareholders is subject to various factors, including our business and financial performance, capital and regulatory requirements and general business conditions. We may not be able to have sufficient or any profits

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to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. As a result of the above, we cannot assure you that we will make can make dividend payments on our Shares in the future. See “Financial Information – Dividends” in this prospectus for more details.

Waivers have been granted from compliance with certain requirements of the Listing Rules. Shareholders will not have the benefit of the Listing Rules that are so waived. These waivers could be revoked, exposing us and our Shareholders to additional legal and compliance obligations.

We have applied for, and the Stock Exchange has granted to us, a number of waivers from strict compliance with the Listing Rules. See “Waivers from Strict Compliance with the Listing Rules”. There is no assurance that the Stock Exchange will not revoke any of these waivers granted or impose certain conditions on any of these waivers. If any of these waivers were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs and face uncertainties arising from issues of multi-jurisdictional compliance, all of which could materially and adversely affect us and our Shareholders.

We cannot assure you of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various official government sources contained in this prospectus.

This prospectus, particularly the section headed “Industry Overview” in this prospectus, contains information and statistics relating to the market of intelligent content recommendation industry in China. Such information and statistics have been derived from various official government sources. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. However, we cannot assure you of the accuracy or completeness of certain facts, forecasts and other statistics obtained from official government sources contained in this prospectus because any facts, forecasts and other statistics from such sources may not be prepared on a comparable basis or may not be consistent with other sources. Neither we nor the other parties involved in the Global Offering are responsible for the accuracy, reliability or completeness of the information from such sources. Prospective investors should give consideration as to how much weight or importance they should attach to or place on such facts or statistics and should not place undue reliance on them.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “may,” “ought to,” “should” or “will” or similar terms. Those statements include, among other things, the discussion of our Company’s growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not

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limited to, those identified in this section, many of which are not within our Company's control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by our Company that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please see "Forward-looking Statements" in this prospectus for further details.

You should read the entire document carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

There may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which contained, among others, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or other media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them.

You should rely solely upon the information contained in this prospectus and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, our Company has sought and has been granted the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that our Group must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Since the headquarters, principal business and operations of our Group are located, managed and operated in the PRC, our Group will not, upon Listing or in the foreseeable future, have sufficient management presence in Hong Kong. Currently, all of our executive Directors ordinarily reside in the PRC. The Directors consider that the appointment of executive directors who will be ordinarily resident in Hong Kong would not be beneficial to or appropriate for our Group, whose business operations are primarily located in the PRC, and therefore would not be in the best interests of our Company and the Shareholders as a whole. Accordingly, our Company has applied to the Stock Exchange for and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules.

Notwithstanding that upon Listing, our Company will not have at least two executive Directors who are ordinarily residents in Hong Kong, the following will continually allow our Company to maintain regular communications with the Stock Exchange for the purpose of Rule 8.12 of the Listing Rules:

- (i) our Company has appointed Mr. Chen and Ms. Fung Po Ting (“Ms. Fung”) as the authorized representatives for the purpose of Rule 3.05 of the Listing Rules. They will act as our Company’s principal channel of communication with the Stock Exchange. Ms. Fung is a Hong Kong permanent resident and Mr. Chen possesses valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time upon request of the Stock Exchange, if required. Each of them has confirmed that he or she can be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange. Our Company has provided contact details of the authorized representatives to the Stock Exchange and will inform the Stock Exchange as soon as practicable in respect of any change in our Company’s authorized representatives;
- (ii) each of the authorized representatives has means of contacting all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange proposes to contact a Director with respect to any matters and we will implement a policy whereby:
 - (a) each Director must provide his or her mobile phone number, office phone number, facsimile number and email address to these authorized representatives and the Stock Exchange; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (b) in the event that a Director expects to travel and/or otherwise be out of office, he or she will provide the phone number of the place of his or her accommodation to these authorized representatives;
- (iii) all the Directors who are not ordinarily resident in Hong Kong are able to apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Stock Exchange upon reasonable notice;
- (iv) meetings between the Stock Exchange and the Directors could be arranged through the authorized representatives or the Company's compliance adviser, or directly with the Directors within a reasonable timeframe. Our Company will inform the Stock Exchange promptly in respect of any change in our authorized representatives and compliance adviser; and
- (v) our Company has appointed China Sunrise Capital Limited as its compliance adviser in compliance with Rule 3A.19 of the Listing Rules, who will act as an additional channel of communication with the Stock Exchange. Our Company will ensure that the compliance adviser shall have access at all times to its authorized representatives, Directors and members of the senior management. Our Company will also procure that such persons provide promptly to the compliance adviser such information and assistance as it may need or may reasonably request in connection with the performance of its duties as set forth in Chapter 3A of the Listing Rules. The compliance adviser will advise on ongoing compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the Listing Date at least until the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the Company's financial results for the first full financial year and its annual report for the first full financial year following the Listing.

WAIVER IN RELATION TO APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our company secretary must be an individual who by virtue of his or her academic or professional qualifications or relevant experience is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Chartered Governance Institute;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (a) length of employment with the listing applicant and other issuers and the roles he/she played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (WUMP) Ordinance, and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Pursuant to Chapter 3.10 of the Guide for New Listing Applicants issued by the Stock Exchange, the Stock Exchange will consider a waiver application by an issuer in relation to Rules 3.28 and 8.17 of the Listing Rules based on the specific facts and circumstances. Factors that will be considered by the Stock Exchange include:

- (a) whether the issuer has principal business activities primarily outside Hong Kong;
- (b) whether the issuer is able to demonstrate the need to appoint a person who does not have the Acceptable Qualification (as defined under Chapter 3.10 of the Guide for New Listing Applicants) nor Relevant Experience (as defined under Chapter 3.10 of the Guide for New Listing Applicants) as a company secretary; and
- (c) why the directors consider the individual to be suitable to act as the issuer’s company secretary.

Our Company’s principal business activities are located outside of Hong Kong and there are practical difficulties in finding persons who possess day-to-day knowledge of our Company’s affairs while also having the academic and professional qualifications as required. We have appointed Mr. Chen and Ms. Fung as our joint company secretaries. Mr. Chen has almost 14 years of working experience with our Group and is currently acting as an executive Director and the chief financial officer of our Company, primarily responsible for the overall strategic decision, daily management and operation and the finance department of our Group. He has accumulated abundant knowledge about our business operations and corporate governance with a strong recognition of our corporate culture. By virtue of his position and familiarity with our Group, Mr. Chen has worked closely with our Directors and thus possesses a thorough understanding of matters concerning our Board and its operations. As such, our Directors believe that Mr. Chen is a suitable person to act as one of the joint company secretaries of our Company.

However, Mr. Chen does not possess the specified qualifications required by Rule 3.28 of the Listing Rules. Therefore, we have also appointed Ms. Fung, who meets the requirements under Rule 3.28 of the Listing Rules, to act as the other joint company secretary. Ms. Fung, who has over 13 years of experience in the fields of corporate secretarial services, can leverage her

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expertise to assist Mr. Chen to better discharge his responsibilities as our Company's joint company secretary. For more details of the biographies of Mr. Chen and Ms. Fung, please see the section headed "Directors and Senior Management".

Over the initial period of the three years from the Listing Date, we will implement the following measures to assist Mr. Chen to satisfy the requisite qualifications as prescribed in Rules 3.28 and 8.17 of the Listing Rules:

- (i) given the knowledge and experience of Ms. Fung, she will be able to advise both Mr. Chen and us on the relevant requirements of the Listing Rules as well as other applicable laws and regulations of Hong Kong;
- (ii) Mr. Chen will be assisted by Ms. Fung for an initial period of three years commencing from the Listing Date, which should be sufficient for Mr. Chen to acquire the requisite knowledge and experience under Rule 3.28 of the Listing Rules;
- (iii) we will ensure that Mr. Chen has access to the relevant trainings and support to enable him to familiarize himself with the Listing Rules and the duties required of a company secretary of a Hong Kong listed company, and Mr. Chen has undertaken to attend such trainings;
- (iv) Ms. Fung will communicate with Mr. Chen on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations of Hong Kong which are relevant to our operations and affairs. Ms. Fung will work closely with, and provide assistance to Mr. Chen with a view to discharging her duties and responsibilities as a company secretary, including but not limited to organising the Board meetings and Shareholders' meetings; and
- (v) pursuant to Rule 3.29 of the Listing Rules, Mr. Chen will also attend no less than 15 hours of relevant professional training courses in each financial year to familiarize himself with the requirements of the Listing Rules and other legal and regulatory requirements of Hong Kong. Each of Mr. Chen and Ms. Fung will be advised by our legal advisers as to Hong Kong laws and our compliance adviser as and when appropriate and required.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, for an initial period of three years from the Listing Date, on the conditions that (i) Mr. Chen must be assisted by Ms. Fung, who possesses the qualifications and experience as required under Rule 3.28 of the Listing Rules and who will serve as the joint company secretaries of our Company throughout the three-year waiver period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company. Prior to the expiry of the three-year period, we will conduct a further evaluation of the qualification and experience of Mr. Chen to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied, and we will liaise with the Stock Exchange to assess whether Mr. Chen, having had the benefit of the

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

assistance of Ms. Fung for three years, would have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules such that there is no need to further apply for a waiver.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

We have entered into, and expect to continue, the Contractual Arrangements, which will constitute non-exempt continuing connected transactions for our Company under the Listing Rules upon Listing. Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Chapter 14A of the Listing Rules in relation to such non-exempt continuing connected transactions. Details of such continuing connected transactions and the respective waivers sought are set out in the sections headed “Contractual Arrangements” and “Continuing Connected Transactions” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors (including any proposed director who is named as such in this prospectus) collectively and individually accept full responsibility, contains particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirmed that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus contain all the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out in herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorized by us, the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of their respective directors, officers, agents, employees, advisers or representatives or any other parties involved in the Global Offering.

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement, subject to the agreement of the Offer Price between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters). The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date. Further information about the Underwriters and the underwriting arrangements is set forth in the section headed "Underwriting" in this prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering", and the procedures for applying for the Hong Kong Offer Shares are set out in "How to Apply for Hong Kong Offer Shares".

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute or create any implication that there has been no change or development in our affairs since the date of this prospectus or that the information in it is correct as of any subsequent time.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares, or the distribution of this prospectus, in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption from those authorities.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the approval for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued under the exercise of the Over-allotment Option), and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme. None of our Shares or loan capital of our Company are listed on or dealt in on any other stock exchanges. At present, our Company is not seeking or proposing to seek such listing or permission to deal in our Shares on any other stock exchanges.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after a trading transaction. You should seek advice from your stockbroker or other professional advisers for details of such settlement arrangements as such arrangements will affect your rights and interests.

We have made all necessary arrangements for our Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of HKSCC and the HKSCC Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, June 7, 2024, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, June 7, 2024.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROFESSIONAL TAX ADVICE RECOMMENDED

Professional investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in, our Shares (or exercising rights attaching to them) under the laws of Hong Kong and the place of their operations, domicile, residence, citizenship or incorporation. None of the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, us, any of our or their respective directors, officers, agents, employees, advisers or representatives, or any other parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchasing, holding or disposing of, or dealing in, our shares (or exercise of any rights attaching to them).

REGISTER OF MEMBERS AND STAMP DUTY

Our register of members holding Shares will be maintained by our principal share registrar, Appleby Global Services (Cayman) Limited, in the Cayman Islands, and our register of members holding listed Shares will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

No stamp duty is payable by applicants in the Global Offering. Dealings in the Shares registered in our Hong Kong share register will be subject to stamp duty in Hong Kong. The current ad valorem rate of Hong Kong stamp duty is 0.10% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the vendor on every sale of the Shares. In other words, a total stamp duty of 0.20% is currently payable on a typical sale and purchase transaction involving the Shares.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in the section headed “Structure of the Global Offering” in this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering (including the Hong Kong Public Offering and its conditions) are set out in the section headed “Structure of the Global Offering” in this prospectus.

BOARD LOTS AND STOCK CODE

The Shares will be traded in board lots of 500 Shares each and the stock code of the Shares will be 2550.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

CURRENCY TRANSLATIONS

Unless otherwise specified, for illustrative purposes only, amounts denominated in Renminbi have been, respectively, converted into Hong Kong dollars in this prospectus at the following rates:

HK\$1.00: RMB0.9115 (being the exchange rate set by the PBOC on May 21, 2024).

No representation is made that any amounts in one currency can be or could have been at the relevant dates converted at the above rate or any other rates, or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the names of any of the entities, laws and regulations mentioned in this prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail. The English translations are marked with “*” for identification purpose only.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Any discrepancies in any table, chart or elsewhere between the total shown and the sum of the amounts listed are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Wang Xi (汪溪)	A5501-A, Block A, Union Square No. 5022 Binhe Avenue Futian District Shenzhen China	Chinese
Mr. Chen Jun (陳鈞)	Room 103 Building 54, Yuanling New Village Futian District Shenzhen China	Chinese
Mr. Zhao Lei (趙磊)	3a903, Qiaoxiang Mansion Qiaoxing Road Futian District Shenzhen China	Chinese
<i>Non-executive Directors</i>		
Mr. Luan Ling (樂凌)	10B2702 CITIC Mangrove Bay Nanshan District Shenzhen China	Chinese
Mr. Zhuge Qingchen (諸葛慶晨)	No. 32, Tianyilou Lane Siming District Xiamen China	Chinese
Mr. Gan Minggao (甘鳴皋)	Room 1602, No. 12 Lane 567, Anbo Road Yangpu District Shanghai China	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
<i>Independent non-executive Directors</i>		
Mr. Zhu Jianfeng (朱劍峰)	Flat J, 7/F, Block 6 Tsui Lai Garden 9 Fung Nam Road Sheung Shui New Territories Hong Kong	Chinese
Mr. An Yingchuan (安穎川)	4702, Block A, Building 5 Hezheng Rongyue Mansion No. 2014, Wenjinzhong Road Luohu District Shenzhen China	Chinese
Ms. Meng Xue (孟雪)	2502, Unit 1 Block A, Phase 1 Hengda Tianjing Building Shenzhen China	Chinese

For further information of our Directors, please see the section headed “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

**Sole Sponsor and Sole Sponsor
Overall Coordinator**

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Central, Hong Kong

Overall Coordinators

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Central, Hong Kong

Guotai Junan Securities (Hong Kong) Limited
26/F-28/F, Low Block,
Grand Millennium Plaza
181 Queen's Road Central,
Hong Kong

Joint Global Coordinators

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Central, Hong Kong

Guotai Junan Securities (Hong Kong) Limited
26/F-28/F, Low Block,
Grand Millennium Plaza
181 Queen's Road Central,
Hong Kong

Joint Bookrunners

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Central, Hong Kong

Guotai Junan Securities (Hong Kong) Limited
26/F-28/F, Low Block,
Grand Millennium Plaza
181 Queen's Road Central,
Hong Kong

BOCOM International Securities Limited
9/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

China Everbright Securities (HK) Limited

33/F, Everbright Centre
108 Gloucester Road
Wanchai, Hong Kong

Citrus Securities Limited

Room 2201, 22/F, OfficePlus@Wan Chai
303 Hennessy Road
Wanchai, Hong Kong

Guosen Securities (HK) Capital Company Limited

Suites 3207-3212 on Level 32
One Pacific Place
88 Queensway
Hong Kong

ICBC International Securities Limited

37/F, ICBC Tower
3 Garden Road
Hong Kong

Livermore Holdings Limited

Unit 1214A, 12/F
Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon, Hong Kong

Shenwan Hongyuan Securities (H.K.) Limited

Level 6, Three Pacific Place
1 Queen's Road East
Hong Kong

SPDB International Capital Limited

33/F, SPD Bank Tower, One Hennessy
1 Hennessy Road
Hong Kong

Tiger Brokers (HK) Global Limited

1/F No. 308 Des Voeux Road Central
Sheung Wan
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Yue Xiu Securities Company Limited

Rooms Nos. 4917-4937, 49/F
Sun Hung Kai Centre
No.30 Harbour Road
Wanchai, Hong Kong

Zhongtai International Securities Limited

19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

Joint Lead Managers

BOCI Asia Limited

26/F, Bank of China Tower
1 Garden Road
Central, Hong Kong

Guotai Junan Securities (Hong Kong) Limited

26/F-28/F, Low Block,
Grand Millennium Plaza
181 Queen's Road Central,
Hong Kong

BOCOM International Securities Limited

9/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

China Everbright Securities (HK) Limited

33/F, Everbright Centre
108 Gloucester Road
Wanchai, Hong Kong

Citrus Securities Limited

Room 2201, 22/F, OfficePlus@Wan Chai
303 Hennessy Road
Wanchai, Hong Kong

Guosen Securities (HK) Capital Company Limited

Suites 3207-3212 on Level 32
One Pacific Place
88 Queensway
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

ICBC International Securities Limited

37/F, ICBC Tower
3 Garden Road
Hong Kong

Livermore Holdings Limited

Unit 1214A, 12/F
Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon, Hong Kong

Shenwan Hongyuan Securities (H.K.) Limited

Level 6, Three Pacific Place
1 Queen's Road East
Hong Kong

SPDB International Capital Limited

33/F, SPD Bank Tower, One Hennessy
1 Hennessy Road
Hong Kong

Tiger Brokers (HK) Global Limited

1/F No. 308 Des Voeux Road Central
Sheung Wan
Hong Kong

Yue Xiu Securities Company Limited

Rooms Nos. 4917-4937, 49/F
Sun Hung Kai Centre
No.30 Harbour Road
Wanchai, Hong Kong

Zhongtai International Securities Limited

19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

Capital Market Intermediaries

BOCI Asia Limited

26/F, Bank of China Tower
1 Garden Road
Central, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Guotai Junan Securities (Hong Kong) Limited

26/F-28/F, Low Block,
Grand Millennium Plaza
181 Queen's Road Central,
Hong Kong

BOCOM International Securities Limited

9/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

China Everbright Securities (HK) Limited

33/F, Everbright Centre
108 Gloucester Road
Wanchai, Hong Kong

Citrus Securities Limited

Room 2201, 22/F, OfficePlus@Wan Chai
303 Hennessy Road
Wanchai, Hong Kong

Guosen Securities (HK) Capital Company Limited

Suites 3207-3212 on Level 32
One Pacific Place
88 Queensway
Hong Kong

ICBC International Securities Limited

37/F, ICBC Tower
3 Garden Road
Hong Kong

Livermore Holdings Limited

Unit 1214A, 12/F
Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon, Hong Kong

Shenwan Hongyuan Securities (H.K.) Limited

Level 6, Three Pacific Place
1 Queen's Road East
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

SPDB International Capital Limited

33/F, SPD Bank Tower, One Hennessy
1 Hennessy Road
Hong Kong

Tiger Brokers (HK) Global Limited

1/F No. 308 Des Voeux Road Central
Sheung Wan
Hong Kong

Yue Xiu Securities Company Limited

Rooms Nos. 4917-4937, 49/F
Sun Hung Kai Centre
No.30 Harbour Road
Wanchai, Hong Kong

Zhongtai International Securities Limited

19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

Legal Advisers to Our Company

As to Hong Kong law

Mayer Brown

16th-19th Floors
Prince's Building
10 Chater Road
Central, Hong Kong

As to PRC law (including as to PRC data compliance)

Global Law Office

20/F, Tower 1,
China Central Place
No. 81 Jianguo Road
Chaoyang District
Beijing, China

As to Cayman Islands law

Appleby

Suites 4201-03 & 12,
42/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal Advisers to the
Sole Sponsor and
the Underwriters**

As to Hong Kong law
Morgan, Lewis & Bockius
19th Floor
Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law
Jingtian & Gongcheng
34/F, Tower 3
China Central Place
77 Jianguo Road
Chaoyang District
Beijing, China

**Auditors and Reporting
Accountants**

Ernst & Young
*Certified Public Accountants and
Registered Public Interest Entity Auditor*
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

Industry Consultant

Analysys
Room 682, 2/F, North Block
No. 58, Xiangchun Road
Shuxin Town, Chongming District
Shanghai
China

Receiving Banks

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

CMB Wing Lung Bank Limited
15/F, CMB Wing Lung Bank Building
45 Des Voeux Road Central
Hong Kong

Compliance Adviser

China Sunrise Capital Limited
Unit 4513, 45/F The Center
99 Queen's Road Central
Hong Kong

CORPORATE INFORMATION

Registered Office in the Cayman Islands	Suite 102, Cannon Place P.O. Box 712 North Sound Rd George Town Grand Cayman KY1-9006 Cayman Islands
Headquarters and Principal Place of Business in the PRC	Room 403, Building 5C Software Industry Base Keyuan Road Nanshan District Shenzhen China
Principal Place of Business in Hong Kong	3/F, Workington Tower 78 Bonham Strand Sheung Wan Hong Kong
Company's Website	<u>http://www.easou.cn</u> <i>(information contained in this website does not form part of this prospectus)</i>
Joint Company Secretaries	Mr. Chen Jun (陳鈞) Room 03, 1/F Building 54, Yuanling New Village Futian District Shenzhen China Ms. Fung Po Ting (馮寶婷) <i>(ACG and HKACG)</i> 31/F., Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Authorized Representatives	Mr. Chen Jun (陳鈞) Room 03, 1/F Building 54, Yuanling New Village Futian District Shenzhen China

CORPORATE INFORMATION

	<p>Ms. Fung Po Ting (馮寶婷) 31/F., Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong</p>
Audit Committee	<p>Mr. An Yingchuan (安穎川) (<i>Chairman</i>) Mr. Gan Minggao (甘鳴皋) Mr. Zhu Jianfeng (朱劍峰)</p>
Remuneration Committee	<p>Mr. Zhu Jianfeng (朱劍峰) (<i>Chairman</i>) Ms. Meng Xue (孟雪) Mr. Luan Ling (樂凌)</p>
Nomination Committee	<p>Mr. Wang Xi (汪溪) (<i>Chairman</i>) Mr. An Yingchuan (安穎川) Ms. Meng Xue (孟雪)</p>
Cayman Islands Principal Share Registrar and Transfer Office	<p>Appleby Global Services (Cayman) Limited 71 Fort Street, PO Box 500, George Town, Grand Cayman, KY1-1106, Cayman Islands</p>
Hong Kong Share Registrar	<p>Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong</p>
Principal Banks	<p>China Merchants Bank First Floor, Block A, Building 1 Software Industry Base No.85 Xuefu Road Nanshan District Shenzhen</p>

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this prospectus were extracted from the Analysys Report prepared by Analysys, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Analysys to prepare the Analysys Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Sole Sponsor, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.

SOURCES OF INFORMATION

We commissioned Analysys, an independent market research and consulting firm, to conduct a detailed research on the intelligent content recommendation industry in China, including online literature industry, digital marketing industry and online games industry from 2018 to 2027. The report commissioned has been prepared by Analysys independent of our influence.

Analysys is a professional technology and market analysis firm in the area of China's digital intelligence, which offers big data analytics and consulting services to improve clients' digital business capabilities and their market competitiveness. We have agreed to pay a fee of RMB310,000 to Analysys in connection with the preparation of the Analysys Report. We have extracted certain information from the Analysys Report in this section, as well as in the sections headed "Summary", "Risk Factors", "Business", "Financial Information" and elsewhere in this prospectus to provide our potential investors with a more comprehensive presentation of the industry in which we operate.

Analysys' main sources of data and information consist of both primary and secondary sources. Primary sources involves (i) Analysys' own data base from its market observance; and (ii) user data detected by Analysys' proprietary data monitor Apps, Analysys Qianfan. Secondary source involves reviewing information from data and publication from publicly-available sources, including official data from government agencies, company reports, and publicly-available interviews.

In compiling and preparing the Analysys Report, Analysys adopted the following basis and assumptions: (i) the political, economic and social environment in the PRC remains stable, which ensures the continuous development of China's intelligent recommendation market; (ii) the PRC government continues supporting the development of China's online literature industry, digital marketing industry and online games industry; and (iii) China's online literature industry, digital marketing industry and online games industry continue to expand with the increase in the demand and supply.

Our Directors confirmed that, after exercising reasonable care, as of the Latest Practicable Date, there had been no adverse change in the market information set forth herein since the date on which the Analysys Report was issued.

INDUSTRY OVERVIEW

INTELLIGENT CONTENT RECOMMENDATION INDUSTRY IN CHINA

Overview

Intelligent recommendation technology is a technology that provides users with personalized information services and decision support based on AI and big data. The technology effectively solves information problems such as overload and long-tail content. AI is a cutting-edge technology to study and develop theories, methods, technologies and application systems for simulating, extending and expanding human intelligence. Since AI is a basic technology, not a commodity or service, the “AI industry chain” is a very extensive industry, and many enterprises that use AI-related technologies in their products or services are in this industry chain. China’s AI industry chain can be divided into three parts: (i) basic layer, which mainly provides foundation and infrastructure for AI technology R&D or application, such as chips, big data, cloud computing and sensors; (ii) technology layer, mainly refers to AI technology R&D and application exploration, such as computer vision, coding and decoding and intelligent recommendation system, among others; and (iii) application layer, which mainly refers to the application of AI technology in industries including manufacturing, internet and services, including intelligent driving, intelligent content recommendation and robots, among others. Most enterprises in the technology layer are engaged in the application layer at the same time, where the achievements obtained in the technology layer are monetized through applications.

Intelligent recommendation algorithm is an important part of intelligent recommendation technology. Currently, there are three main recommendation algorithms, namely, content-based recommendation, collaborative filtering recommendation and hybrid recommendation. The features of these three recommendation algorithms are as follows: (i) content-based recommendation involves recommending similar or relevant items to users based on their historical records of favorite items; (ii) collaborative filtering recommendation utilizes collaborative filtering model for recommendation based on users’ historical interaction behaviors (such as users’ clicks and purchase records), which has higher recommendation accuracy and is currently the most widely used algorithm; and (iii) hybrid recommendation combines content-based recommendation algorithms and collaborative filtering recommendation algorithms to improve the prediction performance and provide more precise recommendation results.

Intelligent recommendation system, also known as personalized recommendation system, is one of the earliest applications of artificial intelligence technology primarily based on a set of algorithmic recommendation technologies to achieve intelligent recommendation. Leveraging AI and big data, an intelligent recommendation system analyzes available information to produce a detailed and individualized picture of each user and make predictions about his/her preferences and behaviors. Intelligent recommendation system collects and extracts characteristic information of the products, digital content and other digital information generated from users’ behaviors, and provides users with recommended content and information that may be of their interest or taste. Enterprises develop businesses based on intelligent recommendation technology, through which the intelligent recommendation industry is established. Intelligent recommendation industry mainly includes intelligent content recommendation industry and intelligent service recommendation industry. Based on intelligent recommendation technology, enterprises develop online literature, online games and other related digital content businesses, which collectively formed the intelligent content recommendation industry. Moreover, based on the same technology, enterprises develop e-commerce, life service, tourism and other related digital service business, through which the intelligent service recommendation industry is formed.

INDUSTRY OVERVIEW

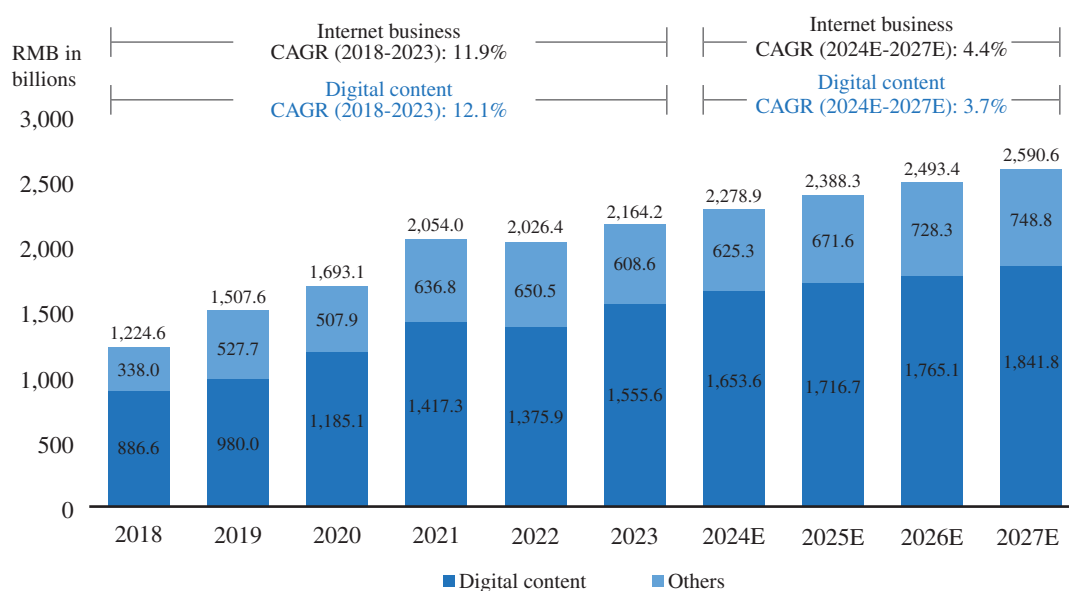
Application of Intelligent Recommendation

With the continuous progress of AI technology, intelligent recommendation technology has been widely adopted and used in the internet field, including digital content and digital services, which jointly contributed to the rapid development of China's intelligent recommendation industry. In terms of digital content, there is content with strong ability of dissemination that could expand its user base quickly. Meanwhile, for the content that is not highly promoted through internet traffic, it may not be able to maintain or expand its user exposure. Compared to the popularity of the former type of content, the latter type of content has difficulty in realizing monetization. Such dissemination attribute of digital content is not directly related to content quality, content price or qualification of content producers. Due to limited internet traffic and homogenization of user base on certain platforms, content that is not highly promoted through internet traffic has limited exposure to the users. Therefore, such content needs more diversified distribution channels to achieve monetization. Intelligent recommendation technology can tackle the dilemma for the content that is not highly promoted through internet traffic to reach target users precisely and effectively. Established in 2005, Easou was one of the first companies in China that were engaged in the R&D and application of intelligent recommendation technology.

Addressable Market Size

Our business is subject to the development of China's internet business industry, especially China's digital content industry. The application of intelligent recommendation of digital content provides us with a broad space for development. The size of China's internet business industry in terms of revenue increased from RMB1,224.6 billion in 2018 to RMB2,164.2 billion in 2023, and is expected to grow from RMB2,278.9 billion in 2024 to RMB2,590.6 billion in 2027, representing a CAGR of 4.4%. In particular, the size of China's digital content industry in terms of revenue increased from RMB886.6 billion in 2018 to RMB1,555.6 billion in 2023, and is expected to grow from RMB1,653.6 billion in 2024 to RMB1,841.8 billion in 2027, representing a CAGR of 3.7%. The following chart presents the historical and projected market sizes in terms of revenue of China's internet business industry and digital content industry from 2018 to 2027:

China's Internet Business Market Size⁽¹⁾, 2018-2027E



INDUSTRY OVERVIEW

Note:

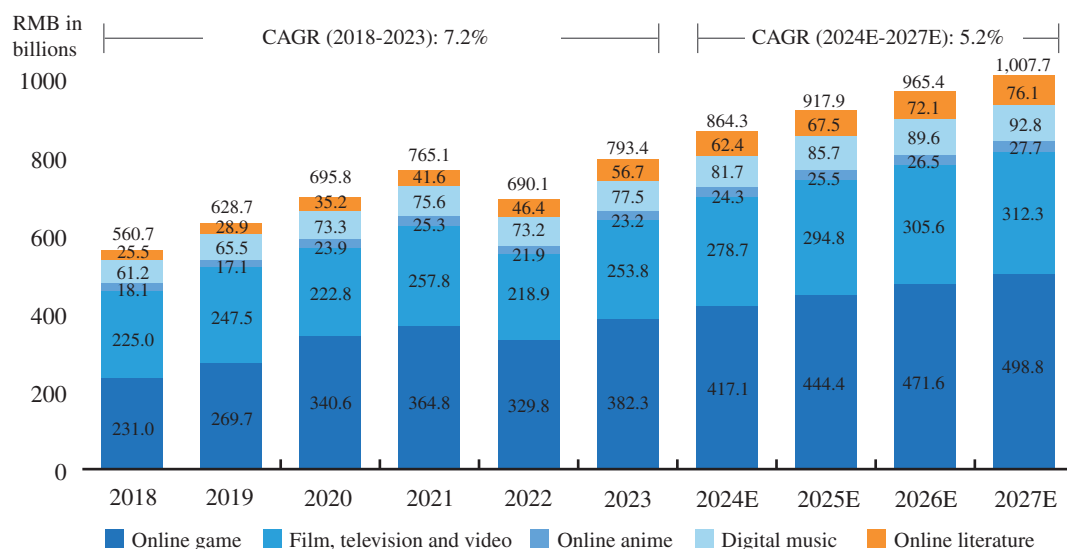
- (1) The market size of internet business includes the revenue of all internet companies. The market size of digital content includes the information service revenue of all internet companies.

Source: Analysys. The data is calculated by Analysys based on national statistics, corporate financial data and industry statistics.

We believe that our business is highly relevant to the development of China’s digital cultural entertainment industry, which is part of China’s digital content industry. With the rapid development of China’s cultural industry and the growth of Chinese users’ demand for cultural entertainment, the size of China’s digital cultural entertainment market increased from RMB560.7 billion in 2018 to RMB793.4 billion in 2023, representing a CAGR of 7.2%. Due to the continuing impact of the COVID-19 pandemic, geopolitical conflicts, overseas interest rate hikes and other factors, the global economic recovery is slower than expected. Therefore, the market size of China’s digital cultural entertainment industry decreased in 2022 compared with 2021. However, driven by factors such as the gradual recovery of China’s economy, the continuation of the online entertainment habits developed by users during the COVID-19 pandemic and carried forward into the post-COVID era, and the development of new technologies that broaden the consumption scenarios of entertainment, it is expected that the market size of China’s digital culture and entertainment industry will continue to increase from 2024 to 2027.

The following chart presents the historical and projected market size in terms of revenue of China’s digital culture and entertainment market from 2018 to 2027:

China’s Digital Culture and Entertainment Industry Market Size⁽¹⁾⁽²⁾, 2018-2027E



Notes:

- (1) The size of China’s digital culture and entertainment industry includes the size of market segments such as online games, film & television and video, online animation, digital music, and online literature.

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- (2) Online games market size includes the revenue from PC games, web games and mobile games, e-sports operating income and IP derivative income. Film & television and video market size includes the revenue of online video advertising, copyright and user payment, among others, as well as the box office of cinema movies, excluding TV stations. Online animation market size includes user payment, advertising revenue, and original copyright revenue. Digital music market size includes PC + mobile terminal output value, and revenue from telecom music value-added services, multimedia traffic and music platforms, among others. Online literature industry (online literature in a broad sense) size includes user payment, advertising revenue, copyright operation revenue, revenue from publishing and the sales of hardware, among others.

Source: China Audio-video and Digital Publishing Association, Analysys. The market size of the online literature market from 2018 to 2023 was sourced from China Audio-video and Digital Publishing Association, and other data were calculated by Analysys based on national statistics, corporate financial statistics and industry statistics.

Market Drivers of China's Intelligent Content Recommendation Industry

The tremendous upside of China's intelligent content recommendation industry is supported by the following key drivers:

- *National favorable policies:* In recent years, China introduced a series of policies favoring the intelligent recommendation-related technologies and digital content to accelerate the development of intelligent content recommendation industry. In terms of intelligent recommendation technology, the Outline of the 14th Five-Year Plan for National Economic and Social Development of China and the Vision 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》) proposed to focus on key artificial intelligence algorithms, operating systems and other key areas, accelerate the recommendation-related basic theoretical foundation, basic algorithms and other R&D breakthroughs and iterative applications, and cultivate and develop artificial intelligence and big data industry. In terms of the application of intelligent recommendation technology in digital content areas, the National Strategic Emerging Industries Development Plan of 14th Five-Year Plan (《十四五國家戰略性新興產業發展規劃》) proposed to cultivate and develop the new generation of information technology industry and digital creativity industry.
- *Upgrade of technology infrastructure:* The continuous improvement of technological infrastructure provided a solid foundation for further development of intelligent recommendation technology. At the same time, the upgrade of technological infrastructure also provided users with more convenient conditions of network access and expanded user coverage and usage scenarios of intelligent recommendation technology.
- *Increased demand from 2B customers and 2C users:* The increased demand for intelligent recommendation technology from enterprises (2B customers) and individual users (2C users) was driving and is expected to underpin the continuing growth of China's intelligent content recommendation industry. In terms of 2B customers, the rapid development of internet led to substantial growth in information content, which resulted in an increasing demand by 2B customers to use intelligent recommendation technology to deliver information to users for specific business purposes. In terms of 2C users, diversified content carriers, such as online literature platforms, new media platforms and short videos platforms, gradually emerged to provide users with

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diversified digital content, prompting users' need for personalized digital content. In the meantime, the massive amount of information drove users to gradually shift from active access to information by searching to passive acceptance by receiving results from recommendation platforms. In addition, according to China Internet Network Information Center, as of December 31, 2023, the average weekly online time of internet users was 26.1 hours. Users' reliance on the internet remained stable, and the internet became an important channel for users to obtain information.

Entry Barriers to China's Intelligent Content Recommendation Industry

The main entry barriers of China's intelligent content recommendation industry include the following:

- *Barrier of technology:* As the AI technology continues to evolve, deep learning has been widely used in intelligent recommendation systems whose open-source framework characteristics determine the rapid iteration of technology. Enterprises in this industry need to focus on the R&D of cutting-edge technology to maintain competitive advantage. As one of the core technologies of intelligent recommendation system, deep learning requires continuous training for the learning network based on specific purposes of applications, in order to obtain ideal results that meet practical application requirements. Enterprises need to continuously adjust their models, algorithms and technologies to adapt to the changes in their business objectives. It is difficult for new participants to obtain the integration of advanced technologies and product applications in the short term.
- *Barrier of application experience:* A mature intelligent recommendation system requires long-term optimization and iteration in order to adapt to the actual application results and business objectives. A long learning curve is necessary for enterprises to optimize and iterate the recommendation system according to the actual application results and business objectives, so as to adopt the most suitable recommendation method for their own business scenarios to improve their operational efficiency.
- *Barrier of user resources:* The massive amount of personal user data and user behavior data constitute the basis of continuous optimization of the recommendation system for an industry participant, which enables it to improve the accuracy of intelligent recommendations and in turn increases the size of its user base, the level of user activity and user retention rate. The maintenance and development of the scale of user behavior data requires long-term investment and maintenance in technology, content and operation. It is difficult for new participants to obtain large-scale user base and data in a short time.

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- *Barrier of ecosystem:* Intelligent recommendation technology, application experience and users constitute the ecological barriers of intelligent content recommendation industry. Intelligent recommendation technology provides personalized recommendations based on user characteristics, and the continuously accumulated experience in the relevant Apps further improves the accuracy of recommendations. Meanwhile, users' diversified needs also force enterprises to continuously improve the accuracy of their own intelligent recommendation technology in order to attract and retain users. The new participants may not be able to improve the accuracy of their recommendations and achieve ecological advantages in a short period of time.

ONLINE LITERATURE INDUSTRY IN CHINA

Overview

Digitization of reading includes two key aspects, namely, the digitization of reading objects and the digitization of reading mediums. The former refers to the reading content presented in a digital way, such as e-books, online novels, electronic pictures, digital photos, blogs and web pages. The latter refers to the carriers of reading content, namely, an electronic device with screen display, such as computers, laptops, tablets, mobile phones and e-readers. For the purpose of this prospectus, online literature refers to the online or offline reading of literary works through PC, cell phones, tablets and other devices connected to the internet, which only includes online literature works and electronic versions of publications.

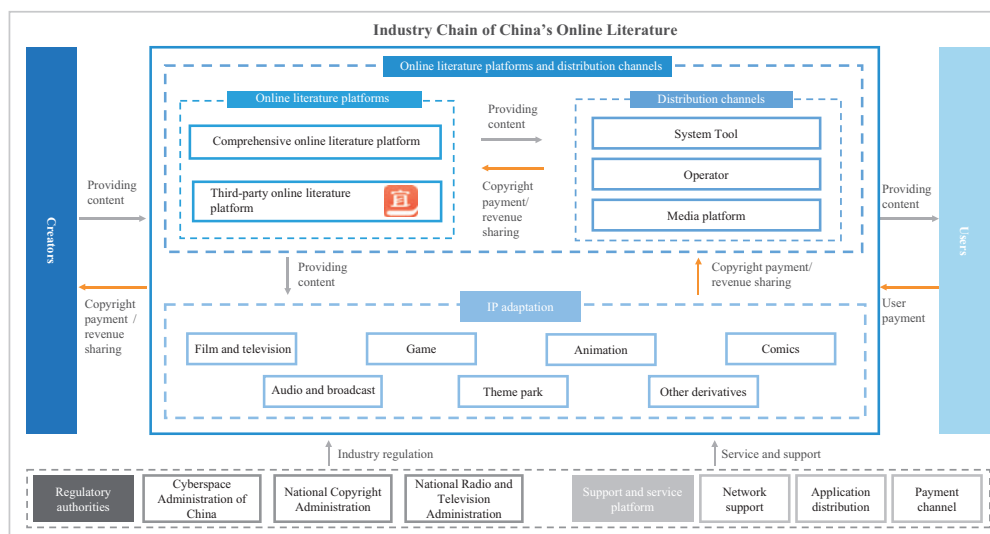
According to Analysys, in 2023, the number of China's online literature users reached approximately 540 million. During the same year, China's online literature industry entered into the stage of in-depth reading, with approximately 60.0% of the users spending at least two hours per day on online reading. With the popularization of smart devices and the development of mobile internet, users have gradually developed their habit of online reading.

The demand for cultural entertainment grew rapidly in China in the past five years. According to the National Bureau of Statistics, per capita expenditure on education, culture and entertainment in China was RMB2,904 in 2023, with a CAGR of 3.7% from 2019 to 2023. Per capita consumption expenditure of Chinese urban residents on education, culture and entertainment was RMB3,589 in 2023, representing a CAGR of 0.6% from 2019 to 2023. The per capita consumption expenditure of Chinese rural residents on education, culture and entertainment in 2023 was RMB1,951, representing a CAGR of 7.1% from 2019 to 2023. In terms of China's online literature users, in 2023, the number of the average MAU in low-tier regions and high-tier regions was approximately 603 million and 440 million, respectively. These collectively highlighted the substantial market potential in the low-tier regions. Following the development of China's online literature industry and a series of favorable policies for the development of its overseas online literature industry, the industry participants gradually sought overseas opportunities to further expand their business.

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Industry Chain of China's Online Literature Industry

The industry chain of China's online literature industry mainly comprises creators, content platforms, content distributors, IP adaptation producers and users. The chart below illustrates the online literature industry value chain of China:



Source: Analysys

- Creators provide original content to the content platforms.
- Content platforms primarily consist of comprehensive online literature platforms and third-party online literature platforms.
- The primary business model of content platforms is copyright operation, through which they recruit contracted writers to obtain the copyrights of their works or purchase copyrights from other content creators and then generate revenue from selling the relevant copyrights to content distribution channels or obtain the income from the users directly. Meanwhile, content platforms also provide value-added reading services to users to generate revenue. Content platforms normally cooperate with content distribution channels to distribute the literary content or sell the copyrights of the IP to allow adaptations derived thereof. In addition to Apps, content platforms offer a number of other reading products, such as H5 Pages and mini programs to expand their user base and enhance user stickiness to adapt to different scenarios.
 - Comprehensive online literature platforms that focus on original content are gradually introducing online literary content from other content providers and establishing cooperative relationship with them in copyright distribution, which illustrates that copyright distribution is gradually becoming more mainstream on online literature platforms.

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- o Third-party online literature platforms that provide the users with all online literature services from various content providers are able to maintain objective, impartial and neutral position when providing recommendation of online literary content and provide personalized services to users based on intelligent algorithm recommendation and other related technologies.

The comprehensive online literature platforms mainly provide users with original online literature content and services, while the third-party online literature platforms provide users with online literary content from multiple content providers as users are more willing to read books from different content providers rather than books from a single source. In other words, copyright distribution is gradually becoming the mainstream trend in the industry, and the neutrality and diversification of third-party online literature platforms will become an important differentiation advantage. The growth rate of third-party online literature platforms is expected to be higher than that of comprehensive online literature platforms in the future.

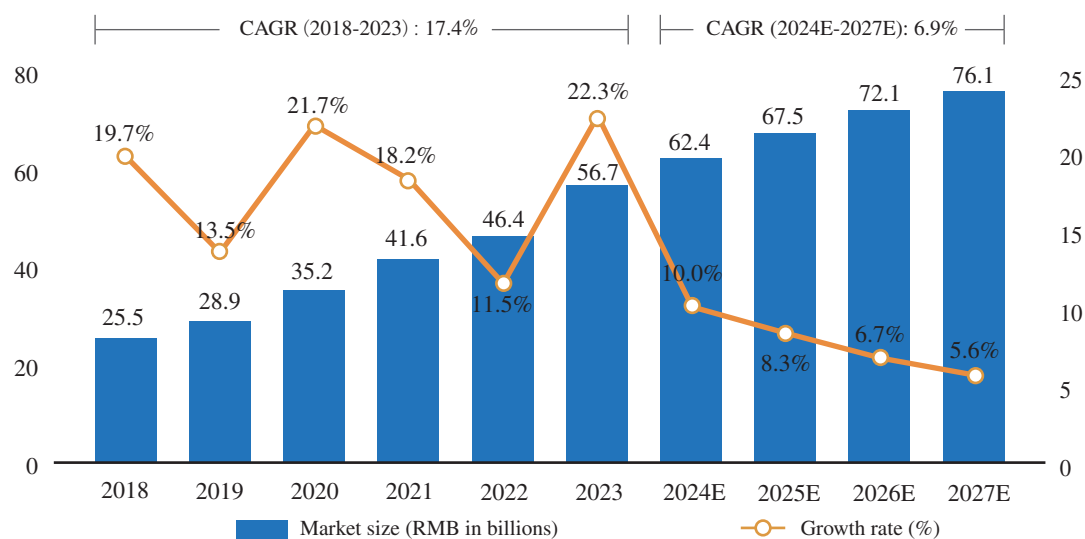
- Content distribution channels reach out to the users by distributing content through various system tools, operators' platforms and media platforms to expand the influence of the reading products.
- IP adaptation producers adapt literary content into a series of digital content derivatives, such as TV series, games, anime and comics, among others.
- Users receive literary content through reading with advertising or reading with paid services.

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Market Size

The market size of online literature increased from RMB25.5 billion in 2018 to RMB56.7 billion in 2023, representing a CAGR of 17.4%. This increase in online literature market size was primarily attributable to the expansion of reading with paid services and advertising revenue from reading with advertising. Affected by the development trend of the mobile internet industry and the competition for users' time and attention from live streaming and short video, revenue from IP operation will be an important driving force for the growth of China's online literature market in the near future. With the development of copyright protection and reading platforms which provide reading with advertising, the increasing user demand in digital cultural entertainment resulted from the COVID-19 pandemic and the growing popularity of the internet and mobile devices, revenue from online literature market will continue to increase. The size of the online literature market is expected to increase from RMB62.4 billion in 2024 to RMB76.1 billion in 2027, representing a CAGR of 6.9%. The following chart presents the historical and projected market size in terms of revenue of China's online literature market from 2018 to 2027:

China's Online Literature Market Size ⁽¹⁾, 2018-2027E



Note:

- (1) Online literature here is in a broad sense, including online literature (in a narrow sense), audiobooks and digital reading of traditional literature, among other things. It mainly calculates the income of Chinese online literature companies, including paid subscriptions, copyright operations, advertising and hardware, among other things.

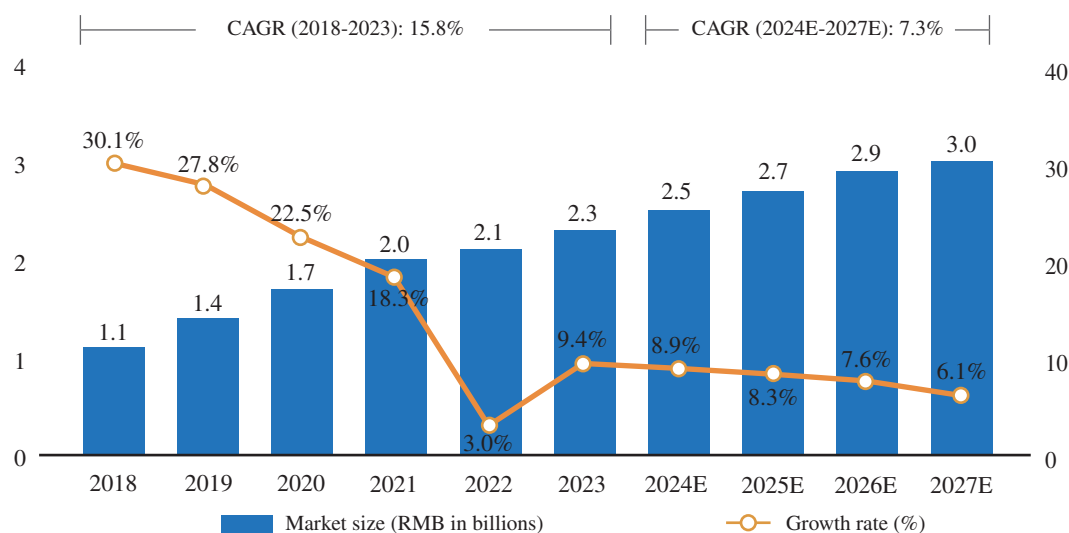
Source: China Audio-video and Digital Publishing Association, Analysys. The market size of online literature industry from 2018 to 2023 was sourced from China Audio-video and Digital Publishing Association, and other data were calculated by Analysys based on national statistics, corporate financial statistics and industry statistics.

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The market size of China’s third-party online literature industry is also increasing. From 2018 to 2023, the market size of China’s third-party online literature industry in terms of revenue increased from RMB1.1 billion to RMB2.3 billion, representing a CAGR of 15.8%. Driven by the increasing user demand for online literature, the growing demand for copyright distribution by the online literature platforms and enhanced copyright regulations, China’s third-party online literature industry is expected to continue to grow from RMB2.5 billion in 2024 to RMB3.0 billion in 2027, representing a CAGR of 7.3%. Following the development of China’s online literature industry, users’ reading needs have become more diversified and personalized. Third-party online literature platforms offering literary content from different sources can effectively capture users’ reading needs. Therefore, the market size of third-party online literature industry is expected to continue to grow at a higher CAGR than that of the overall online literature market in the next four years.

The following chart presents the historical and projected market size of China’s third-party online literature industry in terms of revenue from 2018 to 2027:

China’s Third-party Online Literature Market Size⁽¹⁾, 2018-2027E



Note:

(1) Market size includes user fees and advertising revenue, excluding reader hardware sales.

Source: Analysys. The data were calculated by Analysys based on national statistics, corporate financial statistics and industry statistics.

Market Drivers of China’s Online Literature Industry

The upside of China’s online literature industry is supported by the following key drivers:

- Enhanced copyright protection:** In recent years, China has continued its efforts to improve its copyright-related policies and copyright regulations. The newly revised Copyright Law of China (《中華人民共和國著作權法》) was implemented in June 2021,

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which significantly increased the cost of infringement violations of copyrights and intensified the crackdown on infringement. It also expanded the scope of copyright protection and strengthened copyright protection for content creators. At the same time, many enterprises have strengthened their copyright protection. The improvement of copyright supervision will motivate content creators to continue their creation and provide more content to the industry, which will in turn attract more users.

- *Ongoing free-to-read industry trend and expansion of reading with advertising:* Since 2018, reading with advertising have started to emerge, which provided the users with reading with advertising and charged advertising customers for the provision of advertising services. Reading with advertising have brought additional users to the online literature industry and gradually cultivated their habits of online reading and copyright awareness. Reading with advertising has also become the mainstream model and the ongoing industry trend in China's online literature market, which is evidenced by a more rapid growth of user base and broader acceptance of reading with advertising by users compared to reading with paid services.
- *Increased demand in online entertainment:* During the COVID-19 pandemic, with the offline activities subject to a number of social restrictions, users' online entertainment habits, such as online literature, games and videos, have gradually developed. In the post-COVID era, users have continued to maintain their online entertainment habits. Furthermore, due to the development of We-media, the trend of nationwide creation continues to strengthen, which creates more diverse works that provide significant emotional value for users. In the meantime, there has been a deepening trend of high-quality content, and the IP adaptation industry of online literature, games and videos continues to develop, further unlocking the inherent value of IP, which contributed to the retention of core users and the attraction of cross-border users. These new development characteristics have accumulated strong momentum for the sustained development of online entertainment.

In terms of online entertainment, according to Analysys Qianfan, the average MAU of online literature industry in China from 2018 to 2023 were 216 million, 241 million, 300 million, 307 million, 297 million and 297 million respectively, and the average MAU of online literature industry in China remained relatively stable after the PRC government eased COVID-19 control measures. According to Analysys Qianfan, the average MAU of short videos industry in China from 2018 to 2023 were 552 million, 700 million, 866 million, 883 million, 895 million and 964 million, respectively, and the average MAU of short videos industry in China continued to grow.

In terms of online consumption, according to the National Bureau of Statistics, the national online retail sales of China from 2018 to 2023 were RMB9.0 trillion, RMB10.6 trillion, RMB11.8 trillion, RMB13.1 trillion, RMB13.8 trillion and RMB15.4 trillion, respectively. Accordingly, the users' online consumption habits have been gradually developed and are expected to be maintained.

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Meanwhile, emerging technologies such as 5G, VR, AR and cloud computing are driving the emergence of the new forms of entertainment, such as cloud concerts, cloud music festivals and cloud theaters, which also improved the interactive experiences for users and further increased the length of time they spent on online entertainment content.

Entry Barriers to China's Online Literature Industry

The main entry barriers of China's online literature industry include the following:

- *Barrier of technology:* Online literature platform involve massive technologies in the content development, production, recommendation and other aspects. The leadership in technologies determines the service quality of each platform and its operational efficiency. In terms of content recommendation, based on the user behavior data accumulated in daily operations, enterprises need to use continuously optimized intelligent recommendation technologies to recommend content to users and meet their personalized reading needs. In terms of system functions, enterprises must strengthen technical R&D capabilities to improve system stability, while enriching the diversity of fonts, background colors and other functions and features.
- *Barrier of content:* China's online literature industry is gradually becoming mature and its competition pattern has been relatively stable. Facing intense competition for high-quality content resources, enterprises are required to improve user stickiness, user willingness to pay and reduce customer acquisition costs by offering high-quality and diversified content. At the same time, the copyright of online literature content is the basis of IP development, which helps to further expand the influence and enhance the commercial value of literary works. In addition, considering China's improving regulatory environment for copyright protection, the crackdown on pirated content continues to increase, which will further enhance public awareness and commercial value of literary creation. It is difficult for new industry participants to acquire massive or high-quality content in a short period of time.
- *Barrier of user resources:* User resources are critical to online literature enterprises, including user acquisition, conversion, retention and activation, which require these enterprises to invest in content and technical resources in the long term and to continuously improve their products and services. Due to the differences in content and varied usage of products, users are less willing to switch products after their habits are formed. In addition, since the online literature industry has gradually matured, the growth rate of user acquisition has slowed down while the cost of user acquisition has increased. It is difficult for new industry participants to quickly form a large user base in a short period of time.

Competitive Landscape

The core of the AI-based recommendation technology lies in the analysis of multidimensional data such as user profile (e.g., age, gender and region), reading behavior (e.g., reading history and reading duration) and interactive behavior (e.g., liking, commenting and sharing). Personalized

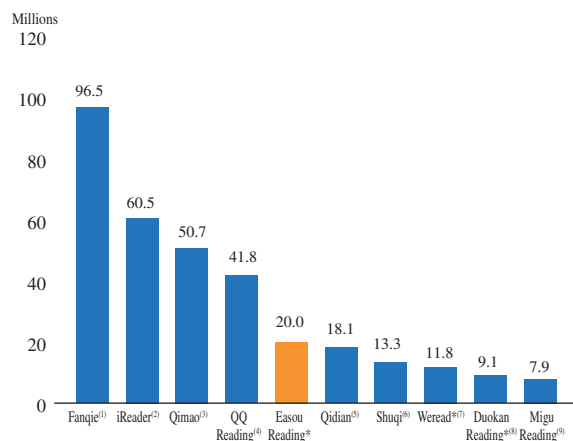
INDUSTRY OVERVIEW

e-book or content recommendation lists are subsequently generated based on intelligent algorithms to provide users with a more personalized, intelligent and immersive reading experience, while increasing the commercial value of the online reading platform.

Currently, a number of market participants use AI-based recommendation technology on their online reading platforms. However, due to the different market positioning, understanding of user needs and technical implementation strategies, each online reading platform employs different algorithmic recommendation systems (e.g., content-based recommendation, collaborative filtering recommendation and hybrid recommendation) or business strategic focus. For example, certain platforms may have their own contracted authors and tend to recommend their proprietary content to users. As a third-party online literature platform, Easou Reading App obtains literary content from third-party content providers and makes fair, accurate and personalized recommendations based on users' reading preferences. In addition, our Group has been developing AI-based recommendation technology and applying intelligent recommendation engine to multiple content scenarios, such as reading, games and music, which can further optimize the recommendation algorithm through the utilization of cross-scenario user data.

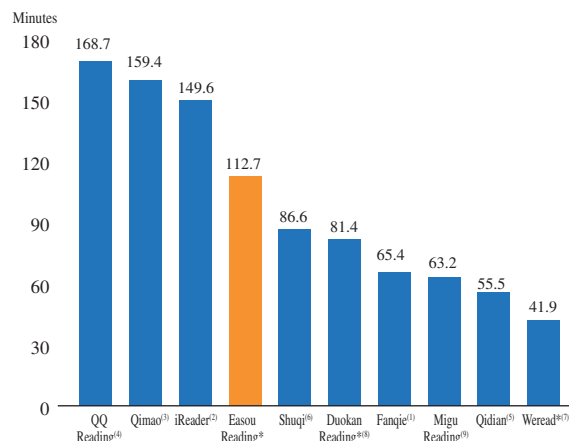
According to Analysys, Easou Reading App had an average MAU of approximately 20.0 million in 2023, ranking fifth among all online literature Apps in China's online literature market in terms of average MAU. From 2018 to 2023, Easou Reading App also ranked among top five in terms of average MAU in China's online literature market. Among the top 10 Apps in terms of average MAU in China's online literature market in 2023, Easou Reading App had average daily usage time of 112.7 minutes in 2023, ranking fourth in terms of per capita daily usage time. The charts below illustrate the market ranking in terms of average MAU and per capita daily App usage time in China's online literature industry in 2023:

Average Monthly Active Users of Top 10 APP in China's Online Literature Industry, 2023



Source: The data of the average monthly active users of Easou Reading App comes from Easou, and other data comes from Analysys Qianfan.

Per Capita Daily Usage Time of Top 10 APP in Terms of Average MAU in China's Online Literature Industry, 2023



Source: The data of per capita daily usage time comes from Analysys Qianfan.

Notes:

* Indicates that the APP belongs to a third-party online literature platform.

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** The number of average monthly active users of the top four Apps are relatively larger than Easou Reading App, mainly because the parent companies of these Apps are well-known large internet companies, which have strong advantages in internet traffic. They can acquire more users with their online literature services through synergies with their other business lines and platforms. Due to the advantages in internet traffic, the top four Apps have broad user base with high loyalty and therefore, their average monthly active users and per capita daily usage time on these Apps are relatively high.

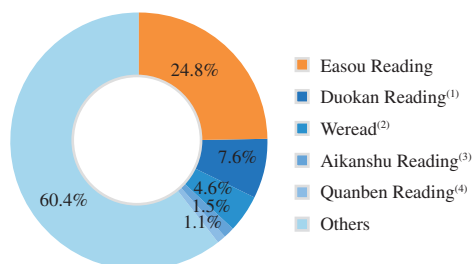
- (1) Fanqie (番茄免費小說), an APP developed by ByteDance, which was established in 2012 and whose main business includes short videos, news information and digital marketing, among others.
- (2) iReader (掌閱), a reading APP developed by iReader Technology, which was established in 2008 and listed in mainland China and focuses on online literature and value-added services.
- (3) Qimao (七貓免費小說), an APP developed by Shanghai Qimao Culture & Media Co. Ltd. (上海七貓文化傳媒有限公司), which was established in 2017 and mainly engaged in business services. This company is controlled by Baidu which was established in 2000 and listed in the United States and Hong Kong, whose main business includes digital marketing, artificial intelligence and video.
- (4) QQ Reading (QQ閱讀), an APP developed by China Literature, which was established in 2015 and listed in Hong Kong and whose main business includes online literature, IP development and operation. The APP is a comprehensive online reading platform.
- (5) Qidian (起點讀書), an APP developed by China Literature, which was established in 2015 and listed in Hong Kong and whose main business includes online literature, IP development and operation. The users of the APP are mainly male.
- (6) Shuqi (書旗免費小說), an APP developed by Alibaba, which was established in 1999 and listed in the United States and Hong Kong and whose main business includes internet e-commerce, cloud computing, logistics, local life service, digital media and entertainment.
- (7) Wered (微信讀書), an APP developed by Tencent, which was established in 1998 and listed in Hong Kong and whose main business includes games, digital marketing, financial technology and services. The book category of the APP is mainly published books.
- (8) Duokan (多看閱讀), a reading APP developed by Xiaomi, which was founded in 2010 and listed in Hong Kong and whose main business is mobile phones, intelligent hardware and internet of things.
- (9) Migu (咪咕閱讀), a reading APP developed by China Mobile, which was established in 2000 and was one of the three major communication operators in China.

Moreover, according to Analysys, Easou Reading App ranked first in China's third-party online literature platform market in 2023 and accounted for 24.8% of the online market share in terms of revenue, which exceeded the total market share of the second to fifth largest platforms in 2023. With approximately 20.0 million of average MAU in 2023, Easou Reading App ranked first among all third-party online literature platforms in China in terms of average MAU.

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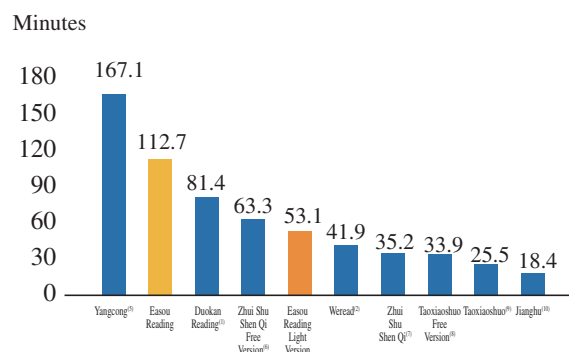
The charts below illustrate the market share of third-party online literature platforms in China in 2023 in terms of revenue and average MAU of third-party online literature industry in China in 2023:

**Market Share of
Third-party Online Literature
Platforms in China, 2023***



Source: Analysys. The data is calculated by Analysys based on national statistics, corporate financial data and industry statistics.

**Per Capita Daily Usage Time of Top 10 APP
in Terms of Average MAU in
China's Third-party Reading Industry, 2023**



Source: Easou, Analysys Qianfan. The data of average monthly active users of Easou Reading App and Easou Reading Light version come from Easou, and other data comes from Analysys Qianfan.

Notes:

- * The market size of China's third-party online literature platforms in terms of revenue was approximately RMB2.25 billion in 2023. According to Analysys, it is common for the participants in China's online literature market to seek for and achieve multi-monetization of the user traffic on their online reading platforms either by (i) providing other types of digital content on their online reading platforms; or (ii) utilizing user behavior data gathered from their online reading platforms to optimize content distribution on third-party channels or their other digital content Apps. Therefore, the market size of China's third-party online literature platforms in terms of revenue not only includes the revenue generated directly from online reading platform services, but also includes the revenue generated from other digital content scenario applications using the user traffic of or user behavior data gathered from online reading platforms. However, it does not include the revenue that is not directly relevant to (i) online reading platform services; and (ii) the utilization of user traffic on these platforms in other digital content scenario applications in connection with the calculation of revenue of the industry participants.
- (1) Duokan (多看閱讀), a reading APP developed by Xiaomi, which was founded in 2010 and listed in Hong Kong and whose main business is mobile phones, intelligent hardware and internet of things.
 - (2) Weread (微信閱讀), an APP developed by Tencent, which was established in 1998 and listed in Hong Kong and whose main business includes games, digital marketing, financial technology and services. The book category of the APP is mainly published books.
 - (3) Aikanshu (愛看書免費小說), a reading APP developed by Beijing Chinese Wanvi Technology Co., Ltd. (北京中文萬維科技有限公司), which was established in 2015 and focuses on reading with advertising.
 - (4) Quanben (全本小说), a reading APP developed by Beijing Wubutianxia Technology Co., Ltd. (北京五步天下科技有限公司), which was established in 2014 and whose main business is technology promotion and application service.
 - (5) Yangcong (洋葱免費小說), a reading APP developed by Beijing Jidong Creative Technology Co., Ltd. (北京極動創想科技有限公司), which was founded in 2016 and whose main business is digital reading services that include advertisements.

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- (6) Zhui Shu Shen Qi (Free Version) (追書神器免費版), a reading APP developed by Shanghai Yuanju Internet Technology Co., Ltd. (上海元聚網絡科技有限公司), which was established in 2012 and whose main business is games, comics and online literature, among others.
- (7) Zhui Shu Shen Qi (追書神器), a reading APP (paid version) developed by Shanghai Yuanju Internet Technology Co., Ltd. (上海元聚網絡科技有限公司), which was established in 2012 whose main business is games, comics and online literature, among others.
- (8) Taoxiaoshuo (Free Version) (淘小說免費版), a reading APP developed by Beijing Taoyuewenhua Technology Co., Ltd., which was established in 2017 and whose main business is internet and internet-related services.
- (9) Taoxiaoshuo (淘小說), a reading APP developed by Beijing Taoyuewenhua Technology Co., Ltd. (北京淘閱文化科技有限公司), which was established in 2017 and whose main business is technology promotion and application service.
- (10) Jianghu (江湖免費小說), a reading APP developed by Hangzhou Zhangdu Cloud Technology Co., Ltd. (杭州掌讀雲科技有限公司), which was established in 2019 and whose main business is software and information technology services.

The accurate and personalized online reading platform services provided by Easou Reading App Series have greatly improved the reading experience of users and promoted Easou Reading App Series to gain more recognition, which allowed Easou to become one of the mainstream digital copyright aggregation and distribution platform in China with a large user base and high level of user engagement.

Comparison of Reading with Advertising and Reading with Paid Services

Under reading with advertising, content platforms generate revenue mainly through advertising activities by charging advertising fees from advertising customers. As users do not need to pay for their reading resources, this type of services has a wider user acceptance compared to reading with paid services. Therefore, since 2018, the scale of user base of reading with advertising has rapidly grown.

Under reading with paid services, content platforms mainly generate revenue from users' payments and income from copyright operation. In the past three years, due to the impact of reading with advertising, the growth rate of reading with paid services users had slowed down.

Reading with paid services is a traditional service model in the online literature market. However, it is getting more difficult for the online reading platforms to continuously attract new users and expand their user base using this model due to the payment barrier to use online literary resources. Thus, China's online reading platforms started to rely on the provision of reading with advertising to attract users, expand user base and utilize user traffic through the advertising revenue of advertisers to monetize. Recently, some new market entrants focusing on reading with advertising have quickly attracted new users and expanded their market share. Accordingly, the leading companies in the industry, such as iReader (the operator of De Jian and Qi Du Free Novel), who have been dedicated to reading with paid services for quite some time, have launched free reading platforms in recent years and continued to increase investments in their reading with advertising business.

While reading with advertising has been growing rapidly in recent years, it faces the challenges in obtaining stable revenue. Currently, revenue generated from advertising activities is still the main revenue contributor of reading with advertising. However, if revenue from reading

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with advertising cannot cover user acquisition costs, content platforms will be required to reduce its investments in developing such type of services, which could lead to a loss of users. Therefore, reading platforms that provide reading with advertising have been actively exploring other types of services in addition to embedding advertisements to diversify their revenue streams. According to Analysys, the competition between the Apps offering reading with advertising is highly intense.

The table below sets forth a comparison of reading with advertising and reading with paid services:

Comparison of the Types of Services Offered by Online Literature Companies in China

Item	Reading with Advertising	Reading with Paid Services
Definition	Whether online literary content on a platform requires payment to be read. If yes, it is a reading platform which provides reading with paid services. If no, it is a reading platform which provides reading with advertising.	
Source of revenue	Mainly advertising revenue	Multiple sources, such as users' payment and IP operation
Digital content characteristics	Generally less original and creative	Rich in genres, diversified in original content, high literature attainment
User characteristics	Mainly users from lower-tier cities in China with low willingness to pay with a wide age range	Mainly young users in the first-tier, new first-tier and second-tier cities in China with strong consumption capacity, who are highly loyal to the online literature products
Development history	In 2018, reading with advertising was firstly launched and this type of services arose. The development time of this model is relatively short and the user growth rate is rapid	In 2003, reading with paid services was firstly launched. Subsequently, this type of services has been mature, and the user growth rate is steady
Direction	Cultivate users' awareness of copyright protection and gradually transform the users to reading with paid services	Develop towards a combination of reading with advertising and reading with paid services. The majority of online literary content is free. Some fine content needs to be paid, which will gradually increase in the future

Source: Analysys

Future Outlook

As new technologies drive the industry upgrades, new reading models and scenarios will continue to emerge to improve users' overall reading experience. The application of intelligent recommendation technology in online literature industry continues to evolve to meet users' demand for personalized reading. In China's online literature industry, the competition between reading platforms which provide reading with advertising and those which provide reading with paid services is relatively intense. Recently, more online literature platforms have merged the activities of reading with advertising and paid services. In addition, large enterprises have introduced new reading products which provide reading with advertising and reading with paid services to the market to attract new users and retain existing users. As China's online literature industry continues to expand, the market influence of online literature works is increasing, and exporting activities of these popular works to overseas markets start to emerge.

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Following the upgrades of AI technology, the improvement in data collection, analysis and processing capability of intelligent recommendation system will enable industry players to provide more comprehensive reading models with a combination of virtual and realistic scenarios and offer more precise recommendations to users. As the technology relating to the metaverse continues to advance, the integration of online literature platforms with the metaverse provides ample development space for the participants in the online literature industry.

DIGITAL MARKETING INDUSTRY IN CHINA

Overview

Digital marketing refers to business advertisement that directly or indirectly promotes goods or provides services through internet media, such as websites, webpages, H5 Pages and mobile Apps in the form of text, picture, audio and video, among other formats. Compared with traditional marketing, digital marketing has the advantage in accurately identifying target user groups, providing comprehensive interaction and improving conversion rate of advertisement. Efficient digital marketing enhances the willingness of advertising customers to place advertisements, which leads to continuous increase of advertising penetration rate and rapid market development.

Market Size

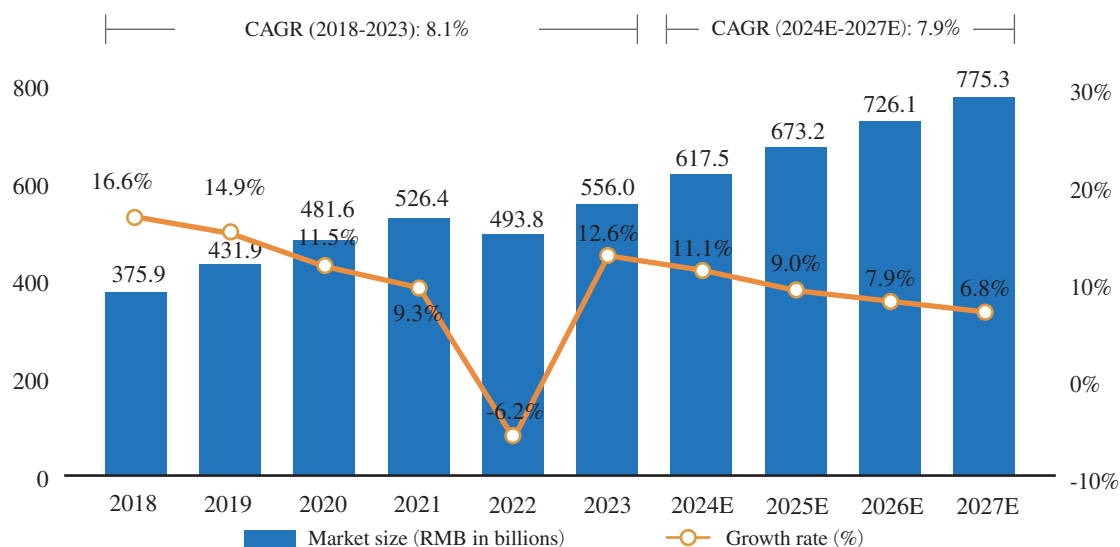
The market size of China's digital marketing industry increased from RMB375.9 billion in 2018 to RMB556.0 billion in terms of revenue in 2023, representing a CAGR of 8.1%. Due to the continuing impact of the COVID-19 pandemic, geopolitical conflicts, overseas interest rate hikes and other factors, the global economic recovery has been slower than expected. In China, the COVID-19 pandemic had negative impact in China's domestic economic development in 2022. This led to a slowdown in the consumption growth of Chinese residents and ultimately affected the budgets of our advertising customers, which in turn adversely affected the growth of China's digital marketing market. At the same time, advertisers in certain industries of the digital marketing market, such as the education industry and gaming industry, have tightened their advertising budgets due to more stringent regulatory policies in China, which affected the overall placement scale of advertisements in China's digital marketing industry. Therefore, the market size of China's digital marketing market decreased in 2022 compared with 2021. In 2023, the relaxation of COVID-19 pandemic control measures and the introduction of policies to promote consumption by the PRC government have stimulated consumer demand and increased the willingness of advertisers to place advertisements. The significant increase of the issuance of ISBN in the China's online games industry in 2023 compared to 2022 also facilitated the recovery and growth of advertising expenditures of the game operators. In addition, the progress of certain emerging technologies in recent years, such as 5G and AI, continued to encourage the innovation of digital marketing solutions and improve the efficiency of advertising. Specifically, 5G technology enables data transmission to be processed at a higher speed, and AI technology realizes automatic processing and analysis of massive data in a short period of time. The combination of 5G and AI technologies can achieve real-time collection, analysis and processing of large amounts of data. Such technologies can help enterprises more accurately identify target users and quickly formulate marketing strategies, thereby improving their marketing efficiency and effectiveness. Therefore, the demand for digital marketing and the market size of the digital marketing industry

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increased in 2023. According to Analysys, China’s digital marketing industry has reached a relatively mature stage. In terms of revenue, the market size of China’s digital marketing industry is expected to grow from RMB617.5 billion in 2024 to RMB775.3 billion in 2027, representing a CAGR of 7.9%.

The diagram below illustrates the historical and projected size of the digital marketing market in terms of revenue in China from 2018 to 2027:

China’s Digital Marketing Market Size⁽¹⁾, 2018-2027E



Note:

- (1) Only effect advertisement are included, while other advertisements such as brand advertisements and self-media soft advertisements are not included.

Source: Analysys. The data is calculated by Analysys based on national statistics, corporate financial statistics and industry statistics.

Market Drivers of China’s Digital Marketing Industry

The upside of China’s digital marketing industry is supported by the following key drivers:

- Users’ well-developed online consumption habits and 2B customers’ growing digital marketing demand:** Since the COVID-19 pandemic, users have gradually formed online consumption habits. Due to travel restrictions and the closure of offline retail stores during the pandemic, users have turned to online shopping to meet their needs. The increase in user demand in turn has stimulated the suppliers to improve the online supply chain system, which could continuously support the development of online shopping in the post-COVID era. In addition, the new formats and models of online consumption, such as live streaming e-commerce, short video e-commerce and social e-commerce, have continuously expanded the scenarios and territorial boundaries of

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online consumption. Platform enterprises also expanded into new fields, which promoted the digital transformation of upstream and downstream enterprises, built a smooth online industrial product circulation market and fostered the sustainable and healthy development of the online shopping industry.

For the digital marketing market, the formation and deepening of user online consumption habits have directly expanded the potential target audience of digital marketing. Brand owners and enterprises have begun to accelerate the pace of their digital transformation to better adapt to and grasp the development opportunities of the online market. Correspondingly, they have increased the investment budget of digital marketing, further promoting the expansion and growth of the entire digital marketing market.

- *Increased efficiency of digital marketing services facilitated by improving new technologies:* Emerging technologies such as AI, intelligent recommendation and blockchain continue to improve the efficiency of digital marketing services and promote the development of the industry. The application of AI, intelligent recommendation and other technologies increases the efficiency of advertising content creation, improves the monitoring accuracy of advertising effects and the accuracy of targeted recommendation, and ultimately enhances the efficiency of conversion rate of advertisement. The application of blockchain technology enables the advertising circulation process more open and transparent, reduces obstacles between 2B customers and platforms, and ensures the healthy and orderly development of the industry.

Competitive Landscape

Based on the type of platform business, digital marketing enterprises can be divided into comprehensive digital marketing enterprises and vertical digital marketing enterprises. Comprehensive digital marketing enterprises have the advantages of large user traffic and wide user base reached by advertisements. These platforms are favored by the advertising customers who target at a wide user base. These enterprises primarily include Alibaba, ByteDance and Tencent. Vertical digital marketing platforms are deeply involved in subdivided industries and have a more concentrated user base, which have the advantage in reaching the target user base precisely and contribute to higher efficiency of advisement placement, and are favored by the advertising customers who target at a specific user base. We are one of the vertical marketing platforms. In 2023, the top five enterprises in China's digital marketing industry in terms of revenue were ByteDance, Alibaba, Tencent, Baidu and Kwai, whose combined market share was near 80%, according to Analysys. The remainder of the market share consisted of more than 150 digital marketing enterprises in China with annual advertising revenue exceeding RMB100 million, including our Group. We believe we can differentiate ourselves from other industry peers by providing advertising customers with accurate, efficient and personalized digital marketing solutions in the cooperative traffic ecosystem. Overall, China's digital marketing industry consists of a few market leaders with scattered long tail players, and the competition landscape is relatively stable.

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In the digital marketing industry, digital marketing service providers, as intermediaries, have become one of the key links in the industry chain. Digital marketing service providers mainly include advertising agents and advertising networks. Advertising agents provide creative planning, media strategy, media resource procurement, marketing effect evaluation and other services to clients according to their marketing needs. The major participants primarily include, Mobvista (1860 HK), Joy Spreader (6988 HK) and our Group, among others. In particular, we are one of the earliest to use intelligent recommendation system in digital marketing, placing digital marketing both through third-party media platforms and on our own platform. Advertising alliance primarily includes advertising organizations that gather small- and medium-sized developers to form an alliance to help them sell their advertising places, and advertisers pay advertising fees to alliance members according to the actual effect of digital marketing. Digital marketing service providers play an indispensable role in the industry chain, and their bargaining power in the industry chain continues to increase. At the same time, digital marketing service providers gradually accumulate abundant advertising data (such as user profile) and advanced advertising technology in the service process, and constantly improve the advertising effect. Therefore, more advertisers choose digital marketing service providers to deliver and manage their advertisements.

Future Outlook

With the continuous development of intelligent recommendation technology, intelligent advertisement recommendation system will provide more accurate recommendations for users and increase the efficiency and quality of advertisement placements. Digital marketing integrates advertising information into digital content to achieve the overall presentation of advertising and content products. Digital marketing based on high-quality content will be an important foundation for long-term marketing success. In addition, content, advertisements, users, and usage scenarios will be more accurately matched and further integrated through the utilization of intelligent recommendation technologies, which will further amplify the value of advertisements and provide more direct and personalized advertisements for users.

We expect that the development of digital marketing industry in China will present the following trends:

- *Further deepening of technology application.* In terms of advertisement placement, technologies such as AI and big data are becoming more sophisticated. The improving ability to process data mining of user behavior by the digital marketing enterprises enhances the accuracy of advertisement placement, increases the click-through rate, and consequently improves the efficiency of digital marketing services. In terms of user experience, the development of VR, AR and other technologies provides users with more advanced advertising content, improves user experience, and increases user acceptance of digital marketing. In the future, the application of technology in digital marketing will continue to deepen, which contributes to bringing more efficient and higher quality advertising content to the market and promoting the sustainable and steady development of the industry.
- *Continuing development towards standardization.* The digital marketing industry will be more standardized following a series of laws and regulations, such as China Mobile Internet Advertising Standards (《中國移動互聯網廣告標準》) and Personal Information

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Protection Law of the PRC (《中華人民共和國個人信息保護法》), which provide uniform standards on terminologies and technologies used in connection with digital marketing, regulate the display forms of digital marketing and thereby promote the standardized and rapid development of the digital marketing industry.

- *Quality content as the core competitiveness of digital marketing.* Media formats are becoming increasingly diversified, such as literary content, live streaming and short video, which attract users' attention to different content and require higher quality of the information displayed in each media format. Digital marketing is gradually shifting to content marketing, which organically integrates advertising information into corresponding products to achieve the overall presentation of advertising and content-related products, resulting in the effect of "advertising as content". Digital marketing based on high-quality content will be an important basis for the success of marketing in the long run.

ONLINE GAMES INDUSTRY IN CHINA

Overview

Online game is a type of electronic game designed for multiple individual players to obtain entertainment, leisure, communication and virtual achievements. Online games typically possess the following characteristics: (i) the internet and mobile network as the transmission medium; (ii) the game operator's server and user computers, including smart mobile devices, as the processing terminal; and (iii) the game client-side software as the information interaction window. The genres of online games are diversified, including CCG, MMORPG, SLG, LTG and female-oriented games. With respect to SLGs, the relatively high barrier to entry for users leads to higher user migration costs, which is conducive to prolonging user loyalty. Therefore, SLGs usually have a longer life cycle, which typically ranges from three to five years. In addition, although user acquisition cost of SLGs at a preliminary stage (generally more than RMB1,000 per person) is generally higher than that of other types of online games, SLGs tend to have stronger financial performance once the core user base is established. With respect to female-oriented games, its popularity began to increase in 2018 and the number of such game users in China reached over 300 million in 2023. According to Analysys, the costs of developing female-oriented game products are normally below RMB100,000, which tend to be lower than male-oriented game products. In comparison, the costs of developing SLGs are generally more than RMB10.0 million. Further, the capability of female game users to pay for online games has been stronger than anticipated, according to Analysys.

The industry chain of online games market mainly contains following parties:

- *IP holders:* Provide online game developers with IP licenses, and thus, support the game development in terms of image, character, picture, plot and other elements.
- *Developers:* Produce online game content based on the IP licenses acquired or on the original content with their proprietary intelligence and creativity. They are primarily responsible for game content creation, product development, game updates and technical

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support. Some developers publish and operate their games independently, while others license their game products to publishers, who are in charge of publishing and operating the games.

- *Publishers:* Promote and operate online games by distributing their products to their proprietary channels or external channels they collaborate with. Publishers are primarily responsible for analyzing game user behavior characteristics (including game type preference and willingness to pay, among other things), and continuously optimizing game products based on user feedback to achieve refined operation.
- *Channels:* Provide online game users with game download channels and provide game publishers with promotion, operation, payment and other services. These channels primarily include official stores, third-party public platforms, mobile hardware manufacturers' Apps stores and social network platforms.
- *Users:* Users are online game players, who obtain game information from various channels, and download and play games that meet their preferences and needs. Users are regarded as the core value of the game industry who contribute in-game purchase revenue and advertising income to the developers, publishers and channels. Users can also promote game products through their own social media, and their feedback are important to the game companies who develop, publish and operate game products and update game content.

In the industry chain of online games market, an enterprise can play a single role or different roles at the same time, such as acting as an IP holder, developer and publisher at the same time. At present, some large online game enterprises have gradually formed the business system of integrated R&D and operation (i.e., game companies have the whole process business capability of developing, publishing, distribution and operation). Such game developers include Tencent, NetEase, CMGE (中手遊) and Perfect World, among others. These enterprises with integrated development and operation also provide game distribution services for many game developers in the operation process. In addition, there are many small to medium enterprises that play only a single role in the industry chain. For example, we focus on online games publishing only.

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Online game industry is highly regulated in China and its development is greatly influenced by national and industry policies. The major events of regulatory changes since 2018 are as follows: (i) in March 2018, the Central Committee of the Communist Party of China issued the Plan for Deepening the Institutional Reform of the Party and State (《深化黨和國家機構改革方案》) and the NPC promulgated the Decision of the First Session of the Thirteenth National People's Congress on the State Council Institutional Reform Proposal (《第十三屆全國人民代表大會第一次會議關於國務院機構改革方案的決定》)(collectively, the "Institutional Reform Plans"), which adjusted the press and publication management responsibilities of government authorities to strengthen the management of publishing activities; (ii) in October 2019, the Notice on Preventing Minor's Addiction to Online Games (《關於防止未成年人沉迷網絡遊戲的通知》) was issued, which restricted minors' game usage time, game consumption and real-name registration, and the supervision of the game industry became stricter; (iii) in December 2020, Notice of Age Labeling of Online Games (《網絡遊戲適齡提示》) was issued, which made it clear that age tips must be placed in a prominent positions on the interface of game products to highlight the visibility of the logos in game products; (iv) in August 2021, the Notice of Further Imposing Strict Administrative Measures on Preventing Minors from Indulging in Online Games (《關於進一步嚴格管理切實防止未成年人沉迷網絡遊戲的通知》) was issued, which strictly limited the time for minors to play online games. In September 2021, the Propaganda Department of the Central Committee of the Communist Party of China and National Press and Publication Administration conducted interviews with key online game companies and platforms for renting and selling game accounts. Beginning in July 2021, China suspended its issuance of ISBN. This demonstrated that the game supervision was becoming stricter, and the development of the game industry was facing challenges and uncertainty; (v) in April 2022, China resumed its issuance of ISBN for domestic online games. In November 2022, People's Daily Online published an article called "The Opportunity to Dig Deep into the Value of the Video Game Industry Cannot be Lost" (深度挖掘電子遊戲產業價值機不可失), indicating that the online games industry had become an industry of great significance to the national industrial layout and scientific and technological innovation. Since the last issuance of ISBN for imported games in June 2021, the issuance of ISBN for such games resumed in December 2022. From 2017 to 2021, the number of issued ISBN in China was 9,368, 2,105, 1,570, 1,405 and 755, respectively. Since 2018, the number of issued ISBN had been greatly reduced. In the future, with the normalization of ISBN issuance, the number of ISBN issued is expected to increase; and (vi) in December 2023, the National Press and Publication Administration issued the Draft Online Games Measures. The purpose of the Draft Online Games Measures is to strengthen the standardized management of the industry and provide more detailed and strict requirements for the supervision of online games in China. Although the Draft Online Games Measures are still in the stage of soliciting public opinions, the tightening supervision of China's online games industry is a confirmed trend.

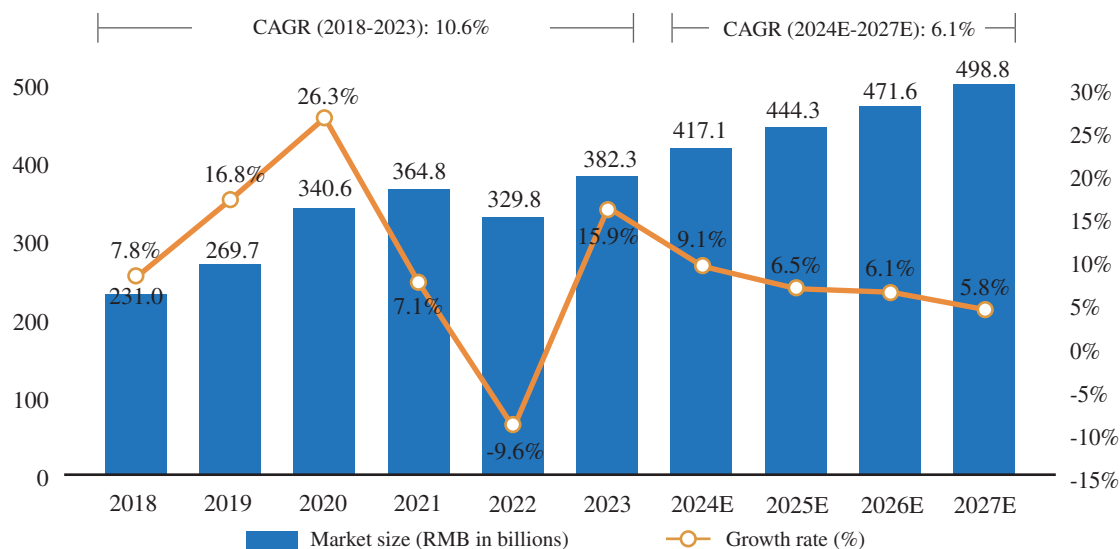
In general, while industry supervision has become stricter in recent years, there had been more ISBN issuances since late 2022. In 2023, the number of ISBN issued for new games was 1,075. This trend encourages the participants in China's online games industry to pay more attention to innovation, R&D and refined operation in order to pursue high-quality development.

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Market Size

Driven by residents' increasing per capital income, growing users' entertainment demand and the diversification of online game genres, the market size of China's online games industry has increased accordingly. Despite the strict regulation of China's online games industry and the intense market competition, online game developers continue to improve their R&D capabilities and move towards high-quality and refined development. In addition, COVID-19 pandemic also increased the users' demand in digital cultural entertainment, including online games. The market size of China's online games industry increased from RMB231.0 billion in 2018 to RMB382.3 billion in terms of revenue in 2023, representing a CAGR of 10.6%. In 2022, the global macro-economy was still recovering. Online users' willingness and ability to pay declined. Meanwhile, China's online games market was strictly regulated and the number of ISBN issued significantly decreased in 2022. In 2023, many negative factors during the COVID-19 pandemic significantly subsided, and user consumption willingness and ability rebounded. The market size is expected to grow from RMB417.1 billion in 2024 to RMB498.8 billion in 2027, representing a CAGR of 6.1%. The diagram below illustrates the historical and projected size of China's online games industry in terms of revenue from 2018 to 2027:

China's Online Games Market Size⁽¹⁾, 2018-2027E



Note:

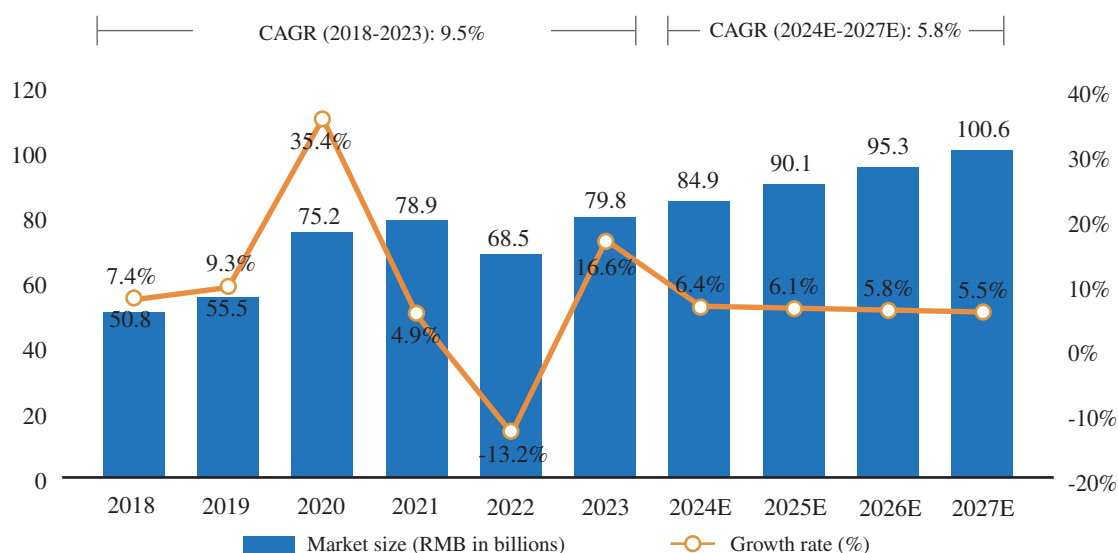
- (1) The total product revenue generated by online games (PC internet games and mobile internet games) in China's online games market, including game payment (including pre-paid and value-added top-up) and built-in advertising revenue, as well as e-sports operating revenue and IP derivatives revenue.

Source: Analysys. The data is calculated by Analysys based on national statistics, corporate financial statistics and industry statistics.

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Specially, the market size of China’s mobile games publishing industry in terms of revenue grew from RMB50.8 billion to RMB79.8 billion from 2018 to 2023, representing a CAGR of 9.5%. Since the regulation of the online games market in China was becoming stricter, the ISBN issued by the relevant authorities significantly decreased in 2022, and therefore, the number of new online games was reduced in the same year. Accordingly, the size of China’s mobile games publishing industry declined in 2022 compared to 2021. In 2023, the issuance of ISBN resumed normalcy, and the total number of online game licenses announced by the National Press and Publication Administration reached 1,075, representing a year-on-year increase of 110%, which brought strong confidence to China’s online games market. However, the Chinese government is becoming more prudent in the approval and use of game licenses in recent years and the total number of new game products in the market has started to decrease. Considering the aforementioned factors, the CAGR of China’s mobile games publishing market size is expected to slow down to 5.8% from 2024 to 2027. The diagram below illustrates the historical and projected size of China’s mobile games publishing industry in terms of revenue from 2018 to 2027:

China’s Mobile Game Publishing Market Size, 2018-2027E



Note:

- (1) The total product revenue generated by mobile games in China’s mobile game publishing market, including game payment (including pre-paid and value-added top-up) and built-in advertising revenue, as well as e-sports operating revenue and IP derivatives revenue.

Source: Analysys. The data were calculated by Analysys based on national statistics, corporate financial statistics and industry statistics.

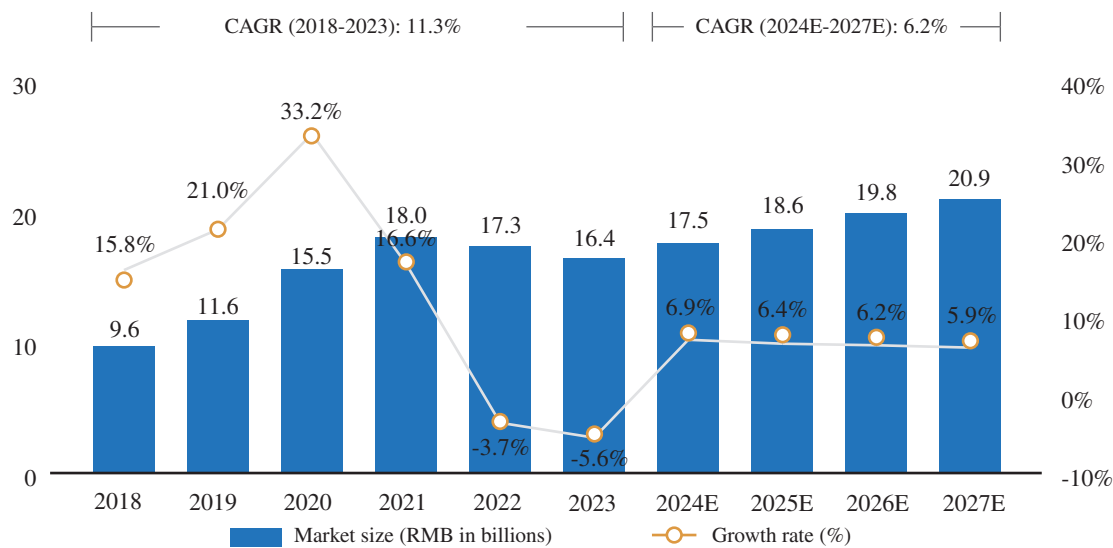
The number of online game users in China has increased from approximately 626 million in 2018 to approximately 668 million in 2023, representing a CAGR of 1.3% and the industry has become saturated. Due to the impact of slower global economic recovery than expected, the number of China’s online game users declined in 2022 compared to 2021, and slightly increased in 2023. Driven by the continuous increase of Chinese residents’ per capita income, the refinement of

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the game products and the improvement of game recognition, the number of China’s online game users in China is expected to continue to grow from approximately 674 million in 2024 to approximately 684 million in 2027, representing a CAGR of 0.5%.

To explore overseas opportunities, China’s online game enterprises, primarily including developers, publishers and distributors have expanded their business to Japan, South Korea and other regions. In addition, with the tightening regulations of online games in China and the relatively open policies of overseas online games industry, more online game enterprises in China have started to develop their overseas businesses. The revenue from China’s self-developed online games in the overseas markets increased from US\$9.6 billion in 2018 to US\$16.4 billion in 2023, representing a CAGR of 11.3%. The market size is expected to grow from US\$17.5 billion in 2024 to US\$20.9 billion in 2027, representing a CAGR of 6.2%. The diagram below illustrates the historical and projected overseas market size of China’s self-developed online games from 2018 to 2027.

Overseas Market Size of China’s Self-developed Online Games⁽¹⁾, 2018-2027E



Note:

- (1) The data from 2018 to 2023 came from Game Publishing Committee of the China Audio-Video and Digital Publishing Association, and the forecast data for 2024 to 2027 is calculated by Analysys based on industry statistics and corporate financial data.

Source: Game Publishing Committee of the China Audio-Video and Digital Publishing Association, Analysys

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Competitive Landscape

The top five online game publishers in China in terms of revenue in 2023 were Tencent, NetEase, MiHoYo (米哈遊), 37 Interactive Entertainment (三七互娛) and Lilith (莉莉絲), which collectively accounted for over 70% of the market share. Many small- and medium-sized online game publishers compete for the remaining market share. Overall, the market concentration of online game publishing in China is high and the competition pattern is relatively stable. Enterprises who have first-mover advantage in the industry are expected to maintain competitive advantages by leveraging their long-term industry experience and rich industry resources.

Future Outlook

The implementation of online game related policies and restrictions in China has promoted the standardized development of China's online games industry. Due to the increasingly intense competition in the market and the slow-down of the growth rate of the user base, China's online games enterprises have increased their investments in R&D and promoted refined development of game products in order to attract and retain users. In addition, according to the Game Publishing Committee of the China Audio-Video and Digital Publishing Association (中國音像與數字出版協會遊戲出版工作委員會), the revenue of China's self-developed games in overseas markets reached US\$16.4 billion in 2023, with a CAGR of 11.3% from 2018 to 2023. The trend of overseas development would continue in light of the maturing online games industry and increased regulatory supervision in China.

The following trends have a continual impact on the online games industry:

- *Deeper application of online games in the metaverse.* With the advancement of VR, AR and other metaverse-related technologies, users will be able to enjoy better gaming experience in the metaverse world. Online games will also be applied to more metaverse scenarios, such as film, television, social and education.
- *Closer connection of culture and entertainment.* Tighter connection between online games and film, TV series and other cultural products helps to enhance the influence of the game brands and expand user base.
- *Growing trend of overseas development.* The performance of China's online games in overseas markets received wide market recognition in the past five years, which provided confidence for online game enterprises to continue exploring new markets overseas and expand their global presence. In addition, China's tightening regulations of online games markets and online game users' requirements for high quality game content have also contributed to the growing trend of overseas development involving online game enterprises in China.

REGULATORY OVERVIEW

This section sets forth a summary of the most significant laws and regulations that affect our business activities in the PRC.

REGULATIONS RELATING TO FOREIGN INVESTMENT

The FIL was issued on March 15, 2019, and came into force from January 1, 2020, which replaced the Law of the PRC on Chinese-foreign Equity Joint Ventures (《中華人民共和中外合資經營企業法》), the Law of the PRC on Chinese-Foreign Contractual Joint Ventures (《中華人民共和中外合作經營企業法》) and the Law of the PRC on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》). Pursuant to the FIL, the PRC will grant national treatment to foreign-invested entities, except for those foreign-invested entities that operate in “restricted” or “prohibited” industries prescribed in the 2021 Negative List.

On December 26, 2019, the State Council issued the Implementation Rules, which became effective on January 1, 2020 and replaced the Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-Invested Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法實施細則》).

On December 30, 2019, the MOFCOM and the SAMR issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which became effective on January 1, 2020 and replaced the Interim Measures for the Recordation Administration of the Formation and Modification of Foreign-Funded Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Pursuant to the Measures for the Reporting of Foreign Investment Information where a foreign investor carries out investment activities in the PRC directly or indirectly, the foreign investor or the foreign investment enterprise shall submit the investment information to the competent commerce department.

The 2021 Negative List was promulgated by the NDRC and the MOFCOM jointly on December 27, 2021 and became effective on January 1, 2022. The 2021 Negative List set out the industries and economic activities in which foreign investment in the PRC is restricted or prohibited.

On December 19, 2020, the NDRC and the MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective on January 18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the Working Mechanism of the Security Review of Foreign Investment (外商投資安全審查工作機制辦公室) (the “Office of the Working Mechanism”) will be established under the NDRC, which will lead the task together with the MOFCOM. Foreign investor or relevant parties in China must declare the security review to the Office of the Working Mechanism prior to (i) the investments in the military industry, military industrial supporting and other fields relating to the security of national defense, and investments in areas surrounding military facilities and military industry facilities; and (ii) investments in important agricultural products, important energy and

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resources, important equipment manufacturing, important infrastructure, important transport services, important cultural products and services, important information technology and Internet products and services, important financial services, key technologies and other important fields relating to national security, and obtain control in the target enterprise. “Control” as contemplated in item (ii) of the preceding sentence exists when the foreign investor (a) holds over 50% equity interests in the target enterprise, (b) has voting rights that can materially impact on the resolutions of the board of directors or shareholders meeting of the target enterprise even when it holds less than 50% equity interests in the target, or (c) has material impact on the target enterprise’s business decisions, human resources, accounting and technology.

REGULATIONS RELATING TO VALUE-ADDED TELECOMMUNICATIONS SERVICES

Licenses for Value-added Telecommunication Services

The PRC Telecommunications Regulations (《中華人民共和國電信條例》), promulgated by the State Council in 2000, and subsequently revised in 2014 and 2016 respectively, provides the regulatory framework for telecommunications service providers in the PRC. The PRC Telecommunications Regulations classifies telecommunications services into basic telecommunications services and value-added telecommunications services. Providers of value-added telecommunications services are required to obtain a license for value-added telecommunications services. According to the Catalogue of Telecommunications Business (《電信業務分類目錄》), most recently updated on June 6, 2019, information services provided via public communication network or the internet are value-added telecommunications services. We engage in business activities that are value-added telecommunications services as defined and described by the PRC Telecommunications Regulations and the Catalogue of Telecommunications Business.

The State Council issued the Administrative Measures on Internet Information Services concurrently with the Telecommunications Regulations (《互聯網信息服務管理辦法》) in 2000 to regulate internet content provision services, which was subsequently amended on January 8, 2011. According to these measures, the internet information services are classified into commercial internet information services and non-commercial internet information services; a commercial operator of internet content provision services must obtain an Internet Content Provision License for the provision of internet information services from the appropriate telecommunications authorities.

The Administrative Measures on Telecommunications Business Operating Licenses (《電信業務經營許可管理辦法》), which was issued by the MIIT on July 3, 2017 and became effective on September 1, 2017 set forth the types of licenses required to operate value-added telecommunications services and the qualifications and procedures for obtaining such licenses. In the event an operator operates value-added telecommunications services without obtaining such licenses, such operator may be subject to sanctions including but not limited to corrective orders and fines.

Measures for Management of Telecommunication Network Code Number (《電信網碼號資源管理辦法》) was issued by MIIT on January 29, 2003 and amended on September 23, 2014, pursuant to which, code resources shall be owned by the State, and any telecommunications network information service providers and call center service providers who need to use

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telecommunications network code numbers shall be approved by the MIIT or its provincial level counterparts to use telecommunications network code numbers to provide relevant services, and the time limit and scope of such approval shall be identical with that of the telecommunication business license or other related approval documents obtained by such entity.

Foreign Investment in Value-added Telecommunications Services

On December 27, 2021, the NDRC and the MOFCOM published the 2021 Negative List. According to the 2021 Negative List, the proportion of foreign investments in an entity engaging in value-added telecommunications business (except for e-commerce, domestic multi-party communications, storage-forwarding, and call centers) shall not exceed 50%.

The Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》), were promulgated by the State Council on December 11, 2001 and subsequently revised in 2008, 2016 and 2022, respectively (the “2022 FITE Regulations”). The 2022 FITE Regulations, among others, no longer requires the main foreign investor who invests in a value-added telecommunications business in the PRC to possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations.

However, as of the date of this prospectus, no applicable PRC laws, regulations or rules have provided clear guidance or interpretation about the 2022 FITE Regulations. It remains uncertain as to the interpretation and enforcement of the 2022 FITE Regulations in practice and the relevant regulations promulgated by the government authorities. We will closely monitor the relevant regulatory development in connection with the 2022 FITE Regulations.

As advised by our PRC Legal Advisers, such regulatory development does not invalidate our ICP License and SP License or require us to modify our Contractual Arrangements according to PRC laws and regulations. As of the Latest Practicable Date, we have not received any inquiry or notice from the competent authorities regarding the validity of our ICP License and SP License or our Contractual Arrangements as a whole.

REGULATIONS RELATING TO ONLINE CULTURAL PRODUCTS

The Interim Administrative Provisions on Internet Culture (《互聯網文化管理暫行規定》), issued by the MOC in 2003 and further revised in 2004, 2011 and 2017, apply to the entities engaging in activities related to “internet cultural products,” which are classified as cultural products developed, published and disseminated via the internet. These products mainly include: (i) online cultural products particularly developed for publishing via internet, such as, among other things, online music and entertainment, online games and online shows and programs, online performance, online artwork and online anime and cartoons; and (ii) online cultural products converted from music and entertainment, games, shows and programs, performance, artwork, anime and cartoons using certain technical means to be disseminated via internet. Pursuant to these regulations, entities are required to obtain the Internet Cultural Operation License (網絡文化經營許可證) from the applicable provincial level counterpart of the Ministry of Culture and Tourism of the PRC (中華人民共和國文化和旅遊部) (the “MCT”) if they intend to commercially engage in any of the following types of activities: (a) production, duplication, import, release or broadcasting of online cultural products; (b) publishing of online cultural products on the internet or transmission over

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information network, such as internet or mobile telecommunications network, to end user's devices via computers, fixed phones, mobile phones, television sets or online games consoles and internet cafes for the purpose of browsing, reading, reviewing, using or downloading such products by users; or (c) exhibitions or contests related to online cultural products.

On August 12, 2013, the MOC issued the Administrative Measures for Content Self-Review by Internet Culture Business Entities (《網絡文化經營單位內容自審管理辦法》), which require internet culture business entities to review the content of products and services before providing them to the public. The content management system of an internet cultural business entity is required to specify the responsibilities, standards and processes for content review as well as accountability measures, and is required be filed with the provincial level counterpart of the MCT. In addition, Internet cultural business (except for music) remains a prohibited area for foreign investment in the 2021 Negative List.

REGULATIONS RELATING TO ONLINE LITERATURE

On 4 February 2016, the State Administration of Press, Publication, Radio, Film and Television (the "SAPPRFT") and the MIIT jointly promulgated the Regulations on the Administration of Online Publishing Services (《網絡出版服務管理規定》) (the "Online Publishing Regulations"), which came into effect on March 10, 2016. The SAPPRFT is responsible for the prior approval, supervision, and administration of the internet publication services nationwide, any online publishing services provided in the territory of the PRC is subject to the Online Publishing Regulations. According to the 2021 Negative List, foreign investment is prohibited from entering into the publishing service industry.

Under the Online Publishing Regulations, "online publications" was defined as digital works that are edited, produced, or processed to be published and provided to the public through the internet, including (i) original digital works, such as knowledgeable and thoughtful texts, pictures, maps, games, animation, audio and video readings in literature, art, science and other fields; (ii) digital works with content that is consistent with the type of content that, prior to being released online, typically was published in offline media such as books, newspapers, periodicals, audio-visual products and electronic publications; (iii) digital works in the form of online databases compiled by selecting, arranging and compiling other types of digital works; and (iv) other types of digital works identified by the SAPPRFT. In addition, foreign-invested enterprises are not allowed to engage in the foregoing services. The Online Publishing Regulations requires any internet publishing services provider to obtain an online publishing service license to engage in online publishing services.

If any entity arbitrarily engages in internet publication services or arbitrarily launches online games (including online games authorized by foreign copyright owners) without approval, it may be banned by the competent publication administrative department and the administrative department for industry and commerce with statutory authority and a fine up to ten times the illegal operating income may be imposed. In addition, based on the Administrative Measures for Internet Publication Services, an annual verification system shall apply to internet publishing service providers and shall be carried out once every year. The competent provincial-level

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administrative departments for the SAPPRFT shall carry out the annual verification of internet publishing service providers within their respective administrative regions and report relevant information to the SAPPRFT.

REGULATIONS RELATING TO DIGITAL MARKETING

The Advertisement Law of the PRC (《中華人民共和國廣告法》), which was promulgated by the SCNPC on October 27, 1994 and last amended on April 29, 2021, requires advertisers to ensure that the content of the advertisements is true. The content of advertisements shall not contain prohibited information, including but not limited to: (i) information that harms the dignity or interests of the State or divulges the secrets of the State; (ii) information that contains wordings such as “national level”, “highest level” and “best”; and (iii) information that contains ethnic, racial, religious, sexual discrimination. Advertisements posted or published through the internet shall not affect normal usage of network by users. Advertisements published in the form of pop-up window on the internet shall display the close button clearly to make sure that the viewers can close the advertisement by one-click. Moreover, internet service providers are obligated to cease publishing any advertisements that they know or should know are illegal. Violation of these regulations may result in penalties, including fines, confiscation of the advertising incomes, termination of advertising operations and even suspension of the provider’s business license.

According to the Advertisement Law and the Measures for the Administration of Internet Advertisements (《互聯網廣告管理辦法》) promulgated by the SAMR on February 25, 2023 and implemented on May 1, 2023, advertising operators and advertising distributors shall establish, improve and implement the management systems regarding acceptance, registration, review and filing of the internet advertising business in accordance with the following provisions: (i) verify and register the information of advertisers, such as their truthful identity, addresses and valid contact details, set up advertisement files and check and update them on a regular basis, record and maintain relevant electronic data of advertising activities. Relevant files shall be kept for not less than three years from the date of termination of the advertisement release; (ii) verify relevant certificates, check the contents of advertisements, and shall not provide design, production, agent or release services for advertisements with inconsistent content or incomplete certification documents; (iii) set up advertisement reviewers familiar with advertising laws and regulations or establish advertisement review agencies. The identity information includes names, unified social credit codes (identification card numbers), among other things. For the publication of advertisements for medical treatment, pharmaceuticals, medical devices, agricultural pesticides, veterinary drugs, healthcare food, special formula foods for medical purposes and other advertisements subject to the examination as required by laws, administrative rules and regulations, the advertisement examination authority shall, prior to publication, examine the contents of such advertisements; in the absence of such examination, such advertisements shall not be published.

On November 1, 2021, the MIIT promulgated the Notice of the Ministry of Industry and Information Technology on Launching the Action for Improvements to the Perception of Information and Communications Services (《工業和信息化部關於開展信息通信服務感知提升行動的通知》) (“the MIIT Notice”). Under the MIIT Notice, internet enterprises shall set obvious and effective close buttons in the splash ads of their Apps. On September 9, 2022, the Administrative Provisions on Internet Pop-up Window Information Notification Services (《互聯網彈窗信息推送服務管理規定》) was issued by the CAC, MIIT and SAMR, effective from September 30, 2022, which requires that

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pop-up ads shall be subject to content compliance review and shall be identifiable, prominently marked as “advertisement,” and users shall be notified expressly. Besides, pop-up ads shall be able to be closed with a single click.

REGULATIONS RELATING TO ONLINE GAMES

Regulatory Authorities

Pursuant to the Notice on Issuing the Provisions on the Main Functions, Internal Bodies and Staffing of the GAPP (National Copyright Administration) (《關於印發〈國家新聞出版總署(國家版權局)主要職責內設機構和人員編製規定〉的通知》) promulgated by the General Office of the State Council on July 11, 2008, the Notice of the State Commission Office for Public Sector Reform on Interpretation of the State Commission Office for Public Sector Reform on Several Provisions relating to Animation, Online Game and Comprehensive Law Enforcement in Culture Market in the Three Provisions jointly promulgated by the MOC, the State Administration of Radio, Film and Television and the GAPP (《中央機構編製委員會辦公室關於印發〈中央編辦對文化部、廣電總局、新聞出版總署“三定”規定〉中有關動漫、網絡遊戲和文化市場綜合執法的部分條文的解釋〉的通知》) on September 7, 2009, the Notice on Issuing the Provisions on the Main Functions, Internal Bodies and Staffing of the State Administration of Press, Publication, Radio, Film and Television promulgated by the General Office of the State Council (《關於印發〈國家新聞出版廣電總局主要職責內設機構和人員編製規定〉的通知》) on July 11, 2013, and the Administrative Measures on Internet Publishing Services (《網絡出版服務管理規定》) (the “Internet Publishing Measures”) promulgated by the SAPPRFT and the MIIT on February 4, 2016 that became effective on March 10, 2016, the administration of anime and online game shall be conducted by the MCT, and the GAPP is responsible for the examination and approval process of online games prior to online publication. After the online games uploaded on the internet, online games will be administered by the MCT. Moreover, if an online game is launched on the internet without the prior approval of the GAPP, the MCT will be responsible for guiding the cultural market law enforcement team to conduct investigation and punishment.

The Notice Regarding the Consistent Implementation of the “Stipulations on ‘Three Provisions’ of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Internet Games and the Examination and Approval of Imported Internet Games” (《關於貫徹落實國務院“三定”規定和中央編辦有關解釋，進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知》) was jointly published by the GAPP, the National Copyright Administration and the National Office of Combating Pornography and Illegal Publications in 2009. It expressly states that foreign investors are not permitted to participate in the operation of online games via wholly owned, equity joint venture or cooperative joint venture investments in the PRC, and from controlling and participating in such businesses directly or indirectly through contractual or technical support arrangements.

According to the Institutional Reform Plans issued by the Central Committee of the Communist Party of China that became effective from March 21, 2018, the SAPPRFT was reformed and is now known as the NRTA under the State Council, and the responsibility of the SAPPRFT for administration of news, publication and films, such as the approval of online game registrations and issuance of game publication numbers has been transferred to the NPPA under the Propaganda Department of the Central Committee of the Communist Party of China. The NPPA at

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the national level suspended the approval of game registration and issuance of publication numbers for online games since April 2018 and resumed to issue game publication numbers by batches periodically since December 2018. Beginning in December 2018, the NPPA at the national level started to approve new online games.

On May 14, 2019, the MCT issued the Notice on Adjusting the Scope of Examination and Approval regarding the Internet Culture Operation License to Further Regulate the Approval Work (《關於調整〈網絡文化經營許可證〉審批範圍進一步規範審批工作的通知》), which quotes the Regulations on the Function Configuration, Internal Institutions and Staffing of the MCT (《文化和旅遊部職能配置、內設機構和人員編制規定》) (the “Function Configuration Regulations”), effective on July 30, 2018, and further specifies that the MCT no longer assumes the responsibility for administering the industry of online games. On July 10, 2019, the MCT issued the Abolition Decisions on the Interim Administrative Measures for the Administration of Online Games and the Administrative Measures for Tourism Development Plan (《關於廢止〈網絡遊戲管理暫行辦法〉和〈旅遊發展規劃管理辦法〉的決定》) (the “Abolition Decision”), which provides that the MCT will no longer regulate the industry of online games.

As advised by the PRC Legal Advisers, the Internet Culture Operation License, which was used to be granted by the MCT in the abolished regulation regime, was no longer required following a consultation with the Department of Culture and Tourism of Guangdong Province (廣東省文化和旅遊廳) which confirmed that it is not necessary for an enterprise to obtain the Internet Culture Operation License to conduct online game operation business. For the same reason, our collaborating partners, such as co-developers and third-party publishers, were no longer required to possess the Internet Culture Operation License in order to cooperate with our Group. Further, during the Track Record Period, we did not receive any administrative sanctions in relation to the validity of our collaborating partners’ Internet Culture Operation Licenses from the PRC government.

On December 22, 2023, the NPPA issued Draft Online Games Measures to solicit public opinions until January 22, 2024. The Draft Online Games Measures comprehensively standardize the establishment, administration and supervision of online game publishers and operators. As for the regulatory authorities, the NPPA is specified to be the functional authority for online games in China. Since the Draft Online Games Measures have been issued for the purpose of soliciting public opinions, uncertainties still exist in terms of the final content, time of adoption, effective date or the relevant implementing rules. We will closely monitor the latest regulatory developments on the requirements of the Internet Culture Operation License, and strive to comply with any new applicable laws and regulations.

Online Game Publication

According to the Internet Publishing Measures, before publishing an online game, an online publishing service provider shall file an application with the competent provincial-level publishing administrative department where it is located, and the application, if reviewed and approved, shall be submitted to the NPPA for approval. The Notice of the General Office of the General Administration of Press, Publication, Radio, Film and Television on the Administration of Mobile Game Publishing Services (《國家新聞出版廣電總局辦公廳關於移動遊戲出版服務管理的通知》), which was issued on May 24, 2016, and became effective on July 1, 2016, provides that game publishing

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services providers shall be responsible for examining the contents of their games and applying for game publication numbers (遊戲出版物號), and for the purpose of this notice, the providers of online games publishing services shall refer to online publishing service entities that have obtained the Internet Publishing Service License with game publishing business included in their scope of business.

On December 22, 2023, the NPPA issued the Draft Online Games Measures. Article 8 of the Draft Online Games Measures stipulate the entry standards for online games operating entities. To engage in online games business, issuing and trading of online games currencies and other related activities, online games operating entities shall meet a series of conditions and obtain the Internet Publishing Service License (網絡出版服務許可證) that specifies the scope of online games business, as approved by the provincial-level publication regulatory authorities in accordance with the laws and regulations. The conditions for online games operating entities to operate online games business include: (i) a definite entity name and charter; (ii) a fixed workplace; (iii) a definite domain name and platform for engaging in online games operations, such as intelligent terminal applications; (iv) a defined scope of online games operations; (v) requisite professional personnel, equipment, and management technical measures for engaging in online games operations. Related servers and storage devices shall be located in China; and (vi) other conditions stipulated by laws, administrative regulations, and national publication regulatory authorities.

Our Group's domestic business entities which provide online games services currently have definite entity names along with their charters and fixed workplaces. The primary scope of our online games operating business is to provide online games publishing services. During the service, we typically charge users for virtual items purchased within the online games, and we subsequently share a portion of the income with third-party game content providers. Our related servers and storage devices in connection with our provisions of online games publishing services are all located in China. We also plan to apply for the Internet Publishing Service License in accordance with the relevant provisions of the Draft Online Games Measures if such measures are adopted in current form. As advised by our PRC Legal Advisers, there is no material obstacle for us to obtain the Internet Publishing Service License. In addition, we possess the requisite professional personnel, equipment and management technical measures to engage in online games operating business. Therefore, we believe that we are able to meet all the conditions set forth in the Draft Online Games Measures for obtaining the Internet Publishing Service License if the measures are adopted in current form.

In addition to the requirement to obtain the Internet Publishing Service License, the Draft Online Games Measures also provide a series of requirements for online games publishing and operating entities to conduct their online games business in China, such as time limit for online games publishing and operating, and the display of the Internet Publishing Service License. According to Article 11 of the Draft Online Games Measures, online games publishing and operating entities shall only engage in activities within the scope of business approved by the relevant competent authorities and display the information of the Internet Publishing Service License prominently on their corporate websites, client terminal of the relevant products and user service centers. Furthermore, according to Article 12 of the Draft Online Games Measures, online games publishing and operating entities, upon receiving the approval for online games, shall organize the publication and operation of the relevant games within one year from the date of issuance of such approval. If the entities are unable to publish and operate within this period, they

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shall provide a written explanation to the provincial publication regulatory authorities in their operating jurisdictions in a timely manner. According to Article 15 of the Draft Online Games Measures, online games publishing and operating entities shall establish and enhance content management, set up content self-review systems, strengthen the self-inspection and management of publishing and operating activities in compliance with national standards and specific regulatory requirements, and shall ensure the legality and quality of online games contents. Moreover, according to Article 47 of the Draft Online Games Measures, online games publishing and operating entities shall submit an annual report to the provincial publication regulatory authorities in their operating jurisdictions.

Going forward, we will closely monitor the regulatory development and we expect to observe the above requirements if the Draft Online Games Measures are adopted in their current form. Given that (i) the revenue contribution from our online game publishing services to our total revenue was less than 2% during each year of the Track Record Period; and (ii) our business strategy for our online games publishing services mainly focuses on oversea markets, in the event that we fail to meet the requirements under the Draft Online Games Measures in a timely manner, and if the Draft Online Games Measures are adopted in their current form, our business, financial conditions and results of operations would not be materially and adversely impacted. However, there remain uncertainties regarding the further interpretation and implementation of the Draft Online Games Measures. As of the Latest Practicable Date, the Draft Online Games Measures were for the purpose of soliciting public opinions and have not been formally adopted.

Online Game Operations

According to the Interim Administrative Measures for Internet Games (《網絡遊戲管理暫行辦法》), issued by the MOC on June 3, 2010 and last amended on December 15, 2017, any entity engaging in online game operations must obtain an Internet Cultural Operation License (網絡文化經營許可證). On July 10, 2019, the MCT issued the Abolition Decision, which specifies that the Online Game Measures was abolished by the MCT on July 10, 2019. On August 19, 2019, the MCT issued the Announcement on Results of Regulatory Documents Clean-up (《文化和旅遊部關於行政規範性文件清理結果的公告》), which specifies that the Notice of the MCT on the Implementation of the Online Game was abolished. As a result, the MCT is no longer responsible for regulating the online game industry in the PRC and has ceased to grant or renew any Internet Cultural Operation License relating to game operations. The issued Internet Cultural Operation License relating to game operations, however, will remain valid until each of their original expiration dates.

On May 14, 2019, the General Office of the MCT released the Notice on Adjusting the Examination and Approval Scope of Internet Culture Operation License and Further Standardizing the Examination and Approval Work (關於調整《網絡文化經營許可證》審批範圍進一步規範審批工作的通知), which quotes the Regulations on the Function Configuration, Internal Institutions and Staffing of the MCT (《文化和旅遊部職能配置、內設機構和人員編制規定》) and further specifies that the MCT shall no longer assume the responsibility for administering the industry of online games and shall no longer approve and issue the Internet Culture Operation Licenses within the business scope of “operating online games via the internet”, “operating online games via the internet (including the issuance of virtual currencies used for online games)” and “conducting trade of virtual currencies used for online games via the internet”.

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According to the Draft Online Games Measures issued by the NPPA on December 22, 2023, enterprises engaged in online game operation, online game coin issuance and trading services and other online game business activities shall meet the statutory conditions, be approved by the competent provincial publishing department, and obtain the Internet Publishing Service License containing the business scope of online game operation. However, there exists uncertainties regarding the timetable for the enactment, the final content, interpretation and implementation of the Draft Online Games Measures, and we will closely monitor and follow any developments during the enactment process and strictly comply with any new applicable laws and regulations.

Virtual Currency

On February 15, 2007, the Notice on Further Strengthening Administration of Internet Cafes and Online Games (《關於進一步加強網吧及網絡遊戲管理工作的通知》) (the “Internet Cafes Notice”) was jointly issued by the MOC, the PBOC and other governmental authorities, directs the PBOC to strengthen the administration of virtual currency in online games to avoid any adverse impact on the real economic and financial systems. The Internet Cafes Notice imposes strict limits on the total amount of virtual currency issued by online game operators and the amount purchased by individual players. The Internet Cafes Notice further provides that virtual currency should only be used to purchase virtual items and prohibits any resale of virtual currency.

On June 4, 2009, the MOC and the MOFCOM jointly issued the Notice on strengthening the management of virtual currency for online games (《關於加強網絡遊戲虛擬貨幣管理工作的通知》) (the “Virtual Currency Notice”), which broadly defined virtual currency as a type of virtual exchange instrument issued by internet game operation enterprises, purchased directly or indirectly by the game user by exchanging legal currency at a certain exchange rate, saved outside the game programs, stored in servers provided by the internet game operation enterprises in electronic record format and represented by specific numeric units. Virtual currency is used to exchange internet game services provided by the issuing enterprise for a designated extent and time, and is represented by several forms, such as online prepaid game cards, prepaid amounts or internet game points, and does not include game props obtained from playing online games. The Virtual Currency Notice also states that online game operators are also not allowed to give out virtual items or virtual currency through lottery-base activities, such as lucky draws, betting or random computer sampling, in exchange for players’ cash or virtual money.

According to the Notice on Regulating the Operations of Online Games and Strengthening Interim and Ex Post Regulation (《關於規範網絡遊戲運營加強事中事後監管工作的通知》) (the “Interim and Ex Post Supervision Notice”) promulgated by the MOC on December 1, 2016 that became effective on May 1, 2017, the virtual items, purchased by users directly with legal tender, by using the virtual currencies of online games or by exchanging the virtual currencies of online games according to a certain percentage and enabling users to directly exchange for other virtual items or value-added service functions in online games, shall be regulated pursuant to the provisions on virtual currencies of online games. Online game operators shall not provide users with services to exchange virtual currencies into legal currency. Where it provides users with the option to exchange virtual currencies into physical items of minor value, the contents and value of such physical items shall be in compliance with relevant laws and regulations of the State. However, the Interim and Ex Post Supervision Notice has been abolished by the MCT on August 19, 2019.

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The Draft Online Games Measures issued by the NPPA on December 22, 2023 regulates the distribution and trading of online game coins and virtual props. On the one hand, the Draft Online Games Measures regulate the financial nature of online game virtual assets and regulate the trading activities of virtual assets; on the other hand, the flow of funds shall be supervised in the form of digital Renminbi, and service providers engaging in online game coin trading shall be required to take technical measures to effectively supervise the trading process and timely report the same to the regulatory authorities, so as to prevent money laundering or relevant illegal operations. However, there remain uncertainties regarding the further interpretation and implementation of the Draft Online Games Measures. As of the Latest Practicable Date, the Draft Online Games Measures were for the purpose of soliciting public opinions and have not been formally adopted.

Anti-addiction System and Protection of Minors

In April 2007, the GAPP and several other government agencies issued a circular requiring the implementation of an anti-addiction system and a real-name registration system by all PRC online game operators to curb addictive online game playing by minors. To identify whether a game player is a minor and thus subject to the anti-addiction system, a real-name registration system must be adopted to require online game players to register with their real identity information before playing online games. The online game operators are also required to submit the identity information of game players to the public security authority for verification. Under the anti-addiction system, three hours or less of continuous play by minors is considered to be “healthy”, three to five hours to be “fatiguing”, and five hours or more to be “unhealthy”. Game operators are required to reduce the value of in-game benefits to a game player by half if the game player has reached “fatiguing” level, and to zero in the case of “unhealthy” level.

In January 2011, the MOC, together with several other government agencies, jointly issued a Circular on Printing and Distributing Implementation Scheme regarding Parental Guardianship Project for Minors Playing Online Games (《關於印發〈“網絡遊戲未成年人家長監護工程”實施方案〉的通知》) to strengthen the administration of online games and protect the legitimate rights and interests of minors. This circular requires that online game operators must have person in charge, set up specific service webpages and publish specific hotlines to provide parents with necessary assistance to prevent or restrict minors’ improper game playing behavior, and must suspend the account of a minor if requested by the minor’s parents or guardians. The monitoring system was formally implemented on March 1, 2011.

The Notice on Initializing the Verification of Real-name Registration for Anti-Addiction System on Internet Games (《關於啓動網絡遊戲防沉迷實名驗證工作的通知》), issued by the GAPP, the MIIT, the Ministry of Education and five other government authorities in July 2011, indicates that the National Citizen Identity Information Center of the Ministry of Public Security will verify identity information of game players submitted by online game operators, and imposes stringent penalties on online game operators that do not implement the required Anti-Addiction and real-name registration measures properly and effectively. Its main focus is to prevent minors from using an adult ID to play internet games. The operation of an online game may be terminated if the operator is found to be in violation of this notice.

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On February 5, 2013, the Work Plan for the Integrated Prevention of Minors' Online Game Addiction (《未成年人網絡遊戲成癮綜合防治工程工作方案》) (the "Work Plan"), jointly issued by the GAPP, the Ministry of Education, the MOC, the MIIT and 11 other PRC government authorities implemented the integrated measures by different authorities to prevent minors from becoming addicted to online games. Under the Work Plan, the current relevant regulations regarding online games will be further clarified and additional implementation rules will be issued, and as a result, online game operators will be required to implement additional measures to protect minors.

On October 25, 2019, the GAPP issued the Notice on Preventing Minor's Addiction to Online Games (《關於防止未成年人沉迷網絡遊戲的通知》), which requires all online gamers to register accounts with their valid identity information and all game companies to stop providing game services to users who fail to do so. Furthermore, minors are prohibited from playing games exceeding a certain period of time per day or putting money into their accounts exceeding a certain amount.

On October 17, 2020, the SCNPC revised and promulgated the Law of the PRC on the Protection of Minors (2020 Revision) (《中華人民共和國未成年人保護法》), which became effective on June 1, 2021. Law of the PRC on the Protection of Minors (2020 Revision) added a new section entitled "Online Protections" which stipulates a series of provisions to further protect minors' interests on the internet, among others, (i) online product and service providers are prohibited from providing minors with products and services that would induce minors to indulge; (ii) online service providers for products and services such as gaming, live streaming, audio-video, and social networking are required to establish special management systems of user duration, access authority and consumption for minors; (iii) online gaming service providers must request minors to register and log into online games with their valid identity information; (iv) online gaming service providers must categorize games according to relevant rules and standards, notify users about the appropriate ages for the players of the games, and take technical measures to keep minors from accessing inappropriate games or gaming functions; and (v) online gaming service providers may not provide online game services to minors from 10:00 P.M. to 8:00 A.M. the next day. As of the Latest Practicable Date, we have adopted anti-addiction and real name registration systems.

On October 16, 2023, the State Council published the Regulations on the Online Protection of Minors (《未成年人網絡保護條例》) (the "Minor Protection Regulations") and has become effective on January 1, 2024. The Minor Protection Regulations sets out in detail the responsibilities of the online platforms, online product or service providers, personal information processors, and manufacturers and sellers of smart terminal products.

The Minor Protection Regulations stipulates that (i) network products and service providers shall not provide minors with products and services that induce them to indulge; (ii) network products and service providers, such as online games, online live broadcast, online audio and video, and online social networking, shall take measures to establish special management systems for minors' use duration, access rights and consumption, among other things; (iii) personal information processors shall comply with the principles of legality, legitimacy and necessity when processing the personal information of minors online; and (iv) the network service providers shall

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take measures to reasonably limit the amount of a single consumption and the amount of a single day's accumulated consumption of minors in using network products and services, and shall not provide minors with paid services that are inconsistent with their civil capacity.

The Draft Online Games Measures issued by the NPPA on December 22, 2023 further provide detailed measures for the protection of minors, specify the implementing bodies for the protection of minors (guardians of minors, competent authorities of publication, publishers and operators of online games, and all sectors of the society), and stipulate the corresponding responsibilities of the said bodies. Online game publishers and operators are required to assume the obligations of controlling game hours and consumption, establishing an addiction prevention system, verifying minors' identities and indicating the age appropriate.

However, there remain uncertainties regarding the further interpretation and implementation of the Draft Online Games Measures. As of the Latest Practicable Date, the Draft Online Games Measures have not been formally adopted.

REGULATIONS RELATING TO CYBERSECURITY, DATA SECURITY AND PERSONAL INFORMATION PROTECTION

PRC Cybersecurity and Data Security

On July 1, 2015, the SCNPC issued the National Security Law of the PRC ("National Security Law") (《中華人民共和國國家安全法》), which came into effect on the same day. The National Security Law provides that the state shall safeguard the sovereignty, security and cybersecurity development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet, information technology products and services, and other important activities that are likely to impact the national security of the PRC.

On November 7, 2016, the SCNPC issued the PRC Cybersecurity Law, which came into effect on June 1, 2017. This is the first PRC law that focuses exclusively on cybersecurity. The PRC Cybersecurity Law provides that network operators must set up internal security management systems that meets the requirements of a classified protection system for cybersecurity, including appointing dedicated cybersecurity personnel, taking technical measures to prevent computer viruses, network attacks and intrusions, taking technical measures to monitor and record network operation status and cybersecurity incidents, and taking data security measures such as data classification, backups and encryption. The PRC Cybersecurity Law emphasizes that any individuals and organizations that use networks must not endanger network security or use networks to engage in unlawful activities such as those endangering national security, economic order and social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of others. Any violation of the provisions and requirements under the PRC Cybersecurity Law may subject the Internet service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, shutdown of websites or even criminal liabilities.

On December 28, 2021, the CAC, the NDRC, the MIIT and several other PRC governmental authorities jointly promulgated the Cybersecurity Review Measures, which provide that (i) network platform operators in possession of over one million users' personal information shall apply with

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the Cybersecurity Review Office for a cybersecurity review when listing in a foreign country; (ii) operators of “critical information infrastructure” that intend to purchase network products and services that will or may affect national security shall apply for a cybersecurity review; and (iii) network platform operators carrying out data processing that will affect or may affect national security shall apply for a cybersecurity review. The Cybersecurity Review Measures became effective on February 15, 2022 and replaced the Measures for Cybersecurity Review promulgated in April 2020.

Cybersecurity Review Measures do not provide definition of “network platform operators”. Based on Paragraph 9 of Article 73 of the Draft Data Security Regulations, “internet platform operators” (互聯網平臺運營者) refer to data processors that provide users with internet platform services such as information publishing, social networking, transactions, payment, and audio-visual services. Such definition contains two characteristics of a platform operator, namely, the use of a platform and the provision of specific services. Our Directors are of the view that, as advised by our PRC Legal Advisers relating to Data Compliance, as we operate Easou Reading App Series and provide online platform services for our users, although we may be considered as a network platform operator and are hence subject to the requirements of the Cybersecurity Review Measures, as advised by our PRC Legal Advisers relating to Data Compliance and our Directors are of the view that, the risk of us being required to apply for cybersecurity review in relation to our proposed Listing in Hong Kong pursuant to the Cybersecurity Review Measures is relatively low because: (i) despite the fact that we are considered as a network platform operator and possess personal information of more than one million users, our current application for the Listing does not constitute “foreign listing” (國外上市) according to the Basic Law of Hong Kong Special Administrative Region of the PRC, as Hong Kong is an inalienable part of the PRC; (ii) we have not received any notice or determination from the relevant government authorities or competent industry authorities identifying us as a critical information infrastructure operator; and (iii) according to Article 2 of National Security Law, national security refers to the condition in which the State power, sovereignty, unity and territorial integrity, people’s welfare, sustainable economic and social development and other vital interests of the PRC shall face no relatively grave danger or encounter no relatively significant internal and external threats, as well as the capability to safeguard sustainable safety condition. Based on Article 31 of the Cybersecurity Law, the industries and sectors that may severely threaten the national security include energy, transport, water conservancy, finance and e-governance, among others. The nature of our Group’s business mainly includes the provision of online literature recommendation and digital marketing, and subject to further interpretations, is therefore less likely to affect or may affect national security. Moreover, the type of data processed by our Group mainly includes (i) user data that consist of users’ nickname, profile photo, phone number, and (ii) behavior data such as search and browsing history, subscription and payment records of our users who purchase our reading with paid services and behavior habits for online literature for the provision of our business services. Specifically, behavior habits for online literature refer to encoded vector data extracted from user reading, subscription, payment and other behaviors. Therefore, it is less likely that such data being processed by our Group affects or may affect national security. Furthermore, according to our on-site interview conducted on October 27, 2022 with the Cyberspace Administration of Shenzhen, the competent local authority of the CAC, we are not required to apply for cybersecurity review in relation to our proposed Listing in Hong Kong.

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On June 10, 2021, the SCNPC issued the PRC Data Security Law, which has taken effect on September 1, 2021. The PRC Data Security Law provides a national data security review system, under which data processing activities that affect or may affect national security shall be reviewed. In addition, it clarifies the data security protection obligations of organizations and individuals carrying out data activities and implementing data security protection responsibility. Data processors shall establish and improve the whole-process data security management rules, organize and implement data security trainings as well as take appropriate technical measures and other necessary measures to protect data security. Any organizational or individual data processing activities that violate the PRC Data Security Law shall bear the corresponding civil, administrative or criminal liabilities depending on specific circumstances.

On July 22, 2020, the Ministry of Public Security published the Guiding Opinions on the Implementation of Cybersecurity Hierarchical Protection System and Critical Information Infrastructure Security Protection System (《貫徹落實網絡安全等級保護制度和關鍵信息基礎設施安全保護制度的指導意見》), which requires, among others, to determine the cybersecurity protection level in a scientific manner based on the importance of network (including network facilities, information system, and data resources) in national security, economic construction, and social life, as well as factors such as the degree of harm after its destruction, and to implement hierarchical protection and supervision, with emphasis on ensuring the security of critical information infrastructure and networks at or above the third level.

On July 30, 2021, the State Council promulgated the Regulations for the Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which became effective on September 1, 2021, referring “critical information infrastructures” as important network facilities and information systems in important industries including public communications and information services, as well as those that may seriously endanger national security, national economy, people’s livelihood, or public interests in the event of damage, loss of function, or data breach. Pursuant to the Regulations for the Security Protection of Critical Information Infrastructure, the relevant government authorities are responsible for stipulating rules for the identification of critical information infrastructures with reference to several factors set forth therein and further identifying the critical information infrastructure in the related industries in accordance with such rules. The relevant authorities must also notify operators of the determination as to whether they are categorized as critical information infrastructure operators.

On July 7, 2022, the CAC issued the Measures for the Security Assessment of Data Cross-border Transfer (《數據出境安全評估辦法》), which became effective on September 1, 2022. The Measures for the Security Assessment of Data Cross-border Transfer requires that any data processor providing important data collected and generated during operations within the territory of the PRC or personal information that should be subject to security assessment according to law to an overseas recipient shall conduct security assessment. On March 22, 2024, the CAC issued the Provisions on Facilitating and Regulating Cross-Border Data Flows (《促進和規範數據跨境流動規定》) (the “Cross-Border Data Flows Provisions”), which provides the following circumstances under which data processors shall, through the local cyberspace administration at the provincial level, apply to the national cyberspace administration for security assessment of cross-border data transfer: (i) critical information infrastructure operators providing personal information or important data overseas; and (ii) data processors other than critical information infrastructure operators providing important data overseas, or cumulatively providing overseas personal

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information (excluding sensitive personal information) of more than one million individuals or sensitive personal information of more than 10,000 individuals since January 1 of the current year. The Cross-Border Data Flows Provisions also provides that, where the data processors other than critical information infrastructure operators provide personal information (excluding sensitive personal information) overseas of not less than 100,000 but not more than one million individuals, or the sensitive personal information of not more than 10,000 individuals, cumulatively as of January 1 of the current year, it shall conclude a standard contract with overseas recipients or pass the authentication on personal information protection. Articles 3 to 6 of the Cross-Border Data Flows Provisions mainly provide the exemptions from applying for the security assessment or authentication, and filing the standard contracts. Exemptions include but are not limited to international trade, cross-border transportation, academic cooperation, transactional manufacturing, marketing and other activities that do not involve personal information or important data, among others. Any failure to comply with such requirements may subject us to, among others, suspension of services, fines, revoking relevant business permits or business licenses and penalties.

On December 31, 2021, the CAC published the Administrative Provisions on Internet Information Service Algorithm Recommendation (《互聯網信息服務算法推薦管理規定》) (the “Algorithm Recommendation Provisions”) on its website, which became effective on March 1, 2022 and raised certain new compliance requirements on internet information service providers using algorithm recommendation technology. Specifically, the Algorithm Recommendation Provisions require that such service providers shall provide users with options that are not specific to their personal characteristics, or provide users with convenient options to cancel algorithmic recommendation services.

On November 14, 2021, the CAC published the Draft Data Security Regulations, which provides that data processors conducting the following activities must apply for cybersecurity review: (i) merger, reorganization, or division of internet platform operators that have acquired a large number of data resources related to national security, economic development, or public interests affects or may affect national security; (ii) a foreign listing by data processors processing over one million users’ personal information; (iii) listing in Hong Kong that affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. The CAC solicited comments until December 13, 2021, but there is no timetable as to when it will be enacted.

As advised by our PRC Legal Advisers relating to Data Compliance, the risk of us being required to apply for cybersecurity review in relation to our proposed Listing in Hong Kong pursuant to the Draft Data Security Regulations is relatively low mainly because: (i) despite the fact that we are considered as a network platform operator and possess personal information of more than one million users, our current application for the Listing does not constitute “foreign listing” according to the Basic Law of Hong Kong Special Administrative Region of the PRC, as Hong Kong is an inalienable part of the PRC; (ii) the nature of our Group’s business mainly includes the provision of online reading platform services and digital marketing, and subject to further interpretations, is therefore less likely to affect or may affect national security; and (iii) the type of data processed by our Group mainly includes (a) users’ nickname, profile photo, phone number, and (b) behavior data such as search and browsing history, subscription and payment records of our users who purchase our reading with paid services and behavior habits for provision

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of our business services. Specifically, behavior habits for online literature refer to encoded vector data extracted from user reading, subscription, payment and other behaviors. Therefore, it is less likely that such data being processed by our Group affects or may affect national security.

The Draft Data Security Regulations also stipulates that data processors processing personal information of more than one million users shall comply with the following requirements, including, but not limited to, (i) file with competent authorities within 15 working days after the identification of important data, (ii) carry out data security assessment and file the data assessment report with competent authorities on an annual basis, and (iii) obtain the approval from the competent authority in the event of sharing or entrusting important data to a third party under certain circumstances. Although as of the Latest Practicable Date, the Draft Data Security Regulations have not yet become effective and therefore, our obligations regarding data security shall be subject to the effective version, as advised by our PRC Legal Advisers relating to Data Compliance, we would be able to comply with the Draft Data Security Regulations if implemented in their current form, in all material aspects on the basis that: (i) we have implemented and maintained a comprehensive data protection regime to protect users privacy and ensure the security of users data, and have adopted necessary measures and policies to ensure our cybersecurity and data security; (ii) we have provided prior notices to individual users regarding the collection, usage, disclosure, storage, deletion of their personal information and displaying the privacy policy in a manner for the users to easily access; and (iii) during the Track Record Period and up to the Latest Practicable Date, we have not experienced any material data security incidents or received any administrative penalty, fine or sanction regarding the Easou Reading App Series in relation to cybersecurity or data privacy or any cybersecurity review from the CAC, the CSRC or any other relevant government authorities.

Subject to the further interpretation of the Draft Data Security Regulations by the competent authorities, we may be required to make further adjustments to our business operations to comply with the effective version of the Draft Data Security Regulations in the future. We will continue to take necessary measures and will closely monitor the regulatory development and adjust our business operations from time to time. Thus, our Directors are of the view, and our PRC Legal Advisers relating to Data Compliance concur, that there is no material impediment for our Group to comply with the Draft Data Security Regulations, if implemented in their current form and the Cybersecurity Review Measures, and that the compliance with these regulations and measures would not have any material adverse impact on our business, financial condition, results of operations or the Listing. Based on the view and analysis of our Company and our PRC Legal Advisers relating to Data Compliance, as well as the due diligence conducted, nothing has come to the attention of the Sole Sponsor which would cause it to disagree with the Directors' view or question the reasonableness of their view.

Personal Information Protection

The Civil Code of the PRC (《中華人民共和國民法典》) that was issued on May 28, 2020 and became effective on January 1, 2021, provides that a natural person's personal information shall be protected by the law. Any organization or individual shall legally obtain the personal information of others when necessary and ensure the safety of such personal information, and shall not illegally collect, use, process or transmit the personal information of others, or illegally buy or sell, provide or make public the personal information of others.

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The PRC Cybersecurity Law imposes certain data protection obligations on network operators, including that network operators may not disclose, tamper with, or damage users' personal information that they have collected, and are obligated to delete unlawfully collected information and to amend incorrect information. Moreover, internet operators may not provide users' personal information to others without consent. Exempted from these rules is information irreversibly processed to preclude identification of specific individuals. In addition, the PRC Cybersecurity Law imposes breach notification requirements that will apply to breaches involving personal information.

The Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), promulgated by the MIIT on December 29, 2011 that became effective on March 15, 2012, stipulates that internet information service providers must not, without user consent, collect user personal information, which is defined as user information that can be used alone or in combination with other information to identify the user, and may not provide any such information to third parties without prior user consent. Internet information service providers may only collect user personal information necessary to provide their services and must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information. In addition, an internet information service provider is also required to properly maintain users' personal information, and in case of any leak or likely leak of such information, it must take immediate remedial measures and, in the event of a serious leak, report to the telecommunications regulatory authority immediately.

On December 28, 2012, the SCNPC promulgated the Decision of the SCNPC on Strengthening Online Information Protection (《全國人民代表大會常委會關於加強網絡信息保護的決定》) with immediate effect. On July 16, 2013, the MIIT issued the Order for the Protection of Telecommunications and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》), which came into effect on September 1, 2013. Any collection and use of a user's personal information must be subject to the consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods, and scopes. An Internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering, or destroying any such information, or selling or providing such information to other parties. An Internet information service provider is required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage, or loss.

On August 20, 2021, the SCNPC promulgated the PRC Personal Information Protection Law, which became effective on November 1, 2021. According to the PRC Personal Information Protection Law, personal information refers to any kind of information related to an identified or identifiable natural person as electronically or otherwise recorded, excluding information that has been anonymized. Processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure and deletion of personal information. Processing of personal information shall be for a specified and reasonable purpose, and shall be conducted for a purpose directly relevant to the purpose of processing and in a way that has the least impact on personal rights and interests. Collection of personal information shall be limited to the minimum scope necessary for achieving the purpose of processing and shall not be excessive. In addition, the PRC Personal Information Protection Law specifically specifies the rules for processing sensitive personal information, i.e., personal information that, once leaked or illegally used, may

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easily cause harm to the dignity of natural persons or grave harm to personal or property security, including information on biometric characteristics, financial accounts, individual location tracking, etc., as well as the personal information of minors under the age of 14. Entities processing personal information shall bear responsibility for their personal information processing activities and adopt the necessary measures to safeguard the security of the personal information they process. Otherwise, entities processing the personal information will be ordered to correct or suspend or terminate the provision of services, confiscation of illegal income, fines or other penalties.

On August 22, 2019, the CAC issued the Regulation on Cyber Protection of Children's Personal Information (《兒童個人信息網絡保護規定》), which became effective on October 1, 2019. Network operators are required to establish special policies and user agreements to protect children's personal information, and to appoint special personnel in charge of protecting children's personal information. Network operators who collect, use, transfer or disclose personal information of children are required to, in a prominent and clear way, notify and obtain consent from children's guardians.

On February 4, 2015, the CAC promulgated the Provisions on the Administrative of Account Names of Internet Users (《互聯網用戶賬號名稱管理規定》), which became effective as of March 1, 2015, setting forth the authentication requirement for the real identity of internet users by requiring users to provide their real names during the registration process. On October 26, 2021, the CAC published the Provisions on the Administrative of Account Names Information of Internet Users (Draft for Comments) (《互聯網用戶賬號名稱信息管理規定(徵求意見稿)》) for public comments. Pursuant to these provisions, internet user account service platforms shall, among others, establish, improve and strictly implement account name information management system, information content security system, and personal information protection system, establish an account name information dynamic check patrol system for the verification of real identity information, improve their technical measures for purposes of account information legal compliance, and support account name authenticity checks. On June 27, 2022, the CAC promulgated the Administrative Provisions on the Account Information of Internet Users (《互聯網用戶帳號信息管理規定》), which became effective on August 1, 2022. The obligations of internet-based information service providers include but not limited to: (i) authenticate the identity information of the users who apply for registration of relevant account and verify the account information submitted by users upon registration; and (ii) equip themselves with professional and technical capabilities appropriate to the scale of services.

Pursuant to the Ninth Amendment to the Criminal Law (《中華人民共和國刑法修正案(九)》) issued by the SCNPC on August 29, 2015 that became effective on November 1, 2015, any internet service provider that fails to fulfill the obligations related to the internet information security administration as required by the applicable laws and refuses to rectify upon orders, shall be subject to criminal penalty. Pursuant to the Notice of the Supreme People's Court, the Supreme People's Procuratorate and the Ministry of Public Security on Legally Punishing Criminal Activities Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察院、公安部關於依法懲處侵害公民個人信息犯罪活動的通知》), issued on April 23, 2013, Article 253 of the Criminal Law of the PRC (《中華人民共和國刑法》), and the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues regarding Legal Application in Criminal Cases Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察

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院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), which was issued on May 8, 2017 and became effective on June 1, 2017, the following activities may constitute the crime of infringing upon a citizen's personal information: (i) providing a citizen's personal information to specified persons or releasing a citizen's personal information online or through other methods in violation of relevant national provisions; (ii) providing legitimately collected information relating to a citizen to others without such citizen's consent (unless the information is processed, not traceable to a specific person and not recoverable); (iii) collecting a citizen's personal information in violation of applicable rules and regulations when performing a duty or providing services; or (iv) collecting a citizen's personal information by purchasing, accepting or exchanging such information in violation of applicable rules and regulations.

App Provisions

On January 23, 2019, the Office of the Central Cyberspace Affairs Commission, the MIIT, the Ministry of Public Security, and the SAMR jointly issued the Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》), which restates the requirement of legal collection and use of personal information, encourages app operators to conduct security certifications, and encourages search engines and APP stores to clearly mark and recommend those certified Apps.

On November 28, 2019, the CAC, the MIIT, the Ministry of Public Security and the SAMR jointly issued the Measures to Identify Illegal Collection and Usage of Personal Information by Apps (《App違法違規收集使用個人信息行為認定方法》), which lists six types of illegal collection and usage of personal information, including “failure to publish rules on the collection and usage of personal information”, “failure to expressly state the purpose, manner and scope of the collection and usage of personal information”, “collecting and using personal information without obtaining consents from users”, “collecting personal information irrelevant to the services provided”, “providing personal information to other parties without obtaining consent” and “failure to provide the function of deleting or correcting personal information as required by law or failure to publish the methods for complaints and reports or other information”.

On July 22, 2020, the MIIT issued the Notice on Carrying out Special Rectification Actions in Depth against the Infringement on Users' Rights and Interests by Apps (《關於開展縱深推進APP侵害用戶權益專項整治行動的通知》) to urge app service providers, among others, to strengthen the protection of users' personal information in relation to the download and usage of Apps. In August 2020, the MIIT released a notice regarding the list of Apps that infringed on users' rights and interests. We had not been subject to any investigation, inquiry, notice, warning or sanction in relation to cybersecurity or data privacy or cybersecurity review from the CAC, the CSRC or any other relevant government authority during the Track Record Period and up to the Latest Practicable Date. On March 12, 2021, the CAC, the MIIT, the MPS and the SAMR jointly issued the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications (《常見類型移動互聯網應用程序必要個人信息範圍規定》) to further provide guidance over personal information security and privacy protection.

In addition to the regulations above, Apps are specially regulated by the Administrative Provisions on Mobile Internet Applications Information Services (Revised in 2022) (《移動互聯網應用程序信息服務管理規定(2022修訂)》) (the “APP Provisions”), promulgated by the CAC, last

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amended on June 14, 2022 and became effective on August 1, 2022. The APP Provisions set forth the relevant requirements on the APP information service providers and the APP Store service providers. The CAC and its local branches shall be responsible for the supervision and administration of nationwide and local APP information respectively.

App providers shall strictly fulfill their responsibilities of information security management, and perform the following duties: (i) conduct real identity information authentication based on mobile phone numbers, identity document numbers or unified social credit codes for users who apply for registration; (ii) be responsible for the results of the presentation of information content, shall not produce or disseminate illegal information, and shall consciously prevent and resist harmful information; (iii) not induce users to download Apps by means of false advertisement, bundled downloads, or other acts, or via machine or manual click farming and comment control, or by using illegal and harmful information; (iv) immediately take remedial measures, promptly notify users and report the same to the relevant competent authorities in accordance with regulations when an APP has risks such as security defects and vulnerabilities; (v) perform the obligation of ensuring data security, establish a sound whole-process data security management system, take technical measures to ensure data security and other security measures, strengthen risk monitoring, and shall not endanger national security or public interests, or damage the legitimate rights and interests of others when carrying out APP data processing activities; and (vi) formulate and disclose management rules, and sign service agreements with registered users to clarify the relevant rights and obligations of both parties.

REGULATIONS RELATING TO ANTI-MONOPOLY AND ANTI-UNFAIR COMPETITION

On September 2, 1993, the SCNPC adopted the Anti-unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), which became effective on December 1, 1993, and was last amended on April 23, 2019. According to the Anti-unfair Competition Law, unfair competition refers to that the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the Anti-unfair Competition Law in the production and operating activities. Operators shall abide by the principle of voluntariness, equality, impartiality, integrity and adhere to laws and business ethics during market transactions. Operators in violation of the Anti-unfair Competition Law shall bear corresponding civil, administrative or criminal liabilities depending on the specific circumstances.

On August 17, 2021, the SAMR issued a discussion draft of Provisions on the Prohibition of Unfair Competition on the Internet (《禁止網絡不正當競爭行為規定(公開徵求意見稿)》), under which business operators should not use data or algorithms to hijack traffic or influence users' choices, or use technical means to illegally capture or use other business operators' data. Furthermore, business operators are not allowed to (i) fabricate or spread misleading information to damage the reputation of competitors, or (ii) employ marketing practices such as fake reviews or use coupons or “red envelopes” to entice positive ratings.

The Anti-Monopoly Law (《中華人民共和國反壟斷法》) promulgated by the SCNPC on August 30, 2007 that became effective on August 1, 2008, and most recently amended on June 24, 2022, and the Provisions on the Review of Concentrations of Undertakings promulgated by the SAMR on March 10, 2023 that became effective on April 15, 2023, require that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by

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the SAMR before they can be completed. Where the participation in concentration of undertakings by way of foreign-funded merger and acquisition of domestic enterprises or any other method which involves national security, the examination of concentration of undertakings shall be carried out pursuant to the Anti-Monopoly Law and examination of national security shall be carried out pursuant to the relevant provisions of the State.

On February 7, 2021, the Anti-Monopoly Commission of the State Council published Anti-Monopoly Guidelines for the Internet Platform Economy Sector (《國務院反壟斷委員會關於平台經濟領域的反壟斷指南》) that specified the circumstances where an activity of an internet platform will be identified as monopolistic act as well as concentration filing procedures for business operators, including those involving variable interest entities.

REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

The EIT Law (《中華人民共和國企業所得稅法》) and the Regulations for the Implementation of the Law on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》), or collectively, the EIT Law, were promulgated on March 16, 2007 and December 6, 2007, respectively, and were most recently amended on December 29, 2018 and April 23, 2019. According to the EIT Law, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in the PRC in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within China. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside China, but have established institutions or premises in China, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Laws and relevant implementing regulations, a uniform EIT rate of 25% is applicable, except where tax incentive is granted to special industries and project. The EIT Laws permit certain High and New Technology Enterprises, to enjoy a reduced 15% EIT rate subject to these High and New Technology Enterprises meeting certain qualification criteria and permit certain small low-profit enterprises to enjoy a reduced 20% EIT rate subject to certain conditions. According to the Rules for the Implementation of the Law of the People's Republic of China on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法實施細則》) promulgated by the State Council on February 6, 2016 and came into effect on the same date, taxpayers who enjoy tax reduction or exemption incentives shall, upon expiry of the tax reduction or exemption period, resume tax payment from the day following the expiry date. In the event of changes to the criteria for tax reduction or exemption, the taxpayer shall submit a report to the tax authorities within the tax declaration period. Taxpayers who no longer satisfy the criteria for tax reduction or exemption shall perform tax payment obligation pursuant to the law.

In addition, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the EIT is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

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The Notice of the State Taxation Administration Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as People's Republic of China Tax Resident Enterprises on the Basis of De Facto Management Bodies (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or STA Circular 82, promulgated on April 22, 2009, and amended on January 29, 2014, and December 29, 2017, sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within China. The Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), or STA Bulletin 45, which was promulgated on July 27, 2011 that became effective on September 1, 2011 and last amended on June 15, 2018, further provides guidance on the implementation of STA Circular 82 and clarifies certain issues in the areas of resident status determination, post-determination administration and competent tax authorities' procedures.

According to STA Circular 82, a Chinese-controlled offshore incorporated enterprise will be regarded as a PRC tax resident by virtue of having a “de facto management body” in China and will be subject to PRC EIT on its worldwide income only if all of the following criteria are met: (i) the primary location of the day-to-day operational management is in China; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in China; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders meeting minutes are located or maintained in China; and (iv) 50% or more of voting board members or senior executives habitually reside in China. According to STA Bulletin 45, when provided with a copy of the Chinese tax resident determination certificate from a resident Chinese controlled offshore incorporated enterprise, the payer should not withhold income tax when paying the Chinese-sourced dividends, interest, royalties, etc. to the PRC controlled offshore incorporated enterprise.

Circular 7 was issued on February 3, 2015, and most recently amended pursuant to the Announcement of the State Taxation Administration on Issues Concerning the Withholding of Enterprise Income Tax at Source on Non-PRC Resident Enterprises (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》), which was issued on October 17, 2017, became effective on December 1, 2017 and last amended on June 15, 2018. Pursuant to Circular 7, further clarifies the practice and procedure of the withholding of non-resident EIT. An “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be recharacterized and treated as a direct transfer of PRC taxable assets, if the arrangement does not have a reasonable commercial purpose and was established to avoid payment of PRC EIT. As a result, gains derived from an indirect transfer may be subject to PRC EIT. According to Circular 7, “PRC taxable assets” include assets attributed to an establishment or a place of business in China, unmovable properties in China, and equity investments in PRC resident enterprises. In respect of an indirect offshore transfer of assets of a PRC establishment or place of business, the relevant gain is to be regarded as effectively connected with the PRC establishment or a place of business and therefore included in its EIT filing and would consequently be subject to PRC EIT at a rate of 25%. Where the underlying transfer relates to the immovable properties in China or to equity investments in a PRC resident enterprise, which is not effectively connected to a PRC establishment or a place of business of a non-resident enterprise, a PRC EIT at 10% would apply,

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subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. There is uncertainty as to the implementation details of Circular 7.

Dividend Withholding Tax

Pursuant to the EIT Law, if a nonresident enterprise has not set up an organization or establishment in China, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. Pursuant to the Arrangement between China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which came into effect on December 8, 2006 and with the latest amendment on December 6, 2019, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise is reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise.

Furthermore, pursuant to the Notice of the STA on the Issues concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated and effective on February 20, 2009 and became effective on the same date, all of the following requirements should be satisfied where a fiscal resident of the other party to the tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a PRC resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner's equity interests and voting shares of the PRC resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the PRC resident company directly owned by such a fiscal resident, at any time during the 12 months prior to the acquisition of the dividends, reaches a percentage specified in the tax agreement.

In addition, according to the Announcement of the State Taxation Administration on Issuing the Measures for Non-resident Taxpayers' Enjoyment of Treaty Benefits (《非居民納稅人享受協定待遇管理辦法》), promulgated by the STA on October 14, 2019 that became effective on January 1, 2020, where a non-resident enterprise that receives dividends from a PRC resident enterprise wishes to enjoy the favorable tax benefits under the convention treatment, it may be entitled to the convention treatment itself when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities.

Value-added Tax

The Provisional Regulations on Value-added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated on December 13, 1993, came into effect on January 1, 1994, last amended on November 19, 2017, and the Detailed Implementing Rules of the Provisional Regulations on Value-added Tax (《增值稅暫行條例實施細則》), which was promulgated on December 18, 2008, and last amended on October 28, 2011 and came into effect on November 1, 2011, set out that all taxpayers selling goods or providing processing, repairing or replacement labor services, sales of services, intangible assets, and immovable assets and importing goods in China shall pay a VAT. The State Council approved, and the STA and the MOF officially launched a pilot VAT reform

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program starting from January 1, 2012, or the Pilot Program, applicable to businesses in selected industries. Businesses in the Pilot Program would pay the VAT instead of business tax. On November 19, 2017, the State Council promulgated the Decisions on Abolishing the Provisional Regulations of the PRC on Business Tax and Amending the Provisional Regulations of the PRC on Value-added Tax (《關於廢止〈中華人民共和國營業稅暫行條例〉和修改〈中華人民共和國增值稅暫行條例〉的決定》), according to which, all enterprises and individuals engaged in the sale of goods, the provision of processing, repairing and replacement labor services, sales of services, intangible assets, real property and the importation of goods within the territory of the PRC are the taxpayers of VAT. The value-added tax rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the value-added tax rate applicable to small-scale taxpayers is 3%. According to the Notice of the MOF and the STA on Adjusting Value added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》), issued on April 4, 2018 that became effective on May 1, 2018, the tax rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. And the tax rates were further adjusted to 13% and 9%, respectively, in accordance with the Announcement of the MOF, the STA and the GAC on Deepening the Policies Related to Value-Added Tax Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) which became effective on April 1, 2019.

Urban Maintenance and Construction Tax

In accordance with the Law of the PRC on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設稅法》) which was promulgated by the SCNPC on August 11, 2020, and came into effect on September 1, 2021, and the Notice of the State Council on Extending the Urban Maintenance and Construction Tax and Educational Surcharges from Chinese to Foreign-funded Enterprises and Citizens (《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》), which was promulgated by the State Council on October 18, 2010 and became effective on December 1, 2010, entities and individuals which are subject to consumption tax, VAT and business tax shall pay urban maintenance and construction tax. The tax rate is 7% for a taxpayer who is domiciled in a downtown area, 5% for a taxpayer who is domiciled in a county or town, and 1% for a taxpayer who is domiciled outside a downtown area, county or town.

REGULATIONS RELATING TO FOREIGN EXCHANGE

Under the PRC Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996, and last amended on August 5, 2008, and various regulations issued by the SAFE and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside China for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from the SAFE or its local branches. Payments for transactions that take place within China must be made in Renminbi. Unless otherwise provided by laws and regulations, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad.

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On July 4, 2014, the SAFE promulgated Circular 37 that regulates the relevant matters involving foreign exchange registration for round-trip investment. Under Circular 37, a PRC resident must register with the local SAFE counterpart before contributing assets or equity interests in an offshore special purpose vehicle, that is directly established or indirectly controlled by such PRC resident for the purpose of conducting investment or financing. In addition, following the initial registration, in the event of any major change in respect of the offshore special purpose vehicle, including, among other things, a change of offshore special purpose vehicle's PRC resident shareholder(s), the name of the offshore special purpose vehicle, terms of operation, or any increase or reduction of the offshore special purpose vehicle's capital, share transfer or swap, and merger or division, the PRC resident shall complete the change of foreign exchange registration procedures for offshore investment with the local SAFE counterpart.

According to the procedural guideline as attached to Circular 37, the principle of review has been changed to "the domestic individual resident shall only register the offshore special purpose vehicle directly established or controlled (first level)". At the same time, the SAFE has issued the Operation Guidance for the Issues Concerning Foreign Exchange Administration over Round-trip Investment (《返程投資外匯管理所涉業務操作指引》) with respect to the procedures for SAFE registration under Circular 37, which became effective on July 4, 2014, as an attachment to Circular 37. Under the relevant rules, failure to comply with the registration procedures set out in Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who hold any shares in the company from time to time are required to register with the SAFE in connection with their investments in the company.

On February 13, 2015, the SAFE promulgated Circular 13, which became effective on June 1, 2015. Pursuant to Circular 13, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment.

On March 30, 2015, the SAFE promulgated the Circular of the State Administration of Foreign Exchange on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19, which became effective on June 1, 2015, according to which the foreign exchange capital of foreign-invested enterprises must be subject to the Discretionary Foreign Exchange Settlement, which refers to the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined to be 100%. The SAFE can adjust such proportion in due time based on the circumstances of international balance of payments.

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The SAFE issued the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or SAFE Circular 16, on June 9, 2016, which became effective on the same day and last amended on December 4, 2023. SAFE Circular 16 unifies the discretionary foreign exchange settlement for all the domestic institutions, including FIEs, but excluding financial institutions. The discretionary foreign exchange settlement refers to the foreign exchange receipts under the capital account which has been confirmed by the relevant polices subject to the discretionary foreign exchange settlement (including foreign exchange capital, foreign loans and funds remitted from the proceeds from the overseas listing) can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of discretionary foreign exchange settlement of the foreign exchange capital is temporarily determined as 100%. Furthermore, SAFE Circular 16 stipulates that the use of foreign exchange receipts of capital accounts by domestic institutions, including FIEs, shall follow the principles of authenticity and self-use within the business scope of enterprises.

On October 23, 2019, the SAFE promulgated the Circular of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-Border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or SAFE Circular 28, which became effective on the same day and last amended on December 4, 2023. SAFE Circular 28 allows non-investment foreign invested enterprises to use their capital funds to make equity investments in China as long as such investments do not violate the currently effective 2021 Negative List and the target investment projects are genuine and in compliance with laws. In addition, SAFE Circular 28 stipulates that the qualified enterprises in certain pilot areas may use their capital income from registered capital, foreign debt, and overseas listing for the purpose of domestic payments without providing authenticity certifications to the relevant banks in advance for those domestic payments.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Copyright

The PRC Copyright Law (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990, last amended on November 11, 2020 and became effective on June 1, 2021, and its related Implementing Regulations (《中華人民共和國著作權法實施條例》) issued by the State Council on August 2, 2002, last amended on January 30, 2013 and became effective on March 1, 2013, provide that Chinese citizens, legal persons or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. Copyright holders can enjoy multiple rights, including but not limited to the right of publication, the right of authorship and the right of reproduction. As of the Latest Practicable Date, we had registered 183 software copyrights and five artwork copyrights in the PRC.

The Regulations on Protection of the Right to Network Dissemination of Information (《信息網絡傳播權保護條例》), which became effective on July 1, 2006 and was last amended on January 30, 2013, further provided that an internet information service provider may be held liable under various situations, including if it knows or should reasonably have known a copyright infringement through the internet and the service provider fails to take measures to remove or block or

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disconnects links to the relevant content, or, although not aware of the infringement, the internet information service provider fails to take such measures upon receipt of the copyright holder's notice of infringement.

In order to further implement the Computer Software Protection Regulations (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991, which became effective on October 1, 1991 and amended on December 20, 2001, January 8, 2011 and January 30, 2013 (which amendment came into effect on March 1, 2013), respectively, the National Copyright Administration issued the Computer Software Copyright Registration Procedures (《計算機軟件著作權登記辦法》) on February 20, 2002, which apply to software copyright registration, license contract registration and transfer contract registration. The National Copyright Administration shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Center of China (the "CPCC"), is designated as the software registration authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants which conforms to the provisions of both the Computer Software Copyright Registration Measures and the Computer Software Protection Regulations (Revised in 2013).

Provisions of the Supreme People's Court on Certain Issues Related to the Application of Law in the Trial of Civil Cases Involving Disputes over Infringement of the Right of Dissemination through Information Networks (《最高人民法院關於審理侵害信息網絡傳播權民事糾紛案件適用法律若干問題的規定》) promulgated by the Supreme People's Court on December 17, 2012, last amended on December 29, 2020 and came into effect on January 1, 2021, provides that web users or web service providers who create works, performances or audio-video products, for which others have the right of dissemination through information networks or are available on any information network without authorization shall be deemed to have infringed upon the right of dissemination through information networks.

The Notice on Launching "Jian Wang 2020" Special Program for Combating Online Infringement and Piracy (《關於開展打擊網絡侵權盜版“劍網2020”專項行動的通知》), jointly issued by the National Copyright Administration, the MIIT, the Ministry of Public Security and the CAC, which came into effect on June 12, 2020, includes carrying out special rectification of audio-visual works copyright and social platform copyright, and consolidating the achievements of copyright management in key areas, including strengthening the rectification of the infringements such as plagiarism, adaptation and database copying in the knowledge sharing field and the copyright supervision over large-scale knowledge sharing platforms.

Trademark

Trademarks are protected by the PRC Trademark Law (《中華人民共和國商標法》), which was promulgated on August 23, 1982, and last amended on April 23, 2019 and came into effect on November 1, 2019, as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) which was adopted by the State Council on August 3, 2002 and amended on April 29, 2014. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

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The PRC Trademark Office of National Intellectual Property Administration is responsible for the registration and administration of trademarks throughout the PRC and grants a term of ten years to registered trademarks. A registration renewal application shall be filed within twelve months prior to the expiration of the term. As with trademarks, the PRC Trademark Law has adopted a “first to file” principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use. As of the Latest Practicable Date, we had 117 registered trademarks in the PRC.

Patent

Patents are protected by the Patent Law of the PRC (《中華人民共和國專利法》) which was promulgated on March 12, 1984, amended on October 17, 2020 and effective on June 1, 2021, and its Implementation Rules (《中華人民共和國專利法實施細則》) last amended on December 11, 2023 by the State Council. A patentable invention or utility model must meet three conditions: novelty, inventiveness and practical applicability. The Patent Office under the National Intellectual Property Administration is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention, a 10-year term for a utility model, and a fifteen-year term for a design, commencing from their respective application dates. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper license from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder. As of the Latest Practicable Date, we had registered 21 patents in the PRC.

Domain Names

Domain names are protected under the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and taking into effect on November 1, 2017. The MIIT is the major regulatory body responsible for the administration of the PRC internet domain names, under supervision of which the China Internet Network Information Center is responsible for the daily administration of “.cn” domain names and Chinese domain names. China Internet Network Information Center adopts the “first to file” principle with respect to the registration of domain names.

In accordance with the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Providing Internet-based Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), which was promulgated by the MIIT of the PRC on November 27, 2017 and became effective on January 1, 2018, the internet access service provider concerned shall check the real identity information of the domain name registrant via the Record-filing System, and shall not provide access services if the Internet-based information service provider fails to provide real identity information or the identity information provided is

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inaccurate or incomplete, with the exception of domain names that have been filed in the Record-filing System prior to the effectiveness of this Notice. As of the Latest Practicable Date, we have 41 domain names.

REGULATIONS RELATING TO LEASE

Pursuant to the Law of the PRC on the Administration of the Urban Real Estate (《中華人民共和國城市房地產管理法》), promulgated by the SCNPC on July 5, 1994, last amended on August 26, 2019 and effective on January 1, 2020, in the lease of a house, the leaser and the lessee shall conclude a written lease contract defining such matters as the term, purpose and price of the lease, liability for repair, as well as other rights and obligations of both parties, and shall register the lease contract with the department of housing administration for the record. Pursuant to the Administrative Measures on Commodity Housing Leasing (《商品房屋租賃管理辦法》), issued by Ministry of Housing and Urban-Rural Development on December 1, 2010 that became effective on February 1, 2011, without the mentioned registration above, the leaser and the lessee may be imposed a fine by the development (real estate) department.

In accordance with the PRC Civil Code (《中華人民共和國民法典》), which was promulgated on May 28, 2020, effective on January 1, 2021, the lessee may, with consent of the lessor, sub-let the leased item to a third party. The leasing contract between the lessee and the lessor shall continue to be valid if the lessee sub-lets the leased item. In the event that the lessee sub-lets the leased item without consent of the lessor, the lessor may terminate the lease contract. In addition, any change of ownership to the lease item does not affect the validity of the lease contract.

REGULATIONS RELATING TO EMPLOYEE STOCK INCENTIVE PLAN OF OVERSEAS PUBLIC-LISTED COMPANY

On February 15, 2012, the SAFE promulgated the Notice of the SAFE on the Administration of Foreign Exchange Matters for Domestic Individuals Participating in the Stock Incentive Plans of Overseas Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the “SAFE Circular 7”). Pursuant to SAFE Circular 7, employees, directors, supervisors, and other senior management participating in any equity incentive plan of an overseas publicly-listed company who are PRC citizens or who are non-PRC citizens residing in the PRC for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE through a domestic agency as regulated in SAFE Circular 7. In addition, Under the Circular of the SAT on Issues Concerning Individual Income Tax in Relation to Equity Incentives (《國家稅務總局關於股權激勵有關個人所得稅問題的通知》), which was promulgated by the State Administration of Taxation on August 24, 2009, listed companies and their domestic organizations shall, according to the individual income tax calculation methods for “wage and salary income” and stock option income, lawfully withhold and pay individual income tax on such income.

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REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WELFARE

Regulations on Labor

According to the PRC Labor Law (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994, implemented on January 1, 1995, last amended and implemented on December 29, 2018, the PRC Labor Contract Law (《中華人民共和國勞動合同法》), which was implemented by the SCNPC on June 29, 2007, implemented on January 1, 2008, amended on December 28, 2012 and implemented on July 1, 2013, and the PRC Implementation Regulations on Labor Contract Law (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council on September 18, 2008 and implemented on September 18, 2008, labor contracts in written form shall be executed to establish labor relationships between employers and employees. With respect to a circumstance where a labor relationship has already been established but no formal contract has been made, a written labor contracts shall be entered into within one month from the date when the employee begins to work. Enterprises and institutions are forbidden to force laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with the laws and regulations. In addition, wages cannot be lower than local minimum wage. Violations of the PRC Labor Law, the PRC Labor Contract Law and the PRC Implementation Regulations on Labor Contract Law may result in the imposition of fines and other administrative liabilities. Criminal liability may arise for serious violations.

Regulations on Social Insurance and Housing Fund

As required under the PRC Social Insurance Law (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010, implemented on July 1, 2011, and subsequently amended and implemented on December 29, 2018, the Regulations of Insurance for Labor Injury (《工傷保險條例》), which was promulgated by the State Council on April 27, 2003, implemented on January 1, 2004, and subsequently amended on December 20, 2010 and implemented on January 1, 2011, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》), which was promulgated by the Ministry of Labor and Social Security on December 14, 1994 and implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance for Employees of Corporations of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》), which was promulgated by the State Council on July 16, 1997 and implemented on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》), which was promulgated by the State Council on December 14, 1998 and implemented on December 14, 1998, and the Unemployment Insurance Measures (《失業保險條例》), which was promulgated by the State Council on January 22, 1999 and implemented on January 22, 1999, enterprises are obliged to provide their employees in the PRC with welfare schemes covering labor injury insurance, maternity insurance, pension insurance, medical insurance and unemployment insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

In accordance with the Regulations on the Management of Housing Funds (《住房公積金管理條例》), which were promulgated by the State Council on April 3, 1999, implemented on April 3, 1999, last amended and implemented on March 24, 2019, enterprises must register at the

REGULATORY OVERVIEW

competent managing center for housing funds and upon the examination by such managing center of housing funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.

REGULATIONS RELATING TO M&A AND OVERSEAS LISTING

Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, which was promulgated by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the STA, the SAIC, the CSRC and the SAFE on August 8, 2006, and most recently amended by the MOFCOM on June 22, 2009, stipulated the scenarios that qualify as an acquisition of a domestic enterprise by a foreign investor. The M&A Rules purport, among other things, to require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. For further information, see “Risk Factors – Risks Relating to Doing Business in China – The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China”

On December 30, 2019, the MOFCOM and the SAMR issued the Measures for Reporting of Information on Foreign Investment (《外商投資信息報告辦法》), which became effective on January 1, 2020. According to the Measures for Reporting of Information on Foreign Investment, to acquire the equity of a non-foreign-invested enterprise within the territory of China, a foreign investor shall submit the initial report through the enterprise registration system when it applies for the registration of changes to the acquired enterprise.

According to the 2021 Negative List, PRC domestic companies conducting businesses in areas prohibiting foreign investment under the 2021 Negative List must obtain approval from the relevant regulatory authorities before its overseas securities offering and listing. At a press conference held on January 18, 2022, the NDRC clarified that the foregoing approval requirement would only apply to direct overseas offerings by PRC domestic companies engaging in foreign-prohibited businesses, and that the 2021 Negative List supports domestic companies to choose international and domestic markets for financing in accordance with the law.

On December 24, 2021, the CSRC published the Draft Regulations on Overseas Listing for public comments until January 23, 2022. Pursuant to the Draft Regulations on Overseas Listing, Chinese domestic companies that seek to directly or indirectly issue or list their securities overseas shall file with CSRC certain required documents. On February 17, 2023, the CSRC, as approved by the State Council, released the Trial Measures, which became effective on March 31, 2023. The Trial Measures, supported by the New Filing Rules, provide significant details on the regulatory requirements, on both substance and format, that the CSRC would apply in connection with the filing procedures. According to the Trial Measures, a domestic company that seeks to offer and list securities in overseas markets shall fulfill the filing procedure with the CSRC as per requirement of the Trial Measures, submit the relevant materials that contain a filing report and a legal opinion, and provide truthful, accurate and complete information on the shareholders, among other things.

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Furthermore, domestic companies refer to companies incorporated within the PRC, including domestic joint-stock companies whose securities are directly offered and listed overseas and the domestic operating entities of the companies whose securities are indirectly offered and listed overseas. Any overseas offering and listing made by an issuer that meets both of the following conditions will be determined as indirect overseas offering and listing that requires filing with the CSRC: (i) 50% or more of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by the Chinese domestic companies; and (ii) the key aspects of the issuer's business activities are conducted in the PRC, or its main places of operations are within the PRC, or the senior managers in charge of its operation and management are mostly Chinese citizens or domiciled in the PRC. The determination as to whether or not an overseas offering and listing by Chinese domestic companies is indirect, shall be made on a substance-over-form basis. Specifically, based on our audited consolidated financial statements for the most recent accounting year, the operating revenue, total profit, total assets or net assets of the Consolidated Affiliated Entities for the most recent accounting year amounted to over 50% of the relevant figures in our audited consolidated financial statements for the same year. In addition, the principal aspects of our business activities are conducted in mainland of China, and our principal business office is located in China. Substantially all of our senior management in charge of our business operation and management are Chinese citizens or domiciled in China. Therefore, we met the conditions for the CSRC filing requirement and the Global Offering will be determined as an indirect overseas offering and listing that requires filing with the CSRC under the Trial Measures. More specifically, a "domestic company" that seeks an initial public offering overseas, or a "domestic company" already listed overseas who seeks to list its securities in another overseas market, shall file the required documents with the CSRC within three (3) business days after submitting the application documents for the foregoing transactions. As advised by our PRC Legal Advisers, since we met both conditions (i) and (ii) above, the Global Offering will be determined as an indirect overseas offering and listing that requires filing with the CSRC under the Trial Measures.

On the same day, the CSRC also held a press conference for the release of the Trial Measures and issued the New Filing Rules, which, among others, clarified that (i) on or prior to the effective date of the Trial Measures, domestic companies that have already submitted valid applications for overseas securities offering and listing but have not obtained approval from overseas regulatory authorities or stock exchanges may reasonably arrange the timing for submitting their filing applications with the CSRC, and must complete the filing before the completion of their overseas securities offering and listing; and (ii) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as the completion of hearing in the market of Hong Kong or the completion of registration in the market of the United States), but have not completed the indirect overseas listing. If such domestic companies fail to complete the overseas listing within such six-month transition period, they shall file with the CSRC according to the requirements.

We have already submitted valid applications for overseas securities offering and listing but have not obtained approval from overseas regulatory authorities prior to the effective date of the Trial Measures. Therefore, as of the date of this prospectus, we are required to go through the filing procedures with the CSRC and obtain its approval with respect to the Listing after the

REGULATORY OVERVIEW

submission of our application for the initial public offering to the Stock Exchange in accordance with the Trial Measures, which could take up to 20 business days after the CSRC has received all application documents that satisfy the requirements for its review and approval.

Considering that the Trial Measures and the New Filing Rules came into effect on March 31, 2023, as advised by our PRC Legal Advisers, we do not foresee any material impediment to the compliance with the Trial Measures and the New Filing Rules in all material aspects as of the Latest Practicable Date for the following reasons: (i) we do not fall within any of the circumstances specified in Article 8 of the Trial Measures in which overseas issuance and listing are prohibited; (ii) the Contractual Arrangements that we adopt do not contravene the Administrative Provisions and the Filing Measures in any material aspects. As advised by our PRC Legal Advisers, based upon the verbal consultation with the relevant government authority and market practice, the adoption of the Contractual Arrangements is currently not prohibited by effective PRC laws and regulations. The content, execution and performance of the Contractual Arrangements do not constitute a violation of the relevant PRC laws and regulations. The rights and obligations under the Contractual Arrangements are legally binding on all parties; and (iii) there have not been any material non-compliance incidents occurring on us discovered in relation to our business operation, foreign investment, industry regulation, and data security in all material aspects under the PRC laws. Please see “Contractual Arrangements – PRC Laws and Regulations Relating To Foreign Ownership Restrictions” in this prospectus for details.

As of the Latest Practicable Date, as advised by our PRC Legal Advisers, given that the Trial Measures and the New Filing Rules have been promulgated and came into effect in March 2023, we have taken comprehensive measures to ensure our compliance with the Trial Measures and New Filing Rules, and have completed the relevant filing or information reporting procedures for the Global Offering under the New Filing Rules. We submitted the filing application to the CSRC on April 27, 2023 with respect to the submission of our application for the Listing to the Stock Exchange. We subsequently received comments from the CSRC on June 16, 2023 that required us to provide certain additional information, including information relating to the performance of the Contractual Arrangements. Except for the aforementioned comments, we confirm that we have not received any other inquiries, comments, instructions, guidance or other concerns from any PRC authorities (including the CSRC) with respect to the Global Offering or the Contractual Arrangements as of the Latest Practicable Date. We obtained the filing notice issued by the CSRC dated April 22, 2024 indicating that we have completed the filing application.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW

Our history can be traced back to 2005 when Easou Shenzhen (previously known as Shenzhen Easou Technology Development Co. Ltd.* (深圳市宜搜科技發展有限公司)), our major operating subsidiary, was founded by Mr. Wang and commenced business operations on mobile search in the PRC, with a view to explore opportunities in the mobile internet search industry. The funds for the establishment of Easou Shenzhen were provided by Mr. Wang. For further details, please refer to the paragraph headed “Our Group structure and corporate history” in this section.

Prior to founding our Group, Mr. Wang was one of the founding members of Shenzhen Xuntian Communication Technology Co.* (深圳市訊天通訊技術有限公司) (“Shenzhen Xuntian”), a company which engaged in value-added telecommunications business, thereby gaining experience and track record in the digital and internet industry. In 2005, in view of the various opportunities in the emerging mobile internet search industry, Mr. Wang was positive of the future development of the mobile internet search business. He therefore founded Easou Shenzhen and delegated the responsibility of management to a then employee of Easou Shenzhen, Mr. Zhang Yuqiang, in particular during the period of Easou Shenzhen’s early stage of research and product development. During this period, Mr. Wang mainly played the role of an investor and did not hold any management role in Easou Shenzhen. In 2007, upon having left Shenzhen Xuntian, Mr. Wang officially joined Easou Shenzhen as the chief executive officer and began to devote more time and effort in its management. Since then, Mr. Wang also started to explore the application of search technology to mobile internet webpages and websites.

Throughout our corporate history, we have consistently adapted to changes in the market environment and continued to leverage on our competitiveness based on our technological foundation, accumulated user base and our founder’s experience to create greater value to our users. This led to the development of our Easou Recommendation Engine, which contributed significantly to our growth. From then on, our Group leveraged and deployed such recommendation engine to various application scenarios, including literature, gaming, digital marketing and other digital content.

From 2006 to 2015, Mr. Wang, through an offshore company controlled by him and certain VIE arrangements⁽¹⁾, controlled certain companies in the PRC (including Shenzhen Dahuatong, Shenzhen Taite, Guangzhou Tianshitong and Shenzhen New Drive) to expand our business. These companies became members of our Group in 2015, details of which are set out in the paragraph “– Injection of certain companies into our Group”. In addition, we also established wider geographical presence through continuously expanding our business operations and setting up subsidiaries in different cities in the PRC, such as Shanghai, Beijing and Shenzhen.

Note:

- (1) The offshore structure and the related VIE arrangements were unwound in 2015. For further details, please see “Previous Listing Applications – U.S. Listing Application” in this section below.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

In 2016, in contemplation of our NEEQ listing, Easou Shenzhen was converted from a limited liability company to a joint stock company with limited liability, with its company name changed to “Shenzhen Easou Technology Co., Ltd.* (深圳宜搜天下科技股份有限公司)”. The shares of Easou Shenzhen were listed on the NEEQ in March 2017 and subsequently delisted from the NEEQ in June 2019, further details of which are set out in the paragraph headed “Our Group structure and corporate history – Our history – Listing and delisting on the NEEQ” in this section.

For the purpose of the Listing, our Company was incorporated as an exempted company with limited liability in the Cayman Islands on February 9, 2022 and became the offshore holding company of our Group as a result of the Reorganization. Upon completion of the Reorganization, WFOE became the onshore holding company of our Group in light of the Contractual Arrangements and Easou Shenzhen became a Consolidated Affiliated Entity and the holding company of all the other Consolidated Affiliated Entities.

KEY MILESTONE EVENTS OF OUR GROUP

The following table summarizes various key milestone events of our Group’s business development:

Year	Milestone Event
2006	Easou Shenzhen was named one of the 50 Fastest Growing Companies in China in 2006* (2006年中國50家快速成長公司) by the Business Week* (商務週刊) in December
2007	Easou Shenzhen was recognized as a “High and New Technology Enterprise” in December
2008	Easou Shenzhen was named Best Mobile Service Company in 2008* (2008年最佳手機服務企業) at the China Business Internet Decade Leadership Summit* (中國商業互聯網十年領袖峰會)
2009	Easou Shenzhen was named Most Valuable Investment Enterprise in 2009* (2009年度最具投資價值企業) at the 5 th Asia Pacific Investment Summit* (第五屆亞太投資峰會) in May Easou Shenzhen was ranked in the 2009 Deloitte China High-Tech High-Growth 50* (2009德勤高科技、高成長中國50強) and in Deloitte Asia Pacific Fast Growth Technology Companies 500* (德勤快速成長科技企業亞太地區500強)
2011	Easou Shenzhen was awarded the Top 5 Most Promising Infinite Value-Added Business Enterprises* (最具發展潛力無限增值業務企業TOP 5) by China TMT Business Association in January Easou Shenzhen was awarded the Advanced Unit of Shenzhen Internet Information Security Work* (深圳市互聯網信息安全工作先進單位) by the internet supervision branch of the Shenzhen Public Security Bureau in December

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Year	Milestone Event
2013	We began to apply our Easou Recommendation Engine to digital contents recommendation scenarios and launched the Easou Reading App (宜搜小說App) in October
2016	Easou Shenzhen passed a shareholders' resolution in relation to the conversion from a limited liability company to a joint stock company with limited liability, and the name of Easou Shenzhen, then known as Shenzhen Easou Technology Development Co., Ltd.* (深圳宜搜科技發展有限公司), was changed to Shenzhen Easou Technology Co., Ltd.* (深圳宜搜天下科技股份有限公司) in July
2018	Our cumulative registered users of the Easou Reading App Series reached 30 million
2021	We relaunched our business of online games publishing through mobile app platforms and in the overseas

OUR GROUP STRUCTURE AND CORPORATE HISTORY

Our Corporate Structure

Our Company is the offshore holding company of our Group and conducts business operations in the PRC through our subsidiaries (including the Consolidated Affiliated Entities). For further details of our corporate structure, please see the section headed “Contractual Arrangements” in this prospectus and the paragraph headed “Reorganization – 11. Contractual Arrangements” in this section.

Operating Subsidiaries

Set out below are our PRC operating subsidiaries which consist of Easou Shenzhen and its subsidiaries, all of which are our Consolidated Affiliated Entities:

Name of PRC Subsidiary	Date of Establishment	Date on which the Subsidiary Became a Member of Our Group	Equity Ownership after Completion of the Reorganization	Principal Business Activities	Registered Capital as of the Latest Practicable Date (RMB)
Easou Shenzhen . . .	April 27, 2005	April 27, 2005	62.10% by Wang PRC SPV 33.39% by Mr. Wang 2.58% by Mr. Zhao 1.29% by Mr. Lu 0.64% by Mr. Chen	Digital marketing services, online reading platform services, online games publishing services, other digital content recommendation services	80,000,000
Easou Beijing	July 8, 2011	July 8, 2011	100% by Easou Shenzhen	Digital marketing services	10,000,000
Guangzhou Ledian . .	February 24, 2011	October 16, 2015 ⁽¹⁾	100% by Easou Shenzhen	Digital marketing services	5,000,000

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Name of PRC Subsidiary	Date of Establishment	Date on which the Subsidiary Became a Member of Our Group	Equity Ownership after Completion of the Reorganization	Principal Business Activities	Registered Capital as of the Latest Practicable Date (RMB)
Shenzhen Dahuatong . . .	December 18, 2000	October 20, 2015 ⁽¹⁾	100% by Easou Shenzhen	Online reading platform services, online games publishing services, other digital content recommendation services	10,000,000
Guangzhou Tianshitong . . .	December 21, 2004	October 9, 2015 ⁽¹⁾	100% by Guangzhou Ledian	Digital marketing services, other digital content services, online games publishing services	10,000,000
Shenzhen Taite . . .	May 17, 2004	November 13, 2015 ⁽¹⁾	100% by Shenzhen Eayou	Digital marketing services, other digital content services, online games publishing services	10,000,000
Shenzhen New Drive . . .	June 22, 2001	September 17, 2015 ⁽¹⁾	100% by Shanghai Yinggao	Digital marketing services, other digital content services	10,100,000
Shanghai Yinggao . . .	April 2, 2014	April 2, 2014	100% by Guangzhou Ledian	Online reading platform services	1,000,000
Beijing Yike	July 17, 2020	July 17, 2020	95% by Easou Shenzhen 5% by Beijing Science Technology Publishing Co., Ltd.* (北京科學技術出版社有限公司) (“Beijing ScienceTech Publishing”), an Independent Third Party	Online reading platform services	10,000,000
Shenzhen Eayou . . .	August 11, 2006	September 22, 2015 ⁽¹⁾	100% by Easou Shenzhen	Online games publishing services	10,000,000
Shenzhen Chuangtu . . .	April 7, 2005	November 2, 2015 ⁽¹⁾	100% by Easou Shenzhen	Other digital content services	10,000,000

Note:

- (1) This is the date of the relevant equity transfer agreement, pursuant to which the equity interest of the company were transferred to members of our Group.

Our History

As of the Latest Practicable Date, Easou Shenzhen was a Consolidated Affiliated Entity and the holding company of all other Consolidated Affiliated Entities. Details of the corporate history of Easou Shenzhen are set out below:

Establishment and Development of Easou Shenzhen

On April 27, 2005, Easou Shenzhen was established by Mr. Wen Hao (“Mr. Wen”), an acquaintance of Mr. Wang, and Mr. Zhang Yuqiang (“Mr. Zhang”), a former employee of the Group, with an initial registered capital of RMB1,000,000, of which RMB900,000 and RMB100,000 were contributed under the names of Mr. Wen and Mr. Zhang, respectively, using

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

funds provided by Mr. Wang. Pursuant to certain trust agreements signed in 2005 by Mr. Wang, on one hand, and Mr. Wen and Mr. Zhang, respectively, on the other hand, such equity interest in Easou Shenzhen were held by Mr. Wen and Mr. Zhang on behalf of Mr. Wang.

The following sets out the major development milestones of Easou Shenzhen since its establishment and immediately up to its listing on the NEEQ:

Early Development

On January 17, 2006, the then shareholders of Easou Shenzhen resolved to increase the registered capital of Easou Shenzhen from RMB1,000,000 to RMB10,000,000, and the increase in the registered capital of RMB9,000,000 was contributed as to RMB8,900,000 and RMB100,000 under the names of Mr. Zhang and Mr. Wen, respectively, both of whom utilized funds provided by Mr. Wang. As a result, Easou Shenzhen was owned as to 90% and 10% by Mr. Zhang and Mr. Wen, respectively, such equity interest being held by Mr. Zhang and Mr. Wen on behalf of Mr. Wang.

On August 8, 2006, pursuant to an equity transfer agreement, Mr. Wen and Mr. Zhang transferred 10% and 20% of the equity interest in Easou Shenzhen, respectively, to Ms. Kong Jin (“Ms. Kong”), a former employee of the Group, at the consideration of RMB1,000,000 and RMB2,000,000, respectively, which was determined based on the then registered capital of Easou Shenzhen. As each of Mr. Wen, Mr. Zhang and Ms. Kong held their respective equity interest in Easou Shenzhen on behalf of Mr. Wang, no actual payment of the consideration was made. As a result, Easou Shenzhen became owned as to 70% and 30% by Mr. Zhang and Ms. Kong, respectively, with such equity interest being held by Mr. Zhang and Ms. Kong on behalf of Mr. Wang.

Transfer of Equity Interest to Mr. Wang

On January 9, 2009, pursuant to an equity transfer agreement, Ms. Kong and Mr. Zhang transferred 30% and 50% of the equity interest in Easou Shenzhen to Mr. Wang at a nominal consideration of RMB1 and RMB1, respectively, so as to return such equity interest under the trust arrangement to Mr. Wang. As a result, Easou Shenzhen became owned as to 80% and 20% by Mr. Wang and Mr. Zhang, respectively, of which the equity interest of Mr. Zhang was held on behalf of Mr. Wang.

Change of Registered Capital and Transfer of Equity Interest in Easou Shenzhen

On June 21, 2011, the then shareholders of Easou Shenzhen resolved to increase the registered capital of Easou Shenzhen from RMB10,000,000 to RMB50,000,000, and the increase in registered capital of RMB40,000,000 was contributed as to RMB36,318,100 and RMB3,681,900 by Mr. Wang and Mr. Zhang, respectively. As a result, Easou Shenzhen became owned as to approximately 88.64% and 11.36% by Mr. Wang and Mr. Zhang, respectively, with the equity interest of Mr. Zhang being held on behalf of Mr. Wang.

For the purpose of incentivizing the Group’s employees and broadening Easou Shenzhen’s shareholder base, the following equity transfers were made between 2012 and 2015:

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

On April 25, 2012, pursuant to an equity transfer agreement, Mr. Zhang transferred all his equity interest in Easou Shenzhen held by him to Shanghai Xinwei Information Network Technology Co., Ltd.* (上海信維信息網絡技術有限公司) (“Shanghai Xinwei”), an Independent Third Party, under the instructions of Mr. Wang at the consideration of RMB5,681,900, which was determined based on the then registered capital of Easou Shenzhen. As a result, Easou Shenzhen became owned as to approximately 88.64% and 11.36% by Mr. Wang and Shanghai Xinwei, respectively.

On November 27, 2015, Mr. Wang and Shanghai Xinwei entered into an equity transfer agreement to transfer the following equity interest in Easou Shenzhen to Mr. Zhao, Mr. Lu, Mr. Chen, Zhou Yuan (the wife of Mr. Wang), Wu Xianli (the wife of Mr. Zhao) and the 2015 Employee Incentive Platforms with details stated below:

Transferor	Transferee	Approximate Percentage of Equity Interest in Easou Shenzhen	Approximate Consideration
Mr. Wang	Hongxin Boyuan	5.45%	RMB2,725,308.83
	Zhongzheng Xinding	5.43%	RMB2,713,133.40
	Mr. Zhao	3.80%	RMB1,901,575.80
	Mr. Lu	2.66%	RMB1,327,725.30
	Wu Xianli	1.50%	RMB750,000.00
	Mr. Chen	1.32%	RMB662,397.98
	Zhou Yuan	1.11%	RMB556,237.09
Shanghai Xinwei	Zhongzheng Boyuan	5.90%	RMB2,951,876.76
	Zhongzheng Dinglong	5.46%	RMB2,730,023.23

Mr. Lu, one of our Shareholders, was an employee of our Group from July 2006 to December 2015 until he resigned due to personal reasons, with his last position being the senior vice president of the Group. During his tenure as an employee of the Group, Mr. Lu served different roles within the Group, including as the vice general manager of the Group from July 2006 to November 2008, the executive director of Shenzhen Taite from September 2006 to November 2015, the executive director of Easou Beijing from July 2011 to December 2015 and the supervisor of Shenzhen Dahuatong from November 2011 to October 2015.

The consideration for the above transfers was based on the then valuation of Easou Shenzhen.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

As a result, the equity interest in Easou Shenzhen were then held by the following shareholders:

Shareholders	Approximate Percentage of Equity Interest in Easou Shenzhen
Mr. Wang	67.36%
Zhongzheng Boyuan	5.90%
Zhongzheng Dinglong	5.46%
Hongxin Boyuan	5.45%
Zhongzheng Xinding	5.43%
Mr. Zhao	3.80%
Mr. Lu	2.66%
Wu Xianli	1.50%
Mr. Chen	1.32%
Zhou Yuan	1.11%

On December 28, 2015, the then shareholders of Easou Shenzhen resolved to increase the registered capital of Easou Shenzhen from RMB50,000,000 to RMB99,074,158, and the increase in the registered capital of RMB49,074,158 was contributed by the following persons or entities investing in our Group as they were optimistic about the future development of our Group:

Shareholders of Easou Shenzhen	Increase in Registered Capital (RMB)
Tianjin Chenshengda Enterprise Management Consulting Partnership (Limited Partnership)* (天津晨盛達企業管理諮詢合夥企業(有限合夥)) (“Tianjin Chenshengda”)	8,406,420
Tianjin Ruanyin Boxin Equity Investment Fund Partnership (Limited Partnership)* (天津軟銀博欣股權投資基金合夥企業(有限合夥)) (“Tianjin Ruanyin”)	8,320,877
Tianjin Zhonghao Times Enterprise Management Consulting Partnership (Limited Partnership)* (天津中浩時代企業管理諮詢合夥企業(有限合夥)) (“Tianjin Zhonghao”)	6,727,591
Tianjin Zhuowen Netcom Enterprise Management Consulting Partnership (Limited Partnership)* (天津卓文網訊企業管理諮詢合夥企業(有限合夥)) (“Tianjin Zhuowen”)	6,466,477
Shanghai Shengda Co., Ltd.* (上海盛大網絡發展有限公司) (“Shanghai Shengda”)	6,329,708
Shenzhen Qianhai Hairun Changyu Investment Partnership (Limited Partnership)* (深圳前海海潤昌峪投資合夥企業(有限合夥)) (“Qianhai Hairun”)	3,615,845
Shanghai Yitai Hexi Investment Management Co., Ltd.* (上海宜泰合熙投資管理有限責任公司) (“Yitai Hexi”)	3,079,696
Shenzhen Qianhai Nanshan Finance Development Co., Ltd.* (深圳前海南山金融發展有限公司) (“Nanshan Finance”)	2,892,676
Tianjin Xincheng Yigao Enterprise Management Consulting Partnership (Limited Partnership)* (天津新誠益高企業管理諮詢合夥企業 (有限合夥)) (“Tianjin Xincheng”)	2,365,819
Shenzhen Nanrun Qianhe Investment Partnership (Limited Partnership)* (深圳南潤千和投資合夥企業(有限合夥)) (“Nanrun Qianhe”)	723,169
Ms. Ding Lijia (丁麗佳) (“Ms. Ding”)	145,880
Total	49,074,158

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

As a result, the equity interest in Easou Shenzhen were then held by the following shareholders:

Shareholders	Approximate Percentage of Equity Interest in Easou Shenzhen
Mr. Wang	34.00%
Tianjin Chenshengda	8.49%
Tianjin Ruanyin	8.40%
Tianjin Zhonghao	6.79%
Tianjin Zhuowen	6.53%
Shanghai Shengda	6.39%
Qianhai Hairun	3.65%
Yitai Hexi	3.11%
Zhongzheng Boyuan.	2.98%
Nanshan Finance	2.92%
Zhongzheng Dinglong.	2.76%
Hongxin Boyuan	2.75%
Zhongzheng Xinding	2.74%
Tianjin Xincheng.	2.39%
Mr. Zhao	1.92%
Mr. Lu	1.34%
Wu Xianli	0.76%
Nanrun Qianhe	0.73%
Mr. Chen	0.67%
Zhou Yuan	0.56%
Ms. Ding	0.15%

On April 21, 2016, the then shareholders of Easou Shenzhen resolved to decrease the registered capital of Easou Shenzhen from RMB99,074,158 to RMB20,000,000, with each of their respective shareholding percentage in Easou Shenzhen remaining unchanged.

Listing and Delisting on the NEEQ

In order to improve the management, corporate governance and brand awareness of Easou Shenzhen as well as to obtain equity financing for expanding our user base and exploring further revenue sources, Easou Shenzhen decided to seek the listing of its shares on the NEEQ. In contemplation of the listing on the NEEQ, Easou Shenzhen passed a shareholders' resolution on July 31, 2016 approving, among others: (i) the conversion of Easou Shenzhen from a limited liability company to a joint stock company with limited liability; and (ii) the change of its name to Shenzhen Easou Technology Co., Ltd.* (深圳宜搜天下科技股份有限公司). Upon completion of the conversion, the share capital of Easou Shenzhen became RMB20,000,000 divided into 20,000,000 shares with a nominal value of RMB1.00 each attributable to the then shareholders in proportion to their respective shareholding.

On March 9, 2017, the shares of Easou Shenzhen were listed on the NEEQ (stock code: 870926).

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

During the period of listing of the shares of Easou Shenzhen on the NEEQ, Easou Shenzhen further conducted the following shares issuances:

- (i) 218,978 shares were issued to Shenzhen Yuanzhi Venture Capital Co., Ltd.* (深圳市遠致創業投資有限公司)* (“Yuanzhi Chuangtou”) at the consideration of RMB68.50 per share pursuant to a share subscription agreement dated July 31, 2017;
- (ii) 131,511 and 126,374 shares were issued to Tianjin Jiahao Jincheng Investment Partnership (Limited Partnership)* (天津嘉浩津誠投資合夥企業(有限合夥)) (“Tianjin Jiahao”) and Dongguan Jinhong No. 1 Equity Investment Partnership (Limited Partnership)* (東莞市錦宏一號股權投資合夥企業(有限合夥)) (“Jinhong No. 1”) respectively, at the consideration of RMB79.13 per share pursuant to the respective share subscription agreements dated April 18, 2018;
- (iii) 25,400, 55,000 and 216,206 shares were issued to Shenzhen Houju No. 1 Investment Partnership (Limited Partnership)* (深圳厚聚一號投資合夥企業(有限合夥)) (“Houju No. 1”), Shenzhen Houju No. 3 Investment Partnership (Limited Partnership)* (深圳厚聚三號投資合夥企業(有限合夥)) (“Houju No. 3”) and Suzhou Kunyu Jinduo Emerging Industry Investment Enterprise (Limited Partnership)* (蘇州琨玉金舵新興產業投資企業(有限合夥)) (“Suzhou Kunyu”), respectively, at the consideration of RMB79.13 per share pursuant to the respective share subscription agreements dated April 19, 2018. Shenzhen Liyong Investment Management Co., Ltd* (深圳利用投資管理有限公司), a company indirectly controlled by Zhang Minchuan (the wife of Mr. Luan Ling, a non-executive Director), is the general partner and executive partner of Houju No. 1 and Houju No. 3, respectively; and
- (iv) a total of 59,226,531 shares were issued by way of capitalization of the capital reserve of Easou Shenzhen in the amount of RMB59,226,531 on the basis of 28.51066 new shares for every 10 existing shares, with such capitalization being registered on October 9, 2018.

Following the above share issuances, the total number of issued shares of Easou Shenzhen increased to 80,000,000 with a nominal value of RMB1.00 each.

Reasons for the Delisting from the NEEQ

Since the NEEQ is open to qualified investors only and has a relatively lower trading volume compared to other stock exchanges, with a view to gain access to other source of funds to finance our operations and further our business development, the then shareholders and directors of Easou Shenzhen believed that the delisting from the NEEQ and listing on other exchanges, including but not limited to SSE STAR Market and the Stock Exchange, would be beneficial as it would offer us direct access to the mature capital market, enhance our fund-raising capabilities and broaden our shareholder base. On May 22, 2019, the then shareholders of Easou Shenzhen resolved to voluntarily delist the shares of Easou Shenzhen from the NEEQ. On June 19, 2019, the shares of Easou Shenzhen were delisted from NEEQ.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The delisting of the shares of Easou Shenzhen from the NEEQ was decided after due and careful consideration by the then shareholders and directors of Easou Shenzhen, taking into account the business development needs and strategic planning of Easou Shenzhen. As at the date on which the shares of Easou Shenzhen were delisted from the NEEQ, the market capitalisation of Easou Shenzhen was RMB1.2 billion, calculated with reference to the price of RMB15.00 per share and a total of 80,000,000 shares listed on the NEEQ prior to the delisting.

The market capitalisation of the Shares of the Company has increased and it is estimated that the market capitalisation of the Company will range from approximately HK\$1.9 billion to HK\$2.6 billion (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme) upon the Listing based on the Offer Price of HK\$5.80 and HK\$8.00 per Offer Share, being the minimum and maximum indicative Offer Price, respectively. The Directors, having taken into account the followings, are of the view that such increase in market capitalisation of the Company represents a fair and reasonable increment and reflection of the overall value of the Group:

- (i) the business development during the period between the delisting of shares of Easou Shenzhen from the NEEQ and up to the Latest Practicable Date;
- (ii) the Offer Price range having taken into account the size and quality of the potential investors and indicative liquidity of the Shares upon the Listing; and
- (iii) upon taking into account differences in value as a result of exchange rate.

Having considered the foregoing, our Directors are of the view that the delisting of the shares of Easou Shenzhen from the NEEQ and the listing in other equity markets would be in the best interests of our Group and the shareholders of Easou Shenzhen as a whole.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Immediately after the delisting from the NEEQ, the then shareholding structure of Easou Shenzhen was as follows:

Shareholders of Easou Shenzhen	Number of Shares Held	Percentage of Shareholding
Mr. Wang	26,184,553	32.73%
Tianjin Ruanyin	6,468,713	8.09%
Suzhou Kunyu	5,859,728	7.32%
Tianjin Zhonghao	5,230,133	6.54%
Shanghai Shengda	4,920,815	6.15%
Tianjin Jiahao	2,932,629	3.67%
Qianhai Hairun	2,811,047	3.51%
Houju No. 3	2,637,981	3.30%
Yitai Hexi	2,394,208	2.99%
Zhongzheng Boyuan	2,294,850	2.87%
Nanshan Finance	2,248,791	2.81%
Zhongzheng Dinglong	2,122,322	2.65%
Hongxin Boyuan	2,118,702	2.65%
Zhongzheng Xinding	2,109,229	2.64%
Tianjin Xincheng	1,839,192	2.30%
Mr. Zhao	1,478,270	1.85%
Shenzhen Junyue Capital Investment Enterprise (Limited Partnership)* (深圳瑤悅資本投資企業(有限合夥)) ("Shenzhen Junyue").	1,137,000	1.42%
Mr. Lu	1,032,163	1.29%
Yuanzhi Chuangtou	843,299	1.05%
Wu Xianli	583,051	0.73%
Nanrun Qianhe	562,179	0.70%
Mr. Chen	514,965	0.64%
Jinhong No. 1	486,675	0.61%
Tianjin Chenshengda	460,192	0.58%
Zhou Yuan	432,398	0.54%
Ms. Ding	113,375	0.14%
Houju No. 1	97,817	0.12%
He Tao	80,872	0.10%
Li Changgao	3,851	0.00 ⁺ %
Yang Xiaoyong	1,000	0.00 ⁺ %
Total:	80,000,000	100%

⁺ The actual percentage is more than 0, but the figure is shown as 0.00 due to rounding.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Compliance During the Listing and Delisting of Shares on the NEEQ

Our Directors confirmed and our PRC Legal Advisers, having considered the due diligence work conducted, concur that:

- (i) during the period of listing on the NEEQ:
 - (a) Easou Shenzhen and its then directors had been in compliance in all material respects with all applicable laws and regulations in relation to the quoting on the NEEQ in the PRC; and
 - (b) Easou Shenzhen and its then directors had not been subject to any disciplinary action by any relevant law enforcement authority or regulator; and
- (ii) there is no matter that needs to be brought to the attention of the regulators and investors in relation to Easou Shenzhen's listing on and delisting from the NEEQ as mentioned above.

As confirmed by our PRC Legal Advisers, the delisting of Easou Shenzhen from the NEEQ was duly completed and the necessary approvals have been obtained.

Subsequent to the delisting of shares of Easou Shenzhen from the NEEQ, the following transfers of shares in Easou Shenzhen were conducted from 2019 to 2021:

Date of the Equity Transfer Agreement	Transferor	Transferee	Number of Shares in Easou Shenzhen (Approximate Percentage of Shareholding)	Consideration
June 28, 2019	Zhou Yuan	Mr. Wang	432,398 (0.54%)	RMB556,237
July 11, 2019	Tianjin Chenshengda	Guangzhou Fupu Aofei Data Industry Investment Fund Partnership (Limited Partnership)* (廣州複樸奧飛數據產業投資基金合夥企業(有限合夥)) ("Guangzhou Fupu")	448,895 (0.56%)	RMB6,500,000
July 12, 2019	Tianjin Chenshengda	Guo Hongxiao	11,297 (0.01%)	RMB186,400
August 23, 2019	Tianjin Xincheng	Guangdong South Media Integration Development Investment Fund (Limited Partnership)* (廣東南方媒體融合發展投資基金(有限合夥)) ("South Media")	1,839,192 (2.30%)	RMB29,500,000
December 10, 2021	Li Changgao	Xiao Hong	3,851 (0.00% ⁺)	RMB69,318

⁺ The actual percentage is more than 0, but the figure is shown as 0.00 due to rounding.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Save for the transfer between Zhou Yuan and Mr. Wang, which was a transfer between spouses, the consideration for the above transfers were based on arm's length negotiations between the parties.

PREVIOUS LISTING APPLICATIONS

U.S. Listing Application

During the period from 2013 to 2014, there was an attempt of listing on the New York Stock Exchange (the "U.S. Listing Application") by Easou Holdings Company Limited (formerly known as Yeti Group Limited), an offshore company having control of the operating subsidiaries of the Group (including Easou Shenzhen) and a listing application was submitted to the U.S. Securities and Exchange Commission (the "SEC") in December 2013. Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., Oppenheimer & Co. Inc. and Pacific Crest Securities LLC acted as underwriters in the U.S. Listing Application. However, as confirmed by our Directors, due to the general market sentiment of the foreign capital markets, Easou Holdings Company Limited determined not to proceed with the listing application and did not update the financial statements in the listing application documents since April 2014. Easou Holdings Company Limited was deregistered in 2017.

Our Directors confirm that the offshore structure and the related VIE arrangements set up for the purpose of the U.S. Listing Application had been unwound and there are no matters relating to the U.S. Listing Application which may pose an adverse implication on the Listing or may affect the suitability of our Company to list the Shares on the Stock Exchange, which should be highlighted in this prospectus for investors to form an informed assessment of our Company. There are no major outstanding comments or issues raised by the SEC, and there are no implications on our listing application on the Stock Exchange. To the best of their knowledge, information and belief, our Directors are not aware of any other matters that need to be brought to the attention of the Stock Exchange and investors in relation to the U.S. Listing Application.

A Share Listing Application

In October 2018, we engaged Dongguan Securities Corp. (東莞證券股份有限公司) ("Dongguan Securities") as the tutoring agency to provide guidance and preliminary compliance advice with regard to the requirements of the CSRC and the relevant stock exchange. In September 2019, Dongguan Securities submitted its tutoring summary report (輔導工作總結報告) to the Shenzhen Regulatory Bureau of CSRC. On September 8, 2019, the then shareholders of Easou Shenzhen resolved to apply for the listing of and permission to deal in the shares of Easou Shenzhen on the SSE STAR Market, and the application for such listing was accepted by the SSE STAR Market on September 26, 2019 (the "A Share Listing Application"). The then directors of Easou Shenzhen believed that the listing status would improve the management, corporate governance and brand awareness of Easou Shenzhen, and it would open Easou Shenzhen to a greater platform for our business development. In May 2020, after taking into consideration a number of factors, including (i) the compatibility of our Group's business with the SSE STAR Market (considering the type of companies listed on the SSE STAR Market at that time); (ii) the progress and status of the listing applications of other companies engaging in internet-related business; and (iii) our Group's strategic development, Easou Shenzhen voluntarily withdrew the application for such listing.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Our Directors are of the view that there are no matters relating to the A Share Listing Application which may pose an adverse implication on the Listing or may affect the suitability of our Company to list the Shares on the Stock Exchange, which should be highlighted in this prospectus for investors to form an informed assessment of our Company. There are no major outstanding comments or issues raised by the Shanghai Stock Exchange, and there are no implications on our listing application on the Stock Exchange. The Directors also confirm that the withdrawal of the A Share Listing Application was not as a result of eligibility issues raised by the Shanghai Stock Exchange.

PRC Listing Tutoring

Following our withdrawal of the application for the A Share Listing Application in 2020, we engaged Minsheng Securities Co., Ltd. (民生證券股份有限公司) as a tutoring agency to further explore the possibility of other listings in the PRC (the “PRC Listing Plans”), the notice of which was published in September 2020 as per the relevant requirements of the CSRC. However, given our plan to expand our business internationally and having considered the Stock Exchange to be an internationally recognized and reputable stock exchange, which aligns with our business development, in particular the development of products that also caters to and targets international users, our Directors consider the Stock Exchange as a more appropriate listing venue to provide us with a good platform to access international equity market and expand our global business. As such, we decided not to proceed with the PRC Listing Plans and voluntarily terminated our preliminary tutoring with Minsheng Securities Co., Ltd. by a tutoring termination agreement dated December 8, 2020.

The aforesaid preliminary tutoring filing is an administrative step for listing preparation and did not constitute a formal listing application by itself. The CSRC did not raise any questions or comments in relation to the preliminary tutoring filing and the PRC Listing Plans.

As of the Latest Practicable Date, save for the NEEQ Listing and the A Share Listing Application, we had not filed any formal listing application with the CSRC, any stock exchange or any other regulatory authority in the PRC. To the best of their knowledge, information and belief, our Directors are not aware of any other matters that need to be brought to the attention of the Stock Exchange and investors in relation to preliminary tutoring filing or the PRC Listing Plans.

Based on the due diligence work conducted and the information and representation given to the Sole Sponsor, the Sole Sponsor is not aware of any matters in relation to the listing and delisting on the NEEQ, the U.S. Listing Application, the A Share Listing Application, the preliminary tutoring filing and the PRC Listing Plans that need to be brought to the attention of the Stock Exchange and investors.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Injection of Certain Companies into Our Group

Following the unwinding of the abovementioned offshore structure and the related VIE arrangements, the following operating subsidiaries for our business operations in the PRC were injected into our Group in 2015:

Name of Subsidiary	Date of Equity Transfer Agreement	Transferor	Subject Matter	Transferee	Consideration
Guangzhou Ledian	October 16, 2015	Mr. Wang	80% of the equity interest in Guangzhou Ledian	Easou Shenzhen	RMB800,000
		Chen Cheng (former employee of the Group)	20% of the equity interest in Guangzhou Ledian		RMB200,000
Shenzhen Dahuatong.	October 20, 2015	Mr. Zhao	70% equity interest	Easou Shenzhen	RMB7,000,000
		Mr. Lu	30% equity interest		RMB3,000,000
Guangzhou Tianshitong	October 9, 2015	Wang Jing (brother of Mr. Wang and employee of the Group)	70% equity interest	Easou Shenzhen	RMB7,000,000
		Mr. Zhao	30% equity interest		RMB3,000,000
Shenzhen Taite	November 13, 2015	Mr. Lu	70% equity interest	Easou Shenzhen	RMB7,000,000
		Mr. Zhang	30% equity interest		RMB3,000,000
Shenzhen New Drive	September 17, 2015	Liu Ling (employee of the Group)	70% equity interest	Easou Shenzhen	RMB7,070,000
		Wang Jing (brother of Mr. Wang and employee of the Group)	30% equity interest		RMB3,030,000
Shenzhen Eayou	September 22, 2015	Lin Junfan (employee of the Group)	70% equity interest	Easou Shenzhen	RMB7,000,000
		Liu Ling (employee of the Group)	30% equity interest		RMB3,000,000
Shenzhen Chuangtu	November 2, 2015	Chen Zhengqiong (former employee of the Group)	55% equity interest	Easou Shenzhen	RMB5,500,000
		Mr. Chen	45% equity interest		RMB4,500,000

The consideration of the aforementioned acquisitions by our Group were determined based on the then registered capital of the relevant subsidiaries. According to our PRC Legal Advisers, the acquisitions were properly and legally completed and settled, and all necessary approvals from the relevant authorities in the PRC have been obtained.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Major Acquisitions and Disposals

As part of our corporate restructuring and to avoid two members of our Group having similar principal businesses upon the establishment of Beijing Yike, on September 30, 2021, we entered into an agreement to dispose of the entire equity interest held by our Group in Zhuhai Zhangmei Digital New Media Co., Ltd.* (珠海掌媒數字新媒體有限公司) (“Zhuhai Zhangmei”), a then wholly-owned subsidiary of Easou Shenzhen, to an Independent Third Party at the consideration of RMB1.5 million, which was determined after arm’s length negotiations among the parties with reference to the valuation of the assets of Zhuhai Zhangmei at the time of the disposal. The disposal was registered with the relevant PRC authority in October 2021 and the consideration for the disposal was fully settled on September 13, 2021. Zhuhai Zhangmei primarily engaged in the provision of online reading services. Such disposal was properly and legally completed and settled, and all necessary approvals from the relevant authorities in the PRC have been obtained.

Save as aforementioned and save as conducted as part of the Reorganization, during the Track Record Period and up to the Latest Practicable Date, we did not conduct any major acquisitions, disposals or mergers.

REASONS FOR THE LISTING

We are seeking listing on the Stock Exchange in order to optimize our shareholding structure, lay a foundation for the development of our international business, further improve our level of corporate governance and enhance our comprehensive competitive strengths. Despite the Group’s previous listing applications, the Directors consider that based on the Group’s current business development plan, the Stock Exchange will be a more appropriate platform and the Listing will be more beneficial to our Group taking into account the following factors:

- the Listing represents an important step for our Group to solidify and establish our brand, promote our corporate image, strengthen our competitiveness and deepen our market penetration through the proposed use of proceeds for expansion of our use base, collaboration with other industry players and exploring further opportunities in the industry;
- the Listing provides an avenue for us to raise further capital in the long run and lay a foundation for our Group’s long term development and growth as part of our business strategies, in particular through increasing investment for the enhancement of our technological capabilities and the quality of our product offerings; and
- the Listing can offer more flexibility in terms of business expansion and development, whereby our Group may explore development potentials, such as the online games publishing business, in the overseas market.

For further details of our competitive strengths and proposed use of proceeds from the Listing, please see “Business – Our Competitive Strengths” and “Future Plans and Use of Proceeds – Use of Proceeds” in this prospectus.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

REORGANIZATION

Immediately prior to the Reorganization, Easou Shenzhen was held by three categories of shareholders comprising (i) the individual shareholders; (ii) the 2015 Employee Incentive Platforms; and (iii) the institutional shareholders (the “Institutional Easou Shenzhen Shareholders”), the names of all such shareholders are set out in the table below.

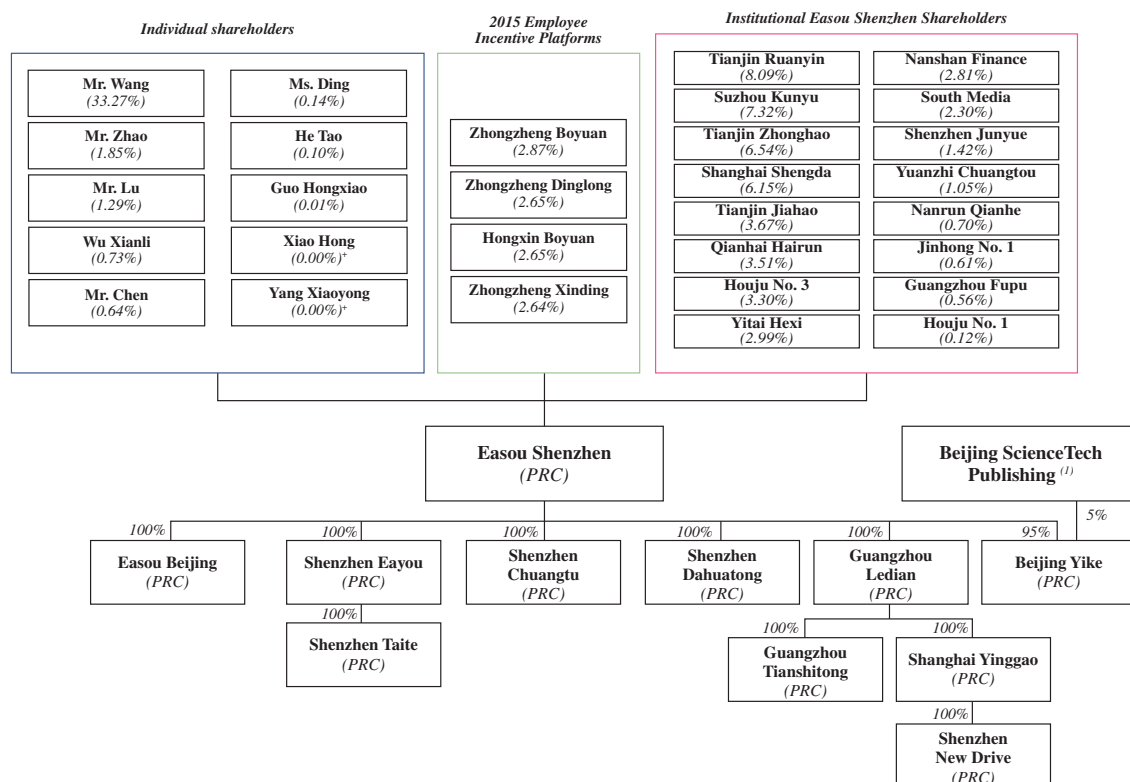
Immediately prior to the Reorganization, the shareholding structure of Easou Shenzhen (which was the then holding company of our Group) was as follows:

Shareholders of Easou Shenzhen	Number of Shares Held	Percentage of Shareholding
Individual shareholders		
Mr. Wang	26,616,951	33.27%
Mr. Zhao	1,478,270	1.85%
Mr. Lu	1,032,163	1.29%
Wu Xianli	583,051	0.73%
Mr. Chen	514,965	0.64%
Ms. Ding	113,375	0.14%
He Tao	80,872	0.10%
Guo Hongxiao	11,297	0.01%
Xiao Hong	3,851	0.00+%
Yang Xiaoyong	1,000	0.00+%
2015 Employee Incentive Platforms		
Zhongzheng Boyuan	2,294,850	2.87%
Zhongzheng Dinglong	2,122,322	2.65%
Hongxin Boyuan	2,118,702	2.65%
Zhongzheng Xinding	2,109,229	2.64%
Institutional Easou Shenzhen Shareholders		
Tianjin Ruanyin	6,468,713	8.09%
Suzhou Kunyu	5,859,728	7.32%
Tianjin Zhonghao	5,230,133	6.54%
Shanghai Shengda	4,920,815	6.15%
Tianjin Jiahao	2,932,629	3.67%
Qianhai Hairun	2,811,047	3.51%
Houju No.3	2,637,981	3.30%
Yitai Hexi	2,394,208	2.99%
Nanshan Finance	2,248,791	2.81%
South Media	1,839,192	2.30%
Shenzhen Junyue	1,137,000	1.42%
Yuanzhi Chuangtou	843,299	1.05%
Nanrun Qianhe	562,179	0.70%
Jinhong No. 1	486,675	0.61%
Guangzhou Fupu	448,895	0.56%
Houju No. 1	97,817	0.12%
Total:	80,000,000	100%

+ The actual percentage is more than 0, but the figure is shown as 0.00 here by reason of rounding.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following chart sets forth the shareholding and corporate structure of our Group immediately prior to the Reorganization:



Note:

(1) Beijing ScienceTech Publishing is an Independent Third Party.

* The actual percentage is more than 0, but the figure is shown as 0.00 here by reason of rounding.

In preparation for the Listing, we have carried out the Reorganization, which involved the following steps.

1. Incorporation of Fase Ltd, Full Ocean, Sunbird International, Skymobi and Growth Value

On December 24, 2021:

- (i) Fase Ltd was incorporated under the laws of the BVI as a BVI business company and is authorized to issue a maximum of 50,000 ordinary shares of par value US\$1.00 in one class. On the same day, 50,000 fully paid ordinary shares in Fase Ltd were allotted and issued at par to Mr. Wang. Upon completion of the above allotment and issue of ordinary shares of Fase Ltd, Fase Ltd became directly wholly-owned by Mr. Wang;

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (ii) Full Ocean was incorporated under the laws of the BVI as a BVI business company and is authorized to issue a maximum of 50,000 ordinary shares of par value US\$1.00 in one class. On the same day, 50,000 fully paid ordinary shares in Full Ocean were allotted and issued at par to Mr. Zhao. Upon completion of the above allotment and issue of ordinary shares of Full Ocean, Full Ocean became directly wholly-owned by Mr. Zhao;
- (iii) Sunbird International was incorporated under the laws of the BVI as a BVI business company and is authorized to issue a maximum of 50,000 ordinary shares of par value US\$1.00 in one class. On the same day, 50,000 fully paid ordinary shares in Sunbird International were allotted and issued at par to Mr. Lu. Upon completion of the above allotment and issue of ordinary shares of Sunbird International, Sunbird International became directly wholly-owned by Mr. Lu; and
- (iv) Skymobi was incorporated under the laws of the BVI as a BVI business company and is authorized to issue a maximum of 50,000 ordinary shares of par value US\$1.00 in one class. On the same day, 50,000 fully paid ordinary shares in Skymobi were allotted and issued at par to Mr. Chen. Upon completion of the above allotment and issue of ordinary shares of Skymobi, Skymobi became directly wholly-owned by Mr. Chen.

On December 29, 2021, Growth Value was incorporated under the laws of the BVI as a BVI business company and is authorized to issue a maximum of 50,000 ordinary shares of par value US\$1.00 in one class. On the same day, 50,000 fully paid ordinary shares in Growth Value were allotted and issued at par to Fase Ltd. Upon completion of the above allotment and issue of ordinary shares of Growth Value, Growth Value became directly wholly-owned by Fase Ltd.

2. Incorporation of Our Company

On February 9, 2022, our Company was incorporated under the laws of the Cayman Islands as an exempted company with an initial authorized share capital of US\$50,000 divided into 5,000,000,000 Shares. Upon incorporation of our Company, one Share was allotted and issued to the initial subscriber at par, which was then transferred to Growth Value on the same day. On the same day, 106,855,883 Shares, 8,245,284 Shares, 4,128,652 Shares and 2,059,860 Shares were also allotted and issued at par to Growth Value, Full Ocean, Sunbird International and Skymobi, respectively. Upon completion of the above transfer, allotment and issue of Shares, our Company was owned as to approximately 88.10%, 6.80%, 3.40% and 1.70% by Growth Value, Full Ocean, Sunbird International and Skymobi, respectively.

3. Incorporation of Easou (BVI) and Easou (HK)

On February 14, 2022, Easou (BVI) was incorporated under the laws of the BVI as a BVI business company and is authorized to issue a maximum of 50,000 ordinary shares of par value US\$1.00 in one class. On the same day, one fully paid ordinary share in Easou (BVI) was allotted and issued at par to our Company. Upon completion of the above allotment and issue of ordinary share of Easou (BVI), Easou (BVI) became directly wholly-owned by our Company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

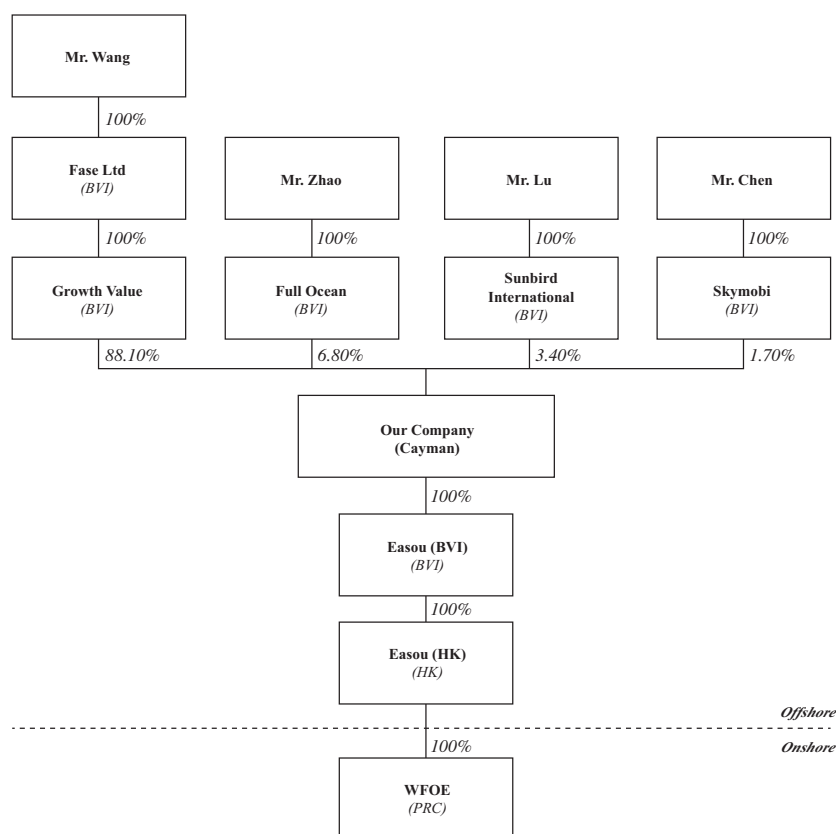
On March 11, 2022, Easou (HK) was incorporated under the laws of Hong Kong as a limited liability company. On the same day, one fully paid ordinary share in Easou (HK), representing the entire issued share capital of Easou (HK), was allotted and issued to Easou (BVI). Upon completion of the above allotment and issue of share, Easou (HK) became directly wholly-owned by Easou (BVI).

4. Establishment of WFOE

On May 6, 2022, WFOE was established under the laws of the PRC as a limited liability company, with a registered capital of US\$40,000,000, which was wholly contributed by Easou (HK). WFOE became directly wholly-owned by Easou (HK).

On May 16, 2022, the registered capital of WFOE increased from US\$40,000,000 to US\$95,000,000.

The shareholding structure of our Group immediately upon completion of the abovementioned steps is set out below:



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

5. Establishment of Shenzhen Yijiujiu and Easou Union

On January 20, 2022, Shenzhen Yijiujiu was established under the laws of the PRC as a limited partnership by the 2015 Employee Incentive Platforms, each of which contributed to the registered capital of Shenzhen Yijiujiu with their respective shares in Easou Shenzhen. Upon completion of such capital contribution, Shenzhen Yijiujiu became interested in approximately 10.81% of the share capital in Easou Shenzhen and is wholly-owned by the 2015 Employee Incentive Platforms.

On February 17, 2022, Easou Union was incorporated under the laws of the BVI as a BVI business company and is authorized to issue a maximum of 50,000 ordinary shares of par value US\$1.00 in one class. On the same day, 3,458 fully paid ordinary shares in Easou Union were allotted and issued at par to Shenzhen Yijiujiu. Upon completion of the above allotment and issue of ordinary shares of Easou Union, Easou Union became directly wholly-owned by Shenzhen Yijiujiu.

6. Transfer of Shares in Easou Shenzhen from Wu Xianli to Mr. Zhao

On January 20, 2022, Wu Xianli transferred 583,051 Shares in Easou Shenzhen to her spouse, Mr. Zhao.

7. Establishment of Wang PRC SPV

On April 24, 2022, Wang PRC SPV was established under the laws of the PRC as a limited liability company with an initial registered capital of RMB10,000,000, which was wholly-owned by Mr. Wang.

8. Obtaining a Bridge Loan and Provision of Funding to Wang PRC SPV for the Purpose of the Reorganization

To fund the acquisition monies for the transfers in step 9 below, on January 18, 2023, our Company obtained a loan in the amount of approximately US\$38,000,000 from China Merchants Bank Co., Ltd. (the “Bridge Loan”). The proceeds of the loan were transferred from our Company to WFOE in the following manner:

- (i) capital increase in Easou (BVI) in the amount of US\$38,000,000 by our Company;
- (ii) capital increase in Easou (HK) in the amount of US\$38,000,000 by Easou (BVI); and
- (iii) capital increase in WFOE in the amount of US\$38,000,000 by Easou (HK).

Upon completion of the above steps, the proceeds of the Bridge Loan were provided by WFOE to Easou Shenzhen, and thereafter by Easou Shenzhen to Wang PRC SPV. The said amount of the Bridge Loan, together with funds provided by our Group to Wang PRC SPV, were for the purpose of payment of the consideration of acquisition of certain shares in Easou Shenzhen from the Easou Shenzhen Transferring Shareholders (as defined in step 9 below).

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The above aggregate amount distributed by Easou Shenzhen to Wang PRC SPV represented the deemed distribution to the Escalated Easou Shenzhen Shareholders (as defined in step 10 below) and is recorded in the consolidated statements of changes in equity of our Company upon completion of the Reorganization. As such, there will be no outstanding amount owed by Wang PRC SPV to the members of our Group arising from the Reorganization.

9. Transfer of the Shares in Easou Shenzhen by the Easou Shenzhen Transferring Shareholders to Wang PRC SPV and Mr. Wang

As part of the Reorganization and to prepare for the implementation of the Contractual Arrangements, throughout the period from December 2021 to December 2022, each of the shareholders of Easou Shenzhen (save for Mr. Wang, Wang PRC SPV, Mr. Zhao, Mr. Lu and Mr. Chen) (the “Easou Shenzhen Transferring Shareholder(s)”) entered into a share transfer agreement, pursuant to which each of the Easou Shenzhen Transferring Shareholders agreed to transfer their respective shares in Easou Shenzhen to Mr. Wang or Wang PRC SPV (as the case may be), with details as follows:

Date of the Equity Transfer Agreement	Transferor	Transferee	Number of Shares in Easou Shenzhen (Approximate Percentage of Shareholding)	Consideration
December 24, 2021 . . .	Guo Hongxiao ⁽¹⁾	Mr. Wang	11,297 shares (0.01%)	RMB186,400
December 24, 2021 . . .	Xiao Hong ⁽¹⁾	Mr. Wang	3,581 shares (0.00% ⁺)	RMB69,318
January 10, 2022	Yang Xiaoyong ⁽¹⁾	Mr. Wang	1,000 shares (0.00% ⁺)	RMB20,000
January 21, 2022	South Media ⁽¹⁾	Wang PRC SPV ⁽³⁾	1,839,192 shares (2.30%)	RMB33,000,000
December 31, 2022 . . .	Shenzhen Yijiujiu	Wang PRC SPV	8,645,103 shares (10.81%)	RMB11,120,342
December 31, 2022 . . .	Tianjin Ruanyin	Wang PRC SPV	6,468,713 shares (8.09%)	RMB76,200,000
December 31, 2022 . . .	Suzhou Kunyu	Wang PRC SPV	5,859,728 shares (7.32%)	RMB100,000,011
December 31, 2022 . . .	Tianjin Zhonghao	Wang PRC SPV	5,230,133 shares (6.54%)	RMB76,200,000
December 31, 2022 . . .	Shanghai Shengda	Wang PRC SPV	4,920,815 shares (6.15%)	RMB19,050,000
December 31, 2022 . . .	Tianjin Jiahao ⁽²⁾	Wang PRC SPV	2,932,629 shares (3.67%)	RMB50,406,512
December 31, 2022 . . .	Qianhai Hairun	Wang PRC SPV	2,811,047 shares (3.51%)	RMB50,000,000
December 31, 2022 . . .	Houju No. 3	Wang PRC SPV	2,637,981 shares (3.30%)	RMB44,357,150
December 31, 2022 . . .	Yitai Hexi	Wang PRC SPV	2,394,208 shares (2.99%)	RMB33,866,665
December 31, 2022 . . .	Nanshan Finance	Wang PRC SPV	2,248,791 shares (2.81%)	RMB40,000,000
December 31, 2022 . . .	Shenzhen Junyue ⁽¹⁾	Wang PRC SPV	1,137,000 shares (1.42%)	RMB20,000,000

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Date of the Equity Transfer Agreement	Transferor	Transferee	Number of Shares in Easou Shenzhen (Approximate Percentage of Shareholding)	Consideration
December 31, 2022 . . .	Yuanzhi Chuangtou	Wang PRC SPV	843,299 shares (1.05%)	RMB15,000,000
December 31, 2022 . . .	Nanrun Qianhe	Wang PRC SPV	562,179 shares (0.70%)	RMB9,999,759
December 31, 2022 . . .	Jinhong No. 1 ⁽¹⁾	Wang PRC SPV	486,675 shares (0.61%)	RMB 13,090,377 ⁽⁴⁾
December 31, 2022 . . .	Guangzhou Fupu ⁽¹⁾	Wang PRC SPV	448,895 shares (0.56%)	RMB8,000,000
December 31, 2022 . . .	Houju No. 1	Wang PRC SPV	97,817 shares (0.12%)	RMB1,739,920
December 31, 2022 . . .	Ms. Ding	Wang PRC SPV	113,375 shares (0.14%)	RMB1,905,000
December 31, 2022 . . .	He Tao ⁽¹⁾	Mr. Wang	80,872 shares (0.10%)	RMB1,700,000

Notes:

- (1) These Easou Shenzhen Transferring Shareholders (or entities designated or introduced by them) did not subscribe for Pre-IPO Preferred Shares or Shares in step 10 below.
 - (2) The entities introduced by Tianjin Jiahao only subscribed for Pre-IPO Preferred Shares in respect of part of Tianjin Jiahao's shares in Easou Shenzhen in step 10 below.
 - (3) On January 21, 2022, South Media and Mr. Wang entered into a share transfer agreement, pursuant to which South Media transferred 1,839,192 shares in Easou Shenzhen to Mr. Wang. On December 31, 2022, Mr. Wang transferred the same number of shares in Easou Shenzhen to Wang PRC SPV.
 - (4) The consideration per share for the share transfer between Jinhong No. 1 and Wang PRC SPV was relatively higher than the consideration per share for the share transfers between some other Easou Shenzhen Transferring Shareholders and Wang PRC SPV/Mr. Wang (i) due to the higher cost per share of Jinhong No. 1's investment in our Group; and (ii) after taking into account the expected return of Jinhong No. 1 from its investment in our Group.
- + The actual percentage is more than 0, but the figure is shown as 0.00 here by reason of rounding.

10. Escalation of Shareholdings in Easou Shenzhen to the Company and the 2023 Subscription

On December 31, 2022, the Company re-designated 158,264,652 Shares in its authorized share capital into 158,264,652 Pre-IPO Preferred Shares of par value US\$0.00001.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Ms. Ding, Shenzhen Yijiujiu and all the Institutional Easou Shenzhen Shareholders (other than South Media, Shenzhen Junyue, Jinhong No. 1, Guangzhou Fupu and Tianjin Jiahao), or entities or person designated or introduced by them, subscribed for such number of Pre-IPO Preferred Shares or Shares (as the case may be) corresponding to the equity interest in Easou Shenzhen held by them. Tianjin Jiahao introduced two entities to subscribe for such number of Pre-IPO Preferred Shares corresponding to part of the equity interest in Easou Shenzhen held by it. The basis for subscription was one share in Easou Shenzhen to four Pre-IPO Preferred Shares or Shares.

The aforementioned subscribers shall be referred to as the “Escalated Easou Shenzhen Shareholder(s)”, which consist of:

- (i) the shareholders of Easou Shenzhen who subscribed for the Pre-IPO Preferred Shares or Shares (as the case may be) directly or through designating a subscriber which is wholly-owned by the relevant shareholder; and
- (ii) subscribers introduced by the relevant shareholders of Easou Shenzhen which do not have any shareholding relationship with such shareholders (which, together with Jinhe Capital Limited as set out below, are regarded as pre-IPO investors of the Company, details of which are set out under “The 2023 Subscription and the Pre-IPO Investments” in this section below).

A new pre-IPO Investor, Jinhe Capital Limited, was invited to subscribe for 15,647,048 Pre-IPO Preferred Shares. Jinhe Capital Limited, together with the Escalated Easou Shenzhen Shareholders, shall be referred to as the “2023 Subscriber(s)”.

On December 31, 2022, the 2023 Subscribers and the Company, among others, entered into a share subscription agreement (the “2023 Subscription Agreement”), pursuant to which our Company agreed to allot and issue, and the 2023 Subscribers agreed to subscribe for such number of Pre-IPO Preferred Shares or Shares (as the case may be), details of which are set out in the table below. Such Pre-IPO Preferred Shares shall automatically be converted into Shares at the conversion rate of one Pre-IPO Preferred Share to one Share immediately prior to the Listing.

The following table sets out (i) the number of shares in Easou Shenzhen held by each relevant Easou Shenzhen Transferring Shareholders; and (ii) the details of the subscriptions under the 2023 Subscription Agreement (the “2023 Subscription”), including the name of the 2023 Subscribers and the number of Pre-IPO Preferred Shares or Shares (as the case may be) allotted and issued to each of the 2023 Subscribers.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Name of the Relevant Easou Shenzhen Transferring Shareholder	Number of Shares Held in Easou Shenzhen	Name of the 2023 Subscriber	Relationship of the 2023 Subscriber with the relevant Easou Shenzhen Transferring Shareholder as of the Latest Practicable Date	Number of Shares or Pre-IPO Preferred Shares or Shares Allotted and Issued	Consideration
Escalated Easou Shenzhen Shareholders					
<i>Pre-IPO Preferred Shares or Shares subscribed by the shareholders of Easou Shenzhen directly or through entities wholly-owned by the shareholders of Easou Shenzhen</i>					
Suzhou Kunyu . . .	5,859,728	Suzhou Kunyu	N/A	23,438,912 Pre-IPO Preferred Shares	RMB100,000,011
Shanghai Shengda.	4,920,815	Shanghai Shengda	N/A	19,683,260 Pre-IPO Preferred Shares	RMB19,050,000
Qianhai Hairun . . .	2,811,047	Qianhai Hairun	N/A	11,244,188 Pre-IPO Preferred Shares	RMB50,000,000
Houju No.3	2,637,981	Houju No. 3	N/A	10,551,924 Pre-IPO Preferred Shares	RMB44,357,150
Yuanzhi Chuangtou . . .	843,299	Yuanzhi Chuangtou	N/A	3,373,196 Pre-IPO Preferred Shares	RMB15,000,000
Houju No. 1	97,817	Houju No. 1	N/A	391,268 Pre-IPO Preferred Shares	RMB1,739,920
Nanshan Finance . .	2,248,791	Jinfa Changye Co., Ltd.	Wholly-owned by Nanshan Finance	8,995,164 Pre-IPO Preferred Shares	RMB40,000,000
Shenzhen Yijiujiu	8,645,103	Easou Union	Wholly-owned by Shenzhen Yijiujiu	34,580,412 Shares	RMB11,120,342
Nanrun Qianhe . . .	562,179	Nanrun Wanxin Investment Ltd.	Wholly-owned by Nanrun Qianhe	2,248,716 Pre-IPO Preferred Shares	RMB9,999,759

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Name of the Relevant Easou Shenzhen Transferring Shareholder	Number of Shares Held in Easou Shenzhen	Name of the 2023 Subscriber	Relationship of the 2023 Subscriber with the relevant Easou Shenzhen Transferring Shareholder as of the Latest Practicable Date	Number of Shares or Pre-IPO Preferred Shares or Shares Allotted and Issued	Consideration
<i>Pre-IPO Preferred Shares subscribed by entities/person which do not have any shareholding relationship with the shareholders of Easou Shenzhen</i>					
Tianjin Ruanyin	6,468,713	SBCVC Fund III Company Limited (“SBCVC Fund III”)	N/A	15,954,852 Pre-IPO Preferred Shares	RMB46,986,152
		BlueSky Holding Company Limited (“BlueSky Holding”)	N/A	9,920,000 Pre-IPO Preferred Shares	RMB29,213,848
Tianjin Zhonghao	5,230,133	Estate Success Enterprise Limited (“Estate Success”)	N/A	20,920,532 Pre-IPO Preferred Shares	RMB76,200,000
Yitai Hexi	2,394,208	Ventech China II SICAR	N/A	9,576,832 Pre-IPO Preferred Shares	RMB33,866,665
Tianjin Jiahao	2,932,629	Shenzhen Lihe Hongxin Venture Investment Partnership (Limited Partnership) (“Shenzhen Lihe Partnership”)	N/A	3,023,564 Pre-IPO Preferred Shares ⁽¹⁾	RMB12,993,653
		Shenzhen Lihe Venture Capital Co., Ltd. (“Shenzhen Lihe”)	N/A	2,841,696 Pre-IPO Preferred Shares ⁽¹⁾	RMB12,212,080
Ms. Ding	113,375	Ding Ding (丁鼎) (“Mr. Ding”)	N/A	453,500 Pre-IPO Preferred Shares	RMB1,905,000
New Investor					
N/A	N/A	Jinhe Capital Limited	N/A	15,647,048 Pre-IPO Preferred Shares	US\$9,500,000

After completion of the 2023 Subscription, the subscription monies obtained by the Company were partially used to repay the Bridge Loan.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

As certain Easou Shenzhen Transferring Shareholders did not subscribe for Pre-IPO Preferred Shares or Shares, the shareholding of each of the Escalated Easou Shenzhen Shareholders in the Company after the 2023 Subscription was proportionately increased as compared to the corresponding Easou Shenzhen Transferring Shareholder's shareholding in Easou Shenzhen immediately before the Reorganization. Upon completion of the 2023 Subscription, the shareholding structure of our Company was as follows:

Name of Shareholder	Number of Shares or Pre-IPO Preferred Shares Held ⁽¹⁾	Percentage of Total Issued Share Capital of Our Company (on an as Converted and Fully Diluted Basis)
Growth Value	106,855,884 Shares	34.02%
Easou Union	34,580,412 Shares	11.01%
Suzhou Kunyu	23,438,912 Pre-IPO Preferred Shares	7.46%
Estate Success	20,920,532 Pre-IPO Preferred Shares	6.66%
Shanghai Shengda	19,683,260 Pre-IPO Preferred Shares	6.27%
SBCVC Fund III.	15,954,852 Pre-IPO Preferred Shares	5.08%
Jinhe Capital Limited.	15,647,048 Pre-IPO Preferred Shares	4.98%
Qianhai Hairun	11,244,188 Pre-IPO Preferred Shares	3.58%
Houju No.3	10,551,924 Pre-IPO Preferred Shares	3.36%
BlueSky Holding.	9,920,000 Pre-IPO Preferred Shares	3.16%
Ventech China	9,576,832 Pre-IPO Preferred Shares	3.05%
Jinfa Changye Co., Ltd.	8,995,164 Pre-IPO Preferred Shares	2.86%
Full Ocean.	8,245,284 Shares	2.63%
Sunbird International	4,128,652 Shares	1.31%
Yuanzhi Chuangtou	3,373,196 Pre-IPO Preferred Shares	1.07%
Shenzhen Lihe Partnership	3,023,564 Pre-IPO Preferred Shares	0.96%
Shenzhen Lihe	2,841,696 Pre-IPO Preferred Shares	0.91%
Nanrun Wanxin Investment Ltd.	2,248,716 Pre-IPO Preferred Shares	0.72%
Skymobi	2,059,860 Shares	0.66%
Mr. Ding	453,500 Pre-IPO Preferred Shares	0.14%
Houju No.1	391,268 Pre-IPO Preferred Shares	0.13%
Total:	314,134,744	100.00%

Note:

- (1) All the Pre-IPO Preferred Shares shall automatically be converted into Shares at the conversion rate of 1 Pre-IPO Preferred Share to 1 Share immediately prior to the Listing. The denominator for calculating the shareholding percentage is the aggregate number of the Pre-IPO Preferred Shares and Shares on an as converted and fully diluted basis.

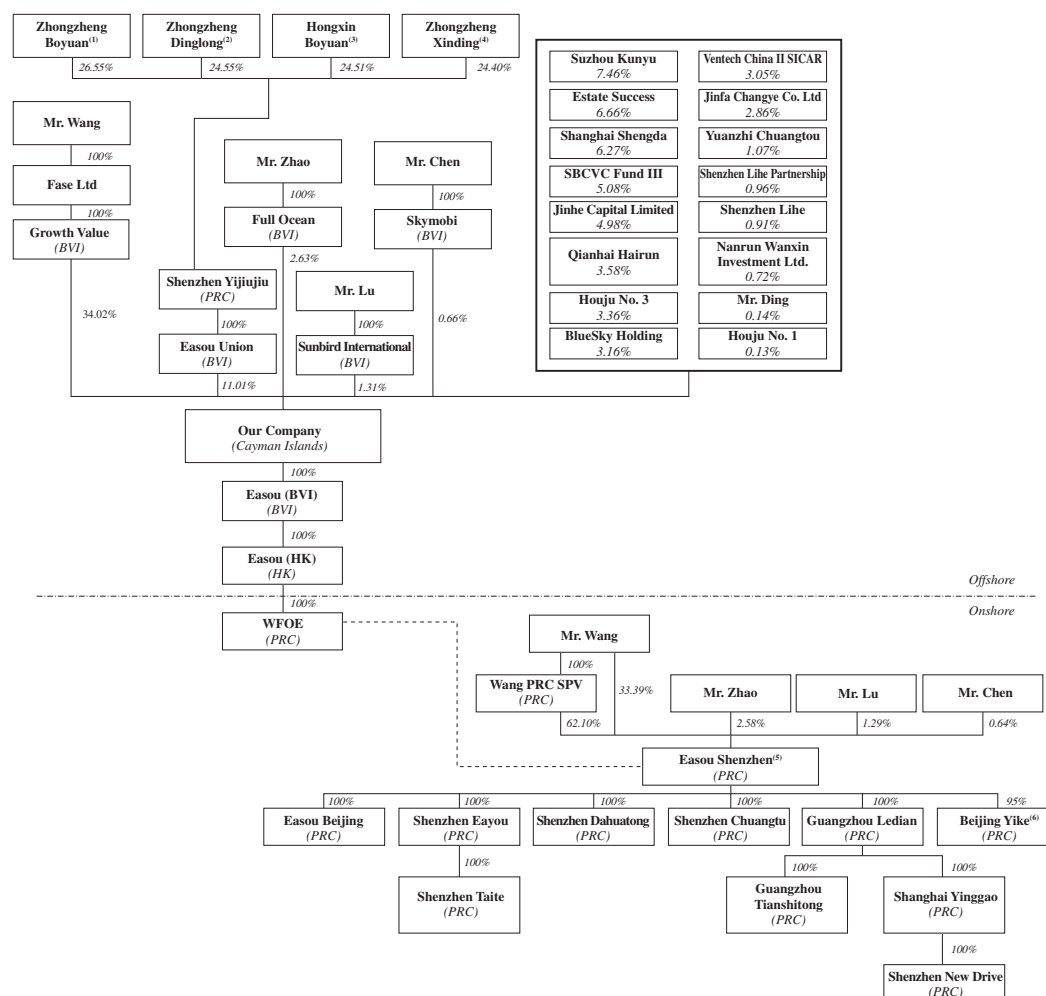
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

For further details of the terms of the 2023 Subscription Agreement, please see the paragraph headed “The 2023 Subscription and the Pre-IPO Investments” in this section below.

11. Contractual Arrangements

On December 31, 2022, WFOE, Easou Shenzhen and the Registered Shareholders of Easou Shenzhen entered into various agreements constituting the Contractual Arrangements, pursuant to which substantially all economic benefits arising from the business of Easou Shenzhen and its subsidiaries are transferred to WFOE to the extent permitted under the PRC laws and regulations by means of the service fees payable to WFOE. For further details of the Contractual Arrangements, please see the section headed “Contractual Arrangements” in this prospectus.

The following diagram illustrates our corporate structure, including our subsidiaries (including the Consolidated Affiliated Entities), immediately after the Reorganization (which was completed on February 21, 2023, being the day on which the Pre-IPO Preferred Shares or Shares (as the case may be) under the 2023 Subscription were allotted and issued) but before completion of the Global Offering:



— Shareholding or equity interest.

..... Contractual Arrangements include the Exclusive Business Cooperation Agreement, Exclusive Option Agreement, Equity Pledge Agreement, Proxy Agreement and spousal consents.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

- (1) The general partner of Zhongzheng Boyuan is Liu Ping (劉萍), who holds approximately 34.00% of the partnership interests in Zhongzheng Boyuan. The limited partners of Zhongzheng Boyuan are Sun Yufang (孫鈺芳), Zhao Yanmin (趙艷民), Qin Yalan (秦亞蘭), Xie Peipei (謝佩佩), Tan Li (譚禮), Li Kang (李康), Zhang Ruoqiong (張若瓊) and Lin Qiaohua (林巧華) who hold approximately 18.90%, 11.50%, 10.00%, 8.60%, 8.50%, 3.50%, 3.00% and 2.00% of the partnership interests in Zhongzheng Boyuan, respectively. The general partner and limited partners of Zhongzheng Boyuan are employees or ex-employees of the Group.
- (2) The general partner of Zhongzheng Dinglong is Liu Ling (劉玲), who holds approximately 19.00% of the partnership interests in Zhongzheng Dinglong. The limited partners of Zhongzheng Dinglong are Liu Qiong (劉瓊), Wang Jing (汪靜) (brother of Mr. Wang), Guan Huliang (關胡良), Guo Xiaoming (郭小明), Bao Ping (包萍), Zhu Liuwei (朱劉飛), Yang Liu (楊柳), Fu Jie (符潔) and Li Yanling (李艷菱) who hold approximately 22.00%, 20.00%, 12.00%, 7.00%, 6.00%, 4.00%, 4.00%, 4.00% and 2.00% of the partnership interests in Zhongzheng Dinglong, respectively. The general partner and limited partners of Zhongzheng Dinglong are employees or ex-employees of the Group.
- (3) The general partner of Hongxin Boyuan is Zhang Jing (張靜), who holds approximately 15.50% of the partnership interests in Hongxin Boyuan. The limited partners of Hongxin Boyuan are Han Huixin (韓繪新), Gong Chuan (龔川), Jing Ying (景瑩), Li Yan (李硯), Shi Guangfei (石廣飛), Zhou Zhishuo (周芷燦), Meng Wenkui (蒙文揆), Li Min (李敏), Liu Xiangjin (劉湘金) and Yang Xinzhu (楊新竹) who hold approximately 16.00%, 13.00%, 12.00%, 8.00%, 6.50%, 6.00%, 6.00%, 6.00%, 6.00% and 5.00% of the partnership interests in Hongxin Boyuan, respectively. The general partner and limited partners of Hongxin Boyuan are employees or ex-employees of the Group.
- (4) The general partner of Zhongzheng Xinding is Zhang Shixia (張世俠), who holds approximately 21.00% of the partnership interests in Zhongzheng Xinding. The limited partners of Zhongzheng Xinding are Chen Cheng (陳成), Zhang Jiefang (張杰芳), Niu Huiying (牛慧瑛), Yu Miaomiao (余苗苗), Chen Peina (陳佩娜), Hua Yin (華銀), Zhang Bin (張斌), Teng Yuangong (騰元功) and Wang Shuai (王帥) who hold approximately 30.35%, 19.00%, 7.69%, 5.00%, 4.00%, 4.00%, 3.90%, 3.06% and 2.00% of the partnership interests in Zhongzheng Xinding, respectively. The general partner and limited partners of Zhongzheng Xinding are employees or ex-employees of the Group.
- (5) The shareholders of Easou Shenzhen are Wang PRC SPV, Mr. Wang, Mr. Zhao, Mr. Lu and Mr. Chen holding approximately 62.10%, 33.39%, 2.58%, 1.29% and 0.64% of the entire issued share capital of Easou Shenzhen, respectively.
- (6) Beijing Yike is also owned as to 5% by Beijing ScienceTech Publishing, an Independent Third Party.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

THE 2023 SUBSCRIPTION AND THE PRE-IPO INVESTMENTS

Overview

As disclosed in step 10 of the Reorganization above, the Escalated Easou Shenzhen Shareholders subscribed for the Pre-IPO Preferred Shares or Shares (as the case maybe) under the 2023 Subscription Agreement for the purpose of escalating the interest in Easou Shenzhen to the Company level as part of the Reorganization. Thus, their subscriptions should not constitute pre-IPO investments of our Company for the purpose of Chapter 4.2 of the Guide for New Listing Applicants issued by the Stock Exchange.

The following 2023 Subscribers are regarded as pre-IPO investors of the Company (the “Pre-IPO Investors”):

- (i) subscribers introduced by the relevant shareholders of Easou Shenzhen which do not have any shareholding relationship with such shareholders, being SBCVC Fund III, BlueSky Holding, Estate Success, Ventech China II SICAR, Shenzhen Lihe Partnership, Shenzhen Lihe and Mr. Ding; and
- (ii) the new investor invited to subscribe for the Pre-IPO Preferred Shares in the 2023 Subscription, being Jinhe Capital Limited.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Details of the subscriptions by the Pre-IPO Investors under the 2023 Subscription Agreement are set out below:

Name of the Pre-IPO Investor:	SBCVC Fund III	Bluesky Holding	Estate Success	Jinhe Capital Limited	Ventech China II SICAR	Mr. Ding	Shenzhen Lite Partnership	Shenzhen Lite
Number of Shares subscribed for and the percentage of shareholding immediately after completion of the Reorganization ⁽¹⁾ :	15,954,852 Pre-IPO Preferred Shares (5.08%)	9,920,000 Pre-IPO Preferred Shares (3.16%)	20,920,532 Pre-IPO Preferred Shares (6.66%)	15,647,048 Pre-IPO Preferred Shares (4.98%)	9,576,832 Pre-IPO Preferred Shares (3.05%)	453,500 Pre-IPO Preferred Shares (0.14%)	3,023,564 Pre-IPO Preferred Shares (0.96%)	2,841,696 Pre-IPO Preferred Shares (0.91%)
Amount of consideration paid:	RMB46,986,152	RMB29,213,948	RMB 76,200,000	US\$9,500,000	RMB 33,866,665	RMB 1,905,000	RMB 12,993,653	RMB 12,212,080
Basis of determination of the consideration:	The consideration was arrived at based on arm's length negotiations between the relevant parties after taking into consideration the total amount of previous investment of RMB76,200,000 in our Group by Tianjin Ruanyin, the previous shareholder of Esou Shenzhen which introduced SBCVC Fund III and Bluesky Holding to subscribe for such number of Pre-IPO Preferred Shares corresponding to Tianjin Ruanyin's equity interest in Esou Shenzhen in the 2023 Subscription, and the time of the Pre-IPO Investments with reference to the market condition.	The consideration was arrived at based on arm's length negotiations between the relevant parties after taking into consideration the total amount of previous investment of RMB76,200,000 in our Group by Tianjin Zhonghao, the previous shareholder of Esou Shenzhen which introduced Estate Success to subscribe for such number of Pre-IPO Preferred Shares corresponding to Tianjin Zhonghao's equity interest in Esou Shenzhen in the 2023 Subscription, and the time of the Pre-IPO Investments with reference to the market condition.	The consideration was arrived at based on arm's length negotiations between the relevant parties after taking into consideration the total amount of previous investment of RMB76,200,000 in our Group by Yitai Hext, the previous shareholder of Esou Shenzhen which introduced Ventech China II SICAR to subscribe for such number of Pre-IPO Preferred Shares corresponding to Yitai Hext's equity interest in Esou Shenzhen in the 2023 Subscription, and the time of the Pre-IPO Investments with reference to the market condition.	The consideration was arrived at based on arm's length negotiations between the relevant parties after taking into consideration the total amount of previous investment of RMB33,866,665 in our Group by Yitai Hext, the previous shareholder of Esou Shenzhen which introduced Mr. Ding to subscribe for such number of Pre-IPO Preferred Shares corresponding to Ms. Ding's equity interest in Esou Shenzhen in the 2023 Subscription, and the time of the Pre-IPO Investments with reference to the market condition.	The consideration was arrived at based on arm's length negotiations between the relevant parties after taking into consideration the total amount of previous investment of RMB1,905,000 in our Group by Ms. Ding, the previous shareholder of Esou Shenzhen who introduced Mr. Ding to subscribe for such number of Pre-IPO Preferred Shares corresponding to Ms. Ding's equity interest in Esou Shenzhen in the 2023 Subscription, and the time of the Pre-IPO Investments with reference to the market condition.	The consideration was arrived at based on arm's length negotiations between the relevant parties after taking into consideration the total amount of previous investment of RMB3,023,564 in our Group by Shenzhen Lite Partnership and Shenzhen Lite to subscribe for such number of Pre-IPO Preferred Shares corresponding to part of Tianjin Jiahao's equity interest in Esou Shenzhen in the 2023 Subscription, and the time of the Pre-IPO Investments with reference to the market condition.	The consideration was arrived at based on arm's length negotiations between the relevant parties after taking into consideration the total amount of previous investment of RMB12,993,653 in our Group by Tianjin Jiahao, the previous shareholder of Esou Shenzhen which designated Shenzhen Lite Partnership and Shenzhen Lite to subscribe for such number of Pre-IPO Preferred Shares corresponding to part of Tianjin Jiahao's equity interest in Esou Shenzhen in the 2023 Subscription, and the time of the Pre-IPO Investments with reference to the market condition.	The consideration was arrived at based on arm's length negotiations between the relevant parties after taking into consideration the total amount of previous investment of RMB2,841,696 in our Group by Tianjin Jiahao, the previous shareholder of Esou Shenzhen which designated Shenzhen Lite Partnership and Shenzhen Lite to subscribe for such number of Pre-IPO Preferred Shares corresponding to part of Tianjin Jiahao's equity interest in Esou Shenzhen in the 2023 Subscription, and the time of the Pre-IPO Investments with reference to the market condition.
Date of full payment of the consideration:	January 20, 2023	January 28, 2023	February 21, 2023	February 20, 2023	February 23, 2023	February 24, 2023	February 23, 2023	February 24, 2023
Number of Shares and the approximate percentage of shareholding upon the Listing ⁽¹⁾ :	15,954,852 Shares (4.85%)	9,920,000 Shares (3.02%)	20,920,532 Shares (6.36%)	15,647,048 Shares (4.76%)	9,576,832 Shares (2.91%)	453,500 Shares (0.14%)	3,023,564 Shares (0.92%)	2,841,696 Shares (0.86%)
Cost per Pre-IPO Preferred Share paid ⁽²⁾ :	RMB2.94	RMB2.94	RMB3.64	US\$0.61	RMB3.54	RMB4.20	RMB4.30	RMB4.30
Estimated valuation of the Group used by the Pre-IPO Investor as reference in his/its investment:	RMB925 million	RMB925 million	RMB1.14 billion	US\$191 million	RMB1.11 billion	RMB1.36 billion	RMB1.35 billion	RMB1.35 billion
Discount to the Offer Price ⁽³⁾ :	53.18%	53.18%	42.09%	31.40%	43.77%	33.21%	31.67%	31.67%
Conversion price:								
Conversion:	The initial conversion price for each Pre-IPO Preferred Share shall be the original issue price (i.e. the cost per Share paid by the respective 2023 Subscriber). Pursuant to a shareholders' agreement dated December 31, 2022 between, among others, the Company and the 2023 Subscribers (the " Pre-IPO Shareholders' Agreement "), and the amended and restated memorandum and articles of association of the Company adopted on December 31, 2022 (the " Pre-listing Articles "), each Pre-IPO Preferred Share shall be convertible, at any time after the date of issuance of such Pre-IPO Preferred Share at the conversion rate of 1 Pre-IPO Preferred Share to 1 Share. Pursuant to the Pre-IPO Shareholders' Agreement and the Pre-listing Articles, all of the issued and outstanding Pre-IPO Preferred Shares shall automatically be converted into Shares immediately prior to the Listing.							
Use of proceeds from the Pre-IPO Investment:	As of the Latest Practicable Date, the proceeds from the 2023 Subscription (including those raised from the Pre-IPO Investments) were utilized for the following purposes: (i) approximately 40% for the repayment of the Bridge Loan; and (ii) the remaining amount for replenishing the internal funds of the Group used in the Reorganization.							
Strategic benefits of the Pre-IPO Investment:	For the retention of the investor profile of our Group, which consist of a wide range of professional investors with extensive experience in equity investment.							

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

- (1) These figures are calculated as if all the Pre-IPO Preferred Shares are converted to ordinary Shares, and did not take into account of any Shares which may be allotted and issued pursuant to the Over-allotment Option.
- (2) Cost per Pre-IPO Preferred Share or Share is calculated by dividing the total consideration paid in respect of the Pre-IPO Investment by the total number of Shares held following the Global Offering.
- (3) The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK\$6.90 per Share, being the mid-point of the indicative Offer Price range of HK\$5.80 to HK\$8.00.
- (4) Such total amount of previous investment in our Group includes shares in Easou Shenzhen obtained through bidding and/or transfer on the stock transfer platform during the period in which the shares of Easou Shenzhen were listed on the NEEQ.
- (5) The consideration paid by each of Shenzhen Lihe Partnership and Shenzhen Lihe was arrived at based on (i) half of the total amount of investment made by Tianjin Jiahao, as Shenzhen Lihe Partnership and Shenzhen Lihe only subscribed for half of the number of Pre-IPO Preferred Shares corresponding to Tianjin Jiahao's equity interest in Easou Shenzhen in the 2023 Subscription; and (ii) the interest in the Company taken up by each of Shenzhen Lihe Partnership and Shenzhen Lihe.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Details of the subscriptions by the 2023 Subscribers under the 2023 Subscription Agreement other than the Pre-IPO Investors are set out below:

Name of the subscriber:	Eason Union	Suzhou Kunyu	Shanghai Shengda	Qianhai Haitun	Houju No.3	Jinfa Changye Co., Ltd.	Yuanzhi Chuangtong	Nanrun Wanxin Investment Ltd.	Houju No.1
Number of Pre-IPO Preferred Shares or Shares subscribed for and the percentage of shareholding ⁽¹⁾ :	34,380,412 ordinary Shares (11.01%)	23,438,912 Pre-IPO Preferred Shares (7.46%)	19,683,260 Pre-IPO Preferred Shares (6.27%)	11,244,188 Pre-IPO Preferred Shares (3.58%)	10,551,924 Pre-IPO Preferred Shares (3.36%)	8,995,164 Pre-IPO Preferred Shares (2.86%)	3,373,196 Pre-IPO Preferred Shares (1.07%)	2,248,716 Pre-IPO Preferred Shares (0.72%)	391,268 Pre-IPO Preferred Shares (0.13%)
Amount of consideration paid:	RMB11,120,342	RMB100,000,011	RMB19,050,000	RMB50,000,000	RMB44,357,150	RMB40,000,000	RMB15,000,000	RMB9,999,759	RMB1,739,920
Basis of determination of the consideration:	The consideration was arrived at taking into account that the total amount of previous investment of RMB11,120,342.24 in our Group by the 2015 Employee Incentive Platforms and the Shares that will be held under an employee share incentive platform of the Group.	The consideration was arrived at based on arm's length negotiations between the relevant parties after taking into consideration the total amount of previous investment of RMB100,000,010.78 ⁽²⁾ in our Group by Suzhou Kunyu, the estimated valuation of the Group by Suzhou Kunyu, and the time of the 2023 Subscription with reference to the market condition.	The consideration was arrived at based on arm's length negotiations between the relevant parties after taking into consideration the total amount of previous investment of RMB19,050,000 in our Group by Shanghai Shengda, the estimated valuation of the Group by Shanghai Shengda, and the time of the 2023 Subscription with reference to the market condition.	The consideration was arrived at based on arm's length negotiations between the relevant parties after taking into consideration the total amount of previous investment of RMB50,000,000 in our Group by Qianhai Haitun, and the time of the 2023 Subscription with reference to the market condition.	The consideration was arrived at based on arm's length negotiations between the relevant parties after taking into consideration the total amount of previous investment of RMB44,357,150 in our Group by Houju No.3, and the time of the 2023 Subscription with reference to the market condition.	The consideration was arrived at based on arm's length negotiations between the relevant parties after taking into consideration the total amount of previous investment of RMB40,000,000 in our Group by Nanshan Finance, the previous shareholder of Eason Shenzhen which designated Jinfa Changye Co., Ltd. to subscribe for such number of Pre-IPO Preferred Shares corresponding to Nanshan Finance's equity interest in Eason Shenzhen in the 2023 Subscription, and the time of the 2023 Subscription with reference to the market condition.	The consideration was arrived at based on arm's length negotiations between the relevant parties after taking into consideration the total amount of previous investment of RMB15,000,000 in our Group by Yuanzhi Chuangtong, and the time of the 2023 Subscription with reference to the market condition.	The consideration was arrived at based on arm's length negotiations between the relevant parties after taking into consideration the total amount of previous investment of RMB9,999,759 in our Group by Nanrun Wanxin, the previous shareholder of Eason Shenzhen which designated Nanrun Wanxin Investment Ltd. to subscribe for such number of Pre-IPO Preferred Shares corresponding to Nanrun Wanxin's equity interest in Eason Shenzhen in the 2023 Subscription, and the time of the 2023 Subscription with reference to the market condition.	The consideration was arrived at based on arm's length negotiations between the relevant parties after taking into consideration the total amount of previous investment of RMB1,739,920 in our Group by Houju No.1, the previous shareholder of Eason Shenzhen which designated Houju No.1's registration of outbound direct investment with the relevant PRC authority, and the time of the 2023 Subscription with reference to the market condition.
Date of full payment of the consideration:	February 8, 2023	February 7, 2023	February 23, 2023	February 7, 2023	February 7, 2023	February 8, 2023	March 3, 2023	February 8, 2023	February 7, 2023
Number of Pre-IPO Preferred Shares or Shares and the approximate percentage of shareholding upon the Listing ⁽¹⁾ :	34,380,412 Shares (10.51%)	23,438,912 Shares (7.13%)	19,683,260 Shares (5.98%)	11,244,188 Shares (3.42%)	10,551,924 Shares (3.21%)	8,995,164 Shares (2.73%)	3,373,196 Shares (1.03%)	2,248,716 Shares (0.68%)	391,268 Shares (0.12%)
Cost per Pre-IPO Preferred Share or Share paid ⁽²⁾ :	RMB0.32	RMB4.27	RMB0.97	RMB4.45	RMB4.20	RMB4.45	RMB4.45	RMB4.45	RMB4.45
Estimated valuation of the Group used by the 2023 Subscriber as reference in its investment:	RMB101 million	RMB1.34 billion	RMB304 million	RMB1.40 billion	RMB1.32 billion	RMB1.40 billion	RMB1.40 billion	RMB1.39 billion	RMB1.34 billion
Discount to the Offer Price ⁽³⁾ :	94.89%	32.17%	84.61%	29.30%	33.16%	29.30%	29.30%	29.30%	29.30%
Conversion price:									
Conversion:									
Use of proceeds:									
Strategic benefits:									

The initial conversion price for each Pre-IPO Preferred Share shall be the original issue price (i.e. the cost per Share paid by the respective 2023 Subscriber). Pursuant to the Pre-IPO Shareholders' Agreement and the Pre-listing Articles, each Pre-IPO Preferred Share shall be convertible, at the option of the 2023 Subscribers, at any time after the date of issuance of such Pre-IPO Preferred Share at the conversion rate of 1 Pre-IPO Preferred Share to 1 Share. Pursuant to the Pre-IPO Shareholders' Agreement and the Pre-listing Articles, all of the issued and outstanding Pre-IPO Preferred Shares shall automatically be converted into Shares immediately prior to the Listing.

As of the Latest Practicable Date, the proceeds from the 2023 Subscription (including those raised from the Pre-IPO Investments) were utilized for the following purposes:

- approximately 40% for the repayment of the Bridge Loan; and
- the remaining amount for replenishing the internal funds of the Group used in the Reorganization.

For the retention of the investor profile of our Group, which consist of a wide range of professional investors with extensive experience in equity investment.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

- (1) These figures are calculated as if all the Pre-IPO Preferred Shares are converted to ordinary Shares, and did not take into account of any Shares which may be allotted and issued pursuant to the Over-allotment Option.
- (2) Cost per Pre-IPO Preferred Share or Share is calculated by dividing the total consideration paid in respect of the 2023 Subscription by the total number of Shares held following the Global Offering.
- (3) The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK\$6.90 per Share, being the mid-point of the indicative Offer Price range of HK\$5.80 to HK\$8.00.
- (4) Such total amount of previous investment in our Group includes shares in Easou Shenzhen obtained through bidding and/or transfer on the stock transfer platform during the period in which the shares of Easou Shenzhen were listed on the NEEQ.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Information on the Pre-IPO Investors

SBCVC Fund III and BlueSky Holding

SBCVC Fund III is a company incorporated under the laws of Hong Kong on July 7, 2008 and BlueSky Holding is a company incorporated under the laws of Hong Kong on December 15, 2009. Both of SBCVC Fund III and BlueSky Holding are wholly-owned by SBCVC Fund III Pte. Ltd., which is in turn wholly-owned by SBCVC Fund III L.P., an Independent Third Party. The general partner of SBCVC Fund III L.P. is SBCVC Management III L.P., and the general partner of SBCVC Management III L.P. is SBCVC Limited. To the best knowledge of SBCVC Management III L.P., SBCVC Management III L.P. has six limited partners, all of whom are Independent Third Parties and, except for two of the limited partners being spouses, all of them are independent from each other (i.e. they have no shareholding or familial relationship with each other). The general partner of SBCVC Management III L.P., SBCVC Limited, is in turn indirectly owned as to 90.1% by Mr. Lin Ye Song, an Independent Third Party.

Estate Success

Estate Success is a company incorporated under the laws of Samoa on September 22, 2015, which is a business partner of Tianjin Zhonghao and was introduced to our Group by Tianjin Zhonghao. It is owned as to 0.1% by Peng Chih-Chiang and 99.9% by Dexon Global Investment Fund SPC, both of whom are Independent Third Parties. Dexon Global Investment Fund SPC is ultimately beneficially owned as to 100% by an individual who is an Independent Third Party.

Jinhe Capital Limited

Jinhe Capital Limited is a BVI business company incorporated under the laws of BVI on August 3, 2018, and is wholly-owned by Mr. Li Zhiyong, an Independent Third Party and a private investor.

Ventech China II SICAR

Ventech China II SICAR is a limited partnership established on July 21, 2011 under the laws of Luxembourg. Ventech China II SICAR is a partnership fund with a portfolio size of approximately USD100 million and the general partner of Ventech China II SICAR is Ventech China Sarl. Cofibred is interested in 34.93% of the interests in Ventech China II SICAR, with 24 other individuals or entities each interested in no more than 30% of the interests in Ventech China II SICAR.

Shenzhen Lihe Partnership and Shenzhen Lihe

Shenzhen Lihe Partnership is a limited partnership established in the PRC, the general partner of which is Zhuhai Zijing Hongxin Investment Management Co., Ltd.* (珠海紫荆泓鑫投資管理有限公司) (“Zhuhai Zijing”) and the limited partner is Shenzhen Hongxin Investment Partnership Limited* (深圳市泓鑫投資合夥企業(有限合夥)) (“Shenzhen Hongxin”). The partnership interests in Shenzhen Lihe Partnership are held as to 99.67% and 0.33% by Shenzhen Hongxin and Zhuhai Zijing, respectively. Zhuhai Zijing is owned by Zhao Binhong, Shenzhen Lihe and Liang Yan as to 45%,

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

30% and 25%, respectively. Shenzhen Hongxin is owned by Li Yongliang and Luo Liujiang as to 90% and 10%, respectively. All of Zhao Binhong, Liang Yan, Li Yongliang and Luo Liujiang are Independent Third Parties.

Shenzhen Lihe is a limited company incorporated in the PRC, which is ultimately wholly-owned by Shenzhen Leaguer Co., Ltd. (深圳市力合科創股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 2243) focusing in the technological and innovative sectors and primarily engaging in the provision of services such as incubation services, park operation services, industry consulting services, talent training services etc.

Mr. Ding

Mr. Ding is a private investor. Mr. Ding was introduced to the business of and investment opportunity in our Group through Ms. Ding and decided to invest in our Group as he was optimistic about the prospects of Easou Shenzhen.

To the best of the knowledge, information and belief of our Directors, save for the investments in our Group, there is no past or present relationship (including but not limited to family, employment, trust, business and financing relationship), other transaction (including but not limited to financing or fund flow transaction), agreement, arrangement or understanding between (i) the Pre-IPO Investors; and (ii) our Group, our Directors, shareholders and senior management and any of their respective associates, and our Group's customers and suppliers.

Special Rights

According to the Pre-IPO Shareholders' Agreement, the subscribers of the 2023 Subscription, including the Pre-IPO Investors, have been granted certain special rights, including, among others, right of first refusal, tag-along right, pre-emptive rights and information rights. All of such special rights will be automatically terminated immediately upon the Listing.

Lock-up

The Shares held by the 2023 Subscribers (including the Pre-IPO Investors) upon the Listing are subject to a lock-up period of six months commencing from the Listing Date, save for (i) the use of the Shares as security in favour of an authorized institution for a bona fide commercial loan, provided that the person making such loan also undertakes to be bound by such lock-up undertaking; (ii) Shares to be acquired by the 2023 Subscribers after the Listing Date to the extent that such acquired Shares are not subject to any lock-up or similar transfer restrictions; and (iii) transfers to another corporation, partnership or other business entity that wholly owns, is wholly owned by or is wholly owned by an entity that wholly owns the relevant 2023 Subscriber, provided that there is no change in the ultimate beneficial ownership to such Shares and that such entity gives a written undertaking agreeing to be bound by the same lock-up undertaking given by the relevant 2023 Subscriber.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Public Float

To the best knowledge of our Directors, each of the Pre-IPO Investors are Independent Third Parties and their Shares will be counted towards public float for the purpose of the Listing Rules.

Compliance with Applicable Laws and Regulations

As confirmed by our PRC Legal Advisers, the Pre-IPO Investments were conducted in compliance with the relevant PRC laws and regulations in respect of outbound direct investment.

The last Pre-IPO Investment was completed on February 24, 2023. On the basis that (i) the Listing will take place no earlier than 120 clear days after the completion of the last Pre-IPO Investment; and (ii) the special rights granted to the Pre-IPO Investors will terminate upon the Listing, the Sole Sponsor is of the view that the Pre-IPO Investments are in compliance with Chapter 4.2 of the Guide for New Listing Applicants issued by the Stock Exchange.

OTHER LOCK-UP UNDERTAKING

The 4,128,652 Shares held by Sunbird International, which is beneficially and wholly-owned by Mr. Lu, are also subject to a lock-up period of six months commencing from the Listing Date, save for (i) the use of the Shares as security in favor of an authorized institution for a bona fide commercial loan, provided that the person making such loan also undertakes to be bound by such lock-up undertaking; (ii) Shares to be acquired by Mr. Lu after the Listing Date to the extent that such acquired Shares are not subject to any lock-up or similar transfer restrictions; and (iii) transfers to another corporation, partnership or other business entity that is wholly owned by Mr. Lu, provided that there is no change in the ultimate beneficial ownership to such Shares and that such entity gives an written undertaking agreeing to be bound by the same lock-up undertaking given by Mr. Lu.

GLOBAL OFFERING

For details, please see section headed “Structure of the Global Offering” in this prospectus.

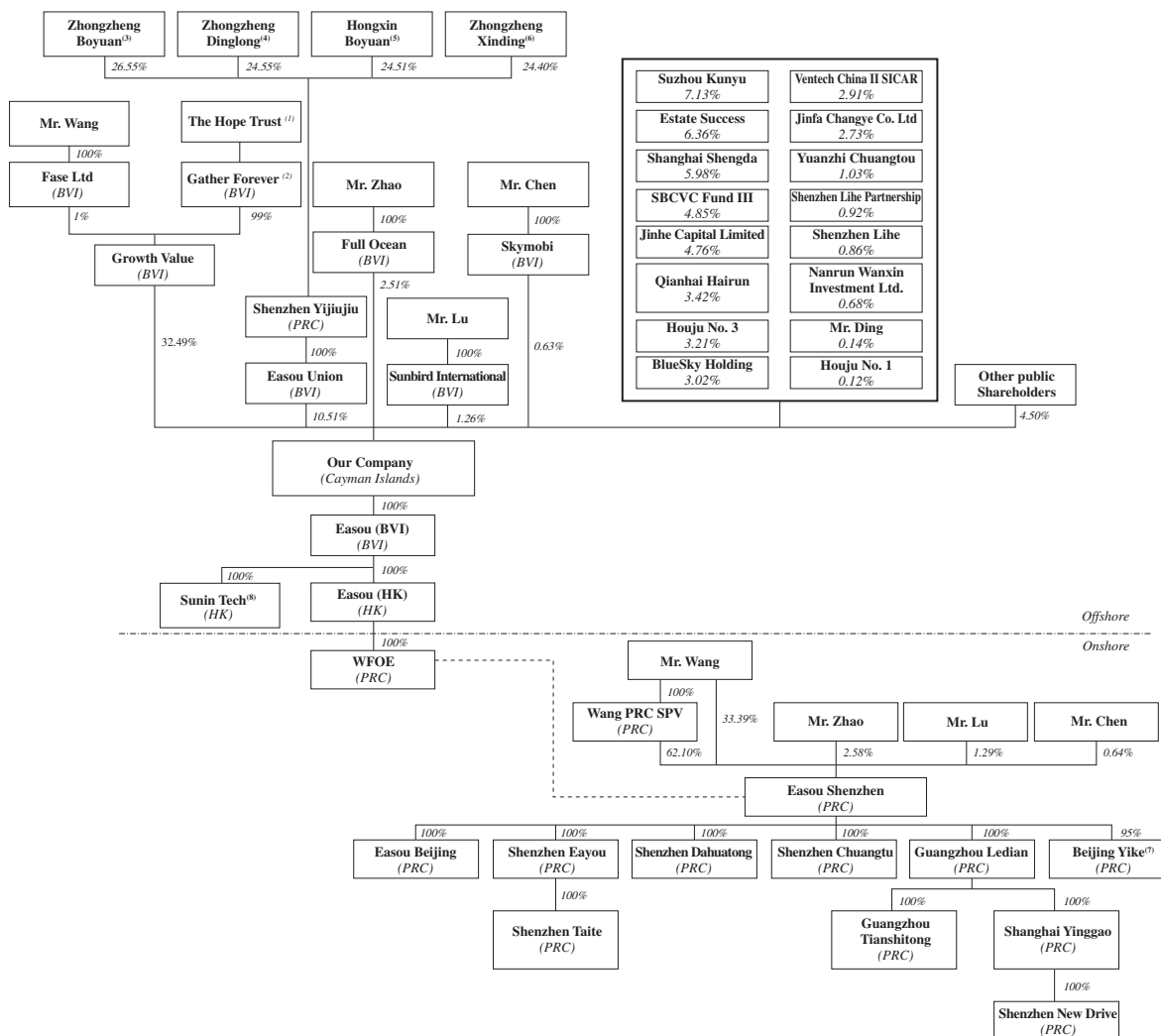
ESTABLISHMENT OF THE HOPE TRUST

On February 13, 2023, Mr. Wang, as the settlor and protector, entered into a trust deed with CMB Wing Lung (Trustee) Ltd. to establish The Hope Trust as an irrevocable reserved power trust, with CMB Wing Lung (Trustee) Ltd. as trustee, for the benefit of Mr. Wang and his family members. On March 16, 2023, 4,950,000 fully-paid ordinary shares in Growth Value were allotted and issued at par to Gather Forever (in the capacity as nominee of CMB Wing Lung (Trustee) Ltd.). Upon completion of the above allotment and issue of ordinary shares of Growth Value, Growth Value became directly owned as to 99% and 1% by Gather Forever (in the capacity as nominee of CMB Wing Lung (Trustee) Ltd.) and Fase Ltd, respectively.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR SHAREHOLDING AND CORPORATE STRUCTURE

The following chart sets forth the shareholding and corporate structure of our Group immediately after the Reorganization, the establishment of The Hope Trust and completion of the Global Offering (assuming full conversion of the Pre-IPO Preferred Shares and without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme):



— Shareholding or equity interest.

..... Contractual arrangements include the exclusive business cooperation agreement, exclusive options agreement, equity pledge agreement, proxy agreement and spouse consents.

Notes:

- (1) The Hope Trust is an irrevocable reserved power trust established by Mr. Wang (as the settlor and protector) with CMB Wing Lung (Trustee) Ltd., an independent trustee, as the trustee, for the benefit of Mr. Wang and his family members.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (2) Upon the establishment of The Hope Trust, Growth Value is held as to 99% and 1% by Gather Forever (in the capacity as nominee of CMB Wing Lung (Trustee) Ltd., the trustee of The Hope Trust) and Fase Ltd, respectively.
- (3)-(6) Please refer to notes (1) to (4) on page 213.
- (7) Beijing Yike is also owned as to 5% by Beijing ScienceTech Publishing, an Independent Third Party.
- (8) Sunin Tech is a limited liability company incorporated in Hong Kong on May 3, 2024 and a wholly-owned subsidiary of the Company. As of the Latest Practicable Date, Sunin Tech did not operate any business.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisers confirmed that the Group has obtained all material approvals and permits required under the PRC laws and regulations in respect of the Reorganization as described above and the procedures and steps of the Reorganization involved are in compliance with the relevant PRC laws and regulations in all material respects in the PRC.

SAFE REGULATIONS

Pursuant to Circular No. 37 promulgated by SAFE and which became effective on July 14, 2014, PRC domestic residents establishing or taking control of a special purpose company abroad which makes round-trip investments in the PRC are required to effect foreign exchange registration with the local foreign exchange bureau prior to contributing domestic and overseas legitimate assets or interests to a special purpose company. Where a registered overseas special purpose company undergoes changes of its domestic resident individual shareholders, name, operating period or other basic information, or experiences substantial changes, including but not limited to, the increase or reduction of registered capital by domestic resident individuals, transfer or replacement of equity interest and merger or split, modification registration of foreign exchange for overseas investment shall be gone through with the foreign exchange bureau.

Pursuant to the Circular 13 promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

As confirmed by our PRC Legal Advisers, the following persons have completed the required registration with the relevant local branch of SAFE under Circular No. 37:

<u>Name of Registrant</u>	<u>Date of Completion of Registration under Circular No. 37</u>
Mr. Wang	March 25, 2022
Mr. Zhao	March 25, 2022
Mr. Lu	March 25, 2022
Mr. Chen	March 25, 2022

BUSINESS

OVERVIEW

Founded in 2005, we operate four business lines covering online reading platform services, digital marketing services, online games publishing services and other digital content services. We generated over 90.0% of our revenue from our advertising services provided under the online reading platform services and digital marketing services in each year of the Track Record Period. Specifically, we apply proprietary intelligent recommendation engine, our Easou Recommendation Engine, to collect, analyze, match and predict the demand and/or preferences of our users and customers to serve their various needs under the following business lines:

- *Online reading platform services.* We predict users' preferences, generate recommendation strategies and make adjustments thereto, and intelligently recommend to our users suitable literary content that meets their personalized needs. As a third-party platform, we do not produce proprietary digital content and primarily rely on third-party content providers of online literature. In addition, we place advertisements for our advertising customers on our proprietary platform by collecting, analyzing and predicting users' appetite for advertising contents. We have two types of customers under this business line, namely, users and advertising customers.
 - (a) with respect to reading with advertising, our customers are advertising customers that place advertisements to the users who use our free reading resources;
 - (b) with respect to reading with paid services, our customers are users who pay for our paid services, including the purchase our paid reading resources and the subscription of our premium membership, from which we do not generate any advertising service income;
- *Digital marketing services.* We collect, analyze and predict users' appetite for advertising contents and match the needs of our advertising customers for advertisement placements with suitable third-party advertising channels. Under this business line, our customers are generally advertising customers;
- *Online games publishing services.* We identify online games with high commercial value and strong market performance, and publish and recommend such games to suitable users on our proprietary platform and external channels based on our analysis of user behaviors and their preferences in game category or content. Our customers under this business line are users of the online games we publish; and
- *Other digital content services.* We recommend value-added services of telecommunications operators, including various types of digital content, such as music and ringback tones, to help them reach target users on our proprietary platform or external channels based on our analysis of the behavior, content preferences and willingness to pay of our users. Our customers under this business line are telecommunications operators who receive income from their users and subsequently share such income with us based on agreed-upon proportions.

BUSINESS

Our AI-based recommendation technology is the foundation that empowers all of our businesses. We are committed to continuously improving the AI-based recommendation technology. We have successfully applied our Easou Recommendation Engine, which consists of six layers, to four application scenarios, including online reading, digital marketing, online games and other digital content, and plan to explore business opportunities to apply our Easou Recommendation Engine in additional scenarios.

We have accumulated a large user base. The number of our cumulative registered users of our Easou Reading App Series was 44.7 million as of December 31, 2023. The level of our user activity on our platform has been increasing during the Track Record Period. Our average MAU on our Easou Reading App Series increased from 23.9 million in 2021 to 25.6 million in 2022, and further increased to 26.0 million in 2023.

We have achieved diversified commercialization, which primarily include subscription, pay per use, advertising income and revenue sharing, among others. The details of our diversified monetization model for our various business lines are as follows:

- *Online reading.* We generate revenue primarily through (i) advertisements displayed or embedded in the literary resources from our advertising customers in connection with reading with advertising in which we charge them on CPC basis and CPM basis; and (ii) paid readership, including the purchase of our paid reading resources and the subscription of our premium membership, from our users under reading with paid services;
- *Digital marketing.* We generally cooperate with advertising customers based on relevant framework agreements to generate advertising income and charge them primarily on CPC basis, CPM basis and CPA basis;
- *Online games publishing.* We generally charge users for their in-game purchases and share a portion of the income with third-party game content providers (i.e., revenue sharing); and
- *Other digital content.* After receiving income settlement from the users, the telecommunications operators we cooperate with will subsequently share such income with us (i.e., revenue sharing) based on agreed-upon proportions.

We have built an online platform around our Easou Recommendation Engine, our user base and diversified digital content. Our Easou Recommendation Engine drives our platform through which our users and customers can enjoy a wealth of digital content covering online literature, advertising content, online games and music, among others. Our platform connects cross-scenario digital content, involves various participants, such as digital content providers, media channels, users, advertising customers and telecommunications operators, and enables them to interact with each other. This allows us to achieve synergy across our various business lines and helps us achieve diversified monetization.

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We experienced steady growth during the Track Record Period. Our revenue amounted to RMB433.1 million, RMB456.4 million and RMB559.0 million for the years ended December 31, 2021, 2022 and 2023, respectively.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to the success of our business and facilitate our future development:

We are a technology-driven mobile internet company dedicated to the research, development and application of our Easou Recommendation Engine.

Established in 2005, we are one of the first companies in China to engage in the R&D and application of AI-based recommendation technology, according to Analysys. We are dedicated to the R&D of our Easou Recommendation Engine and the application of such engine in a wide range of application scenarios. After continuously exerting our R&D efforts in AI-based recommendation technology for approximately a decade, we have kept up with the recommendation technology trend and successfully developed a proprietary and comprehensive system of intelligent recommendation engine with in-depth understanding of core technology difficulties and industry development needs. We have also established a system of intellectual property rights and proprietary technologies and know-hows based on the abovementioned technologies to ensure our core competitiveness. This system was composed of seven invention patents, 12 registered software copyrights and 17 proprietary technologies as of December 31, 2023.

To achieve a high prediction accuracy of the users' preferences, we have adopted a variety of AI recommendation algorithms that integrate advanced machine learning and deep learning with digital content and user behavior features. We apply our study results of deep learning and machine learning to the data processing and data mining involving user data under our existing business lines, and our Easou Recommendation Engine is established based on our proprietary AI recommendation algorithms. Based on our existing digital content, we further train and optimize our deep learning algorithm models to enhance our ability to recommend digital content and expand the application of our Easou Recommendation Engine to more application scenarios. We believe our Easou Recommendation Engine is advanced in the intelligent content recommendation industry, which include the ensemble algorithm model based on gradient boosting decision trees, deep learning recall algorithm model and sorting algorithm model based on TensorFlow, Item2Vec algorithm and collaborative filtering with item-based KNN. In addition, we have successfully introduced BERT into content analysis of our Easou Recommendation Engine to calculate the linguistic representation features of the online literary content in order to improve the accuracy of pre-trained classification of online literature. For a detailed description of such algorithmic models we adopted, please refer to the section headed “– Technology” of this prospectus.

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Leveraging our all-round optimized multi-algorithm models, our Easou Recommendation Engine demonstrates significant technology advantages in terms of the following aspects:

- *Real-time data collection.* We collect users' product usage details on our platform in real time through user logs. Our distributed data storage technology, which is based on open-source clustering and has been enhanced in terms of system stability, disaster recovery and ease of use features, greatly improves system efficiency, data security and operational convenience.
- *Deep data mining.* We mainly use natural language processing technology and machine learning technology to conduct deep data mining and processing the content from our content providers and users' behavior log data.
- *All-round optimized multi-algorithm model.* We apply multi-algorithm model based on different application scenarios to exploit the benefits of different algorithms, avoid over-recommendation by a single algorithm and provide users with more personalized recommendation services.
- *Accurate user profile and real-time recommendation.* Our personalized user information system performs intelligent data mining analysis on the information collected to develop user behavior characteristics, as well as analyzes and explores their potential needs and interests. Our recommendations based on Easou Recommendation Engine enhance user experience on our platform. The positive user experience further increases our user engagement and loyalty, which in turn enables us to collect and analyze additional user behavior data to strengthen our recommendation capability. This collectively forms a dynamic intelligent recommendation ecological cycle.


We are committed to continuously improving the AI-based recommendation technology. As of December 31, 2023, we had a total of 147 employees, 64 of whom were engaged in the R&D of technology and mobile Apps, accounting for approximately 43.5% of the total number of our employees. Among our R&D personnel, approximately 40 of them were dedicated to the R&D of the underlying technologies associated with our proprietary intelligent recommendation engine.

Leveraging our strengths in technology and R&D, we have cooperated with government authorities, obtained favorable policy support and received industry-wide recognitions. For example, we are the sole contractor of the "Mobile Search Key Technology Engineering Laboratory (移動搜索關鍵技術工程實驗室)". In addition, we are one of the first 10 companies shortlisted by the Shenzhen municipal engineering laboratories for the internet industry. Since our inception, we have received a number of awards and recognitions, including "Leading Internet Enterprises in Guangdong" in 2012, "Excellent Emerging Industry Cultural and Creative Enterprises of Shenzhen" (2013-2014) in 2013, and "Shenzhen Top 100 Cultural Enterprises" in 2021. For further details, please see "– Awards and Recognitions" in this prospectus.

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We have successfully applied our Easou Recommendation Engine to a number of application scenarios.

Our Easou Recommendation Engine covers a wide range of application scenarios. Currently, we have successfully applied our Easou Recommendation Engine to the following application scenarios:

- *Online reading.* We launched our flagship product, Easou Reading App  (宜搜小說 App), in 2013, and began to fully utilize our Easou Recommendation Engine in our online reading platform services. According to Analysys, in terms of revenue and average MAU, Easou Reading App was the largest third-party online literature platform in China in 2023. We utilize our Easou Recommendation Engine to predict users' preferences, generate recommendation strategies and make adjustments thereto, and intelligently recommend to our users suitable literary content that meets their personalized needs. This allows us to achieve effective integration of deep learning technologies and literary content scenarios. We primarily apply our proprietary advertisement platform, Win Ads, to provide data support, assist us to generate placement strategies and display suitable advertisements to users who read our free reading resources, which utilizes our proprietary platform traffic of Easou Reading App Series and Easou H5 Pages.
- *Digital marketing.* Leveraging our Easou Recommendation Engine, our digital marketing services connect small-to-medium advertising customers with advertising media to facilitate cooperation. Our Win Ads mainly provides data support and assists us to generate placement strategies and display the advertisements, thereby enabling us to attain suitable multi-matching between our advertising customers and third-party media platforms and realize accurate advertisement placements to achieve effective monetization.
- *Online games publishing.* We rely on our Easou Recommendation Engine in online game trials to identify online games with commercial value and market performance that meet our selection criteria, and recommend such games to suitable users after they are launched. Our online games publishing services facilitate the efforts of the game content providers to sell the relevant gaming content to our users, obtain user feedback on a timely basis, optimize the gaming experience and refine the operations through the analysis of users' behavior data.
- *Other digital content.* Leveraging the capability of our Easou Recommendation Engine in analyzing users' behavior characteristics, we recommend value-added services of telecommunications operators, including various types of digital content such as music and ringback tones, to help them reach target users.

Our revenue performance reflected the combined effect of our advanced technologies, comprehensive capabilities, proven business models and overall competitive strengths. For the years ended December 31, 2021, 2022 and 2023, our revenue amounted to RMB433.1 million, RMB456.4 million and RMB559.0 million, respectively.

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We operate the largest third-party online literature platform and the fifth largest online literature APP in China, and provide users with fair, accurate and personalized online reading platform services through our Easou Recommendation Engine.

According to Analysys, our Easou Reading App was the largest third-party online literature platform in China in 2023 in terms of revenue and average MAU, and has been ranked among the top five Apps in the China's online literature industry each year from 2018 to 2023 in terms of average MAU. In particular, our Easou Reading App ranked fifth in China's online literature industry in terms of average MAU in 2023. Among the top 10 Apps in terms of average MAU in China's online literature market in 2023, our Easou Reading App ranked fourth in terms of per capita daily usage time. We had a rich and regularly updated digital content library containing approximately 190,000 titles of e-books on Easou Reading App Series as of December 31, 2023. As of the same date, as a content distribution platform, we had cumulatively cooperated with over 150 content providers to help them promote their digital literary content using our Easou Recommendation Engine.

As a third-party online literature platform, we do not participate in content creation or production. Therefore, we manage and distribute third-party content based on a principle of objectivity and independence, and recommend literary content to meet the needs of our users. In addition, our Easou Recommendation Engine integrates advanced comprehensive AI algorithms with specific characteristics in reading scenarios to improve the effectiveness of recommendation and meet readers' personal and diversified interests. Our Easou Recommendation Engine helps large-sized content providers attract new readers, and also enables small- to medium-sized content providers to reach to potential user base, which allows us to collaborate with diversified content providers to ensure long-term sustainable business growth. By thoroughly analyzing the characteristics of online literature scenario and the users' behaviors therein, such as users' historical interest, recent hobbies, current real-time preferences and willingness to pay, we are able to satisfy users' preferences and improve the distribution of literary content that is not highly promoted through internet traffic on other platforms. We believe that our aforementioned positioning and technology are able to solve the monetization problem of a large amount of literary content that is not highly promoted through internet traffic on other platforms by matching such content with suitable users.

Our accurate and personalized online reading platform services have improved the reading experience of our users and promoted our Easou Reading App Series to gain more market recognition, which allow us to become one of the mainstream digital copyright aggregation and distribution platforms in China, according to Analysys. In January 2019, Easou Reading App was selected as an "Outstanding Reading Promotion Platform" (優秀閱讀推廣平台) by the 12th Internet Development Congress of the Press and Publishing Industry (第十二屆新聞出版業互聯網發展大會) organized by the Publishers Association of China (中國出版協會) and the Chinese Academy of Press and Publication (中國新聞出版研究院). For further details, please see "– Awards and Recognitions" in this prospectus. Our position as a third-party online literature platform and our continuous investments in the R&D of AI-based recommendation technology will further empower us to provide better online reading platform services to expand our user base and achieve sustainable and healthy growth of our business and results of operations.

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As a third-party platform that connects content providers and users, we have built a platform of mutually beneficial businesses and achieved multi-faceted monetization of our proprietary platform traffic.

Leveraging the core advantages of our Easou Recommendation Engine, we have established business platform connecting participants in the digital content industry to achieve mutually beneficial results. The participants primarily include online literature and online game content providers, online literature and online game users, advertising customers, marketing channels and telecommunications operators.

- *Long-term and stable cooperative relationships with online literature content providers.* In the traditional online literature industry, due to limited internet traffic and homogenization of customer base, content that is not highly promoted through traffic has limited exposure to users and thus needs more diversified distribution channels to achieve monetization. Equipped with the ability to identify users' preferences and provide precise recommendations, our Easou Recommendation Engine helps content providers generate revenue from content that is not highly promoted through internet traffic on other platforms. At the same time, our Easou Recommendation Engine can also help small- and medium-sized online literature content providers with its technical ability and promotion channels to enable them to reach more users. As of December 31, 2023, the subscription to display ratio (訂展比) of online literature that is not highly promoted through internet traffic on other platforms was 10.5%, while such ratio of other online literature content was 11.5%, which demonstrates the commercial value we have created for the content and our ability to empower the content providers. The subscription to display ratio refers to the number of users' subscription of recommended content divided by the number of times such content displayed to users. The higher the value of the ratio means the better the effect of the recommendation. Based on the foregoing, we have established long-term and stable cooperative relationships with digital content providers to obtain comprehensive and high quality digital literary content reserves.
- *Full coverage of marketing channels including proprietary platform traffic and third-party popular marketing channels to offer accurate advertising placement services.* We provide advertising customers with full-process advertising placement services through our proprietary advertisement platform, Win Ads, which optimizes advertisement placement by using its AI recommendation algorithms. We are able to provide suitable marketing services for advertising customers by offering diversified advertising space and resources we integrated from third-party marketing channels. We cumulatively cooperated with over 180 third-party marketing channels directly during the Track Record Period.
- *Abundant network resources in China's online games industry and extensive experience in publishing female-oriented games.* We maintain close contact with certain leading enterprises in this industry, which enables us to obtain first-hand information relating to online game products. Through the successful publishing of our first female-oriented game product, the Bold and the Beauty (愛江山更愛美人), we have accumulated abundant behavior data from our female users. We also assist online game content

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providers that have limited access to publishing channels to reach more suitable users and game content providers with limited operating experience to improve the user experience of their games. As of December 31, 2023, we had cumulatively cooperated with approximately 30 game developers in China.

- *Long-term cooperation with domestic well-known telecommunications operators to realize their development in value-added services.* We maintain long-term cooperative relationships with major telecommunications operators in China by applying our AI-based recommendation technology to recommend their various digital content, to suitable users to achieve value-added development.

Furthermore, we have developed close interactions across different application scenarios to improve the effectiveness of our operations and achieve multi-faceted monetization. For example, different from other advertisement placement service providers, we rely on our proprietary online literature platform to gather real-time feedback on advertisements and timely and efficiently adjust our advertisement placement strategy for the same or similar products and/or services of our advertising customers under our digital marketing services. We also identify users who may be interested in online games among the users of our online reading platform services, and provide them with online game recommendations.

We are capable of continuously leveraging a large amount of user behavior data generated from our increasing user traffic and user base to optimize our Easou Recommendation Engine.

The core of our Easou Recommendation Engine is the underlying AI recommendation algorithms. Developing these algorithms to predict user preferences in an accurate and precise fashion requires continuous efforts and repeated trainings of algorithms, which requires a large amount of data in relation to user behaviors in specific application scenarios.

We accumulate a large user base and increasing user traffic in our daily operation. The cumulative registered users of our Easou Reading App Series reached 44.7 million as of December 31, 2023. The average MAU on our Easou Reading App Series exceeded approximately 26.0 million in 2023. We collected an aggregate of approximately 1.1 billion click feedbacks from our digital marketing services during the Track Record Period.

After 19 years of user traffic accumulation and various rounds of model training, we possess the capability of rapid data processing and conduct an in-depth exploration and mining of such data. Our recommendation algorithms are able to grasp the relationship between data and users. This enables our Easou Recommendation Engine to continue to improve user experience and enhance user stickiness to our products and platform, and thereby growing our user base and increasing user engagement, which we believe will further strengthen our competitive advantage in the training and improvement of our Easou Recommendation Engine.

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Our dedicated and experienced management team possesses the execution capability and deep understanding and insights into technology development and evolving industry trends.

Our founding and senior management team has an average of over 15 years of industry experience, who have joined from leading technology, internet, financial and accounting enterprises in China. Particularly, our founder, chairman and chief executive officer, Mr. Wang, is a seasoned serial entrepreneur with a successful business track record of over 23 years in digital and internet industry. Mr. Wang started his entrepreneurial career with a digital content company which engaged in value-added telecommunications business and then started the exploration in applying search technology to webpage and websites. Through in-depth industry practice, Mr. Wang expanded his businesses to application-centered intelligent recommendation area. Mr. Wang was named as a national high-tech enterprise talent awarded by Shenzhen Futian Government in 2019 and a deputy of the Fifth National People's Congress of Shenzhen in 2010.

Mr. Zhang Shixia, our senior technical director, has approximately 20 years of experience in technology R&D. He has been serving our Company for over ten years and is one of the key sponsors and the founder of technical architecture of our Easou Recommendation Engine. Mr. Zhang leads our R&D team to continuously optimizing and improving the overall structure of our Easou Recommendation Engine, and deploying such engine to various application scenarios.

Our core management team has accumulated in-depth understanding and thoughtful insight into the technological development, industry trends and our operations. We believe that our management team's experiences in and passion about the intelligent content recommendation industry, as well as their strong execution capability and leadership will continue to guide us in connection with the implementation of our strategies, enhancing our competitive strengths, seizing business opportunities and leading our Group to achieve sustainable growth.

OUR BUSINESS STRATEGIES

We intend to pursue the following strategies to facilitate our future development:

Continue to invest in R&D to maintain long-term technological advantage

We believe that R&D is a critical part of our core competencies and we are committed to continuous investments in R&D. The purpose of our R&D investment is mainly to improve our Easou Recommendation Engine structure and explore the R&D and application of advanced technologies that are available in the industry, which can further enhance the recommendation service capability of our Easou Recommendation Engine. We expect that the ratio of R&D expenses to revenue will remain at approximately 7.0% to 10.0% in the next three years. We plan to utilize our R&D investment in the following aspects:

- focus on a series of key R&D projects, including a project of integrated intelligent recommendation engine system, a project of high-concurrent performance tuning based on graphics processing unit and a project of algorithms related to deep interest network, with the goal to continuously improve the overall performance of Easou Recommendation Engine, enhance the effectiveness of our recommendations and introduce new technologies to maintain and improve our competitiveness;

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- enhance the versatility of our technology in Easou Recommendation Engine to facilitate the application of our technology to new digital content scenarios, such as short videos based on new technical architecture;
- increase our investments in equipment to improve our hardware support capabilities, such as the hardware for distributed data storage, and data processing and analysis, to enhance our computing capabilities; and
- expand our R&D staff from 64 as of December 31, 2023 to over 70 as of December 31, 2024 to keep up with the technological advances.

We plan to invest HK\$25.2 million, or 45.0% of the net proceeds of the Global Offering, to enhance our R&D capabilities in order to maintain our long-term technological advantage. For further details, please see “Future Plans and Use of Proceeds” in this prospectus.

Further tap the potential of online literature industry to increase our market share and improve our operating metrics

We expect that our online reading platform services will remain as an important business line in the next three years. Historically, our online reading platform services accounted for a significant portion of our revenue during the Track Record Period. To further tap the potential of online literature industry, attract more users and increase our market share, improve the users’ engagement and retention, we plan to take the following measures:

- *Enhance the richness of literary content.* We plan to continue to procure the copyright of literary works through entering into agreements with publishers and literature websites. We also plan to increase the number of e-books on our platform to over 300,000 in the next three years and expand our foreign language e-books, such as those in English. In addition, we intend to introduce new display forms of literary content based on the adaptation of online literature works, such as short videos and mini drama in the future.
- *Optimize advertisement display in online reading scenario.* We plan to improve the content and diversity of advertisement. We intend to expand cooperation with advertising customers in various industries and businesses to offer diversified advertisement content. We also plan to develop more user-friendly user interfaces.
- *Expand the traffic channels.* We expect that online channels are and will remain our main venue to attract new users, and promoting our products and services through the traffic purchased from media or other third-party platforms will contribute a significant portion of the growth of our user base. Our future traffic procurement channels will primarily include traditional App stores and major and medium-sized online media, among others. Our user growth strategy is based on the evaluation of our potential profitability, which refers to the difference between the cost we incurred to procure user traffic and the revenue generated from these users.

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- *Expand the user base in low-tier regions.* According to Analysys, in 2023, the proportion of online literature users in low-tier cities (including third-tier and below cities) was 54.6%, which was higher than the proportion of online literature users in high-tier cities (including first-tier, new first-tier and second-tier cities). In 2023, there were approximately 163 million more average MAU in low-tier regions than first- and second-tier cities in China. In addition, since 2010, the per capita disposable income and the per capita consumption expenditure of rural residents in China has generally grown at a faster rate than that of urban residents, which in turn further increased the consumption potential of residents in the low-tier regions. In light of the substantial market potential in low-tier regions, we plan to adopt a more proactive marketing strategy for the expansion in the user base in such regions by leveraging our AI-based recommendation technology and collaborating with active media.
- *Track the development of and opportunities in China's overseas online literature market.* China's overseas online literature industry is in the preliminary stage of development and has great growth potential. According to Analysys, the market size of China's overseas online literature market increased from RMB0.3 billion to RMB6.1 billion from 2018 to 2023 in terms of revenue, representing a CAGR of 85.2%. Driven by factors that include the launch of a series of favorable government policies and the rising demand in the overseas markets, the market size of China's overseas online literature industry is expected to continue to grow from RMB8.7 billion in 2024 to RMB14.8 billion in 2027, representing a CAGR of 19.6%. We will continue to monitor the development of China's overseas online literature industry and may enter into such market as a third-party platform connecting the content providers and users overseas when appropriate opportunities arise.

In order to further enhance our users' loyalty to our online reading platform services, we intend to (i) increase our marketing efforts to promote our Easou Reading App Series to attract new users; (ii) continuously improve the effectiveness and efficiency of our recommendation engine, recommend suitable advertisements based on our users' appetite and monitor their feedbacks on advertisements to ensure a satisfying user experience; (iii) introduce more literature content with various genres and improve the accuracy of recommendation to enhance user reading experience; and (iv) conduct more promotional activities, such as reading assignments, to encourage users to extend their online reading time. We believe these activities can enhance user engagement and thereby, foster their loyalty and stickiness.

We plan to invest HK\$14.2 million, or 25.0% of the net proceeds of the Global Offering, to the expansion of our online reading platform services. For further details, please see "Future Plans and Use of Proceeds" in this prospectus.

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Continue to leverage the capability of our Easou Recommendation Engine to increase the business scale of our digital marketing services

Relying on the capability of our Easou Recommendation Engine, we plan to continue to expand our digital marketing services through our proprietary advertising platform, Win Ads. Our digital marketing services are and will continue to serve as an important complement to our reading with advertising under our online reading platform services, in which we generate advertising income. We will expand our digital marketing services in the following aspects:

- *Continue to optimize the depth of applications of our Easou Recommendation Engine in digital advertising.* We intend to further improve the intelligence level of the three modules of a DSP, an SSP and an algorithm strategy system, in order to achieve more accurate multi-matching between our advertising customers and media, and to enhance the core competitiveness of our platform;
- *Enhance the scope of cooperation with advertising customers and expand digital marketing team.* We intend to deepen cooperation with advertising customers in various industries and businesses and expand our digital marketing team. As of December 31, 2023, our digital marketing services team consisted of ten personnel. We plan to expand the team to 30 personnel in the next three years; and
- *Further strengthen the depth of cooperation with media resources and attract more traffic.* We will continue to maintain stable cooperation with media resources and strive to deepen the level of cooperation and actively attract more traffic to support the expansion of our business scope with our advertising customers.

We plan to invest HK\$8.4 million, or 15.0% of the net proceeds of the Global Offering, to develop our digital marketing service. For further details, please see “Future Plans and Use of Proceeds” in this prospectus.

Expand our online games publishing services, primarily in overseas markets

Although we strategically suspended our online games publishing services on a temporary basis in June 2020, we still retained our core business team and continued to monitor the development of the online games industry. In December 2021, we resumed our online games publishing services and applied the analytics models to the development stage of online games, which allowed us to use big data and AI-based recommendation technology to test various online games at the initial testing phase during a game’s development process and to select online games with high commercialization value. Therefore, we were able to promptly participate in the publishing of an online game at the prime time of its life cycle. We plan to continue to publish online games in foreign markets.

Due to gradually strengthened competitiveness of online games in China, Chinese online game companies started to seek opportunities in overseas markets in recent years. According to Analysys, the overseas market size of China’s self-developed online games increased from US\$9.6 billion in 2018 to US\$16.4 billion in 2023 in terms of revenue, representing a CAGR of 11.3%. It

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is expected to grow from US\$17.5 billion in 2024 to US\$20.9 billion in 2027, representing a CAGR of 6.2%. We will expand our online games publishing businesses in overseas markets through the following measures:

- *Continue to optimize the application of our Easou Recommendation Engine in online gaming scenarios.* With the continuous optimization of our AI-based recommendation technology, we will continuously improve our ability to predict online games with outstanding market performance, thereby strengthen the core competitiveness of our online games publishing services;
- *Further collaborate with game content providers to explore the potential of the overseas market and expand our overseas games business team.* We aim to deepen collaboration with game content providers to expand our online games portfolio that we believe is suitable for overseas publishing. Meanwhile, we plan to establish a specialized team of professionals focusing on overseas markets; and
- *Expand publishing channels of our overseas games.* Through our overseas channel partners, we plan to promote our online game products on mainstream overseas marketing platforms to attract more users to download and install the online games we publish.

We plan to invest HK\$8.4 million, or 15.0% of the net proceeds of the Global Offering, to expand our online games publishing services in overseas markets. For further details, please see “Future Plans and Use of Proceeds” in this prospectus.

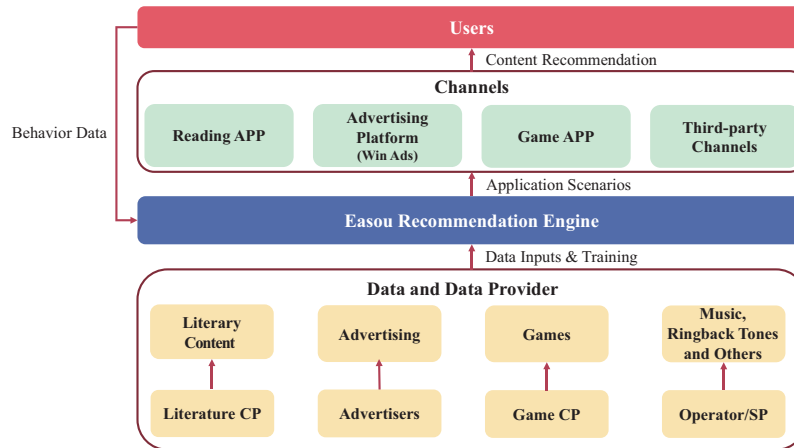
OUR BUSINESS MODEL

We provide online reading platform services, digital marketing services, online games publishing services and other digital content services. In each year of the Track Record Period, revenue generated from our advertising services under online reading platform services and digital marketing services constituted over 90.0% of our total revenue. We primarily leverage our Easou Recommendation Engine to collect, analyze, match and predict the demand and/or preferences of our users and customers to serve their various needs under our four business lines.

We are dedicated to the application of Easou Recommendation Engine to a wide range of application scenarios. Specifically, data can refer to any digital data found in the form of audio, video, picture, arithmetic formula or any other form that conveys the essence, substance, meaning or purpose of a stored or transmitted computer data or computer communication. We provide various types of third-party content data on our platform, including online literature, advertisements, online games and other digital content such as music and ringback tones, to our users and customers. When users use or consume this content data, their user behavior data is generated. Our Easou Recommendation Engine collects and analyzes such user behavior data to recommend more relevant content data, including literary resources and advertising content, to our users and to continuously train the algorithms to improve the recommendation efficiency and effectiveness. Our Easou Recommendation Engine serves as the core technology driver for us to conduct the relevant businesses.

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The following diagram sets forth an illustration of our business model:



With respect to our online reading platform services, we use our Easou Recommendation Engine to analyze user behaviors and their willingness to pay for online literature. Specifically, we mainly capture users' willingness to pay by using our intelligent recommendation engine to analyze their content preferences and determine whether a user has the potential to pay by looking at the payment status and consumption patterns of the groups of users with the similar preferences. We recommend suitable online literary content to users through two types of services, namely, reading with advertising and reading with paid services. We operate our Easou Reading App, which was the largest third-party online literature platform in China in terms of revenue and average MAU, according to Analysys. In China's online literature market, our Easou Reading App ranked fifth in terms of average MAU in 2023. Among the top 10 Apps in terms of average MAU in China's online literature market in 2023, our Easou Reading App ranked fourth in terms of per capita daily usage time. With respect to our digital marketing services, leveraging our Easou Recommendation Engine, we provide customized marketing services through external online channels based on our analysis of the needs of our advertising customers and automatically match their needs with users' appetite for advertising contents on our own and third-party advertising channels. With respect to our online games publishing services, we cooperate with game content providers and recommend game content to users based on our analysis of user behaviors and their game category or content preferences. Regarding our other digital content services, we primarily cooperate with telecommunications operators and recommend value-added digital content, such as ringback tones and music, to users based on our analysis of user behaviors and their content preferences and willingness to pay.

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The following table sets forth a breakdown of our revenue by business line for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
Online reading platform services	218,132	50.4	244,710	53.6	248,929	44.5
Digital marketing services	201,607	46.5	200,721	44.0	288,836	51.7
Online games publishing services	4,330	1.0	4,944	1.1	10,553	1.9
Other digital content services	9,039	2.1	6,036	1.3	10,727	1.9
Total	433,108	100.0	456,411	100.0	559,045	100.0

Online Reading Platform Services

According to Analysys, we operate the largest third-party online literature platform in China in terms of revenue and average MAU in 2023 and the fifth largest online literature APP in China in terms of the average MAU in 2023. As a third-party online literature platform, we provide users with fair, accurate and personalized online reading platform services and offer integrated reading resources from third-party content providers. We utilize Easou Recommendation Engine for deep mining of literary resources, and studying users' behaviors to analyze and predict their reading preferences so that we can precisely and accurately recommend literary content.

We offer diversified reading products to satisfy users' needs in different reading scenarios and expand our user base. We have successfully developed a series of mobile application products, which primarily include Easou Reading App and Easou Reading App Light Version and Easou H5 Pages to cover various usage scenarios, such as mobile devices and webpage browsing, and cater to user preferences in various reading devices. Among these proprietary products, Easou Reading App is our flagship product. According to Analysys, Easou Reading App had an average MAU of approximately 20.0 million in 2023, which ranked fifth among all online literature Apps in China's online literature industry. Among the top 10 Apps in terms of average MAU in China's online literature industry in 2023, Easou Reading App had an average usage time of 112.7 minutes in 2023, which ranked fourth in terms of per capita daily usage time.

Our Easou Reading App Series access the literary resources of major original content providers through APIs and continuously optimize and enrich the digital literary content on our platform. We obtain literary resources from original content providers according to users preferences and adjust the literary content library based on their continuous feedback. In addition to the literary content that is hot and trending, we also obtain literary content that is not highly promoted through internet traffic on other platforms. As of December 31, 2023, our Easou Reading App Series had an expansive and diverse literary content library containing approximately 190,000 titles of e-books, covering a broad range of approximately 80 genres, including, among others, modern literature, modern metropolitan, science fiction, romance, fantasy, martial arts and literary and historical biographies.

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We have reached a large base of users through our products, and such substantial readership provides a strong impetus for our growth. We are dedicated to providing a wide variety of literary content to acquire new users, which enables us to continuously expand our user base. We had cumulatively 44.7 million registered users on our Easou Reading App Series as of December 31, 2023. We do not normally request our users to complete the registration procedure on our platform, so our users may start their reading experience on our platform easily and conveniently. Our user base also has highly engagement. In 2023, our average MAU further increased to 26.0 million on our Easou Reading App Series, compared to that of 2022. We have a culturally aspirational user base who are willing to pay for and spend time reading literary content.

The following table sets forth certain of our key operating metrics based on our Easou Reading App Series under the online reading platform services for the periods indicated. All metrics are prepared based on the records of our internal business system:

	For the year ended December 31,		
	2021	2022	2023
MAU (<i>million</i>)	23.9	25.6	26.0

As of December 31, 2023, we cumulatively collaborated with over 150 content providers, to enhance our digital literary content offerings. In order to ensure a sufficient and stable supply of literary content, we closely monitor the user acceptance to literary resources provided by content providers on our platform and enter into strategic partnership relationship with these content providers whose literary resources are popular on our platform.

The following table sets forth the changes in the number of third-party content providers we collaborated with for the periods indicated:

	For the year ended December 31,		
	2021	2022	2023
Number at the beginning of the period:	116	95	88
Increase ⁽¹⁾	8	5	18
Decrease ⁽²⁾	29	12	17
Number at the end of the period ⁽³⁾ :	95	88	89

Notes:

* For the purpose of calculation, only the third-party content providers with whom we entered into valid cooperation agreements were included for the periods indicated.

(1) The increase of the third-party content providers represented the number of third-party content providers with whom we newly entered into cooperation agreements.

(2) The decrease of the third-party content providers represented the number of existing third-party content providers with whom we did not renew cooperation agreements as they expired or discontinued the cooperation agreements as of the end of the period.

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- (3) The decrease in the number of third-party content providers during the Track Record Period was primarily because we discontinued the cooperation with certain third-party content providers partners with high homogenization of content and/or less suitable content. We usually adjust our cooperation relationship with third-party content providers based on the changes in our user preferences and continuously introduce new third-party content providers to meet diversified reading demand of our users.

Our cooperation with the content providers mainly consists of the buy-out model (買斷模式) and the pro-rata sharing model (分成模式). The buy-out model involves purchasing content rights from content providers in a lump sum, after which we are responsible for all profits generated and losses incurred from such content during the designated periods. The pro-rata sharing model involves charging users directly for their access to the online literature and share a portion of the income with the content providers. When choosing which cooperation model to pursue with content providers, we consider a number of factors, including, but not limited to, (i) the cost to buy out the content; (ii) the licensing term of such content; (iii) the anticipated popularity and profitability of the content; and (iv) the preference of content providers in the two cooperation models. In addition, we implement prudent content review of the online literature provided by content providers to ensure all of the content displayed on our platform are in compliance with the relevant laws and regulations in China. For details, please refer to the paragraph headed “Content Monitoring” in this section.

Leveraging our expansive literary resources, we generate revenue for online reading platform services primarily through (i) advertisements displayed in the literary resources from our advertising customers in connection with reading with advertising; and (ii) paid readership, including the purchase of our paid reading resources and the subscription of our premium membership, from our users under reading with paid services. We generally use our Easou Recommendation Engine to identify users’ reading interests and predict their willingness to read or pay for online literature, which allows us to recommend suitable reading services to cater to their interests.

The following table sets forth a breakdown of our revenue by reading model under our online reading platform services and the corresponding percentage of our total revenue for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Reading with advertising	185,959	42.9	220,007	48.2	229,416	41.0
Reading with paid services	32,173	7.4	24,703	5.4	19,513	3.5
Total	218,132	50.4	244,710	53.6	248,929	44.5

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The continuing increase in absolute amount and revenue contribution from reading with advertising primarily reflected the trend that such model is currently more popular in the market, where industry players focus on attracting more users and expanding user base, thereby leveraging user traffic to realize monetization by generating advertisement revenue from advertising customers. In order to adapt to the industry trends and remain competitive, we are dedicated to optimizing our AI-based recommendation technology, launching new online literary content, enhancing the quality of literary content offered and improving the efficiency of our advertising services, as well as meeting our users' diversified needs in online literature.

Reading with Advertising

With respect to reading with advertising, users are not required to pay for their use of our free reading resources. For users who access our free reading resources, we generally display advertisements in those resources to the users who do not subscribe to our premium membership. We display advertisements to users during the course of their reading in multiple formats, such as banner advertisements on top of literary resources. We obtain advertising revenue from advertising customers when users browse or click on such advertisements on our Easou Reading App Series and Easou H5 Pages and charge them on CPC basis and CPM basis. Our advertising customers under reading with advertising during the Track Record Period primarily included those from entertainment, internet and e-commerce industries.

We primarily use our proprietary advertisement platform, Win Ads, to provide data support, assist us to generate placement strategies and display suitable advertisements to users on our proprietary platform who use our free reading resources, during which we utilize our proprietary platform traffic of Easou Reading App, Easou Reading App Light Version and Easou H5 Pages to meet the demand of our advertising customers. We use Easou Recommendation Engine to improve the efficiency and effectiveness of advertising. Specifically, we primarily utilize the collaborative filtering recommendation algorithm to improve the effect of advertisement display, which enables us to recommend advertisements to users who click on certain types of advertising content or based on our analysis of user profiles.

The following table sets forth certain of our key operating metrics of reading with advertising for the periods indicated. All metrics are prepared based on the records of our internal business system:

	For the year ended December 31,		
	2021	2022	2023
Number of clicks per year (<i>million</i>)	329.3	349.7	393.1
Number of displays per year (<i>million</i>).	53,676.6	57,928.2	62,879.0
Click-through rate ⁽¹⁾ (%).	0.6	0.6	0.6

Note:

(1) Click-through rate equals the number of clicks per year divided by the number of displays per year.

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Reading with Paid Services

With respect to our reading with paid services, we use Easou Recommendation Engine to analyze users' behaviors, predict their reading preferences and recommend premium online literary content that the users may be interested in. Our reading with paid services includes the purchase of our paid reading resources and the subscription of our premium membership. Users pay for reading resources normally through "pay-per-chapter". We also provide premium membership service to our users and charge them by their subscription of our "monthly/quarterly/yearly membership package" and offer membership benefits, such as purchase discounts, advertisement-free service, and enhanced book storage capacity. We provide discount to our premium members when they purchase the paid literary content by "pay-per-chapter" and we do not provide such discount to our non-membership users. In addition, we do not offer exclusive literary resources only to our members and the literary content that is available to them can be purchased by our non-membership users through "pay-per-chapter". We also offer promotions such as points redemption and new customer top-up discounts to increase users' willingness to pay. Pricing for digital literary content is primarily determined in accordance with our content cooperation agreements with the content providers. We generally do not display advertisements to users when they use our paid services. Accordingly, we do not generate any advertising service income from this type of services. Our users who purchase our reading with paid services are also able to access our free reading resources, for which we do not display advertisements to those who subscribe to our premium membership, as they can enjoy advertisement-free services under our premium membership service.

The following table sets forth certain of our key operating metrics of reading with paid services based on our Easou Reading App Series for the periods indicated. All metrics are prepared based on the records of our internal business system:

	For the year ended December 31,		
	2021	2022	2023
MPU ⁽¹⁾ (thousand)	68.4	42.2	21.5
MPU/MAU ⁽²⁾ (%)	0.3	0.2	0.1
ARPPU ⁽³⁾ (RMB)	45.2	54.8	42.1 ⁽³⁾

Notes:

- (1) The decrease of MPU under our online reading platform services during the Track Record Period was primarily due to our exposure to the ongoing free-to-read industry trend. According to Analysys, in addition to the paid readership, our industry peers in China's online literature market sought to realize multi-faceted monetization by generating advertising income through expending the offerings of free reading resources. The availability of reading with advertising services led to an industry-wide decrease in users' willingness to pay for literature content, and a more rapid growth of user base compared to reading with paid services, as well as broader acceptance of reading with advertising by users. In order to respond to the such prevailing industry trend, we increased the promotion of free reading products and related resources (e.g., Easou Reading App Light Version) to (i) attract, new users to use our reading with advertising services; and (ii) offer our users with expanding free reading resources. For details, please refer to the "Industry Overview" section in this prospectus.
- (2) The decrease of MPU/MAU was mainly due to the combined effect of the decreasing MPU and increasing MAU, which was line with the business expansion of our online reading platform services.
- (3) The ARPPU decreased in the 2023 compared to that of 2022 primarily because we provided discount to the users who purchased our membership service at the beginning of 2023 and provided discounts for our users' subscription.

Digital Marketing Services

Leveraging our Easou Recommendation Engine, we developed our digital marketing services through our proprietary advertisement platform, Win Ads. It enables our advertising customers to achieve optimal advertising results within their budget. Our digital marketing services primarily include news feed advertising, open screen advertising and search promotion services in the mobile application stores. We mainly focus on satisfying the needs of our advertising customers by matching their advertisements to suitable third-party advertising channels, such as Wanjie Smart Marketing Platform (萬界智慧營銷平台), App stores operated by world-leading providers of information and communication technology infrastructure and smart devices, aggregated online advertising platforms of Chinese multinational internet and technology companies, and Chinese online video platforms, among others. We did not produce any advertising content for our advertising customers and we did not participate in or charge any fees for the creation of advertising content for our advertising customers during the Track Record Period.

Win Ads integrates the demands of advertising customers, media resources and our algorithm strategies. We collect the requests from advertising customers, manage our media resources and available external internet traffic therein, analyze the advertising effect on the market and match the needs of advertising customers to suitable advertising channels, which significantly improves the efficiency of our digital marketing services. We utilize external internet traffic in third-party media platforms to meet the demand of advertisement placements of our advertising customers in our digital marketing services business, which differ from the utilization of our proprietary platform traffic under reading with advertising in our online reading platform services business. Please refer to the paragraph “– Technology – Application to Our Different Business Scenarios – Digital Marketing Services” in this section for more details.

In particular, we first manually confirm with our advertising customers regarding their specific needs, such as the target user base, advertising budget and expected click-through rate. We then input these needs to Win Ads and start small-scale testing to place the advertisements of our advertising customers on our proprietary platform. Win Ads subsequently provides data support for our marketing specialists to analyze the testing results, including the number of displays and the number of clicks. Based on the testing results collected, our marketing specialists establish suitable advertisement model from multiple dimensions, such as placement platform, user base, geographic location, and time and duration of placement. According to the proposed advertisement model, our marketing specialists match and distribute the advertisements provided by our customers to appropriate third-party media platforms, which normally have a variety of placement choices. We can specify our preferred user attribute categories and duration of placement and then instruct such media platforms primarily through third-party media agents to place these advertisements based on our selections. We generally enter into cooperation agreements with third-party media agents who collaborate with various third-party media platforms to procure the advertising space on these third-party media platforms based on the needs of our customers. Our advertising customers may specify their preferred third-party media platforms. We can also provide suggestions for our advertising customers regarding the suitability of their designated media platforms if they had indicated their preference for a particular platform. If our advertising customers are not satisfied with our recommended placement platforms, we could coordinate with them to change platforms or decide whether to continue to place their advertisements in such platforms. During the placement, these third-party media platforms generally share the placement effect with us, such as the number

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of display, click and the conversion rate. Win Ads collects the placement effect data provided by these platforms and combines such data with our existing user behavior data in our system, as well as the preferences of our advertising customers to provide data support for our marketing specialists to generate continuously improving placement recommendations to be used for subsequent placements.

To monitor and identify true clicks from the placement effect provided by third-party media platforms, we have established a callback system through the collaboration with some of our third-party media platforms. These platforms normally provide the callback function for us to share click records and advertisement identifiers from their platforms. When we use the callback function provided by the third-party media platforms, these click records and advertisement identifiers are generally called back to our interfaces. We record data within the normal click threshold (i.e., three clicks on the same advertisement per day per user) through such callback system. When necessary, we can check the data with advertising customers and third-party media platforms using the data of such callback system as a reference. If the data show any abnormal performance, we will timely adjust the placement platforms and strategies. According to the PRC Personal Information Protection Law, the aforementioned click records and advertisement identifiers are personal information. Third-party media platforms generally obtain users' consent to process personal information and share the personal information with us in order to assist us to evaluate the placement effect. We only use such personal information to improve subsequent placement recommendations and prevent fraud clicks. Other than the personal information in our callback system, we do not collect any other personal information from third-party media platforms.

We serve a variety of advertising customers for their personalized advertising needs and provide diversified advertising display formats, such as banners, interstitials and native advertising. We generally cooperate with advertising customers based on the relevant framework agreements we entered into with them and charge them primarily on CPC basis, CPM basis and CPA basis. Our advertising customers under the digital marketing services business during the Track Record Period primarily included those from entertainment, e-commerce and internet industries. We normally conduct a preliminary know-your-customer procedure regarding the operation status and the compliance of advertising content of the advertising customers before we enter into service agreements with them. We closely monitor the effect of advertisements, share the performance with our customers and improve our advertising services.

To meet the advertising needs and stay on the budgets of our customers, we provide online marketing solutions and implement through suitable advertising channels, including internet media and online content display platforms. During the Track Record Period, we cumulatively cooperated with over 180 third-party marketing channels directly and established close relationship with a number of leading advertising channels. The coverage and diversity of our advertising channels enable us to offer precise and cost-efficient marketing services to advertising customers with the help of Win Ads.

According to Analysys, digital marketing service providers, such as advertising agents, are an indispensable part of the value chain of the advertising industry, primarily because (i) digital marketing service providers have strong service ability in the provision of one-stop service. They have accumulated abundant professional know-how and experience in the digital marketing

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industry, including market analysis, advertising planning, procurement of media channels and project execution, among others, which enable them to provide comprehensive services for advertising customers, while some advertising customers do not possess such comprehensive advertising ability; (ii) digital marketing service providers have a broad network of media resources. Diversified media types lead to scattered media resources, which make it difficult for different media platforms to communicate with each other and require advertising customers to rely on digital marketing service providers to integrate resources and deliver advertisements to different media platforms directly or through third-party media agents. Digital marketing service providers generally have rich resources and diverse media and industry network, which enable them to provide advertising customers with more exposure and efficient and diverse advertising services; and (iii) digital marketing service providers deliver precise and accurate advertising service. In practice, although advertising customers are able to purchase advertising spaces directly from third-party media platforms, it is difficult for such advertising customers to achieve ideal placement effect without the participation of digital marketing service providers. Advertising customers actively pursue positive advertising effect, which require media platforms to conduct refined operation. However, most third-party media platforms do not have the ability to directly serve all advertising customers and it is difficult for them to provide high-quality advertising services to all advertising customers. Therefore, advertising platforms need to rely on digital service providers to provide refined services, such as managing advertisement placement and monitoring placement effect. Digital marketing service providers have broad user data and strong analytical ability, and have the ability to provide accurate, precise and customized services. In terms of the digital marketing services we provide to our advertising customers, due to our technical strength in providing precise advertisement placement services, advertising customers engage us to achieve more positive placement performance of their advertisements, which we believe could be more efficient than the direct placement of their advertisements with third-party media platforms. In addition, we possess rich resources of third-party media platforms to supply suitable internet traffic for our advertising customers. In light of the foregoing, we believe the risks relating to dis-intermediation of our advertising services is relatively remote.

Our revenue from digital marketing services remained relatively stable at RMB201.6 million in 2021 RMB200.7 million in 2022. It increased from RMB200.7 million in 2022 to RMB288.8 million in 2023. The following table sets forth certain operating data of the digital marketing services for the periods presented. All metrics are prepared based on the records of our internal business system:

	For the year ended December 31,		
	2021	2022	2023
Number of clicks per year (<i>million</i>)	331.5	327.9	415.8
Number of displays per year (<i>million</i>).	38,239.4	38,927.8	44,524.5
Click-through rate ⁽¹⁾ (%).	0.9	0.8	0.9

Note:

(1) Click-through rate equals the number of clicks per year divided by the number of displays per year.

Online Games Publishing Services

We recommend users online games from third-party game content providers by using our Easou Recommendation Engine, which enables us to analyze the users' behavior and predict their gaming preferences in order to precisely and accurately recommend suitable games. Under our cooperation with third-party game content providers, they are mainly responsible for providing online games contents, while we are primarily responsible for recommending them to users on our proprietary platform and external channels by attracting the users to download and install the games Apps on their mobile devices. We primarily charge game users for their in-game purchases and share the income from users with third-party channels. As a games publisher, in general, we are obligated to comply with the regulations in respect of minor protection and anti-addiction, data security and personal information protection. Any failure to comply with such regulations may subject us to legal obligations, such as order to rectify, warning and penalty.

We have a series of operational procedures in place for online games publishing services that cover the introduction, evaluation, launch and management of the games. With a focus on game genres that include SLGs and female-oriented games, we closely follow the development of the gaming industry in order to identify potential games and determine whether they can be introduced for full evaluation. We preliminarily screen the games with their expected number of users and life cycle, and generally conduct a comprehensive evaluation of such game, which mainly covers various metrics, including game design, game-user interaction and user payment rate, among others, before we decide to officially publish it. We employ a team of game specialists to review the overall structure and playability of each game and provide thorough review on each game we plan to publish. We normally start the game test leveraging the user traffic on our platform. Then, we liaise with one or two publishing channels to randomly engage a small number of game users for beta testing. We collect feedback from game users and work with game content providers to further improve the game. The improved version will subsequently be put into small-scale beta testing. We also observe and analyze game users' in-game behavior during testing to predict the popularity of the game. We subsequently publish the new games that have passed our evaluation to the market, and continuously collect and analyze the user behavior data. For certain games we publish, we share the income from game users' in-game purchases with third-party game content providers based on agreed-upon proportion.

We provide online games publishing services primarily through a joint operation model (聯運模式). Under this model, third-party game content providers generally offer game clients, game update packages, customer service systems and other necessary resources, while we primarily recommend online games to suitable users by providing our platform use rights, advertising space, payment systems and other platform services. We primarily rely on the joint operation model to operate our online games publishing services to reduce any risk of failure to develop an online game, which may incur substantial game development costs. This model allows us to focus on the selection of suitable games and the recommendation of such games to suitable users by leveraging our existing technology and traffic advantages. In some cases, we also cooperate with third-party game content providers through an exclusive agency model (獨代模式), under which we have the exclusive right to conduct all of the marketing and promotion activities for the game. Under this model, we are also responsible for operation and server maintenance of online games, in addition to recommending online games to suitable users. For online games published under the joint operation model and exclusive agency model in China's domestic market during the Track Record

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Period, game content providers were responsible for applying for ISBN review. During the Track Record Period, we applied for ISBN review for two games which we tested but decided not to officially publish in China's domestic market. We successfully received the approvals for these applications and did not receive any rejection to our applications for ISBN review during the same period. In the future, we do not plan to apply for ISBN review for any new games to be published by us. Accordingly, we have voluntarily deregistered the relevant license for applying for new ISBN review since the game content providers we collaborate with will be responsible for applying for ISBN review and such license is not necessary for us to conduct online games publishing services. We generally determine whether to use the exclusive agency model or the joint operation model according to the specific characteristics of the games we publish, such as the genres of the games, the intended target user group and publishing channels.

We have built close relationships with third-party game content providers and have an in-depth understanding of the gaming industry with a team of qualified professionals in our game publishing business. As of December 31, 2023, we had accumulatively cooperated with approximately 30 online game developers since our commencement of online games publishing services in 2013. In practice, online game content providers are required to provide warrants on the ownership of the underlying intellectual property rights of their online games when we establish cooperation relationship with them. They authorize us to publish their games on agreed online channels, such as third-party advertising channels, mobile game platforms and App stores.

For game distribution and promotion, we leverage the user traffic not only on our platform, such as Easou Reading App Series, but also through cooperation with external channels, such as Douyin (抖音). We generally start the promotion of these games through our proprietary platform on a trial basis before expanding it to suitable external channels. We are normally permitted by third-party game content providers to officially launch a new online game on multiple channels, including our proprietary platform and external media channels. We cooperate with external media channels under two arrangements, namely, advertising traffic arrangement or channel operation arrangement. Under the advertising traffic arrangement, we purchase placement space to place our game advertisements on such channels and they charge us fees for advertising service. Under the channel operation arrangement, we collaborate with major App stores or online game companies to jointly promote and distribute the online games on their channels. Game users make top-up payments on these channels, and these channels then withhold a portion of the top-up amount based on a predetermined proportion and transfer the remaining balance to us. During the Track Record Period, we used the advertising traffic arrangement with external media channels to publish the online games that we collaborated with game content providers through a joint operation model. Under the channel operation arrangement with external media channels, we only published the Age of Empire, which was an online game that we collaborated with the game content provider through an exclusive agency model.

With respect to our online games publishing services, we primarily focus on SLGs and female-oriented games and accumulated a wealth of experience in publishing these online games. In terms of SLGs, according to Analysys, core user loyalty is relatively high and these games tend to have longer life cycle, which is conducive to prolonging user loyalty. Moreover, while the initial customer acquisition cost for SLG is generally higher than other types of online games, once a core user group is established, SLGs tend to have stronger financial performance. Considering these advantages, we began to publish this game genre in 2016. Not only did we

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accumulate abundant operational know-how, but we also recorded stable revenue from this game genre before we temporarily suspended our online games publishing services in 2020. In addition, we focus on publishing female-oriented games primarily because, according to Analysys, (i) the costs of female-oriented game products tend to be lower than male-oriented game products; (ii) the number of female online game users has been increasing in recent years; and (iii) the capability of female users to pay for online games has been stronger than anticipated. Female-oriented games became popular in 2018 and has been a new industry hotspot, according to Analysys. In order to adapt to the changing market dynamics, we launched our first female-oriented game, the Bold and the Beauty, in 2019, and accumulated large amount of female user behavior data, which enabled us to analyze, study and accurately predict their preferences. Leveraging our sophisticated experience in publishing female-oriented games and SLGs and our evolving technical capability, we will continue to explore the potential of female-oriented games and SLGs, and expand our online games genres to RPG, MMO and cards.

In order to ensure a healthy environment for our game users, we have designed and implemented procedures to limit the playing time of our game users who are minors, and we continuously to closely monitor the latest regulatory changes. According to the Notice on Preventing Minors from Indulging in Online Games (《防止未成年人沉迷網絡遊戲的通知》) issued in 2019, we discouraged our game users who are minors from playing more than three hours per day during statutory holidays and from more than 1.5 hours per day at other times before September 1, 2021. To comply with the Notice of Further Imposing Strict Administrative Measures on Preventing Minors from Indulging in Online Games (《關於進一步嚴格管理切實防止未成年人沉迷網絡遊戲的通知》), since September 1, 2021, our game users who are minors are only allowed to play our games from 20:00 to 21:00 on Friday, Saturday, Sunday and during statutory holidays. Our games users are required to complete real-name authentication before accessing our games as required by relevant regulations. We have implemented program restrictions by preventing verified minors from logging in their accounts to play our games in the period not allowed for minors. See “Regulatory Overview – Regulations Relating to Online Games – Anti-addiction System and Minor Protection” in this prospectus.

We temporarily suspended our online games publishing services in June 2020 to further optimize our business structure and streamline our operations, considering the change in China’s regulatory environment of online games market. We ceased the publishing and operation of a majority of our games and reduced the headcount of our online game team. According to Analysys, China began to strength its regulations on online games industry in March 2018 and subsequently published a series of regulations and policies relating to online games. According to Analysys, the number of ISBN issued for new games was 9,368, 2,105, 1,570, 1,405 and 755 from 2017 to 2021, respectively, which demonstrated that China’s regulatory environment of online games market was becoming stricter during this period. Beginning in July 2021, China tightened its ISBN policy for game developers and did not release any ISBN for new games until April 2022. Please see “Industry Overview – Online Games Industry in China – Overview” in this prospectus for details.

In anticipation of the gradual loosening of the regulations in 2022, we began to resume our online games publishing services in December 2021 and continued our focus on publishing SLGs and female-oriented games with our retained core team members. According to Analysys, China resumed its release of ISBN for new games in April 2022. In 2022 and 2023, the number of ISBN

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issued for new games was 512 and 1,075, respectively. In February 2022, we launched a game called War and Soldiers (我的坦克我的團) in China's domestic market, which already had an ISBN (ISBN 978-7-498-06347-2) that had been issued to a game content provider in March 2019 and we were authorized by an authorized company of such game content provider to publish this game in China. As advised by our PRC Legal Advisers, the launch of an online game with an existing ISBN does not require us to reapply for a new ISBN and our Group has complied with the relevant PRC laws and regulations in connection with the launch of War and Soldiers. In October 2022, we officially launched our first overseas online game, Civilization (文明), mainly in the United States, Canada and Europe. In addition, in 2023 we started the beta testing of three games: (i) Kyoto Shopkeeper (京都大掌柜) in the Taiwan markets in March 2023; (ii) The Legend of Ninja (忍者傳奇) in the domestic market in May 2023; and (iii) The Awakening of Super Saiyan (超賽覺醒) in Taiwan, Hong Kong, Malaysia, Singapore and Vietnam markets in November 2023. We began to generate revenue from these games in the same year. Subsequently, we officially launched The Legend of Ninja in the domestic market in July 2023 and The Awakening of Super Saiyan in Taiwan, Hong Kong, Malaysia, Singapore and Vietnam in December 2023. Since the beta testing result of Kyoto Shopkeeper in the overseas markets was below our expectation, we subsequently suspended its promotion in May 2023. According to Analysys, the revenue of China's self-developed online game enterprises in the overseas markets increased from US\$9.6 billion in 2018 to US\$16.4 billion in 2023, representing a CAGR of 11.3%. It is expected to grow from US\$17.5 billion in 2024 to US\$20.9 billion in 2027, representing a CAGR of 6.2%. We intend to expand our online games publishing services in the future. We plan to launch two to three new games in overseas markets in 2024 and had started the testing of two games as of the Latest Practicable Date. As of the Latest Practicable Date, we had entered into game cooperation agreements with the relevant game content providers of the aforementioned online games and started to conduct trial operation or beta testing of these games. Please see “– Our Business Strategies” in this section for further details.

As a result of the temporary suspension of our online games publishing services, the cost and expenses related to the operation of our online games publishing services decreased accordingly, which enabled us to avoid incurring substantial operating expenses for the online games publishing services business during the period when China suspended its release of ISBN for new games and to re-allocate our existing corporate resources. For instance, we adjusted the functions and responsibilities of the core team members of our online games publishing services by shifting their responsibilities to cover certain aspects of our online reading platform services and digital marketing services in addition to their daily responsibilities of monitoring and updating the development of China's online games market. Certain of the working skills and responsibilities of our online games publishing services, online reading platform services and digital marketing services are generally similar, which require our staff to be familiar with the procedures of promotion and marketing. Therefore, our core team members of our online games publishing services can be easily shifted to our digital marketing services. Leveraging these measures, we were able to optimize our business structure and streamline our operations.

Historically, we have successfully brought several online games to the market, such as Age of Empires (帝王世紀) in 2016, The Bold and The Beauty (愛江山更愛美人) in 2019, Campus Belle Factory (校花夢工廠) in 2019, War and Soldiers (我的坦克我的團) and Civilization (文明) in

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2022, and The Legend of Ninja (忍者傳奇) and The Awakening of Super Saiyan (超賽覺醒) in 2023. We believe that the successful publishing of such online games laid a solid foundation for our continuous operation and further expansion in the online games publishing industry.

The table below sets forth the key operation metrics of major online games that we published during the Track Record Period:

	For the year ended December 31,		
	2021	2022	2023
Online Games Publishing Services⁽¹⁾			
<i>Age of Empires</i> (帝王世紀)			
– Number of newly registered users (thousand)	23.7	–	–
– ARPPU per year (RMB)	714.5	–	–
– Average DAU (thousand)	1.0	–	–
<i>Civilization</i> (文明)			
– Number of newly registered users (thousand)	–	243.7	428.5
– ARPPU per month (US\$)	–	66.3	177.9
– Average DAU (thousand)	–	3.4	3.6

Note:

- (1) We started the official operation of The Legend of Ninja (忍者傳奇) and The Awakening of Super Saiyan (超賽覺醒) in the second half of 2023. Due to the limited period of operation, the operating metrics of these two games were not comparable with other games, which were launched before 2023.

We temporarily suspended our online games publishing services in June 2020 to further optimize our business structure and streamline our operations. Due to our temporary suspension, we only retained a few of the external channels to publish the game called the Age of Empires in 2021. We resumed our online games publishing services in the fourth quarter of 2021 and officially launched our first overseas online game, Civilization (文明), in October 2022 mainly in the United States, Canada and Europe.

Other Digital Content Services

We provide promotion services for digital content offered by third-party telecommunications operators or other value-added content providers through our proprietary platform or third-party media platforms, which include large-scale Chinese news and information content platforms. Other digital content primarily includes music and ringback tones.

We provide other digital content services through either the channel cooperation model or the content cooperation model. Under the channel cooperation model, we typically enter into channel cooperation agreements with operators, pursuant to which they authorize our Company to promote their digital content (such as ringback tones and music, among others) and recommend to suitable users through our proprietary platform and other third-party media platforms we collaborate with. In terms of our proprietary channel, we place digital content from the telecommunication operators, such as music and ringback tones, on the pages of our proprietary products, such as Easou Reading App Series and Easou H5 Pages, by inserting links to the pages of the

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telecommunication operators or placing promotional pages. In terms of other third-party media platforms, we promote digital content from the telecommunication operators, such as music and ringback tones, on suitable third-party media platforms in the form of promotion pages thereon. Users clicking the subscription or payment links on these pages would be directed to the payment pages of the telecommunication operators to pay for the relevant digital content. Our promotional services connect operators with suitable users and increase the promotion efficiency and revenue generated from users for the operators. These operators generally charge the users and then share the income with us according to the agreed-upon proportions based on the channel cooperation agreements. Under the content cooperation model, we cooperate with operators by uploading the digital content resources, such as ringback tones and music, among others, that we purchased to their platforms and these operators provide such content to their users through various channels. After receiving income settlement from the users, these operators will subsequently share such income with us based on agreed-upon proportions.

Our other digital content services business that is different from our other business lines in terms of (i) type of digital contents, being mainly ringback tones and music; (ii) cooperative partner, being the telecommunications operators; and (iii) the arrangement of settlement that the telecommunications operators generally settle with us after they receive income from their users under other digital content services.

OUR PLATFORM AND PRODUCTS

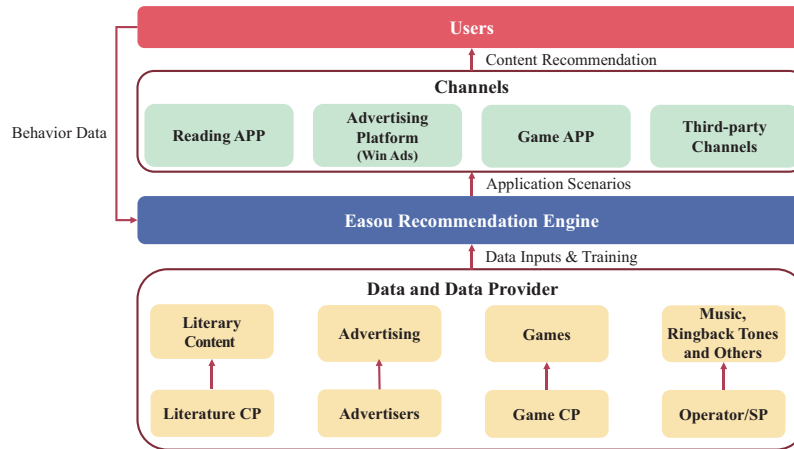
Our Platform

We built an online platform using our Easou Recommendation Engine to connect a wealth of digital content covering online literature, online games, music and ringback tones. As an independent digital content recommendation platform, we combine multiple algorithm models based on different usage scenarios, which enable us to quickly extend new digital content scenario applications to existing user base to achieve multiple and interactive monetization by utilizing our user traffic.

Our platform allows us to offer cross-scenario digital content recommendation to various participants, including digital content providers, media channels, users, advertising customers and telecommunications operators, and enables them to interact with each other and achieve mutual benefits. Leveraging our in-depth cooperation with third-party digital content providers, we provide independent and neutral content recommendation services. Our Easou Recommendation Engine enables us to identify users' preferences and precisely recommend digital content, optimize our AI algorithms through accumulating multi-aspect user behavior data, further increase user stickiness and activities, and expand our user base. We leverage our user base and internet traffic thereunder to operate our digital marketing services in addition to third-party marketing channels. Moreover, our Easou Recommendation Engine allows us to offer cross-scenario digital content recommendation services for users. For example, we use a multi-algorithm model to identify our online literature users who are also interested in game products and place game advertisements during the course of their reading. To maintain long-term relationship with telecommunications operators, we connect their various digital content with, and recommend them to, our users by leveraging our Easou Recommendation Engine and platform.

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As a result, we established an intelligent recommendation platform for participants to efficiently interact with each other and achieve mutually beneficial synergy among our various business lines. The following diagram illustrates our online platform:



We have the following major elements in our online platform:


- *Data and technology:* The scale and engagement of our user base generate extensive data that we use to develop recommendation services which can cater to the preferences of users and enhance their online experience. Our Easou Recommendation Engine continuously optimizes its functions based on user data and technical innovations, which enable us to develop and offer cross-scenario and multiple digital content recommendation services and marketing services for our users/customers.
- *Participants:* Content providers, media channels, users, customers and operators are our key participants in our online platform. We cooperate with a large number of content providers, and our expanding user base is also critical to our business operations and growth. Our users are highly engaged.
- *Content:* We have a wealth of comprehensive digital content covering online literature, games, music, and advertisements. As of December 31, 2023, our Easou Reading App Series had an expansive literary library containing approximately 190,000 titles of e-books and we published four online games.
- *Monetization:* We have innovative and multi-faceted monetization models, which are seamlessly integrated with our services. These monetization models primarily include subscriptions, pay per use, revenue sharing and advertising income. Our strong monetization capability supports our long-term investments in Easou Recommendation Engine and our application of such engine to more business scenarios. Through the synergy of various application scenarios and the expansion of our recommendation service scope, we are able to attract more content providers, users, advertising customers and operators and thus, explore more monetization models, expand and improve our online platform.


Our Proprietary Products

Our platform primarily consists of three types of proprietary products namely, Easou Reading App Series, Easou H5 Pages and Win Ads, the details of which are set forth below:

Easou Reading App Series

We mainly rely on the Easou Reading App Series to conduct our online reading platform services. As our flagship application, Easou Reading App was launched in 2013. Easou Reading App provides a large number of genuine e-books with well-designed product functions featuring personalized reading experience for our users, such as audiobooks and eye-care reading mode.

Easou Reading App  mainly consists of Easou Trend (書架), Easou Premium Selection (精選), Easou Library (分類), User Benefits (用戶福利) and My Homepage (我的主頁). We normally display recent popular online novels in the Easou Trend, and recommend suitable online novels based on our analysis on multi-aspect user behavior data and prediction of user preference in Easou Premium Selection. Easou Library provides all-aspect book categories, such as mystery, fantasy, history, cosmopolitan, science fiction and romance. On My Homepage, we display a top-up link and a premium membership subscription link in a prominent position and provide promotion and sweepstake activities, such as Spin to Win (幸運抽獎) and Point Redemption (積分兌換), to increase users' engagement and enhance willingness to pay. We also offer manual and AI customer service to our users.

We launched Easou Reading App Light Version  in 2017 to cater to different user needs and usage scenarios and expand our user acquisition channels. There are numerous literary resources with multiple charging standards. Easou Reading App Light Version adopts similar modules as those of our Easou Reading App with a variety of product functions, such as audiobooks.

Both Easou Reading App and Easou Reading App Light Version are App products that are aimed at serving users who prefer to use Apps to read online literature. The basic functions of Easou Reading App and Easou Reading App Light Version are similar, such as charging model, member benefits and promotion activities. Our initial purpose of upgrading Easou Reading App Light Version was to capture the continuing free-to-read trend in China's online literature industry and acquire more users. Therefore, we mainly regard this App as a reading platform which mainly provide reading with advertising to maintain our competitiveness in China's online reading platforms. However, as the free-to-read trend continues to gain popularity, both of our Easou Reading App and Easou Reading App Light Version have gradually become online reading platforms that generate a majority of their respective revenue from reading with advertising as a result of our response to the ongoing industry trend and users' preferences. We adjust the length of subscription duration and the price of subscription services on these two Apps from time to time based on user feedback and industry dynamics. The price of paid reading resources is generally determined by a combination of our mutual agreements with third-party content providers, user feedback and industry dynamics and therefore, also fluctuates from time to time.

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Easou H5 Pages

Easou H5 Pages is mainly designed for users who prefer to read online literature through mobile browsers and webpages instead of an App. Easou H5 Pages offer similar literary resources as Easou Reading App Series and serve as a supplemental channel for mobile-end users, who prefer to read online literature through mobile browsers and web pages, allowing us to reach out to users not covered by our Easou Reading App Series. We generally insert a pop-up link on Easou H5 Pages to remind users to download our Easou Reading App. Easou H5 Pages can be easily distributed by way of webpages, links and WeChat Public Accounts, which allow us to gain exposure to potential users. Easou H5 Pages mainly consists of Easou Premium Selection (精選), Easou Library (分類) and Easou Free Novel Resources. During the Track Record Period, Easou H5 Pages primarily served as a channel for us to attract more users to our Easou Reading App Series to read paid literary content and subscribe to our premium membership services, and we did not generate any revenue from Easou H5 Pages under reading with paid services. However, we are able to generate advertising revenue by displaying advertisements to users on our Easou H5 Pages under reading with advertising services. For details, please see “– Our Business Model - Online Reading Platform Services – Reading with Advertising” in this section.

The table below sets forth the range of unit fees that we charged our advertising customers under reading with advertising for the periods indicated:

	For the year ended December 31,		
	2021	2022	2023
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
<i>Easou Reading App:</i>			
CPC	0.17-2.71	0.22-2.55	0.23-2.60
CPM	0.23-411.00	0.28-660.00	0.28-796.67
<i>Easou Reading App Light Version:</i>			
CPC	0.15-2.40	0.21-3.40	0.22-3.50
CPM	0.25-436.14	0.26-342.00	0.26-460.00
<i>Easou H5 Pages:</i>			
CPC	0.40-0.45	0.40-0.45	0.40-0.45
CPM ⁽¹⁾	–	–	–

Note:

- (1) During the Track Record Period, we did not charge our advertising customers on the CPM basis for our advertising services on Easou H5 Pages.

Win Ads

Win Ads is our proprietary intelligent advertising platform that serves as the core platform for our advertising business under our online reading platform services business and our digital marketing services business. We use Win Ads to serve our advertising customers under the online reading platform services primarily to provide data support and assist us to generate placement strategies to distribute their advertisements to the users of our proprietary products. We regard the advertising business as a favorable approach to realize monetization of user traffic for those users

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who have less willingness to pay. Meanwhile, we primarily use Win Ads to serve our advertising customers under the digital marketing services to provide data support and assist us to generate placement strategies for distributing their advertisements to downstream third-party media platforms for placement. With respect to reading with advertising and digital marketing services, we first manually collect the needs of our advertising customers, such as the target user base, expected click-through rate, the duration of placements and advertising budgets, among others. We then input these needs to Win Ads and start small-scale testing to place the advertisements of our advertising customers on our proprietary platform. Win Ads subsequently provides data support for our marketing specialists to analyze the testing results, including the number of displays and the number of clicks. Our marketing specialists subsequently establish suitable placement advertisement models. They then match and distribute the advertisements of our advertising customers to our proprietary products for placement for reading with advertising, or to suitable third-party media platforms under our digital marketing services business. Finally, during the placement of advertisements, Win Ads also collects the placement effect data provided by the third-party channels and provides data support for our marketing specialists to analyze in order to generate optimization suggestions for future placements. This enables us to satisfy the needs of our advertising customers that cannot be met with the existing user traffic on our proprietary products by matching them with external third-party media platforms.

Win Ads is primarily composed of three core modules: demand-side platform, supply-side platform and an algorithm strategy system. DSP system mainly facilitates upstream advertising customers to record their advertising demands, which will be sent to the algorithm strategy system. SSP system mainly manages the advertising space and resources of the downstream cooperative media, and analyzes the data of each advertising space, which will be sent to the algorithm strategy system for further analysis. Our algorithm strategy system is a key component of Win Ads, which is built on several recommendation algorithm models according to the demands of advertising customers and the characteristics of advertising space available on media channels. Our Win Ads enables us to precisely present advertisements to the target users/customers. For details, please refer to “– Digital Marketing Services” in this prospectus.

Win Ads also has anti-click fraud functions. Specifically, it records all users' click data. For the same user, only the clicks within a normal click threshold (i.e., three clicks on the same advertisement per day per user) are confirmed as true clicks and those clicks beyond the normal threshold are subsequently filtered out. During the Track Record Period, we neither provided any incentives or rebates for advertising customers or third-party media agents or platforms nor received such incentives or rebates from these parties.

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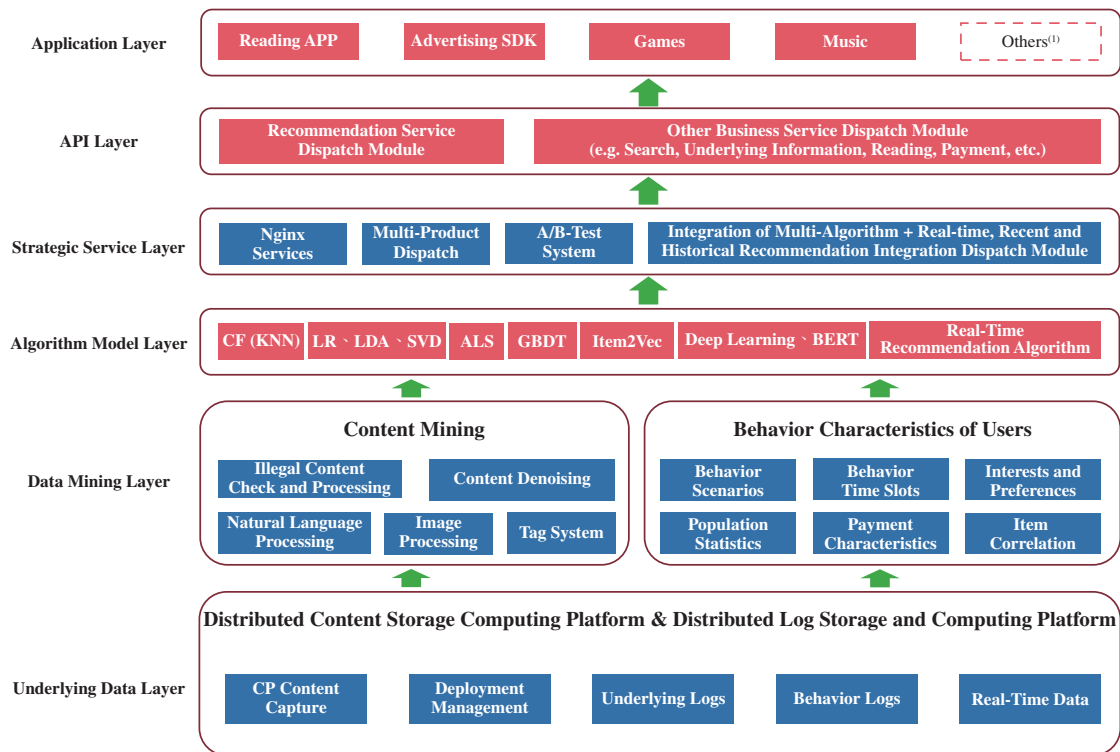
Our AI-based recommendation technology is the foundation that empowers all of our businesses. We are committed to continuously improving the AI-based recommendation technology and have adopted a variety of AI algorithms that integrate such technologies, including machine learning and deep learning with digital content and user behavior features. Through our dedicated R&D efforts in AI-based recommendation technology, we have developed Easou Recommendation Engine.

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Intelligent Recommendation Engine

We primarily rely on our Easou Recommendation Engine as our core technology tool to apply to each of our business lines. Since our inception, we have substantially developed and continually enhanced such intelligent recommendation engine. Our sophisticated big data analytics capabilities enable us to collect, analyze and study the characteristics and behaviors of our users and apply to our different business lines. Our Easou Recommendation Engine also conducts sophisticated data mining on characteristic data of content, such as literature content or game content. Our Easou Recommendation Engine consists of six layers, which cover the aspects of real-time data collection, data mining processing, user profiling, multi-algorithm model recommendation and multi-product applications, among others.

Below is a diagram illustrating the overall structure of our six-layer Easou Recommendation Engine:



Note:

- (1) We intend to expand our application layer to cover other application scenarios in the future.

The bottom layer (Layer 1) consists of content data, including online literature, advertisements, online games and other digital content such as music and ringback tones. The middle four layers consist of various program engines that integrate the content data and user behavior data and provide relevant content to the suitable users. The top layer (Layer 6) is the

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user-interface layer, which is the carrier of the data generated by the user behavior while he/she accesses and uses the content. These six layers are interdependent from each other and together form our Easou Recommendation Engine. The details of each layer is set forth below:

- *Layer 1: Data Collection.* We collect user behavior data primarily in real time from our products through user logs and extract the relevant content from our content providers. We also extract characteristic data from content, such as literature content and game content. We subsequently generate the data to be used in our data mining at Layer 2.
- *Layer 2: Data Mining.* Our data system intelligently conducts data mining in order to collect (i) the characteristics of user behaviors based on system study on users' scenario usage time slots, preferences and payment methods, among others; and (ii) the content extractions after a series of processing in illegal content check, content denoising, natural language and image and tag system. We apply the results of our data mining to our algorithm models at Layer 3.
- *Layer 3: Algorithm Model.* Based on open source codes in machine learning and deep learning, we developed our proprietary multi-algorithm models, such as the collaborative filtering algorithm, Item2Vec algorithm and GBDT, among others. We use these multi-algorithm models to our strategy service at Layer 4.
- *Layer 4: Strategy Service.* We primarily utilize Nginx service, A/B-Test system, dual-product dispatch and integration of multi-algorithm combined with real-time, recent and historical recommendation models. We insert these algorithm models in our API models at Layer 5.
- *Layer 5: API.* We have developed various application modules and have adapted our application modules for the purposes of providing other services, such as payment and search. We choose the application modules suitable to each of our business lines and adapt these application models to difference usage scenarios at Level 6.
- *Layer 6: Application.* We have successfully developed a series of mobile applications, H5 Pages, advertising SDK and other products to diversify content presentation.

We consistently review and optimize our Easou Recommendation Engine regularly and continue to iterate our engine as our business develops. We also closely track the leading academic research publications in the field of machine learning and deep learning and apply these results in the development and enhancement of our Easou Recommendation Engine.

Algorithms of Intelligent Recommendation Engine

Our Easou Recommendation Engine is built based on a series of AI recommendation algorithms, including the ensemble algorithm model based on Gradient Boosting Regressor Tree, deep learning recall algorithm model and sorting algorithm mode based on TensorFlow. In the process of integrating deep learning into the aforementioned recommendation algorithms, we also introduced BERT, an advanced deep learning natural language processing algorithm, into the content analysis of AI-based recommendation technology, which is used to calculate the linguistic representation features of book content in order to improve the accuracy of pre-trained book classification. We have adapted and optimized the generic technologies in conjunction with various application scenarios, the details of which are set forth below:

Recommendation Technologies	Algorithm Field	The Improvement in Recommendation Technologies	Application Scenario	Key Indicators ⁽¹⁾
Language representation based on pre-trained models	Deep learning (NLP domain, BERT model)	Adding content-related language features based on pre-training to increase support for multiple inputs	Classification calculations for text content	256-dimensional features; 110 million parameters; Classification accuracy of 98%
Language representation based on attention mechanism	Deep learning (NLP domain Transformer model)	Extracting content-related language features based on attention mechanism and adding book-related processing	Classification calculation for text content	256-dimensional features; 30 million parameters; Classification accuracy of 97%
Language representation based on convolutional neural networks	Deep Learning	Using convolutional networks to extract content-related linguistic features and finding the right number of network layers, number of feature maps, convolutional kernel size and step size	Classification calculation for text content	256-dimensional features; 10 million parameters; Classification accuracy of 96%
Language representation based on recurrent neural networks	TensorFlow	Using recurrent networks to extract content-related language features and finding the right number of network layers and node sizes	Classification calculation for text content	256-dimensional features; 10 million parameters; Classification accuracy of 96%
Language representation based on fully connected neural networks	Deep Learning	Extracting content-related language features using fully connected networks to find the right number of network layers and node sizes	Classification calculation for text content	256-dimensional features; 10 million parameters; Classification accuracy of 95%

Recommendation Technologies	Algorithm Field	The Improvement in Recommendation Technologies	Application Scenario	Key Indicators⁽¹⁾
Deep learning based recall model	TensorFlow	Using fully connected networks, downscaling user behavior with embedding layers, transforming recall questions into multi-category questions, and selecting the most relevant hundreds of pieces of content from hundreds of thousands for each user	Used for calculation to predict content preference for each user	256-dimensional features; 50 million parameters; off-line accuracy of 90%
Deep learning based ranking model	Deep Learning	Using fully connected networks, downscale user behavior with embedding layers, transforming the sorting problem into a binary classification problem with weights, adding more content features, and sorting for the hundreds of contents recalled by each user	Used for the calculation to predict the ranking of content preferences for users	256-dimensional features; 50 million parameters
Integrated model based on gradient boosting tree	TensorFlow	Using matrix decomposition to extract content features, transforming the sorting problem into a binary classification problem with weights to sort for the hundreds of contents recalled by each user	Used for the calculation to predict content preferences for uses and the ranking thereof	256-dimensional features
Item2Vec algorithm	Deep Learning	Extracting vectorized features of users and content based on Word2vec, which can be used as implicit semantic features of the integrated algorithm to rank against the similarity of vectors	Used for the calculation to predict content preferences for uses and the ranking thereof	256-dimensional features; 50 million parameters

Note:

(1) Key indicators are prepared based on our internal trainings of algorithm models.

Application to Our Different Business Scenarios

Our Easou Recommendation Engine uses multiple AI algorithm models to meet various user needs under different usage scenarios. Based on our extensive data collection, deep data mining, continuous algorithm optimization and evolving strategy services, we are able to accurately predict users' preferences and recommend suitable content to users.

Since variables in each of our business scenarios are relatively large, which require different recommendation strategies, we have developed a series of rich AI algorithms to apply to each of our business lines. Across our four business lines, we have widely applied recommendation technology, data distributed storage technology, data capture, processing and analysis technology, service availability technology based on high concurrent access and search technology, and plan to increase the depth of application of these technologies. The details of the application of our Easou Recommendation Engine in our four business lines are set forth below:

Business Line	Application	Specific Role Played
<p>Online Reading Platform Services Reading with advertising</p>	<p>We recommend free reading resources to users and analyze the user's willingness to pay, and display advertisements to users with low willingness to pay.</p> <p>We collect and analyze user clicks on advertisements to mine and predict user interest directions, and use collaborative filtering recommendation and content similarity recommendation approaches to distribute advertisements.</p>	<p>Direct users with low willingness to pay to browse advertisements, recommend free literary content embedded with advertisements, increase users' watching time and click volume on advertisements without affecting their reading experience.</p>
<p>Reading with paid services</p>	<p>We recommend paid reading resources to users with willingness to pay.</p> <p>Through the in-depth mining of literary content and user behavior, combined with the user's long-term reading behavior, recent reading behavior, current real-time usage behavior, and user willingness to pay, we use a variety of advanced recommendation algorithms such as machine learning and deep learning for algorithms modeling and calculation to predict the literary content currently needed by the users and recommend to the users.</p>	<p>Establish stable relationship with advertising customers, and satisfy their needs for precise delivery of advertisements, which will enable us to achieve monetization efficiently.</p> <p>Recommend literary content that meets the users' willingness to use and their potential needs and improves their reading experience.</p>

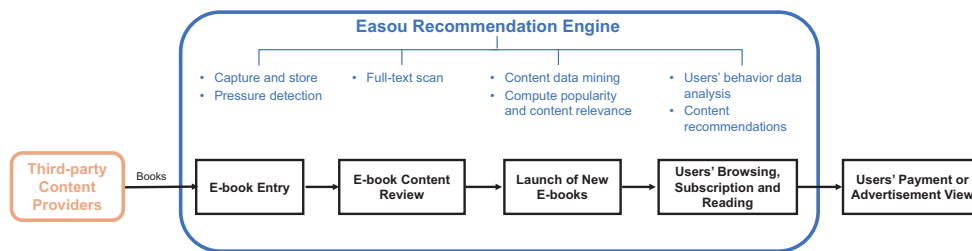
Business Line	Application	Specific Role Played
Digital Marketing Services	<p>The advertising algorithm strategy system of the advertising delivery platform analyzes advertising content, the needs of advertising customers, the suitability of media advertising spaces and historical user behavior characteristics, provide comprehensive solutions of advertising services, including suitable media channels, target recipients and expected advertising effects by using multiple recommendation algorithm models through machine learning, and finally presents different types of advertisements to suitable users.</p>	<p>Help small and medium-sized advertising customers and small and medium-sized media channels to form the suitable advertising relationship, and satisfy the needs of the advertising customers for precise delivery of advertisements and the needs of media channels for efficient monetization.</p>
Online Games Publishing Services	<p>Based on the analysis of user behavior information, we introduce games that can attract more positive feedback from users and have high commercial value; and we establish user analysis models and collect game users' behavior data. Through developing these models, we are able to mine and analyze user behavior.</p>	<p>Select the games with high commercial value, improve users' gaming experience, and improve refined operations.</p>
Other Digital Content Services	<p>We analyze the content characteristics from telecommunication operators, such as music and ringback tones, combine user behavior characteristics, and use machine learning to recommend various types of digital content to users.</p>	<p>Recommend music and ringback tones and other digital content that meet users' interests, and increase their willingness to pay.</p>

Online Reading Platform Services

We develop and utilize multiple algorithmic models to continuously improve the technical capabilities of our Easou Recommendation Engine and apply such engine to the entire business process of our online reading platform services.

In terms of algorithm model, our multi-algorithm model mainly consists of collaborative filtering recommendation algorithm (協同過濾推薦算法), recommendation algorithm based on content similarity (基於內容相似的推薦算法), popularity recommendation algorithm (流行度推薦算法), hybrid recommendation algorithm based on integrated learning (基於集成學習的混合推薦算法) and hybrid mode recommendation algorithm based on deep learning (基於深度學習相關的混合模式推薦算法). Among them, collaborative filtering recommendation algorithm can mainly grasp the changes of the users' interests at different times and thus provide better recommendation results. Recommendation algorithm based on content similarity is mainly used to solve the problem of inability by the collaborative filtering algorithm to make collaborative recommendation for new content without first obtaining the corresponding user behavior. Popularity recommendation algorithm is mainly used to solve cold start problem for new users. Cold start refers to the problem that we do not have a large amount of user behavior data and cannot accurately use the recommendation algorithm based on user behavior to make recommendations when we design the recommendation algorithm for new books. Therefore, we generally focus on content-based recommendation algorithms for new books to solve such problem. The hybrid recommendation algorithm based on integrated learning (especially the gradient boosting decision tree) combines user-related characteristics, such as display, click and subscription, as well as category/genre preference and willingness to pay, which enhance the fitting ability of logistic regression to non-linear distribution to better form recommendation solutions for users. Hybrid mode recommendation algorithm based on deep learning mainly refers to using this algorithm to further optimize the results of the alternating least squares algorithm on the one hand, and train the user usage behavior, predict the user subscription behavior and directly generate the recommendation results on the other hand.

We set forth a flowchart below to present the application of Easou Recommendation Engine in our online reading platform services:



In terms of the business process of our online reading platform services, our Easou Recommendation Engine mainly covers e-book entry, e-book content review, launch of new e-books, users' browsing, subscription and reading activities, as well as users' payment or advertisement view. The main technological engine modules used in these steps include distributed data storage technology, data processing and analysis technology, and service availability technology based on high concurrent access.

- *Step 1: E-book entry*

E-book entry involves the storage and timely update of the chapter contents of a large number of e-books. We adopt distributed storage cluster and directed scraping technologies to automatically capture and store e-book data, and conduct automatic pressure test according to the differences of the website interfaces of third-party content providers to ensure timely content update. We have successfully realized the fully automated process of e-book entry.

- *Step 2: E-book content review*

We generally conduct an automated full-text scanning of all e-book content through the content review system to identify the content that may be pornographic, obscene or defamatory, or would incite violence, endanger the national security, or contravene national interest, and automatically mark suspected harmful content. The flagged content enters manual secondary review. At the same time, the content that passes our automated content review system enters into our e-book store for pre-launch. For details, please refer to the paragraph headed “– Content Monitoring” in this section.

- *Step 3: Launch of new e-books*

We process and compute the popularity and content relevance of new e-books. In this step, we apply scraping technology to obtain the popularity of new e-books in terms of their rankings on other popular literature platforms, and conduct data mining of the e-book content through natural language processing technology to calculate the relevance of new content to the content of historical books on our platform. We compare the interests and preferences of our existing users with the new e-books, obtain the calculation results of interest relevancy, incorporate the calculation results into our prediction of users’ interests and preference in e-books, and finally recommend the new e-books to suitable users. In addition to the same engine models mentioned above, we also utilize AI-based recommendation technology in this step.

- *Step 4: Users’ browsing, subscription and reading*

We generally classify our users’ usage status into four main categories based on the depth of their exposure to our literary content, namely, no-action users, light users who generate a small number of clicks or subscriptions, deep users with clicking, subscribing, reading and other behaviors and search users. Our Easou Recommendation Engine provides personalized modeling recommendations according to different user status. In addition, according to the users’ willingness to pay, we place advertisements in the recommendation process for each of the above four categories of users. In addition to the same engine models mentioned above, we also utilize AI-based recommendation technology and search technology in this step.

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- *Step 5: Users' payment or advertisement view*

With respect to reading with paid services, when a user reads the paid content, our pop-up link generally directs the user to external third-party payment system, such as WeChat payment and Alipay, and we charge the user for the paid content. With respect to reading with advertising, we display advertisements to users during the course of their reading in multiple formats and obtain advertising revenue from advertising customers when users browse or click on such advertisements. We primarily rely on our proprietary advertisement platform, Win Ads, to provide data support, assist us to generate placement strategies and display advertisements to users. Leveraging our data collection and analysis capabilities and our Easou Recommendation Engine, we collect and record advertisement placement needs of the advertising customers, analyze advertisement spaces available on our proprietary products, and combine with our user behavior data analysis to display suitable advertisements to the users under reading with advertising. For more details of the application of algorithm models used in advertising, please refer to “– Technology – Application to Our Different Business Scenarios – Digital Marketing Services” in this section.

Digital Marketing Services

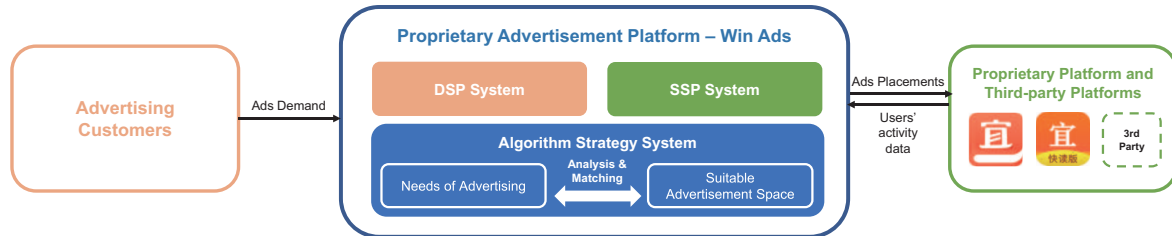
We primarily rely on Win Ads to conduct our digital marketing services. Leveraging our data collection and analysis capabilities and our Easou Recommendation Engine, we collect and record advertisement placement needs of the advertising customers, analyze advertisement spaces provided by third-party media platforms, and combine with our data analysis to provide suitable advertisement spaces on third-party media platforms for our customers. Unlike reading with advertising under our online reading platform services business where we display advertisements on our proprietary platform, we assist our advertising customers to place their advertisements on third-party media platforms under our digital marketing services business. For advertising services with advertisement display on our proprietary platforms please refer to “– Our Business Model – Online Reading Platform Services – Reading with Advertising” in this prospectus.

Specifically, in the demand-side platform system, advertising customers can set the target user base, display geography, display operating system and their other preferences of their advertisements on the platform. We collect and record the demands of advertising customers and send them to the algorithm strategy system. In the SSP system, we collect and record the advertisement space resources available on third-party media platforms, which we collaborate with, and send the data analytical results to the algorithm strategy system. The SSP system manages the advertising space resources available on the downstream cooperative media and conduct data analysis of such available advertising space and user behavior data reached by the advertising space historically. The system then analyzes the data to determine the acceptance level of users for certain types of advertisements, and forms user behavior data and sends to the advertising algorithm strategy system. The algorithm strategy system, which integrates and analyzes by combining the needs of advertising customers and advertisement space resources available on media channels, uses machine learning to build multiple algorithmic recommendation models to match advertising needs with suitable advertisement space so that we are able to present the advertisements to suitable users. The technology modules that we use in connection with this

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business line mainly consist of recommendation technology, data distributed storage technology, data crawling, processing and analysis technology, and service availability technology based on high concurrent access.

We set forth a flowchart below to present the application of Easou Recommendation Engine in our digital marketing services:

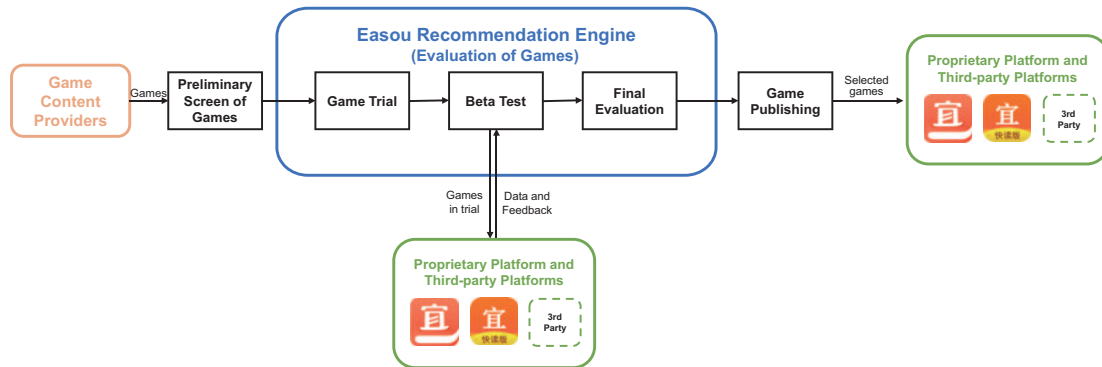


Online Games Publishing Services

For our online games publishing services, the user behavior data used therein are generated from our existing user data under our online reading platform services. In particular, we conduct behavioral analysis based on the user data on Easou Reading App Series. Based on the results of our analysis, we select certain games that our users may be interested in during different time periods based on a series of criteria, such as the types of games, users' willingness to participate, and their willingness to pay. We then enter into preliminary negotiations with the eligible game content providers. Subsequently, we provide trial games for the users to play on Easou Reading App Series. Based on our analysis of the user behavior data collected during the course of these trial games, we select the games which we believe have strong performance in trials and publish them on our proprietary platform and other third-party channels. After users start to play the game, we generate user feedback in time through the collection and analysis of user behavior data, and improve and refine our operation by continuously optimizing in-game user experience. The technology modules that we use in connection with this business line mainly consist of recommendation technology, data distributed storage technology, data crawling, processing and analysis technology, and service availability technology based on high concurrent access.

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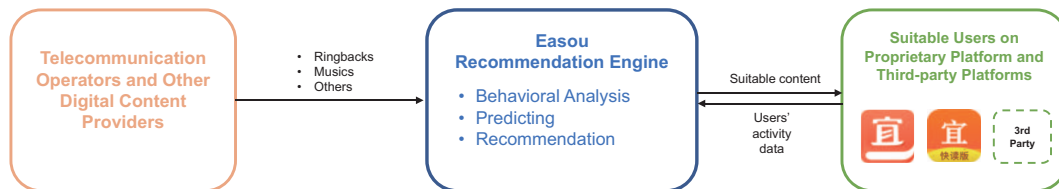
We set forth a flowchart below to present the application of Easou Recommendation Engine to our online games publishing services:



Other Digital Content Services

We also apply our Easou Recommendation Engine in connection with our other digital content services. Similar to the approach we adopted in our online games publishing services, we analyze the content from telecommunications operators or other digital content providers, such as music and ringback tones, conduct behavioral analysis based on the real-time user data and predict users' content preferences. Leveraging our Easou Recommendation Engine, we precisely and accurately recommend digital content to suitable users through our proprietary platform and other third-party channels we collaborate with. In practice, we place the digital content from telecommunication operators or other third-party value-added content providers in our proprietary platform or third-party channels. We then present the digital content to users according to the calculation of popularity and adjust the recommended content in real time according to the user's click behavior. The technology modules that we use in connection with this business line mainly consist of recommendation technology, data distributed storage technology, data crawling, processing and analysis technology, and service availability technology based on high concurrent access.

We set forth a flowchart below to present the application of Easou Recommendation Engine in our other digital content services:



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INFRASTRUCTURE

Our network infrastructure is designed to satisfy the requirements of our operations, to support the growth of our business and to ensure the reliability of our operations as well as the security of information on our platform. We continue to develop our platform to offer users and customers an effortless and seamless using experience, and at the same time to enhance its reliability and scalability. We focus on proprietary infrastructure construction and upgrade and to the extent additional infrastructure is needed, also partially utilize third-party infrastructure to improve the stability and comprehensiveness of our services.

Research and Development

Our R&D efforts primarily focus on improving our Easou Recommendation Engine structure, exploring the application of advanced technologies, improving the user-friendliness of our existing service offerings and designing technical structures for our new services. We have a team of experienced engineers and specialists who are based mostly in Shenzhen and Beijing, China. As of December 31, 2023, our R&D team consisted of 64 members, among whom, over 30 had more than eight-year experiences.

Our R&D expenses primarily consist of salaries and benefits of our R&D personnel and broadband and maintenance expense. We expense R&D costs as they are incurred, except for the costs relating to certain internal-use software.

Cloud Services

We primarily utilize our proprietary infrastructure, including computers, storage and servers, and purchase infrastructure operators' services, including cabinets and bandwidth services. We also contract a small portion of our cloud services with Ali Cloud. Our cloud service agreement with Ali Cloud operates on an annual auto-renewal basis, unless terminated by either us or Ali Cloud within a certain period prior to the renewable date. The next renewal date is November 9, 2024.

Stability

We have dual back-up solution for our systems infrastructure, which is used for online redundancy deployment of the services and data, enabling us to detect system failure and activate online redundant backup services or data on the one hand, and is used for the backup of important data across cabinets and server rooms to restore data and services when needed on the other hand. We have multiple layers of redundancy to ensure the reliability of our network.

Servers

We primarily rely on our servers located in Qingdao, Shandong Province, and Ali Cloud service for our data processing and daily operations. A majority of our servers are in internet data centers in Qingdao. We typically enter into server escrow agreements with these internet data centers who lease racks and broadband, and provide maintenance services to us. We believe that our existing facilities are sufficient for our current needs, and we will obtain additional facilities, principally through expanding our proprietary servers and our cooperation with Ali Cloud, to

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accommodate our future expansion plans. All of our data related to user information and device information stored in the third-party servers are encrypted. The server hosting service providers, such as Ali Cloud are responsible for deploying security prevention and control mechanisms, including encrypted access, IP whitelist, access control and instance disaster recovery, among others.

Distributed Architecture

We have established our network infrastructure in distributed architecture, which involves the storage of data in different networked computers in various locations. We achieved distributed architecture through our successful transition from the traditional software and hardware integrated solution. This model allows us to efficiently manage billions of pieces of data while storing data on ordinary servers that are easily scalable. Our distributed architecture enables users in the PRC to gain fast access.

DATA PROTECTION AND CYBERSECURITY

Sufficient maintenance, storage and protection of user data and other related information is critical to our business. We consider the protection of users' personal privacy to be of paramount importance. To ensure the confidentiality and integrity of our data, we maintain a comprehensive and rigorous data protection regime.

Data Protection Measures

Our App users may provide us with certain of their personal data that can be used by us to provide functions on the platform, including their phone number, profile photo, nickname, as well as the subscription and payment records of our users who purchase our reading with paid services, among other things. According to the PRC Personal Information Protection Law and other relevant rules and regulations, personal information processor must, among others, obtain users' consent before processing their personal information. The behavior data, such as browsing and search history and behavior habits, is considered as personal information under the above relevant rules and regulations. Specifically, behavior habits for online literature refer to encoded vector data extracted from user subscription, reading, payment and other behaviors. As such, our privacy policy provides that the behavior data is used to provide personalized content and services, and we obtain users' explicit consent by asking them to click on the privacy policy. Furthermore, we also provide users with separate notice for them to allow or not allow us to track their activities across other companies' Apps and websites based on Apple's ATT Policy. Based on the foregoing, we are fully compliant with the aforementioned relevant rules and regulations. We have implemented a strict user privacy policy and updated our policy on a regular basis to reflect the regulatory developments of personal data in China. We only request to collect minimum personal data to the extent necessary for our services when users register their account(s) on our platform.

Users may choose to browse or search on our platform and gain access to free literary resources without providing their personal data to register. We do not require users who access our free reading resources to register their accounts on our platform. However, we require users to register their accounts before they use our paid reading services. We take reasonable and feasible measures to avoid collecting irrelevant personal data for the services we provide. We store all

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users' personal data in China and limit the data retention time to the minimum period necessary for the purpose as agreed by users and in accordance with the relevant PRC laws and regulations. The retention time varies based on the types of data according to the relevant PRC laws and regulations. For example, the PRC Cybersecurity Law stipulates that relevant web logs shall be retained for no less than six months, pursuant to which we have set up the retention time of our web logs to be no less than six months accordingly. We have also formulated internal policies relating to data retention which are in compliance with the relevant PRC laws and regulations. In addition, we attach great importance to the protection of personal information of minors. We require minors to obtain the consents of their parents or other guardians when they create their own accounts on our platform. Although we generally do not classify our literary content by age group, we have a comprehensive content monitoring system to identify and block literary content relating to pornography, violence and political sensitivity according to the applicable laws and regulations in China. Please refer to “– Content Monitoring” in this prospectus for details. On our platform, we offer a specialized reading mode for minors to strengthen the protection of minors. Our users can choose to use the reading mode for minors, and when a minor chooses this mode, he/she will be offered a selection of minor-friendly literary content to read, such as literary classics and historical stories. We also require parents or other guardians of the minors to connect their mobile phone numbers to the minors' accounts on our reading platform to supervise their reading behavior under this mode.

We dedicate significant resources to developing and implementing programs designed to protect user privacy, promote a safe environment and ensure the security of user data. We have established a comprehensive security system consisting of cloud firewall, security components and bastion host to provide network security. We have implemented the following measures to safeguard the security of user data: (i) our system requires user authentication and authorization for access to our platform; (ii) we use encrypted transmission technology to ensure that the data is protected from eavesdropping and stealing during transmission, and prevent illegal tampering; (iii) we prevent unauthorized data traffic from entering and leaving the system by establishing border firewalls and internal firewalls; (iv) we conduct regular security vulnerability scans to identify and patch existing vulnerabilities in a timely manner; (v) for sensitive information and data files in our system, we set up restrictions for access rights to ensure that only authorized users or network addresses can access them; and (vi) we conduct threat detection and alerting activities regularly, and we detect and prevent security threats in a timely manner by monitoring data such as emails and system logs in real time. In addition, we safeguard our data through systematic access control and data encryption and protect data privacy through automatic desensitization. For instance, we mask personal and sensitive information and ensure that our data is used for training purposes without personal information attached.

We also hold training for employees to raise their awareness of internet and data security. We also have a data security team of engineers and technicians dedicated to protecting the security of our data. We use multiple methods to encrypt data and use encrypted transmission and storage of user data. In addition, we have established a backup mechanism for user data.

We obtained the network security protection certificate (grade 3, certificate number: 440322-13776-00001). To ensure data security, we have established stringent internal policies under which we grant classified access to confidential data only to limited employees with strictly defined and layered access authority. We strictly control and manage the use of data across our

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various departments. We have established a set of policies to manage our software, servers, data centers and other network facilities. We have implemented the System Operation and Maintenance Management Policy to manage machine rooms and servers. Under this policy, (i) personnel in charge of computer room are required to regularly inspect the hardware equipment and facilities in the computer room to ensure their effectiveness; (ii) relevant records ought to be established and properly maintained, including entry and exit registration, equipment registration, equipment inspection and major fault record and (iii) unsecure software, USB drives, and mobile storage devices are not allowed to be used, and virus detection is required to be conducted before using such devices. In addition, we have also implemented the Business Continuity and Disaster Recovery Management Plan, which specifies the person in charge, the process and time limit for recovering the system, and plans to avoid system disruption.

We have appointed responsible technical staff to monitor the daily operation of our data systems. We also perform weekly backups of key business data to ensure that business data is completely, authentically and accurately stored in our backup media. The technical staff are also responsible to perform recovery verification of the backup data on a regular basis to ensure the reliability of the backup data. Therefore, we have adopted service monitoring and disaster recovery to cope with the interruptions that may occur from time to time during our service. In addition, we have set up the jump-server model to manage our servers and delegated the operators to manage our relevant equipment.

As advised by our PRC Legal Advisers relating to Data Compliance, our practice in data privacy and personal data protection as of the Latest Practicable Date were in compliance with the PRC laws and regulations in all material aspects.

The Implication of Cybersecurity Review Measures

In view of the Cybersecurity Review Measures and the Draft Data Security Regulations, which provide that, among others, data processor conducting the following activities must apply for cybersecurity review: (i) merger, reorganization or division of internet platform operators that have acquired a large number of data resources related to national security, economic development, or public interests, which affects or may affect national security; (ii) a foreign listing by data processors processing over one million users' personal information; (iii) a listing in Hong Kong that affects or may affect national security; or (iv) other data processing activities that affect or may affect national security.

Cybersecurity Review Measures do not provide definition of "network platform operators". Based on Paragraph 9 of Article 73 of the Draft Data Security Regulations, "internet platform operators" (互聯網平台運營者) refer to data processors that provide users with internet platform services such as information publishing, social networking, transactions, payment, and audio-visual services. Such definition contains two characteristics of a platform operator, namely, the use of a platform and the provision of specific services. Our Directors are of the view that, as advised by our PRC Legal Advisers relating to Data Compliance, as we operate Easou Reading App Series and provide online platform services for our users, although we may be considered as a network platform operator and are hence subject to the requirements of the Cybersecurity Review Measures, as advised by our PRC Legal Advisers relating to Data Compliance, the risk of us being required to apply for cybersecurity review in relation to our proposed Listing in Hong Kong

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pursuant to the Cybersecurity Review Measures is relatively low because: (i) despite the fact that we are considered as a network platform operator and possess personal information of more than one million users, our current application for the Listing does not constitute “foreign listing” (國外上市) according to the Basic Law of Hong Kong Special Administrative Region of the PRC, as Hong Kong is an inalienable part of the PRC; (ii) we have not received any notice or determination from the relevant government authorities or competent industry authorities identifying us as a critical information infrastructure operator; and (iii) according to Article 2 of National Security Law, national security refers to the condition in which the State power, sovereignty, unity and territorial integrity, people’s welfare, sustainable economic and social development and other vital interests of the PRC shall face no relatively grave danger or encounter no relatively significant internal and external threats, as well as the capability to safeguard sustainable safety condition. Based on Article 31 of the PRC Cybersecurity Law, the industries and sectors that may severely threaten the national security include energy, transport, water conservancy, finance and e-governance, among others. The nature of our Group’s business mainly includes the provision of reading platform services and digital marketing, and subject to further interpretations, is therefore less likely to affect or may affect national security. Moreover, the type of data processed by our Group mainly includes (i) user data that consist of users’ nickname, profile photo, phone number, and (ii) behavior data such as search and browsing history and behavior habits for online literature for provision of our business services, subscription and payment records of our users who purchase our reading with paid services. Specifically, behavior habits for online literature refer to encoded vector data extracted from user reading, subscription, payment and other behaviors. Therefore, it is less likely that such data being processed by our Group affects or may affect national security. Furthermore, according to our on-site interview conducted on October 27, 2022 with the Cyberspace Administration of Shenzhen, the competent local authority of the CAC, we are not required to apply for cybersecurity review in relation to our proposed Listing in Hong Kong.

As advised by our PRC Legal Advisers relating to Data Compliance, the risk of us being required to apply for cybersecurity review in relation to our proposed Listing in Hong Kong pursuant to the Draft Data Security Regulations is relatively low mainly because: (i) despite the fact that we are considered as a network platform operator and possess personal information of more than one million users, our current application for the Listing does not constitute “foreign listing” according to the Basic Law of Hong Kong Special Administrative Region of the PRC, as Hong Kong is an inalienable part of the PRC; (ii) the nature of our Group’s business mainly includes the provision of online literature recommendation and digital marketing, and subject to further interpretations, is therefore less likely to affect or may affect national security; and (iii) the type of data processed by our Group mainly includes users’ nickname, profile photo, phone number and behavior data such as search and browsing history for online literature and behavior habits for provision of our business services. Therefore, it is less likely that such data being processed by our Group affects or may affect national security.

The Draft Data Security Regulations also stipulates that data processors processing personal information of more than one million users shall comply with the following requirements, including, but not limited to: (i) file with competent authorities within 15 working days after the identification of important data; (ii) carry out data security assessment and file the data assessment report with competent authorities on an annual basis; and (iii) obtain the approval from the competent authority in the event of sharing or entrusting important data to a third party under

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certain circumstances. Although as of the Latest Practicable Date, the Draft Data Security Regulations have not yet become effective and therefore, our obligations regarding data security shall be subject to the effective version, as advised by our PRC Legal Advisers relating to Data Compliance, we would be able to comply with the Draft Data Security Regulations if implemented in their current form, in all material aspects on the basis that: (i) we have implemented and maintained a comprehensive data protection regime to protect users privacy and ensure the security of users data, and have adopted necessary measures and policies to ensure our cybersecurity and data security; (ii) we have provided prior notices to individual users regarding the collection, usage, disclosure, storage, deletion of their personal information and displaying the privacy policy in a manner for the users to easily access; and (iii) during the Track Record Period and up to the Latest Practicable Date, we have not experienced any material data security incidents (including but not limited to unauthorized access to or attacks on our important IT systems which may result in serious damages to such systems and large-scale data leakage, and malfunction of key equipment of our important IT systems which may result in material disruption on our business operations) or received any administrative penalty, fine or sanction regarding the Easou Reading App Series in relation to cybersecurity or data privacy or any cybersecurity review from the CAC, the CSRC or any other relevant government authorities.

Subject to the further interpretation of the Draft Data Security Regulations by the competent authorities, we may be required to make further adjustments to our business operations to comply with the effective version of the Draft Data Security Regulations in the future. We will continue to take necessary measures and will closely monitor the regulatory development and adjust our business operations from time to time. Thus, our Directors are of the view, and our PRC Legal Advisers relating to Data Compliance concur, that there is no material impediment for our Group to comply with the Draft Data Security Regulations, if implemented in their current form and the Cybersecurity Review Measures, and that the compliance with these regulations and measures would not have any material adverse impact on our business, financial condition, results of operations or the Listing. Based on the view and analysis of our Company and our PRC Legal Advisers relating to Data Compliance, as well as due diligence conducted, nothing has come to the attention of the Sole Sponsor which would cause it to disagree with the Directors' view or question the reasonableness of their view.

The Implication of App Tracking Transparency

In April 2021, Apple introduced the ATT Policy which relates to a new App tracking transparency feature in its iOS software that requires explicit permission from iOS device users before tracking them across other Apps for cross-selling and other marketing activities among the Apps. According to Analysys, App developers may use IDFA, an identity parameter that Apple gives App developers in the iOS system to identify the devices with iOS system. Using the IDFA to conduct marketing activities is the only method to implement target advertisements as each IDFA is unique. Previously, iOS allowed App developers to use the IDFA information by default. The main functions of IDFA in digital marketing include: (i) user orientation: through the IDFA, App developers can track user behavior data to build user portraits, which can be used for accurate advertising and re-marketing; and (ii) advertising attribution: through the IDFA, advertisers can identify the source channels of users' clicking on advertisements, and attribute user traffic and user conversion by channels. This policy affects how iOS users receive targeted digital marketing content on our proprietary platform or third-party media platforms, as users may reject providing

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IDFA to us and/or our third-party media platforms. This may lead to less accuracy and more difficulties in the measurement of targeted digital marketing, together with a higher cost in driving outcomes from marketing campaigns. For the risk relating to the ATT Policy, please refer to “Risks Relating to Our Business and Industry – Privacy and cybersecurity concerns relating to our use of user information, or any actual or perceived failure by us or third parties to comply with applicable data protection laws and regulations or privacy policies, could negatively impact our reputation, subject us to governmental or legal obligations and substantially harm our business.” in this prospectus.

According to Analysys, as the responses to the ATT Policy, the relevant participants in the digital marketing industry take the following measures, including: (i) shift of marketing strategy: as the ATT Policy is only applicable to the iOS system, some advertisers transfer part of their budgets to the Android system; and (ii) improvement of the quality of advertising materials: advertising platforms and advertisers launch more high-quality and diversified advertising materials to attract users’ attention, thus promoting relevant marketing purposes such as click, conversion, interaction and brand building. Therefore, as advertising platforms and advertisers continue to update and improve relevant marketing methods and advertising materials, it is expected that the negative impact of ATT Policy on advertisers and the digital marketing industry will gradually decrease.

As advised by Analysys, the ATT Policy is only applicable to the Apps in the iOS system. In terms of our online reading platform services, only our marketing activities in the iOS versions of Easou Reading App and Easou Reading App Light Version are subject to the ATT Policy. We still have opportunities to track users on non-iOS systems, such as the Android system. In addition, some users would still decide to opt-in for cross-App tracking despite the ATT Policy so that we can still carry out digital marketing activities on our proprietary platform as before. In practice, although we are not allowed to obtain IDFA and track users across Apps after the implementation of the ATT Policy, we generally assign a unique user identifier to each user in our systems and use the identifiers to track user behavior on our proprietary platform and record the data generated thereof. Therefore, we are still able to infer user attributes by analyzing their behavior data to conduct marketing activities. For example, if a user reads or subscribes to a book on our reading platform, we record such behavior on his/her ID and mark his/her preference for the book. Meanwhile, if another user also reads or subscribes to the same book, we then identify these two users to have preference for the same book, and regard them as having a certain degree of similar reading preferences. In addition, we can distinguish whether the user has the willingness to pay based on his/her purchase record on our reading platform. Our revenue from reading with advertising increased significantly from RMB186.0 million in 2021 to RMB220.0 million in 2022, and further to RMB229.4 million in 2023. As defined by Apple, the identifiers or data governed by tracking policy include, but are not limited to, the device’s advertising identifier, session ID, fingerprinter IDs and device graph identifiers. The unique identifiers that we generate and assign internally to trace user behavior are not explicitly mentioned in the ATT Policy. As confirmed by our Directors, such alternative approach we adopted to trace user behavior on our proprietary platform would not constitute a violation of our obligations under the relevant agreements involving Easou Reading App and Easou Reading App Light Version in relation to the iOS system. In addition, as advised by our PRC Legal Advisers relating to Data Compliance, due to the ambiguity and non-exhaustiveness of the definition of the identifiers or data under the ATT Policy, our use of self-generated unique identifiers may subject us to the risk of punitive action taken by

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Apple. However, considering that (i) it is a relatively common practice for App developers to track user behavior by using self-generated user identifiers, according to Analysys; (ii) we have obtained explicit user consent to track user behavior; and (iii) no punitive action has been taken by Apple against any App developers who use self-generated unique identifiers as of the Latest Practicable Date, our PRC Legal Advisers relating to Data Compliance are of the view that the risk that Apple takes punitive action against us in relation to our use of self-generated user identifiers is low. To the knowledge of our Directors, this approach would not have any adverse legal consequence to our Group.

In terms of our digital marketing services, the third-party media platforms with which we collaborated also faced similar situations involving ATT Policy as our online reading platform services. According to Analysys, many advertising services providers had experienced the negative impact of the ATT Policy on their online marketing activities in the short term. These advertising services providers, such as our third-party media platforms, could continuously collect user behavior data during the provision of their services. Users may also provide their personal information to advertising services providers to enjoy more precise and better services. Therefore, these advertising services providers could gradually establish their understanding of user attributes and share them with us, as necessary, according to Analysys. In terms of our revenue from digital marketing services, it remained relatively stable at RMB201.6 million in 2021 and RMB200.7 million in 2022. It increased to RMB288.8 million in 2023. Additionally, in light of the potential impact of the ATT Policy on our results of operations, from time to time, we share training materials of industry know-how relating to digital marketing industry with our sales and marketing personnel and update them of the latest marketing tactics and methods to improve our advertising effect based on our business needs, regulatory changes and industry developments. Therefore, as confirmed by our Directors, and concurred by the Sole Sponsor based on the due diligence work it had conducted, the ATT Policy had no material adverse impact on our results of operations and financial condition as of the Latest Practicable Date and our measures to mitigate the potential impact of ATT policy on our results of operations are effective.

BRANDING AND MARKETING

Our marketing department is primarily responsible for marketing planning, analysis, optimization and execution. Our overall branding and marketing strategy is to pursue stable growth, focus on profit-centered promotion activities. We primarily advertise and promote our products and services to our users or customers through online channels, among others, (i) application stores through priority display on home page and search results or in other ways; (ii) internet media; and (iii) our proprietary online platform. As of December 31, 2023, our sales and marketing team consisted of over 20 members. In the years ended December 31, 2021, 2022 and 2023, our selling and distribution expenses amounted to RMB99.3 million, RMB133.6 million and RMB153.7 million, respectively, which accounted for approximately 22.9%, 29.3% and 27.5% of our total revenue, respectively. Our selling and distribution expenses primarily consist of advertising expenses and salaries and benefits for marketing personnel.

Under our online reading platform services, we primarily rely on three types of channels to promote our brand and attract users: (i) application stores on mobile devices, such as iOS App Store and Android App Store; (ii) third-party platforms, including social media platforms and short video platforms; and (iii) affiliated marketing websites, such as advertising alliances and a

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collection of small- and medium-sized websites. In terms of the measures we utilize to attract our advertising customers, we primarily rely on the advantages of our Easou Recommendation Engine, our brand awareness and word-of-mouth referrals by virtue of the popularity of our Easou Reading App Series.

Under our digital marketing services and other digital content services, we promote our brand and conduct marketing activities primarily by relying on our business reputation, our brand awareness, word-of-mouth referrals by virtue of the popularity of our Easou Reading App Series and our in-depth and stable relationship with advertising customers.

Under our online games publishing services, we primarily collaborate with online game content providers to jointly conduct marketing activities for the games we publish on agreed channels and in agreed manners. We also enter into marketing cooperation agreements with external marketing channels, such as short-video platforms and social media.

We design our sales and marketing efforts with careful consideration to raise brand awareness, attract a broader user base and promote our products and services. For our brand image building, we employ a variety of internet promotional activities to elevate our brand recognition as part of our overall marketing strategy. We focus on building awareness for our Easou Reading, which we are positioned as a neutral and independent service provider in the provision of content recommendation services. Going forward, we expect to continuously evaluate and monitor the effectiveness and efficiency of our promotion campaigns and marketing expenditures in order to further enhance our brand awareness and attract a broader user base in a sustainable manner. We expect to effectively manage our sales and marketing expenses to bring more users and revenues to us and expand our operating leverage.

PRICING

We apply different monetization models and pricing strategies to our online reading platform services, digital marketing services, online games publishing services and other digital content services. Due to the nature of our business, our service agreements with our users and customers under each of our business lines differ in many aspects.

Online Reading Platform Services

Based on our users' willingness to pay, we offer two types of services under our online reading platform services, namely reading with advertising and reading with paid services. With respect to reading with advertising, we display advertisements as users start reading the content on our platform or during their reading process to obtain advertising revenue from our advertising customers, who place their advertisements on our platform, and we charge them based on the charging model agreed with them in our advertising agreements. These charging modes include CPC basis, CPM basis and other bases. With respect to reading with paid services, our paid services include the purchase of paid reading resources and the subscription of premium membership. We charge our users by "pay-per-chapter". We also provide premium membership service to our users and charge them by "monthly/quarterly/yearly membership subscription package". We do not generate any advertising service income from reading with paid services. We follow the common market practice of pricing these reading services primarily based on an

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analysis of other industry players’ pricing levels, online reading content costs and the operation costs of our products, such as Easou Reading App Series. Among them, the pricing of the services of “pay-per-chapter” is primarily based on the fees agreed upon in the content cooperation agreement between us and the content providers. Our users who purchase our reading with paid services may use multiple online payment methods, including WeChat Pay, Alipay and others. We pay service commissions to our online payment service providers, which are typically calculated as a percentage of the transaction amount handled by such providers.

The table below sets forth the average and range of unit fees that we charged our advertising customers under reading with advertising for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	Range	Average	Range	Average	Range	Average
	(RMB)		(RMB)		(RMB)	
CPC ⁽¹⁾	0.15-2.71	0.58	0.21-3.40	0.63	0.22-3.50	0.63
CPM	0.23-436.14	2.59 ⁽²⁾	0.26-660.00	3.42 ⁽²⁾	0.26-796.67	6.22 ⁽²⁾

Notes:

- (1) We primarily charged for our advertising customers under the CPC model during the Track Record Period. The average price that we charged our advertising customers under the CPC model remained relatively stable at RMB0.58 in 2020 and 2021. The increase in the average price under the CPC model in 2022 was primarily due to our increased advertising service fee. The average price under the CPC model remained relatively stable at RMB0.63 in 2022 and 2023.
- (2) The increase in the average price under the CPM model in 2022 was primarily due to our introduction of new advertising customers with high unit fee in 2022. The increase in the average price under the CPM model in 2023 was primarily due to the decrease of the proportion of advertising services under the CPM model with low unit fee as we focused on developing the CPM model with high unit fee.

Cooperation Agreements with Advertising Customers

We set forth below the salient terms of the cooperation agreements we entered into with our advertising customers under reading with advertising of online reading platform services during the Track Record Period:

- *Cooperation scope:* We place advertisements of our advertising customers on our proprietary platform, monitor the placement performance of such advertisements, and report the placement results to our advertising customers. Our advertising customers provide the advertisements to be placed on our proprietary platform.
- *Pricing:* Primarily charging on the CPC basis and CPM basis based on agreed-upon charging model.
- *Settlement:* We generally settle with our advertising customers on a monthly basis and generally grant a credit term for a period of one to three months to our advertising customers.

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- *Term and termination:* The term of cooperation agreements generally ranges one year. The agreement could be terminated in mutual consent, or some other scenarios as prescribed in the agreements.

Since we are a third-party online literature platform, we do not produce literary content. Instead, we generally rely on third-party content providers who supply literary content through the buy-out model (買斷模式) or pro-rata sharing model (分成模式). Under the buy-out model, we purchase the content rights from content providers in a lump sum and enjoy all income generated from such content. Under the pro-rata model, we share a portion of the income with the original content providers after we charge users directly for their access to the online literary content from such original content providers.

Cooperation Agreements with Third-party Content Providers

The table below sets forth the salient terms of the cooperation agreements we entered into with third-party content providers under buy-out model and pro-rata sharing model during the Track Record Period:

	<u>Buy-out Model</u>	<u>Pro-rata Sharing Model</u>
Term	The term of cooperation generally ranges from one to three years.	The term of cooperation generally ranges from one to three years.
Income sharing	We purchase the content rights from third-party content providers in a lump sum manner and enjoy all income generated from such content. We are not required to pay any other fees or share any income with third-party content providers.	Each party shares agreed-upon proportion of the net income after the deduction of channel fees, processing fees, and bad debts, among others.
Settlement and payment method	We are obligated to complete the settlement of the purchase of content rights with third-party content providers by bank transfer within 10 days after we receive invoices from them.	We and third-party content providers generally settle on a monthly basis, and we complete the settlement of net income with third-party content providers by bank transfer within 10 days after we receive invoices from them.
Termination and renewal	We and third-party content providers generally need to enter into new cooperation agreements when the existing agreements expire. Each party can terminate the cooperation agreement when the following scenarios occur: (i) the revocation of the legal entity of a party; (ii) a material breach of the agreements by the counterparty; (iii) force majeure of a party; and (iv) other scenarios of termination according to laws and regulations. We shall give 15-day advance notice to third-party content providers if any change of circumstances occurs and leads to our failure to perform the obligations under the cooperation agreements.	We and third-party content providers generally need to enter into new cooperation agreements when the existing agreements expire. Each party can terminate the cooperation agreement when the following scenarios occur: (i) the revocation of the legal entity of a party; (ii) a material breach of the agreements by the counterparty; (iii) force majeure of a party; and (iv) other scenarios of termination according to laws and regulations. We shall give 15-day advance notice to third-party content providers if any change of circumstances occurs and leads to our failure to perform the obligations under the cooperation agreements.

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Digital Marketing Services

We connect advertising customers with suitable advertising channels and charge advertising customers based on various charging models, including CPC, CPA and CPM. We normally enter into advertising service agreements with our advertising customers based on relevant framework agreements. These agreements typically range one year and we generally enter into new agreements upon their expiry. Based on the advertising needs and budgets of our advertising customers, the scope, details and pricing of advertising services differ. We follow the common market practice of pricing each type of advertising services based on an analysis of other industry players' pricing levels, the cost of our cooperation with specific media channels, the scope of our advertising services and the expectation from advertising customers for our performance in advertisement placements and optimized effect.

The table below sets forth the average and range of unit fees that we charged our advertising customers in the digital marketing services business for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	Range	Average	Range	Average	Range	Average
	<i>(RMB)</i>		<i>(RMB)</i>		<i>(RMB)</i>	
CPC ⁽¹⁾	0.39-1.48	0.58	0.44-2.14	0.61	0.50-6.80	0.61
CPA ⁽²⁾	5.00-300.00	15.39	10.00-120.00	17.27	1.30-750.00	13.94
CPM ⁽³⁾	0.23-21.28	0.41	-	-	-	-

Notes:

- (1) The increase in the average price under the CPC model from 2021 to 2022 was primarily due to our increased advertising service fee. The average price under the CPC model remained stable at RMB0.61 in 2022 and 2023.
- (2) The increase in the average price under the CPA model in 2021 and 2022 was primarily due to our introduction of advertising customers with high unit fee. The decrease in the average price under the CPA model in 2023 was mainly because we offered more advertising services under the CPA model with low unit fee in order to attract more new advertising customers.
- (3) The proportion of the CPM model in all of our charging models was relatively small during the Track Record Period compared to the CPC and CPA models. We did not charge any fees from our advertising customers under the CPM model in 2022 and 2023, primarily because the customers for whom we charge on a CPM basis did not continue to purchase advertising services under the CPM model from us in 2022 and 2023.

The salient terms the cooperation agreements we entered into with advertising customers under our digital marketing services during the Track Record Period are generally similar to those of the agreements we entered into with our advertising customers under reading with advertising of online reading platform services, except that we place the advertisements of our advertising customers or their customers on third-party media platforms instead of on our proprietary platform. We select suitable third-party media platforms to place these advertisements.

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We set forth below the salient terms of the cooperation agreements we entered into with third-party media agents who helped us display the advertisement on third-party media platforms during the Track Record Period:

- *Cooperation scope:* We provide the advertisements of our advertising customers or their customers to third-party media platforms. The third-party media platforms place such advertisements according to our placement requirements, monitor the placement performance of such advertisements and report the placement results to us.
- *Pricing:* The third-party media agents charge us on CPA basis, CPC basis and CPM basis based on agreed-upon charging model. The prices and payment policies vary among third-party media agents.
- *Settlement:* (i) We prepay a certain amount to the third-party-media channels and they take deductions according to the placement progress of advertisements; or (ii) the third-party media agents generally settle with us on a monthly basis and grant a credit term of one-month to us.
- *Term and termination:* The term of cooperation agreements generally ranges one year. The agreement could be terminated in mutual consent or some other scenarios as prescribed in the agreements.

Online Games Publishing Services

We normally enter into cooperation agreements with online game content providers for each game on our platform and third-party web-based platforms. These agreements have different cooperation terms and are generally renewable upon mutual consent.

All of the games on our platform and third-party web-based platforms are free-to-play, allowing game users to download and play games without any up-front cost. With respect to the exclusive model, we charge users for the virtual items and services in the games, and then share a portion of the game income with game content providers according to the terms of our cooperation agreements based on agreed-upon settlement schedule. We offer game users a massive collection of in-game virtual items and generate revenue from in-game purchases. Game users need to exchange real currency into virtual currency generally at a fixed rate and then use virtual currency to purchase virtual items and services to extend their play sessions, personalize their game environments, accelerate in-game progress and send virtual gifts to their friends. We are responsible to collect users' gross billings and then share the game income with game content providers based on agreed-upon settlement schedule. For the joint operation model, the scope of our responsibilities and our game content partners varies depending on the agreements. In some cases, the game content providers are responsible for game content updates, pricing virtual items, in-game services and customer service. We are responsible for game operation and other platform services. When game users make payments in the games through our platform and third party web-based platforms, we are entitled to a prescribed fixed percentages of the gross proceeds collected from the game users and recognized them as revenue. We share the game income with game content providers based on an agreed-upon settlement schedule.

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We set forth below the salient terms of the cooperation agreements we entered into with external channels during the Track Record Period:

	<u>Advertising Traffic Arrangement</u>	<u>Channel Operation Arrangement</u>
Term	The term of cooperation generally ranges one year.	The term of cooperation is not specified.
Cooperation scope	External channels provide advertising services for us to promote the games that we designate on various advertising platforms.	External channels provide App platforms which allow us to upload the games that we designate to their platforms for the users to download and use.
Pricing	External channels generally charge us by CPC, CPM or other agreed-upon charging basis.	Each party shares agreed-upon proportion of the net income after the deduction of payment channel processing fees.
Settlement and payment method	We generally adopt prepayment method (i.e., we pay a certain amount to an account of an external channel in advance, and external channels deduct their service fees from our accounts according to the actual advertising costs incurred).	External channels charge users who use our games directly and subsequently settle with us on a monthly basis via bank transfer.
Termination and renewal	We and the external channels have the obligations to perform the agreements until they expire. We and the external channels may choose to renew the agreements one month prior to expiration.	We may notify the external channels to terminate the agreements in writing in advance. Upon mutual agreement, we and the external channels may terminate the agreements.

Other Digital Content Services

Leveraging our large user base, we monetize our user traffic through our cooperation with telecommunications operators and recommend the digital content (such as music and ringback tones) on their platforms to suitable users on our Easou Reading App Series and other third-party platforms. We normally enter into channel cooperation agreements with the telecommunications operators. These agreements typically range one to two years, and we generally enter into new agreements upon their expiry. Those operators normally charge users for using their content directly, then share a portion of the user income with us according to the channel cooperation agreements, and share with us based on an agreed-upon settlement schedule.

We also collaborate with certain value-added content providers who place digital content on telecommunications operators' platforms, and we recommend their content to suitable users on our Easou Reading App Series and other third-party platforms. Similar to our cooperation with telecommunications operators, we enter into channel cooperation agreements with these value-added content providers, which typically range between two to three years. After receiving income settlement from the telecommunications operators (who are responsible to charge users directly), these third-party value-added content providers will subsequently share the income with us based on agreed-upon proportions and settlement schedule.

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Cooperation Agreements with Telecommunications Operators

We set forth below the salient terms of the cooperation agreements we entered into with telecommunications operators under other digital content services during the Track Record Period:

- *Cooperation scope:* We and the telecommunications operators jointly serve users by providing digital music, such as ringback tones and music downloads. The telecommunications operators provide digital music and relevant products and charging channels. We provide various service scenarios, including digital content display, service subscription, daily operation of user service, marketing and promotion among others.
- *Pricing:* The telecommunications operators have the right to determine the price of digital content and charge users directly.
- *Settlement:* The telecommunications operators share a portion of user income with us based on agreed-upon proportions and settle with us generally on a monthly basis.
- *Term and termination:* The term of cooperation agreements generally ranges one to two years. The agreement could be terminated in mutual consent, or some other scenarios as prescribed in the agreements.

CUSTOMER SERVICE

We are committed to providing our users with superior customer service experience. We have set up user complaint handling protocols for our main business lines. To ensure seamless customer service, we divide our customer service function into online user service, VIP customer service and online literature customer service. As of December 31, 2023, we had a customer service team of 12 members who were primarily located in Shenzhen, and were able to provide such service covering 9:00 a.m. to 10:00 p.m., five days a week. Our customer service team is responsible for providing after-sale service for our products, handling user inquiries and complaints, and collecting their feedback. We require our customer service team to complete investigations of all complaints and provide responses to all questions from our users and customers within 24 hours. We have a dedicated customer service system consisting of manual and automated services, which are embedded in all of our products. We also have customer service specialists in our sales and marketing team who are dedicated to serving our advertising customers.

We highly value the feedback on our products and services from our users and customers. For users, we conduct user satisfaction surveys through Easou Reading App Series as necessary. We also reply on the feedback and suggestions from users collected by our customer service specialists during our daily operation to improve our products and services. For customers, we communicate with them to collect their feedback and suggestions, which we rely on to improve the quality of our services.

CONTENT MONITORING

We are committed to complying with the applicable laws and regulations regarding the provision of digital content through the internet. We leverage our technology and content monitoring team to implement procedures to monitor the content on our platform to help ensure that no content that may be deemed to be illegal or inappropriate under the relevant rules and regulations can be posted on our platform, and to promptly remove any infringing content.

Under our online reading platform services, we start our content monitoring procedures with our review on the licenses and proof of content ownership from the content providers to ensure that they are competent to enter into agreements with us and the content provided by them is not piratical or disputable. We maintain two levels of content monitoring system consisting of automated screening and manual review to thoroughly monitor the content distributed under our online literature content recommendation business. The first level of monitoring procedure is conducted by our automated screening system before we put online literature on our platform. Our automated screening system reviews and analyzes all content provided by our content providers word by word and identifies part of the advertisements automatically. We have established a proprietary repository of keywords covering pornography, violence and political sensitivity according to the latest laws and regulations in China. We regularly update the proprietary repository of keywords to ensure compliance with the latest and industry and regulatory developments. Once our automated screening system identifies any suspicious content, it will exercise the judgement on whether such content fall into the domain of prohibited content based on the relevant laws and regulations, such as the Measures for Security Protection Administration of the International Networking of Computer Information Networks (《計算機信息網絡國際聯網安全保護管理辦法》), Regulation on the Administration of Publication (《出版管理條例》), and Interim Regulations on the Identification of Obscene and Pornographic Publications (《關於認定淫穢及色情出版物的暫行規定》). If our automated screening system confirms, such content will be prohibited from being uploaded to our platform or we will request the content provider to revise or delete such content. If our automated screening system fails to provide a result from such analysis or it identifies any advertisements, it will tender the content to our content monitoring team.

As the second level of monitoring procedures, our content monitoring team subsequently conducts manual review and redaction on the suspicious content identified by our automated screening system and determines whether to allow such content to be posted on our online platform. As of December 31, 2023, our content monitoring team consisted of seven specialists who were dedicated to screening and monitoring suspicious content tendered by our automated screening system on daily basis. Our content monitoring team normally conducts three rounds of review, consisting of preliminary, second and final reviews. If the suspicious content fail to pass the review of our content monitoring team, they will not be uploaded onto our platform and the content providers will not receive any content use fee from us. We provide onboard training for new hires in our content monitoring team. We also offer periodic training sessions to keep these employees apprised of any regulatory and policy changes, and supervise and monitor their work. All of the content provided by third-party content providers are required to go through these two levels of monitoring procedures before they can be released on our platform. In addition, our technology and operation teams assist our content monitoring team by providing advice from technical and product perspectives.

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Based on the verbal consultation conducted by our PRC Legal Advisers with the relevant government authority, the content posted on the reading platforms is not subject to review by the regulatory authorities before posting. Under the Online Publishing Regulations, which came into effect on March 10, 2016, the internet publishing services provider shall adopt a publication content review responsibility system, an editor responsibility system, a proofreader responsibility system and other management systems to guarantee the quality of internet publications. No content involving “significant topics”, which including national security, social stability or other significant topics, shall be published if they have not been filed for record. As confirmed by our Directors, our Group had fully implemented the publication content review responsibility system, editor responsibility system, proofreader responsibility system and other management systems by reviewing before posting the contents on our online reading platform during the Track Record Period. Furthermore, no filing formalities were required since our Group had not published any content that could be regarded as significant topics under the Online Publishing Regulations during the Track Record Period. As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, our Group had not been requested by authorities to take down the content from our reading platform.

After the online literature was put on our platform, we also implemented and relied on various public reporting channels to identify and remove illegal or improper content. Our reporting infrastructure allows any of our users to report inappropriate, offensive or dangerous content to us through “report” links easily found on our platform. Once we received these reports, our automated content review system will conduct a thorough evaluation of such suspicious content, and our content monitoring team may be required to take further actions, such as blocking illegal and inappropriate content on our platform and cooperating with our content providers to screen the content which may infringe the copyrights of third parties.

We have also implemented content monitoring procedures for our other business lines. Under our digital marketing business, our advertising review specialists review the content and form of advertisements in accordance with the relevant laws and regulations, and verify for the truthfulness of the advertisements. For the industries that are highly regulated by China’s advertising-related laws and regulations, such as pharmaceuticals, health food, education and training, and real estate, we conduct more stringent content review compared to other advertisements to be distributed on our platform. Only the advertisements that pass our review can be published on our platform. Under our online games publishing services, we have a team of game specialists to thoroughly review the overall structure and content of each game we plan to publish. We normally start our review with our game content providers on whether there exists any material non-compliance. We then review the scope of users’ data collection to ensure the scope is in compliance with the data protection requirements in China. We also adopt similar content review procedures as those we use in manual review under our online reading platform services. In addition, we have also established a special channel for game users to submit their questions, suggestions and complains.

Due to a large amount of content displayed on our platform, we may not always be able to promptly identify any content that is illegal, improper or may otherwise be found objectionable by the PRC government. See “Risk Factors – Risks Relating to Our Business and Industry – Regulations on information disseminated over mobile devices and internet may subject us to liability or administrative and regulatory actions involving the distributed content posted on our platform” in the prospectus.

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INTELLECTUAL PROPERTY

Intellectual property rights are important to our business. We seek to protect our technology, including our proprietary technology infrastructure and core software system, through a combination of patents, copyrights, trademarks, trade secrets and domain names. As of the Latest Practicable Date, we had registered 21 patents, 183 software copyrights, five artwork copyrights, 41 domain names, including <http://www.easou.cn>, and 117 trademarks in the PRC.

We devote significant efforts to protecting our intellectual property rights. We require our employees to sign an employment agreement and a confidentiality agreement, which (i) provides any inventions related to our business that they develop during the course of employment belong to us; and (ii) prohibits the unauthorized disclosure of our confidential information and proprietary technologies subject to the terms and conditions of the confidentiality agreement. We have also established multiple internal policies governing the confidentiality of all company information.

The content distributed on our platform mainly comes from the authorized content we purchase from the relevant content providers. Therefore, we have established a set of content management mechanisms covering from the beginning of content introduction to the prevention of risk of infringement. The content management mechanisms mainly consist of ex-ante investigation, concurrent control and ex-post reward and punishment. In terms of ex-ante investigation, we conduct background investigation on the content provider, implement random checks on the content provided, and enter into formal copyright licensing agreements with the relevant content providers. In terms of concurrent control, we mainly monitor through reports related to piracy and plagiarism from the content providers, or reports related to piracy and plagiarism from our users. We have a reporting channel on the main page of our Easou Reading App Series and Easou H5 Pages, and conduct investigations in the reported occurrences of piracy and plagiarism as soon as we receive a report from a user or a content provider. If any copyright issue is identified, we immediately remove the content from our platform. In terms of ex-post rewards and punishments, we have established a content provider management system to prevent content providers from providing the pirated or plagiarized content. If a content provider is suspected of providing pirated or plagiarized content, we will remove the content from our platform promptly, ceased our recommendations of such content to the users, delay the settlement, terminate cooperation with the content provider, and recover any losses incurred in connection therewith from such content provider.

We have implemented a series of measures to protect the intellectual property rights of our content providers. The online literary resources that we currently provide to the users on our platform are generally displayed within the prescribed effective period as agreed in the relevant copyright licensing agreements with the content providers, the authorizations of which were legally obtained from such content providers. We do not use authorized literary resources beyond the agreed scope and only exercise the specific rights granted to us in the relevant agreements. In addition, we have taken reasonable measures to prevent infringement of the relevant rights by setting up convenient procedures for receiving infringement notifications on our platform and take timely action in response to such notifications.

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From time to time, third parties may initiate litigation against us alleging infringement of their proprietary rights or declaring their non-infringement of our intellectual property rights. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any intellectual property infringement claims which had any material adverse impact on our Group. See also the sections headed “Risk Factors – Risks Relating to Our Business and Industry – We may be subject to intellectual property infringement claims or other allegations, which could result in material damage to our reputation and brand, payment of substantial damages, penalties and fines, removal of relevant content from our platform or seeking license arrangements which may not be available on commercially reasonable terms” and “Risk Factors – Risks Relating to Our Business and Industry – Unauthorized use of our intellectual property and the expenses we may incur in protecting our intellectual property rights may harm our business and competitive position” in this prospectus.

CUSTOMERS

Our customers primarily consist of (i) users of our online reading platform services (reading with paid services) and our online games publishing services who usually make payments through third-party payment channels; and (ii) advertising customers for our online reading platform services (reading with advertising services) and digital marketing services. We have a broad base of individual customers and we believe we do not have individual customer concentration risks. In each year of the Track Record Period, revenue from our five largest customers amounted to RMB143.3 million, RMB133.5 million and RMB129.6 million, respectively, accounting for 33.1%, 29.2% and 23.2%, respectively, of our total revenue. In each year of the Track Record Period, revenue from our largest customer amounted to RMB41.4 million, RMB35.2 million and RMB27.4 million, respectively, accounting for 9.6%, 7.7% and 4.9%, respectively. In each year of the Track Record Period, all of our five largest customers were Independent Third Parties. None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any interest in these customers during the Track Record Period and up to the Latest Practicable Date. From November 2014 to January 2016, Mr. Wang held no more than 6.0% equity interest in Guangzhou Kiwi Interactive Technology Co., Ltd. Other than described in the foregoing and the table below in this section, our Directors confirmed that there did not exist any past or present relationships between our Group and each of its top five customers, their respective substantial shareholders, directors or senior management, or any of their respective associates in connection with financing, trust or other activities, save for the sales we made to such customers.

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The following tables set forth details of our top five customers in each year of the Track Record Period:

For the year ended December 31, 2021

Rank	Customer	Year of Establishment	Ownership	Principal Business	Primary Services Provided	Year of Establishing Business Relationship	Typical Credit Term	Business Scale / Financial Performance	Amount of Revenue RMB'000	As Percentage of Our Total Revenue %
1.	Customer A	2013	Stated-owned	A PRC company that mainly engages in the services of digital advertising, events and exhibitions	Digital marketing services/ Advertising services provided in connection with reading with advertising	2020	60-90 days	Registered capital: RMB174.8 million ⁽¹⁾	41,428	9.6
2.	Zhejiang Xiangyuan Culture Co., Ltd.* (浙江祥源文化股份有限公司)	1992	Listed in China	A PRC company that primarily engages in the provision of culture and tourism services	Digital marketing services/ Advertising services provided in connection with reading with advertising	2020	90 days	2021 Revenue: RMB246.6 million	31,592	7.3
3.	Guangzhou Kiwi Interactive Technology Co., Ltd.* (廣州奇異果互動科技股份有限公司)	2006	Listed in China	A PRC company that mainly engages in the provision of advertising services	Digital marketing services/ Advertising services provided in connection with reading with advertising	2017	30-60 days	2021 Revenue: RMB541.0 million	26,560	6.1
4.	Customer B	2012	Foreign-invested enterprises and domestic joint ventures	A PRC company that mainly engages in the provision of advertising services	Digital marketing services/ Advertising services provided in connection with reading with advertising	2020	60-90 days	Registered capital: RMB5.0 million ⁽¹⁾	24,597	5.7
5.	Shanghai Yizhuo Network Technology Co.* (上海移卓網絡科技有限公司)	2013	Private	A PRC company that primarily engages in software development	Digital marketing services/ Advertising services provided in connection with reading with advertising	2013	90 days	Registered capital: RMB1.0 million ⁽¹⁾	19,106	4.4
Total									143,283	33.1

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For the year ended December 31, 2022

Rank	Customer	Year of Establishment	Ownership	Principal Business	Primary Services Provided	Year of Establishing Business Relationship	Typical Credit Term	Business Scale / Financial Performance	Amount of Revenue	As Percentage of Our Total Revenue
									RMB'000	%
1.	Customer A	2013	Stated-owned	A PRC company that mainly engages in the services of digital advertising, events and exhibitions	Advertising services provided in connection with reading with advertising	2020	60-90 days	Registered capital: RMB174.8 million ⁽¹⁾	35,165	7.7
2.	Customer B	2012	Foreign-invested enterprises and domestic joint ventures	A PRC company that mainly engages in the provision of advertising services	Digital marketing services	2020	60-90 days	Registered capital: RMB5.0 million ⁽¹⁾	28,425	6.2
3.	Customer C	2013	Private	A PRC company that mainly engages in the provision of advertising services	Advertising services provided in connection with reading with advertising	2021	90 days	Registered capital: RMB6.1 million ⁽¹⁾	25,691	5.6
4.	Guangzhou Kiwi Interactive Technology Co., Ltd.* (廣州奇異果互動科技股份有限公司)	2006	Listed in China	A PRC company that mainly engages in the provision of advertising services	Digital marketing services/ Advertising services provided in connection with reading with advertising	2017	30-60 days	2021 Revenue: RMB541.0 million	22,858	5.0
5.	Customer D	2014	Controlled by a company listed in Hong Kong	A PRC company that mainly engages in the provision of advertising services, content distribution and development and operation of games	Digital marketing services/ Advertising services provided in connection with reading with advertising	2020	30-60 days	Registered capital: RMB10.0 million ⁽¹⁾	21,338	4.7
Total									133,477	29.2

For the year ended December 31, 2023

Rank	Customer	Year of Establishment	Ownership	Principal Business	Primary Services Provided	Year of Establishing Business Relationship	Typical Credit Term	Business Scale / Financial Performance	Amount of Revenue	As Percentage of Our Total Revenue
1.	Customer B	2012	Foreign-invested enterprises and domestic joint ventures	A PRC company that mainly engages in the provision of advertising services	Digital marketing services/ Advertising services provided in connection with reading with advertising	2020	90-120 days ⁽²⁾	Registered capital: RMB5.0 million ⁽¹⁾	27,395	4.9
2.	Customer A	2013	State-owned	A PRC company that mainly engages in the services of digital advertising, events and exhibitions	Digital marketing services/Advertising services provided in connection with reading with advertising	2020	60-90 days	Registered capital: RMB174.8 million	26,564	4.8
3.	Customer C	2013	Private	A PRC company that mainly engages in the provision of advertising services	Advertising services provided in connection with reading with advertising	2021	120 days ⁽²⁾	Registered capital: RMB6.1 million ⁽¹⁾	26,176	4.7
4.	Customer E	2014	Private	A PRC company that mainly engages in promotion services	Digital marketing services/ Advertising services provided in connection with reading with advertising	2022	120-150 days ⁽²⁾	Registered capital: RMB10.0 million ⁽¹⁾	25,875	4.6

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Rank	Customer	Year of Establishment	Ownership	Principal Business	Primary Services Provided	Year of Establishing Business Relationship	Typical Credit Term	Business Scale / Financial Performance	Amount of Revenue	As Percentage of Our Total Revenue
									RMB'000	%
5.	Customer D	2014	Controlled by a company listed in Hong Kong	A PRC company that mainly engages in the provision of advertising services, content distribution and development and operation of games	Digital marketing services/Advertising services provided in connection with reading with advertising	2020	30-60 days	Registered capital: RMB10.0 million ⁽¹⁾	23,592	4.2
Total									129,602	23.2

Notes:

- (1) Based on the public searches in the National Enterprise Credit Information System (國家企業信用信息公示系統) conducted by us on March 26, 2024.
- (2) We extended the credit term for the customer to maintain positive cooperation relationship with them.

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SUPPLIERS

Our suppliers primarily consist of (i) content suppliers, including suppliers for literary content and game content; (ii) internet traffic suppliers, including suppliers for business promotion and advertising; and (iii) other product or service suppliers, such as suppliers for bandwidth services and servers and third-party payment service providers. In each year of the Track Record Period, purchases from our five largest suppliers amounted to RMB115.6 million, RMB146.4 million and RMB167.3 million, respectively, accounting for 35.3%, 42.9% and 34.9%, respectively, of our total purchases. In each year of the Track Record Period, purchases from our largest suppliers amounted to RMB28.6 million, RMB43.0 million and RMB39.3 million, respectively, accounting for 8.7%, 12.6% and 8.2%, respectively. In each year of the Track Record Period, all of our five largest suppliers were Independent Third Parties, and none of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any interest in these suppliers during the Track Record Period and up to the Latest Practicable Date.

The following tables set forth details of our top five suppliers in each year of the Track Record Period:

For the year ended December 31, 2021

Rank	Supplier	Principal Business	Year of Establishing Business Relationship	Typical Credit Term	Amount of Purchase	As Percentage of Our Total Purchases
				<i>Days</i>	<i>RMB'000</i>	<i>%</i>
1.	Supplier A	A PRC company established in 2016 that mainly engages in the provision of advertising services	2018	30 days	28,572	8.7
2.	Supplier B	A PRC company established in 2015 that mainly engages in software development	2021	Prepayment ⁽¹⁾	26,852	8.2
3.	Supplier C	A PRC company established in 2009 that primarily engages in intelligent image production technology and application solutions	2018	Prepayment ⁽¹⁾	23,160	7.1
4.	Supplier D	A PRC company established in 2008 that mainly engages in the development and publishing of online games and AR/VR services for enterprises	2020	30 days	19,748	6.0
5.	Supplier E	A PRC company established in 2016 that mainly engages in the provision of advertising services	2017	Prepayment ⁽¹⁾	17,276	5.3
Total					115,608	35.3

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For the year ended December 31, 2022

Rank	Supplier	Principal Business	Year of Establishing Business Relationship	Typical Credit Term	Amount of Purchase	As Percentage of Our Total Purchases
				<i>Days</i>	<i>RMB'000</i>	<i>%</i>
1.	Supplier D	A PRC company established in 2008 that mainly engages in the development and publishing of online games and AR/VR services for enterprises	2020	30 days	43,040	12.6
2.	Supplier F	A PRC company established in 2015 that mainly engages in advertising agency businesses	2020	Prepayment ⁽¹⁾	28,060	8.2
3.	Supplier C	A PRC company established in 2009 that mainly engages in intelligent image production technology and application solutions	2018	Prepayment ⁽¹⁾	27,264	8.0
4.	Supplier G	A PRC company established in 2015 that mainly engages in the services of internet cultural activities	2022	Prepayment ⁽¹⁾	24,832	7.3
5.	Supplier A	A PRC company established in 2016 that mainly engages in the provision of advertising services	2018	30 days	23,213	6.8
Total					146,409	42.9

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For the year ended December 31, 2023

Rank	Supplier	Principal Business	Year of Establishing Business Relationship	Typical Credit Term	Amount of Purchase	As Percentage of Our Total Purchase
				<i>Days</i>	<i>RMB'000</i>	<i>%</i>
1.	Supplier H	A PRC company established in 2004 that mainly engages in providing customers with mobile marketing service solutions	2016	Prepayment ⁽¹⁾	39,299	8.2
2.	Supplier D	A PRC company established in 2008 that mainly engages in the development and publishing of online games and AR/VR	2020	30 days	38,386	8.0
3.	Supplier G	A PRC company established in 2015 that mainly engages in the services of internet cultural activities	2022	Prepayment ⁽¹⁾	36,796	7.7
4.	Supplier I	A PRC company established in 2016 that mainly engages in advertising media communication marketing and design services and technology development services	2022	Prepayment ⁽¹⁾	27,763	5.8
5.	Supplier J	A PRC private company established in November 2017 that mainly engages in the advertising business	2021	Prepayment ⁽¹⁾	25,026	5.2
Total					167,270	34.9

Note:

(1) Prepayment means the sum, in whole or in part, paid to our suppliers prior to their services being provided.

We generally enter into framework agreements with our major suppliers, which set out the specifications, prices, delivery terms, payments for each service purchased by us.

OVERLAP OF CUSTOMER AND SUPPLIER

During each year of the Track Record Period, to the best knowledge and belief of our Directors, we provided services to one, one and two customers whose revenue contribution accounted for more than 1% of our total revenue in each year of the Track Record Period (the “Major Customers”) who were also our suppliers, respectively. As confirmed by our Directors, (i) negotiations of the terms of our sales to and purchases from these overlapping customers and suppliers were conducted on an individual basis and the sales and purchases were neither

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inter-connected nor inter-conditional with each other; (ii) during the Track Record Period, the products we purchased from these overlapping customers and suppliers were not sold back to them, and *vice versa*; and (iii) the major terms of transactions with these overlapping customers and suppliers are similar to those with our other customers and suppliers. We were under no obligation to purchase from or sell our services to any of these overlapping customers and suppliers.

During the Track Record Period, the services we provided to these overlapping customers and suppliers primarily include digital marketing services, reading with advertising, other digital content services and online games publishing services, while the services we purchased from them primarily include digital content procurement, internet traffic procurement and marketing services. We made procurements from these Major Customers primarily because they had diverse and rich digital content and internet traffic. Our purchases from the Major Customers during the Track Record were entered into based on the scale and periodic requirements of our business operations.

The table below sets forth the revenue, gross profit, average gross profit margin and purchases attributable to these overlapping Major Customers and suppliers during the Track Record Period:

	For the year ended December 31,		
	2021	2022	2023
Revenue (<i>RMB'000</i>)	4,666	4,696	15,454
Percentage of our total revenue (%)	1.1	1.0	2.8
Gross profit (<i>RMB'000</i>)	2,255	2,142	5,142
Average gross profit margin (%)	48.3	45.6	33.3
Purchase (<i>RMB'000</i>)	35	48	42
Percentage of our total purchase (%)	*	*	*

* Below 0.1%.

EMPLOYEES

As of December 31, 2023, we had a total of 147 employees, of whom 92 were located in Shenzhen, 49 were located in Beijing, six were located in Guangzhou. The table below sets forth a breakdown of our employees by function as of December 31, 2023:

Function	Number of Employees	% of Total
R&D	64	43.5
Operations	26	17.7
Sales and marketing	24	16.3
Management, finance and administration	33	22.4
Total	147	100.0

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We believe that our success depends in part on our ability to attract, recruit and retain quality employees. We aim to establish a collaborative work environment that encourages them to develop their career with us. In addition, we have an effective training system, including orientation and continuous on-the-job training, to accelerate the learning progress and improve the knowledge and skill levels of our workforce. We provide ongoing training for employees covering various stages of their career development, primarily including (i) orientation training, which aims to introduce our new employees to various subjects, such as our corporate culture and policies, work ethics and occupational safety, and enable them to adapt to their working environment as soon as practicable; and (ii) periodic on-the-job training, such as technology training, which aims to enhance our employees' professional skills, knowledge and understanding of the latest technological developments in the industry, and management training, which aims to improve the abilities in innovation, leadership and communication of our mid-level and senior managers.

To sustain our growth, we regularly review our capabilities and adjust our workforce to ensure we have the right mix of expertise to meet the demand for our products and services. We offer employees competitive salaries and performance-based cash bonuses. We believe that our reputation, work environment, training system and remuneration package are advantageous that attract qualified candidates. During the Track Record Period, we adopted internet recruitment, social recruitment, campus recruitment and internal referral by existing employees, among other recruitment approaches. When considering and selecting qualified employment candidates, we take into consideration their education background, work experience, relevant expertise and specific skills, as well as the demand for and the objectives of the vacant positions. The recruiting process includes online resume collection, resume review, rounds of interviews. We adhere to the principle of open recruitment, equal competition, merit-based hiring and hierarchical approval in the whole process.

As required by the Chinese laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance. We also purchase commercial health and accidental insurance for our employees. Bonuses are generally discretionary and based in part on employee performance and in part on the overall performance of our business.

We believe we maintain a good working relationship with our employees, and we have not experienced any material labor disputes during the Track Record Period.

PROPERTIES

Our headquarters is located Nanshan District, Shenzhen, China. As of the Latest Practicable Date, we did not own any real properties. As of the Latest Practicable Date, we leased 14 properties under lease agreements with Independent Third Parties in China, with an aggregate GFA of 2,407.44 sq.m. Our leased properties in China are primarily used for factory and office purposes. The relevant lease agreements typically have a lease term ranging from one to five years. The lessors of our leased properties above have obtained the relevant building ownership certificates or authorization from building owners evidencing their rights to lease the properties to

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us, except with respect to two of our leased properties with a total GFA of approximately 38.0 sq.m., the valid property ownership certificates or other similar proofs of which had not been provided to us by the relevant lessors as of the Latest Practicable Date.

Among such 14 properties that we leased, we had not completed lease registration for two properties with a total GFA of approximately 38.0 sq.m. as of the Latest Practicable Date. Our failure to conduct the lease registration and filing was mainly due to (i) our administrative oversight and a lack of understanding of the laws and regulatory requirements applicable to the lease registration and filing; and (ii) the nature of the property we leased which led to our inability to complete the lease registration. Our PRC Legal Advisers have advised us that the lack of registration of the lease agreements will not affect the validity of the lease agreements under the PRC law pursuant to the Article 706 of the PRC Civil Code (中華人民共和國民法典), and that if we fail to comply with the relevant laws and regulations in respect of the lease registration and filing, we may be ordered by the competent Chinese government authority to rectify such non-compliance within a prescribed time limit. If we fail to do so within the prescribed period, we may be subject to a maximum fine of not more than RMB10,000 for each non-registered lease according to the Administrative Measures on Leasing of Commodity Housing (商品房屋租賃管理辦法). See “Risk Factors – Risks Relating to Our Business and Industry – We may face administrative penalties or challenges from third parties arising from the defects of certain properties occupied by us” in this prospectus. As of the Latest Practicable Date, we had not received any registration request or become subject to any such fine from the relevant government authorities. We will still take all practicable and reasonable steps to ensure that such leases are registered and continue to communicate with such lessors to seek their cooperation to complete the registration process. As advised by our PRC Legal Advisers, there is no material legal impediment arising from such non-compliance in connection with the Listing and the Global Offering. To mitigate any future recurrence of such failure to register leases, we will enhance our internal supervision of compliance with the applicable laws and regulations by appointing relevant personnel to supervise and monitor our administrative staff with respect to such matters.

AWARDS AND RECOGNITIONS

During the Track Record Period, we have received recognition for the quality and popularity of our products and services. Some of the significant awards and recognition we have received are set forth below:

Award/ Recognition Year	Award/Recognition	Awarding Institution/ Authority	Entity/Product
2024	High Growth Star of the Year 2023 (高成長之星)	Shenzhen Futian District Science and Technology Innovation Bureau (深圳市福田區 科技創新局)	Easou Shenzhen
2023	Specialized and Sophisticated Enterprises that Produce New and Unique Products (專精特新 中小企業)	Shenzhen Small and Medium Enterprises Service Bureau (深 圳市中小企業服務局)	Easou Shenzhen

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Award/ Recognition Year	Award/Recognition	Awarding Institution/ Authority	Entity/Product
2022	Shenzhen Small and Medium Enterprises Service Bureau (深圳市中小企業服務局)	Shenzhen Small and Medium Enterprises Service Bureau (深圳市中小企業服務局)	Easou Shenzhen
2022	OPPO Breakthrough Awards (OPPO銳意突破獎)	2022 OPPO Industry Summit of Vertical Project (縱橫計劃行業峰會)	Easou Reading App
2022	VIVO 2022 Infinite Potential Award (VIVO 2022年度潛力無限獎)	VIVO Marketing	Easou Shenzhen
2022	High and New Technology Enterprise (高新技術企業)	Science and Technology Committee of Beijing (北京市創新委員會), Finance Bureau of Beijing (北京市財政局) and Tax Bureau of Beijing (北京市稅務局)	Easou Beijing
2022	High and New Technology Enterprise (高新技術企業)	Science and Technology Committee of Shenzhen (深圳市創新委員會), Finance Bureau of Shenzhen (深圳市財政局) and Tax Bureau of Shenzhen (深圳市稅務局)	Easou Shenzhen
2021	Shenzhen Top 100 Cultural Enterprises (深圳文化企業100強)	Bureau Of Culture, Radio, Television, Tourism and Sports of Shenzhen (深圳市文化廣電旅遊體育局)	Easou Shenzhen
2021	Third Prize of Internet Product Innovation Award of the Year of the 15th Internet Culture Award of Shenzhen (第十五屆深圳市網絡文化獎年度網絡產品創新獎—三等獎)	Shenzhen Online Media Association (深圳市網絡媒體協會)	Easou Reading App
2021	Third Prize of National Reading Platform of the 15th Internet Culture Award of Shenzhen (第十五屆深圳市網絡文化獎全民閱讀平台—三等獎)	Shenzhen Online Media Association (深圳市網絡媒體協會)	Easou Reading App
2021	Best Innovative Cultural and Entertainment Product/Platform of 2020 (2020年度最佳創新文娛產品/平台)	iMedia Research (艾媒諮詢)	Easou Reading App

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Award/ Recognition Year	Award/Recognition	Awarding Institution/ Authority	Entity/Product
2020	2020 Haoyue Qianli Reading Industry Growth Leader (2020 年度浩閱千里閱讀行業增長領跑者)	Tencent Ad (騰訊廣告)	Easou Reading App
2019	Outstanding Reading Promotion Platform (優秀閱讀推廣平台)	The Publishers Association of China (中國出版協會), Chinese Academy of Press and Publication (中國新聞出版研究院)	Easou Reading App
2019	Green App (綠色應用)	Software Green Alliance (綠色軟件聯盟)	Easou Reading App
2019	Second Prize of the Product Innovation of the Year Award of the 13th Shenzhen Internet Culture Award (第十三屆深圳市網絡文化獎-年度產品創新獎二等獎)	Shenzhen Online Media Association (深圳市網絡媒體協會)	Easou Reading App
2018	Second Prize of the Technology Innovation of the 12th Shenzhen Internet Culture Awards (第十二屆深圳市網絡文化獎年度技術創新獎二等獎)	Shenzhen Online Media Association (深圳市網絡媒體協會)	Easou Reading App
2014	Shenzhen Top 100 Enterprises in Cultural and Creative Industries (深圳市文化創意產業百強企業) of 2012 to 2013	Shenzhen Municipal Party Committee Propaganda Department (深圳市委宣傳部), Shenzhen Culture, Sports and Tourism Bureau (深圳市文體旅遊局), Shenzhen Statistics Bureau (深圳市統計局)	Easou Shenzhen
2013	Shenzhen Excellent Emerging Industry Cultural and Creative Enterprises (深圳市優秀新興業態文化創意企業)	Shenzhen Municipal Party Committee Propaganda Department (深圳市委宣傳部), Shenzhen Culture, Sports and Tourism Bureau (深圳市文體旅遊局)	Easou Shenzhen
2013	Deloitte-Shenzhen Optics Valley Technology Fast 20 & Rising Star 德勤-深圳高科技、高成長20強	Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership)	Easou Shenzhen

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Award/ Recognition Year	Award/Recognition	Awarding Institution/ Authority	Entity/Product
2013	Shenzhen Top 100 Enterprises in Cultural and Creative Industries (深圳市文化創意產業百強) of 2011 to 2012	Shenzhen Municipal Party Committee Propaganda Department (深圳市委宣傳部), Shenzhen Culture, Sports and Tourism Bureau (深圳市文體旅遊局), Shenzhen Economic, Trade and Information Technology Commission (深圳市經濟貿易和信息化委員會)	Easou Shenzhen
2012	Guangdong Top Ten Internet Leading Enterprises (廣東十大互聯網領軍企業)	Guangdong Internet Convention (廣東互聯網大會)	Easou Shenzhen

COMPETITION

For online reading platform services, we compete and at the same time, cooperate with the leading comprehensive literature platforms mainly due to the dual-role that they play in the online literature industry. While these leading comprehensive literature platforms have their proprietary distribution platforms which compete with our platform, they also provide original literary content to us. These leading comprehensive literature platforms include, among others, China Literature and iReader. We compete primarily on the basis of the breadth and quality of literary content offered, the accuracy of our Easou Recommendation Engine, the user-friendliness of product design, our charging standards and promotional services provided to users. We also compete for users' reading time with content providers that focus exclusively on a specific genre of content, such as live streaming and short videos.

For digital marketing services, our competitors mainly include marketing service providers, internet e-commerce platforms and social media. We primarily compete with other industry players based on a number of factors, including user traffic, technology capabilities, sale capabilities, pricing and brand recognition.

For online games publishing services, we compete primarily with other online game publishers and operators in China. We compete based on a number of factors, including the accuracy of our Easou Recommendation Engine, game player base and engagement, relationships with game content providers.

We believe we compete favorably against the players in various markets in which we operate. However, our competitors could have greater financial, technological and marketing resources, provide more attractive digital content to compete with our offerings and adversely affect our ability to attract and retain users. These competitors, including companies which we may not be currently aware, may take advantage of the social networks, access to a large user base and network effects to grow rapidly. See "Risk Factors – Risks Relating to Our Business and Industry – We operate in highly competitive industries. If we are unable to compete effectively against

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other industry players, our user and customer bases, market share and profitability may be materially and adversely affected” in this prospectus. For more information of the competitive landscape of our industries, see “Industry Overview” in this prospectus.

Because we are actively exploring more application scenarios of our Easou Recommendation Engine, we may introduce new products and services on our platform. As our existing products continue to evolve, or as other companies introduce new products and services, we may become subject to additional competition.

SEASONALITY

Our results of operations are subject to seasonal fluctuations, reflecting a combination of seasonal fluctuations in internet usage and traditional retail seasonality patterns. For example, we generally experience more advertising needs and record more revenue in the fourth quarter of each calendar year than in the preceding three quarters. E-commerce companies in China typically hold special promotional campaigns from November to December each year that boost the advertising needs in the fourth quarter relative to other quarters. Seasonal fluctuations have not thus far posed material operational and financial challenges to us, as such periods tend to be brief and predictable, allowing us to re-allocate resources and improve efficiency ahead of time.

INSURANCE

In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain keyman life insurance, insurance policies covering damages to our network infrastructures or information technology systems or any insurance policies for our properties. We also do not maintain insurance policies against risks relating to the Contractual Arrangements. During the Track Record Period, we did not make any material insurance claims in relation to our business.

LICENSES, CERTIFICATES AND PERMITS

As of the Latest Practicable Date, we had obtained all requisite licenses, certificates and permits from relevant authorities that are material to our operations in China.

The following table sets out a list of material licenses and permits currently held by us:

Entity	Name of the License	Issue Authority	Issue Date	Expiry Date
Easou Shenzhen	ICP License	Communications Administration of Guangdong (廣東省通信管理局)	January 20, 2020	January 20, 2025
	Internet Cultural Operation License (網絡文化經營許可證)	Department of Culture and Tourism of Guangdong Province (廣東省文化和旅游廳)	April 29, 2022	April 28, 2025

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Entity	Name of the License	Issue Authority	Issue Date	Expiry Date
Easou Beijing	Internet Cultural Operation License	Department of Culture and Tourism of Beijing	December 27, 2022	December 26, 2025
Shenzhen Eayou	ICP License	Communications Administration of Guangdong	December 12, 2019	December 12, 2024
	Internet Cultural Operation License	Department of Culture and Tourism of Guangdong Province	December 5, 2022	December 4, 2025
Shenzhen Chuangtu	ICP License	Communications Administration of Guangdong	February 20, 2020	February 20, 2025
	Internet Cultural Operation License	Department of Culture and Tourism of Guangdong Province	December 21, 2020	December 20, 2026
Shenzhen Dahuatong	ICP License	Communications Administration of Guangdong	February 19, 2021	February 19, 2026
	Internet Cultural Operation License	Department of Culture and Tourism of Guangdong Province	January 18, 2024	January 17, 2027
Guangzhou Ledian	Internet Cultural Operation License	Department of Culture and Tourism of Guangdong Province	August 29, 2022	August 28, 2025
Beijing Yike	ICP License	Communications Administration of Beijing	November 25, 2020	November 25, 2025
	Internet Publishing Service License	National Press and Publication Administration	April 23, 2021	April 22, 2026

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Entity	Name of the License	Issue Authority	Issue Date	Expiry Date
Shenzhen Taite	Telecommunications Network Code Number Resource Use Certificate- 10681840	Ministry of Industry and Information Technology of the PRC	April 16, 2020	October 31, 2024
	SP License	Ministry of Industry and Information Technology of the PRC	October 31, 2019	October 31, 2024
	Internet Cultural Operation License	Department of Culture and Tourism of Guangdong Province	August 10, 2022	August 9, 2025
Guangzhou Tianshitong	Internet Cultural Operation License	Department of Culture and Tourism of Guangdong Province	March 12, 2023	March 11, 2026
Shanghai Yinggao	Internet Cultural Operation License	Department of Culture and Tourism of Shanghai	July 13, 2022	July 13, 2025
Shenzhen New Drive	ICP License	Communications Administration of Guangdong	May 22, 2020	May 22, 2025
	Internet Cultural Operation License	Department of Culture and Tourism of Guangdong Province	August 10, 2022	August 9, 2025

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

From time to time, we may be subject to legal proceedings, investigations and claims incidental to the conduct of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been, and were not, a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors, which, in the opinion of our Directors, could have a material adverse effect on our business, financial condition or results of operations.

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During the Track Record Period, there were three legal proceedings involving two of our subsidiaries in the PRC the amount in dispute in each of which was over RMB1.0 million. Among these cases, we were the plaintiff in two proceedings with an aggregate dispute amount of RMB6.4 million and the defendant in one other proceeding with a dispute amount of approximately RMB2.7 million. Two proceedings had received the final judgment and one proceeding had been settled during the Track Record Period. The court was partially in favor of us for the two proceedings that received the final judgments and was in full favor of us for the proceeding that was subsequently settled. These legal proceedings would not, individually or in the aggregate, have any material adverse effect on our business, financial condition and results of operations. The details of such proceedings are set forth below.

Contractual Disputes between (i) Easou Shenzhen (as Plaintiff) and Guangzhou TDW (as Defendant) and (ii) Guangzhou TDW (as Plaintiff) and Easou Shenzhen (as Defendant)

In May 2019, Easou Shenzhen, as the plaintiff, filed a lawsuit with Shenzhen Futian District People's Court (深圳市福田区人民法院), claiming that Guangzhou Taidiwan Information Technology Company Limited (廣州泰迪玩信息科技有限公司) ("Guangzhou TDW") failed to perform its contractual obligations under a game operation and promotion contract entered into between Easou Shenzhen and Guangzhou TDW, which constituted a breach of contract. The amount of liability for breach of contract claimed by Easou Shenzhen was approximately RMB4.6 million. In the same year, Guangzhou TDW, as the plaintiff, also filed a lawsuit with Guangzhou Intellectual Property Court (廣州知識產權法院) based on the same contract in June 2019, claiming that Easou Shenzhen committed a breach of contract. The amount of liability for breach of contract claimed by Guangzhou TDW was approximately RMB2.7 million. Eventually, the case in which Easou Shenzhen sued Guangzhou TDW over contract dispute was transferred to Guangzhou Intellectual Property Court for joint trial with the case in which Guangzhou TDW sued Easou Shenzhen for breach of contract. Under the contract, Easou Shenzhen and Guangzhou TDW agreed to operate the game, Age of Empires (帝王世紀), under a joint operation model and share the income generated from the game based on an agreed-upon proportion. Guangzhou TDW was found to have provided additional and substantial discount for users' top-up in order to attract more users, which led to the existing users on other platforms being diverted to Guangzhou TDW's platform and caused other platforms to incur corresponding losses of revenue. Subsequently, Easou Shenzhen closed the portal of this game to Guangzhou TDW's platform, which resulted in the inability of the game users to log on to the Age of Empires (帝王世紀) on Guangzhou TDW's platform.

In the case where Easou Shenzhen was the plaintiff, it claimed that (i) Guangzhou TDW shall pay the agreed-upon portion of the game income of the Age of Empires (帝王世紀); (ii) Guangzhou TDW shall pay the loss of the expected income of the Age of Empires (帝王世紀) of Easou Shenzhen during the period of joint game cooperation; (iii) Guangzhou TDW shall compensate to Easou Shenzhen for the revenue generated from the top-up of the existing users of Easou Shenzhen who were diverged to the platform of Guangzhou TDW; and (iv) Guangzhou TDW shall pay for all litigation expenses of this case. However, in the case where Guangzhou TDW was the plaintiff, it claimed that (i) Guangzhou TDW and Easou Shenzhen shall have terminated the game operation and promotion contract; (ii) Easou Shenzhen shall pay economic losses of Guangzhou TDW; and (iii) Easou Shenzhen shall pay for all litigation expenses of this case. In December 2022, after hearing the two cases, Guangzhou Intellectual Property Court decided that both of Easou Shenzhen and Guangzhou TDW breached certain of their obligations under the game

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operation and promotion contract. Therefore, in the case where Easou Shenzhen was the plaintiff, Guangzhou Intellectual Property Court ruled that (i) Guangzhou TDW shall pay the agreed-upon portion of game income of the Age of Empires(帝王世紀) to Easou Shenzhen in the amount of approximately RMB0.6 million; (ii) Easou Shenzhen and Guangzhou TDW shall jointly pay for the litigation expenses of this case; and (iii) the court dismissed all other claims of Easou Shenzhen. In the case where Guangzhou TDW was the plaintiff, Guangzhou Intellectual Property Court ruled that (i) the game operation and promotion contract entered into by Guangzhou TDW and Easou Shenzhen shall have been terminated; and (ii) the court dismissed all other claims of Guangzhou TDW.

During the aforementioned legal proceedings between Easou Shenzhen and Guangzhou TDW, Easou Shenzhen filed an application to Guangzhou Intellectual Property Court to freeze the property of Guangzhou TDW. In May 2019, Guangzhou Intellectual Property Court issued a ruling to seal up, seize and freeze of Guangzhou TDW's property according to the application of Easou Shenzhen for property preservation. Upon the request of Guangzhou Intellectual Property Court, the court concurrently froze the bank deposits of approximately RMB0.5 million of Easou Shenzhen as a guarantee of the aforementioned property preservation. The freeze period has been renewed several times since the application of Easou Shenzhen was submitted and was extended to March 21, 2024, which could be renewed upon the application of Easou Shenzhen. Therefore, approximately RMB0.5 million of Easou Shenzhen's bank deposits had been restricted since May 2019, which was released from the property preservation as of the Latest Practicable Date.

Guangzhou TDW also filed an application to Guangzhou Intellectual Property Court to freeze the property of Easou Shenzhen. In August 2019, Guangzhou Intellectual Property Court issued a ruling to seal up, seize and freeze Easou Shenzhen's property worth of approximately RMB2.0 million according to the application of Guangzhou TDW for property preservation. The freeze period has been renewed several times since the application of Guangzhou TDW and was extended to July 7, 2023, which could be renewed upon the application of Guangzhou TDW. Therefore, approximately RMB2.0 million of Easou Shenzhen's bank deposits had been restricted since August 2019 until July 2023, which was released from the property preservation as of the Latest Practicable Date.

After receiving the judgment of Guangzhou Intellectual Property Court in December 2022, both Easou Shenzhen and Guangzhou TDW appealed to Guangdong High People's Court to seek the support of the higher-level court on their respective claims since Guangzhou Intellectual Property Court did not rule in favor on a number of the claims of each party in the case where it was a plaintiff. In July 2023, Guangdong High People's Court rendered its judgment on the two appeals. In the case where Easou Shenzhen was the plaintiff, the court (i) upheld the first item of the civil judgment initially rendered by Guangzhou Intellectual Property Court (i.e., Guangzhou TDW shall pay the agreed-upon portion of game income of the Age of Empires(帝王世紀) to Easou Shenzhen in the amount of approximately RMB0.6 million); (ii) withdrew the second item of the initial civil judgment (i.e., Easou Shenzhen and Guangzhou TDW shall jointly pay for the litigation expenses of this case); (iii) Guangzhou TDW shall pay Easou Shenzhen the loss of available benefits from the game of approximately RMB1.4 million and the interests incurred thereof within ten days from the date of entry into force of the judgment; (iv) Guangzhou TDW shall pay the notarization fee of RMB2,570 to Easou Shenzhen within ten days from the date of entry into force of this judgment; (v) rejected other litigation requests of Easou Shenzhen; and (vi)

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rejected other litigation requests of Guangzhou TDW. In the case where Guangzhou TDW was the plaintiff, Guangdong High People's Court revoked the judgment of Guangzhou Intellectual Property Court, and dismissed all of the litigation requests of Guangzhou TDW in the appeal.

Contractual Dispute between Guangzhou Ledian (as Plaintiff) and Chengdu Habai (as Defendant)

In February 2022, Guangzhou Ledian, as the plaintiff, filed a lawsuit with Shanghai Minhang District People's Court, claiming that Chengdu Habai Internet Technology Company Limited (成都哈拜網絡科技有限公司) ("Chengdu Habai") failed to perform its contractual obligations under a business cooperation agreement entered into by Guangzhou Ledian and Chengdu Habai. Under the business cooperation agreement, Guangzhou Ledian is obligated to provide digital marketing services to Chengdu Habai and Chengdu Habai is obligated to settle the service fees within a prescribed time period. However, Chengdu Habai failed to settle with Guangzhou Ledian in time, which resulted a breach of contract. The amount of liability for breach of contract claimed by Guangzhou Ledian was approximately RMB1.8 million. The parties have settled the lawsuit in September 2023. Pursuant to the settlement agreement, Chengdu Habai agreed to pay to Guangzhou Ledian an aggregate of approximately RMB1.7 million.

Based on the foregoing, our PRC Legal Advisers have advised us that there is no material legal impediment arising from aforementioned legal proceedings in connection with the Listing and the Global Offering. Our Directors confirmed that, as of the Latest Practicable Date, there had been no litigation or arbitration or administrative proceedings pending or threatened against our Group or any of our Directors which could have a material adverse effect on our Group's financial condition or results of operation.

Legal Compliance

Our Directors are of the view that we have complied with all relevant laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material adverse impact on our business, financial condition and results of operations. As advised by our PRC Legal Advisers, we have complied with applicable PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We recognized the importance of corporate social responsibilities, environmental awareness, long-term sustainable development and ethical conduct to the society and our sustainable development. We believe our continued growth depends on our integration of the values of environmental, social and governance ("ESG") into our corporate strategies and operations. We have adopted reporting and management policies covering ESG.

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Governance on ESG Matters

Our Board has the collective and overall responsibility for establishing, adopting and reviewing our ESG vision, internal policies and targets, and evaluating, determining and addressing our ESG-related risks. Our Board may engage independent third parties to evaluate the ESG risks and review our existing corporate strategy, targets and internal controls. Our management has the responsibility to confirm on the effectiveness of our ESG policies and systems (the “ESG Policy”). Our Directors and management monitor, assess and support our commitment to fulfilling environmental and social responsibilities and implement necessary improvement to mitigate ESG-related risks, which include but not limited to the following responsibilities:

- keeping abreast of the latest ESG-related laws and regulations, including the applicable sections of the Listing Rules, and updating the ESG Policy in accordance with the latest regulatory updates;
- identifying our Group’s key stakeholders based on our business operations and establishing the communication channels to engage them with respect to ESG matters;
- assessing ESG-related risks and opportunities on a regular basis according to applicable laws, regulations and policies, especially risks in relation to climate changes, to ensure that our obligations with respect to ESG matters are met;
- monitoring the effectiveness and ensuring the implementation of the ESG Policy;
- preparing and reviewing the ESG report; and
- following and monitoring the latest requirements regarding ESG disclosure and regulatory compliance.

Moreover, our management reports to our Directors on a regular basis on the implementation and effectiveness of the ESG Policy, and provides assistance in the preparation of ESG report.

ESG Strategy and Policy

Considering the fact that our users, customers, suppliers, employees, investors and other stakeholders can be affected by how we manage the impact of our services on creating long-term corporate value, we will maximize the effectiveness of our services and implement a balanced strategy of environmental sustainability and socio-economic development. To achieve this objective, we actively seek and consider perspectives and insights from our key stakeholders in connection with the formulation and implementation of our development strategy and business sustainability.

Under the ESG Policy, we aim to build a sustainable community with our employees and business partners. We endeavor to reduce negative impact on the environment through our commitment to energy saving and sustainable development. For example, due to the online nature of our business, we are able to avoid the use and waste of paper in daily operations to the largest extent possible. We will continue to improve our power usage efficiency. In relation to our

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employment practices, we have put in place a set of social policies to promote health and safety of our employees. In order to provide a safe working environment, we provide our employees with occupational health and safety training to enhance their awareness of health and safety issues. We also focus on embracing diversity within our Group and equal and respectful treatment of all our employees in hiring, training, wellness, and professional and personal development. We will continue to create a positive and nurturing workplace for all of our employees. With respect to our corporate governance, we have implemented specific policies on the declaration of potential conflicts of interest, anti-money laundering measures and procurement management to ensure compliance with all relevant laws and regulations and avoid corruption in our business operations. In accordance with the Corporate Governance Code and ESG Reporting Guide set forth in Appendices C1 and C2 to the Listing Rules, we will put in place mechanisms that will enable us to continue to fulfill our corporate responsibility in respect of corporate governance and ESG matters upon the Listing.

Measures to Identify, Assess and Manage ESG Risks

We will adopt various strategies and measures to identify, assess and manage ESG risks under the ESG Policy, including, but not limited to:

- reviewing and assessing ESG reports of similar companies in our industries to keep abreast of the latest ESG practice and ensure that the relevant ESG related risks are identified on a timely basis;
- making references, where applicable, to the local and international guidelines for the industry-specific ESG risks;
- discussing with the senior management from time to time to ensure that the material ESG-related issues are addressed and reported;
- establishing communication channels and discussing with key stakeholders on an ongoing basis to understand ESG related concerns and monitor how our environmental, social and climate-related performances have impacted the key stakeholders; and
- engaging professional advisors to advise us on the compliance with ESG matters where needed.

ESG-related Risks

We do not operate any production facilities, and thus, we are not subject to significant health, workplace safety or environmental risks. During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisers and confirmed by our Directors, we had not been subject to any fines or other penalties due to non-compliance in relation to health, work safety or environment regulations and had not had any incident, or received any claim for personal or property damage made by our employees which had materially and adversely affected our financial condition or business operations.

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Environment, Natural Resource and Climate Change

We acknowledge that the climate-related issues pose a certain level of impact on our operations. Climate-related risks identified by us can be classified into two major categories: physical risks and transitional risks.

We define physical risks as risks that potentially cause physical impact to our business operations. We believe that climate-related issues may bring about the risk of increasingly severe extreme weather events, such as more frequent storms and typhoons. The equipment and facilities we use in our business operations may encounter disruptions. Extreme weather may also cause threats to the health and safety of our employees. We may potentially be impacted by an increased operation and maintenance cost, as well as labor cost.

Transitional risks relating to policy changes include any risk that the environmental laws and regulations may be amended from time to time and such changes in those laws and regulations may cause us to incur additional costs in order to comply with more stringent requirements. For example, due to the climate change and climate-related issues, regulators may require increasing disclosure on emissions. Transitional risks that require us to move towards a sustainable business model may potentially lead to impacts such as increased operational cost from the changes of operational practices. Specifically, we may need to switch to energy efficient lighting or expand greenery areas on our operational premises. With regard to increasing responsibilities on emission disclosure, we may be impacted by increased cost to execute more stringent monitoring measures on emissions and resource consumption. Any failure to comply with the applicable environmental regulations could expose us to penalties, fines, suspensions or actions in other forms.

Despite the aforementioned risks, in view of the nature of our business, we do not anticipate that the climate change and other environment-related risks will have any material impact on our business operation, financial performance and growth strategy. As of the Latest Practicable Date, we had not experienced any material impact on our business operation, financial performance and growth strategy as a result of environment-related issues. For more details, please see “Risk Factors – Risks Relating to Our Business and Industries – We face risks related to natural disasters, health epidemics such as COVID-19, civil and social disruption and other outbreaks, which could significantly disrupt our operations.” in this prospectus.

Metrics and Targets for Assessing and Managing ESG Risks

The venue for our daily operations is our offices and the most significant resource consumption thereof is the use of electricity, water and paper. We monitor the following metrics to assess and manage the environmental and climate-related risks we may be exposed to in the course of our business operations:

- (i) *Electricity and water usage.* We evaluate our electricity and water consumption in accordance with the relevant regulations and policies and endeavor to proactively conserve energy in response to the government’s initiatives. Electricity usage is also a major source of our greenhouse gas (“GHG”) emissions during our business operations. We monitor our electricity consumption levels regularly and implement measures such as promoting the use of natural lighting, reducing the use of air-conditioners and

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electronic equipment during non-working hours to save energy and reduce GHG emissions, and to further enhance our employees' awareness of the efficient use of electricity and importance of energy conservation. We mainly use annual electricity consumption per capita to assess our electricity usage level. For the years ended December 31, 2021, 2022 and 2023, our electricity consumption per capita was around 1.5 MWh per capita, 1.4 MWh per capita and 1.2 MWh per capita, respectively, which was significantly lower than the industry average level of 23.7 MWh per capita in 2023, according to Analysys. We target to reduce our electricity consumption per capita by approximately 5% per year over the next three years. We also will organize more activities and events to foster water conservation culture in our Group.

- (ii) *GHG emissions.* GHG emissions, or carbon emissions, are closely related to climate change, which presents businesses with both long-term risks and opportunities. To better understand, quantify and manage the carbon and climate change related impacts, risks and opportunities in connection with our business, it is integral to measure and disclose our carbon footprint as a first step in our ESG endeavor. We produce GHG emissions mainly through the use of electricity during our daily operation. In 2022 and 2023, our offices in the PRC used in the aggregate 205,877 kWh and 175,918 kWh of electricity, respectively, which accounted for approximately 130 tons and 111 tons of carbon equivalent emission under scope 2 indirect GHG emissions for electricity purchased, respectively. According to Analysys, our GHG emissions during the Track Record Period were significantly lower than the industry average emissions. Our GHG emissions intensity, which refers to tons of carbon dioxide equivalent divided by revenue in RMB million, was approximately 0.3 in 2022 and 0.2 in 2023, compared to the industry average level of 3.1 in 2023, according to Analysys. We aim to reduce carbon emissions by improving energy efficiency in our operation. We monitor our electricity consumption levels regularly and implement measures such as: (i) reducing the use of electronic light when the natural lighting is sufficient; (ii) not using air-conditioners when the natural room temperature is suitable for office work; and (iii) turning off air-conditioners, computers and other electronic equipment during non-working hours conserve energy. In 2022 and 2023, we also nominated two members of our staff in each year as the responsible personnel in connection with the monitoring of our GHG emissions, each of them being responsible for daily overseeing the implementation of the relevant measures to conserve energy and reduce carbon emissions within their designated areas. In particular, we endeavor to reduce the carbon emission for each unit of revenue generated by 20% for the next five years.
- (iii) *Paperless operation.* We encourage all of our employees to participant in paperless operation to reduce the use of paper and carbon emissions. We implemented various online systems to support our daily business operation. We target to deepen the degree of our paperless operation by further developing our business and internal management systems to include more functions to be realized through them. We mainly monitor the number of piece of paper used in our offices to assess the effect of our paperless operation. For the years ended December 31, 2021, 2022 and 2023, we used a total of approximately 55,000, 75,000 and 90,000 sheets of paper, respectively, and we aim to reduce the number of sheets of paper used by approximately 10% in the next five years.

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- (iv) *Waste generated.* Due to the nature of our business, we do not generate any hazardous waste during our operations. In order to reduce the impact of our disposal of non-hazardous waste on the environment, we monitor our waste discharge level on a regular basis. Proper guidelines are provided to our employees on waste classification and disposal. We target to maintain 100% compliance rate in relation to waste disposal.

Measures to Manage GHG Emissions from Third-party Server Services

GHG emissions include Scope 1 and Scope 2 emissions. Scope 1 direct emissions include carbon dioxide (CO²) generated from production activities. Scope 2 indirect energy emissions include GHG emissions from the purchase of electricity. Scope 3 emissions are all other indirect emissions that arise as a result of business activities but are under the operational control of another entity, such as third-party cloud service providers. The greenhouse gas protocol defines 15 different categories of Scope 3 emissions. We utilize third-party cloud storage to operate our businesses. Energy consumption becomes a major component of the environmental footprint of a data center. To mitigate our indirect impact through third-party cloud service providers, we plan to strengthen our ESG practices within one year upon the Listing and actively research the carbon footprint of our third-party service providers and enlist environmental protection capability as one of our assessment elements when evaluating such service providers to ensure that our service providers are fully competent in carrying out sustainable operations and exerts continuous effort to minimize environmental impact. When screening third-party server cloud providers to engage in the future, we will consider low carbon emissions as one of our top priority criteria with evaluation metrics emphasizing environmental impact, energy and resource utilization, use of renewable energy and other innovative means for producing a smaller carbon footprint.

Our business is generally subject to the relevant national and local environmental laws and regulations in China. However, our operations do not produce or discharge any industrial waste that is hazardous to the environment. As confirmed by our PRC Legal Advisers, we are not required to obtain any approvals or certificates that are applicable to the environmental laws and regulations in China. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material claims, lawsuits, penalties or administrative actions relating to non-compliance with the ESG-related laws and regulations. As confirmed by our PRC Legal Advisers, we have complied with all applicable ESG-related laws and regulations in China in all material respects during the Track Record Period and up to the Latest Practicable Date.

Occupational Health and Work Safety

In China, we are subject to the PRC laws and regulations on labor, safety and work-related incidents. We provide our full-time employees with trainings on work safety to raise their awareness of safety procedures and policies, which cover topics including, among others, occupational health and electricity safety. We have implemented various work safety policies and procedures to ensure that our operations are in compliance with the applicable laws and regulations.

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As advised by our PRC Legal Advisers and as confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we did not encounter any material incidents, accidents or complaints that would materially and adversely affect our business operations. During the Track Record Period and up to the Latest Practicable Date, our Group did not incur any material administrative penalties for violations of occupational health and work safety.

CORPORATE SOCIAL RESPONSIBILITY

We are committed to leveraging our platform and technology to create value for society. To maintain a good network environment, we have established a content review system with a proprietary repository of keywords covering pornography, violence and political sensitivity according to the latest laws and regulations in China. We filter and remove the harmful content from our platform. For details, please see “– Content Review” in this section. We highly value the role of our platform in building value and our role in leading public awareness of social values and civic responsibility. We also set up a column on the home page under the recommendation section of Easou Reading App to promote China’s social value orientation and regularly conduct social value promotion activities from time to time. We will make additional efforts to promote such social value orientation, strengthen the ecological management of the platform layout pages and add more social value-oriented recommendation factors to our digital content recommendation algorithm models.

We actively participate in charity events in China. In 2008, we made donations to build a primary school for children in Wenchuan, Sichuan Province. In 2014, we donated RMB30,000 to promote the charity activities in Futian District, Shenzhen. In addition, our Chairman, Mr. Wang provided financial aids to over 30 students.

IMPACT OF COVID-19 PANDEMIC ON OUR GROUP

Impact on Our Operation and Financial Results

Since December 2019, there has been an outbreak of the novel coronavirus, COVID-19, across the world. On January 30, 2020, the World Health Organization declared that the outbreak of COVID-19 constitutes a Public Health Emergency of International Concern. In February and March 2020, an increasing number of additional cases were confirmed around the world. In March 2020, the World Health Organization declared the coronavirus disease, or COVID-19, as a global pandemic. The outbreak of the COVID-19 pandemic has endangered the health of many people and significantly disrupted travel and economy. In China, the COVID-19 outbreak peaked during the period between January 2020 and March 2020, after which the Chinese society and market has gradually recovered and normalized. Since April 2020, China and some other countries have gradually lifted stay-at-home orders and began to resume work at varying levels and scopes, and have introduced various policies to boost the economy while continually taking various measures to reduce potential spread and impact of infection.

Since the outbreak of COVID-19 pandemic, the local governments of various provinces and cities in which we operate have introduced a series of measures in order to prevent or control the epidemic, including, among others, restrictions on enterprises from resuming work, traffic control, city lock-down and travel bans. We temporarily closed our offices in the first quarter of 2020 to

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respond to such measures and gradually resumed our normal operation since March 2020. Those who had been to key epidemic areas were subject to compulsory quarantine for a minimum of 14 days. Activities that involve crowd gathering were prohibited. In order to mitigate the risks of the COVID-19 pandemic, we have implemented various precautionary measures during the pandemic to maintain a safe and hygienic environment for our staff, including but not limited to (i) measuring the temperature of every person who enters into our offices; (ii) recording the health codes (健康碼) and travel codes (行程碼) of the visitors; (iii) arranging nucleic acid tests and quarantines for travelling staff as necessary; (iv) promoting vaccination among employees; and (v) disinfecting public areas.

COVID-19 brought new development opportunities to our industry. Due to the COVID-19 pandemic and the quarantine policies of the governments in China, people have spent more time on online entertainment and in-door activities such as online reading and online games, which have driven the growth of the online literature industry and online games industry in China. Accordingly, the market size of China's online literature industry in terms of revenue increased from RMB25.5 billion in 2018 to RMB56.7 billion in 2023, representing a CAGR of 17.4%, and the size of China's online games industry in terms of revenue increased from RMB231.0 billion in 2018 to RMB382.3 billion in 2023, representing a CAGR of 10.6%, according to Analysys. Moreover, people's online entertainment habits shaped by the COVID-19 pandemic have continued after the PRC government eased restrictive measures on business and social activities in December 2022. For further details of the impact of COVID-19 pandemic on the people's online entertainment habits, please see the section headed "Industry Overview – Online Literature Industry in China – Market Drivers of China's Online Literature Industry" in this prospectus.

While COVID-19 brought development opportunities generally for our online reading platform services and online games publishing services, our digital marketing services were adversely impacted in part due to the reduced advertising demand from our advertising customers who were facing suppressed consumer desire of end users during the lock-down and as a result, the revenue from digital marketing services from 2021 to 2022 did not increase as expected but remained relatively stable. However, as confirmed by our Directors, such negative impact was limited because reading with advertising under our online reading platform services business realized significant growth during the Track Record Period, which further contributed to the increase of our overall financial performance, and such increase was primarily due to the ongoing free-to-read industry trend in China's online literature industry and the increase in active users on our Easou Reading App Series, which offset the impact of the reduced advertising demand of our advertising customers.

Starting from late May 2021 new regional COVID-19 outbreaks have hit certain areas in China. To contain the spread of COVID-19, local governments imposed various restrictions on business and social activities, including travel restrictions, temporary city lock-down and mandate of temporary shutdown of business operations and public traffic control across certain regions. Due to the outbreak of Omicron variant, a number of major cities in China, including Beijing, Shenzhen, Shanghai, Chengdu and Guangzhou, announced a series of temporary lockdowns since the first quarter of 2022. During the lockdowns, our headquarters in Shenzhen closed for one week in March 2022 and four days in October 2022 and our Beijing office was closed for 22 days from May to June 2022 and for 17 days from November to December 2022. During these periods, all our employees were requested to work remotely to ensure the continuation of our business

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operations. We also faced the situation that our employees were unable to report to work normally because their residences may be temporarily locked down due to positive cases of COVID-19. Accordingly, working remotely is not as efficient as working onsite and some of our employees' working equipment was locked in the offices, which led to their failure to access to our working resources. Therefore, the lockdown in 2022 had a negative impact on our overall operational efficiency; however, as confirmed by our Directors, such negative impact was limited due to our business nature as an internet company and no suspension of our services to our users/customers occurred because of the COVID-19 pandemic and related lock-down during the Track Record Period.

Furthermore, in December 2022, the PRC government further eased restrictive measures on business and social activities, and have re-opened the borders and eliminated mandatory quarantine requirements after it relaxed the restrictions of COVID-19 control on January 8, 2023. As of the Latest Practicable Date, COVID-19 was stabilized and all of our businesses had returned to normal.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, our operations had not experienced any material suspension due to the COVID-19 pandemic. Our Directors confirm that our business and financial performances were not materially and adversely impacted by the COVID-19 pandemic. As of the Latest Practicable Date, our services, marketing and business operation of our Group remained stable and normal. Furthermore, on the basis of actions taken to date, our Directors believe that we have demonstrated our ability to respond swiftly in these emergency circumstances and that the overall impact of COVID-19 on us was limited.

Although we resumed normal business operations as of the Latest Practicable Date, the expenses incurred relating to the COVID-19 prevention materials and services, which we regarded as our positive responses to the restrictive measures implemented by the local government authorities to combat the COVID-19 outbreaks, nevertheless had impacted our financial performance during the Track Record Period. Such COVID-19 prevention materials and services included masks, disinfectant alcohol and nucleic acid testing services. For the years ended December 31, 2021 and 2022, we recorded approximately RMB57,000 and RMB58,000 of expenses relating to the COVID-19 prevention materials and services, respectively. However, as confirmed by our Directors, such expenses were not significant as compared to our total operating expenses incurred during the Track Record Period. For further details, see the sections headed "Risk Factors – Risks Relating to Our Business and Our Industry – We face risks related to natural disasters, health epidemics and other outbreaks, such as the COVID-19 pandemic, which could significantly disrupt our operations" in this prospectus.

INTERNAL CONTROL AND RISK MANAGEMENT

We have engaged an internal control consultant, or the Internal Control Consultant, to perform certain agreed-upon procedures in connection with the internal control of our Company and our major subsidiaries and to report factual findings on our Group's entity-level controls and internal controls of various processes, including financial reporting and disclosure controls, sales, accounts receivable and collection, procurement of copyright and internet traffic, accounts payable and payment, human resources and payroll management, cash and treasury management, general

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controls of IT system, taxation management, insurance management and R&D management. The Internal Control Consultant performed initial procedures from April to May 2022 and follow-up procedures from June to July 2022 on our Company's system of internal control. As of the Latest Practicable Date, there was no material issue remaining in relation to the internal controls of our Group.

We are exposed to various risks in connection with our operations. We have established risk management systems with the relevant policies and procedures that we believe are appropriate and adequate for our business operations. We also regularly monitor the implementation of those policies and procedures through our internal control personnel. Our Directors (who are responsible for overseeing our corporate governance) with assistance from our legal advisers, will periodically review our compliance status with all relevant laws and regulations after the Listing.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted, or will adopt, among other things, the following measures relating to risk management and internal control:

- We improved the rules of procedures of the Audit Committee to review and supervise our financial reporting process and internal control system. For more details, please see the section headed "Directors and Senior Management – Board Committees – Audit Committee" in this prospectus.
- We have engaged China Sunrise Capital Limited as our compliance adviser to provide advice to our Directors and management team until the end of the first fiscal year after the Listing regarding matters relating to the Listing Rules.
- We have adopted various policies to ensure compliance with the Listing Rules, including, but not limited to, aspects relating to risk management, employee daily behavior, conflict of interest management, investment management and information disclosure.
- We adopted anti-corruption, anti-fraud, anti-money laundering and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations, and included relevant policies against non-compliance in employee handbooks.
- We plan to organize training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong.

Risk Management

We recognize that risk management is critical to the success of our business operation. Key operational risks faced by us include changes in the general market conditions and the regulatory environment of the China's internet industry, our ability to offer quality services, our ability to manage our anticipated growth and to execute on our growth strategies, and our ability to compete with our competitors. See the section headed "Risk Factors" in this prospectus for a discussion of

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various risks and uncertainties we face. We also face various market risks. In particular, we are exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of our business. See “Financial Information – Quantitative and Qualitative Disclosures about Market Risk” for a discussion of these market risks.

In order to meet these challenges, our Audit Committee, which consists of three Directors, namely Mr. An Yingchuan, Mr. Gan Minggao and Mr. Zhu Jianfeng and is chaired by Mr. An Yingchuan, is responsible for reviewing and supervising our financial reporting process, risk management and internal control system.

We maintain a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policies, budget management policies, liability policies, financial statements preparation policies and finance department and staff management policies. We have various procedures and IT systems to implement our accounting policies, and our finance department reviews our management accounts accordingly. We also provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and strictly enforce them in our daily operations.

In addition, we have set a number of standard operation procedures for human resource management in China, including the employee management system, training manuals, and human resource planning policies. These measures aim to mitigate our risks in insufficient recruitment, staff attrition, non-compliance with labor regulations, employee information management and others.

Anti-Corruption and Anti-Bribery Measure

We have adopted a comprehensive anti-corruption and anti-bribery system in December 2022, which require all of our employees not to conduct activities in ways that could be subject to applicable anti-corruption and anti-bribery laws and regulations. These anti-corruption and anti-bribery regulations set out, among other things, the following:

- the financial department and the management team of each business line are mainly responsible for the daily execution of anti-bribery measures. The duties of the financial department include organizing and implementing our anti-corruption and anti-money laundering policies, formulating relevant systems and operating procedures, reporting large and suspicious transactions, supervising and inspecting the anti-corruption, anti-money laundering and economic sanctions of all business departments and subsidiaries and others. The operation department of each business line performs “Know Your Customer” procedures to decide whether to cooperate with them;
- we require our employees to abide by our professional ethics guidelines and our internal compliance manual, which consist of strict anti-corruption and anti-bribery clauses. We impose penalties on the Directors, senior management and employees for any activities concerning bribery and corruption;

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- we enter into sunshine purchase agreements with our customers and suppliers in which we state transparent procurement/sales principles to keep our procurement/sales processes fair and open. We require our suppliers and other third parties who cooperate with us to comply with our compliance measures, professional ethics guidelines and applicable laws and regulations; and
- we have implemented preventive anti-bribery measures in our daily operations. For example, we conduct relevant risk assessments, establish comprehensive oversight mechanisms, establish reporting channels, and continuously monitor anti-corruption and anti-bribery control activities. We believe these measures make it more difficult for an employee to carry out fraudulent activities.

To the best knowledge of our Directors, none of our employees, customers and suppliers have been a subject of, or were otherwise involved in, complaints, investigations or regulatory enquiries in relation to any bribery or kickback arrangements during the Track Record Period and up to the Latest Practicable Date. We believe that we have established adequate internal procedures, systems and controls in relation to the compliance of anti-corruption and anti-bribery laws and regulations.

CONTRACTUAL ARRANGEMENTS

BACKGROUND

Our Group is engaged in online monetization in the form of online content recommendation business and online advertising.

As advised by the PRC Legal Advisers, certain businesses currently operated or will be operated by our Group in the PRC are subject to foreign investment restrictions and license requirements under the PRC laws and regulations as detailed below. To comply with the relevant PRC laws, the Group operates the online content recommendation business through the Consolidated Affiliated Entities, namely Easou Shenzhen and its subsidiaries, all of which were established under the laws of the PRC. The Group does not directly own any shares in Easou Shenzhen, which are held by the Registered Shareholders of Easou Shenzhen, namely Wang PRC SPV, Mr. Wang, Mr. Zhao, Mr. Lu and Mr. Chen.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP RESTRICTIONS

Restrictions on Foreign Ownership

Foreign investment activities in the PRC are mainly governed by the 2021 Negative List and the Catalogue of Industries for Encouraging Foreign Investment (2021 Version) (the “Encouraging Catalogue”), which were promulgated and are amended from time to time jointly by the MOFCOM and the NDRC. The 2021 Negative List and the Encouraging Catalogue divide industries into “encouraged”, “restricted”, “prohibited” and “permitted” (the last category of which includes all industries not listed under the “encouraged”, “restricted” and “prohibited” categories).

As confirmed by our PRC Legal Advisers, our business of value-added telecommunications services, internet cultural business and online publishing activities that the Consolidated Affiliated Entities engage in are under the “prohibited” category and “restricted” category.

A summary of our businesses that are subject to foreign investment restriction or prohibition are set out below:

Prohibited business	<i>Internet cultural business</i>
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	According to the 2021 Negative List, foreign investors are prohibited from holding equity interest in any enterprise engaging in internet cultural business (except for music). According to the Interim Administrative Provisions on Internet Culture (《互聯網文化管理暫行規定》) (the “Internet Culture Provisions”), the internet cultural business refers to the activities of providing internet culture products and services, including producing, reproducing, importing, distributing and broadcasting internet culture products and other activities. Under the Internet Culture Provisions, an Internet Culture Operation License is required for conducting commercial internet cultural activities.
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The principal businesses of Easou Shenzhen, Shenzhen Dahuatong, Shenzhen Chuangtu and Guangzhou Tianshitong involve the operation of online entertainment, including publication of games and music, which fall within the scope of the Internet Cultural Provisions.

As of the Latest Practicable Date, each of Easou Shenzhen, Shenzhen Dahuatong, Shenzhen Chuangtu and Guangzhou Tianshitong held an Internet Culture Operation License (using information network to operate music and entertainment products).

Furthermore, the principal businesses of Shenzhen Eayou, Guangzhou Ledian, Easou Beijing, Shenzhen Taite, Shanghai Yinggao and Shenzhen New Drive involve internet cultural activities, including but not limited to online advertising or online reading platform services, which fall within the scope of the Internet Cultural Provisions.

As of the Latest Practicable Date, each of Shenzhen Eayou, Guangzhou Ledian, Easou Beijing, Shenzhen Taite, Shanghai Yinggao and Shenzhen New Drive held an Internet Culture Operation License (using information network to operate animation products).

Internet publication business

According to the 2021 Negative List, foreign investors are prohibited from holding equity interest in any enterprise engaging in internet publishing business.

As the principal business of Beijing Yike involves the publication of digitized works with characteristics of publishing, Beijing Yike's business falls within the scope of internet publishing business.

As of the Latest Practicable Date, Beijing Yike held an Internet Publishing Service License.

Restricted business

Value-added telecommunication services

According to the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》), foreign investors are not allowed to hold more than 50% equity interest in any enterprise conducting value-added telecommunication service, subject to certain exceptions.

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The principal businesses of Easou Shenzhen, Shenzhen Dahuatong, Shenzhen Chuangtu, Beijing Yike, Shenzhen Eayou, Shenzhen New Drive and Shenzhen Taite involve internet information services provided through mobile Apps and websites, which fall within the scope of “value-added telecommunication service”, and require a ICP license (Internet services only, inclusive of cultural services but excluding searches or instant interactive services) (《增值電信業務經營許可證》(信息服務業務：僅限互聯網信息服務)(含文化)不含信息搜索查詢業務、信息即時交互服務) (the “ICP License”) and service provider licenses (information services, excluding Internet information services) (《增值電信業務經營許可證》)(信息服務業務：不含互聯網信息服務) (the “SP License”) to operate the portion of the relevant businesses that involves online video and audio content operation, distribution and streaming of online music, online programme and online performance.

As of the Latest Practicable Date, each of Easou Shenzhen, Shenzhen Dahuatong, Shenzhen Chuangtu, Beijing Yike, Shenzhen Eayou and Shenzhen New Drive holds an ICP License.

As of the Latest Practicable Date, Shenzhen Taite holds an SP License.

We believe that our internet cultural business, internet publication business and value-added telecommunications services business are fundamental and inseparable parts of our online reading platform, digital marketing and online game publishing business since (i) as confirmed by our PRC Legal Advisers, the operation of online reading platform, entertainment and advertising business fall within the scope of “internet cultural activities”, whereas the publication of digitized works fall within the scope of “internet publishing”, where foreign ownership is prohibited pursuant to the 2021 Negative List; and (ii) the value-added telecommunications services provided by our Group, along with the internet cultural business and internet publication business, which involves the provision of internet information services, form an integral part of our online recommendation and online games publishing services. Accordingly, it is impractical for the Company to separate internet cultural business and internet publication business from the value-added telecommunications services business and to hold the ICP License or SP License (as the case may be) in a separate entity from Easou Shenzhen, Shenzhen Dahuatong, Shenzhen Chuangtu, Beijing Yike, Shenzhen Eayou, Shenzhen New Drive, Shenzhen Taite and Easou Beijing, of which the core business fall within “prohibited business” under the 2021 Negative List.

For further details of the limitations on foreign ownership in PRC companies conducting the above businesses under PRC laws and regulations, please see the section headed “Regulatory Overview”.

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The Administrative Provisions on Foreign-Invested Telecommunications Enterprises (revised in 2016) (《外商投資電信企業管理規定》(2016年修訂)), which were promulgated by the State Council on December 11, 2001, and amended on September 10, 2008, and February 6, 2016, set forth that foreign investors are not allowed to hold more than 50% of the equity interest in a company providing value-added telecommunications services, including Internet information services. In addition, a foreign investor who invests in a foreign-invested value-added telecommunications enterprises in the PRC must possess prior experience in, and a proven track record of, operating value-added telecommunications business overseas (the “Qualification Requirements”). The Decision of the State Council on Revising and Repealing Certain Administrative Regulations (《國務院關於修改和廢止部分行政法規的決定》) (the “Decision”) which was promulgated on March 29, 2022 and took effect on May 1, 2022, was promulgated to amend certain provisions of regulations including the Administrative Provisions on Foreign-Invested Telecommunications Enterprises (2016 Revision). The Qualification Requirements were removed.

Nevertheless, under the latest Administrative Provisions on Foreign-Invested Telecommunications Enterprises amended in 2022, whilst foreign investors are able to invest in entities holding an ICP License (holding up to 50% equity interest and not more), whether the post-foreign-invested entity can hold an ICP License is still subject to the examination of substance and merits by the MIIT. As the Decision only became effective on May 1, 2022, and no detailed guidance or implementation measures have been issued, there remain uncertainties with respect to its future impact on us, including any specific requirements that we may need to satisfy. Also, as mentioned above, it is impractical for the Company to separate internet cultural business and internet publication business from the value-added telecommunications services business and to hold the ICP License or SP License (as the case may be) in a separate entity, therefore, as of the Latest Practicable Date, the Company was not allowed to hold equity interest in Easou Shenzhen, Shenzhen Dahuatong, Shenzhen Chuangtu, Beijing Yike, Shenzhen Eayou, Shenzhen New Drive and Shenzhen Taite.

Moreover, the Internet Culture Provisions and the 2021 Negative List remain effective and applicable to the Group. According to the 2021 Negative List, foreign investors are prohibited from holding equity interest in any enterprise engaging in internet cultural business (except for music) or any enterprise engaging in internet publishing business.

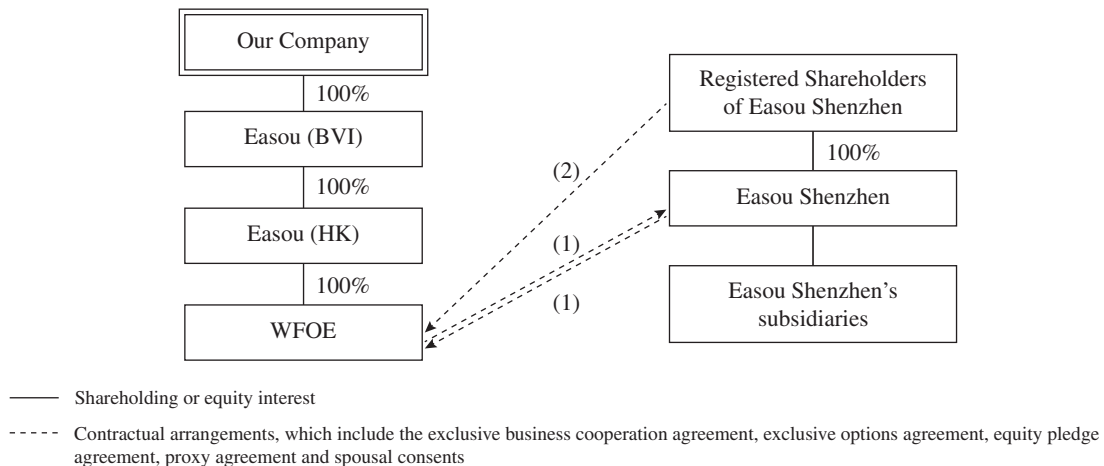
Given that Easou Shenzhen, Shenzhen Dahuatong, Shenzhen Eayou, Shenzhen Chuangtu, Easou Beijing, Beijing Yike, Shenzhen Taite, Guangzhou Tianshitong, Shenzhen New Drive, Guangzhou Ledian and Shanghai Yinggao (i.e. the Consolidated Affiliated Entities) operate in the foreign-prohibited business and foreign-restricted business, our Company would not be currently allowed to hold any equity interest in these companies. Instead, in line with common practice in industries in the PRC subject to foreign investment restrictions, the Company would gain effective control over, and receive substantially all the economic benefits generated by the businesses currently operated by Easou Shenzhen and its subsidiaries through the Contractual Arrangements between WFOE, on the one hand, and Easou Shenzhen and the Registered Shareholders of Easou Shenzhen, on the other hand. The Contractual Arrangements allow the results of operations and assets and liabilities of Easou Shenzhen and its subsidiaries to be consolidated into our results of operations and assets and liabilities under HKFRS as if they were wholly-owned subsidiaries of our Group.

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Based on the above and the advice of our PRC Legal Advisers, we are of the view that the Contractual Arrangements, which are narrowly tailored, are necessary to enable us to conduct business that is subject to foreign investment restrictions in China. We will closely monitor any future development relating to the laws and regulations on foreign investment restrictions in internet culture business, internet publishing business and value-added telecommunication services and will take all necessary actions to comply with applicable laws, regulations and specific requirements or guidance, including reorganizing our corporate structure, if required in the future, and unwind and terminate the Contractual Arrangements wholly or partially once our business is no longer prohibited or restricted to foreign investment.

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The following simplified diagram illustrates the flow of economic benefits from the Consolidated Affiliated Entities to our Group under the Contractual Arrangements:



Notes:

- (1) Pursuant to an exclusive business cooperation agreement, WFOE shall provide technical support, consulting services and other services in exchange for a service fee from Easou Shenzhen.
- (2) Representing:
 - (a) an exclusive option agreement executed by the Registered Shareholders of Easou Shenzhen in favor of WFOE for the acquisition of all or part of the shares and/or assets in Easou Shenzhen;
 - (b) an equity pledge agreement executed by the Registered Shareholders of Easou Shenzhen, pursuant to which the Registered Shareholders of Easou Shenzhen granted security interests in favor of WFOE over the shares in Easou Shenzhen held by the Registered Shareholders of Easou Shenzhen;
 - (c) a proxy agreement executed by the Registered Shareholders of Easou Shenzhen in favor of WFOE for the exercise of all shareholders' rights in Easou Shenzhen; and
 - (d) the spousal consents executed by the spouse of each individual Registered Shareholder of Easou Shenzhen in favor of WFOE.

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Summary of the Material Terms of the Contractual Arrangements

Exclusive Business Cooperation Agreement

Under the exclusive business cooperation agreement dated December 31, 2022 between the WFOE and Easou Shenzhen (the “Exclusive Business Cooperation Agreement”), Easou Shenzhen agreed to engage the WFOE as its exclusive provider of technical support, consulting services and other services in exchange for a service fee.

Pursuant to the Exclusive Business Cooperation Agreement, the service fee shall consist of 100% of the total consolidated profit of the Consolidated Affiliated Entities in any financial year, after setting off any accumulated deficit of the Consolidated Affiliated Entities in respect of the preceding financial year(s) (if any), and after the deduction of operating costs, expenses, taxes and other statutory contributions in such financial year. Notwithstanding the foregoing, the WFOE may adjust the scope and amount of services fees in accordance with the PRC tax regulations and practices and with reference to the operating conditions and development of the Consolidated Affiliated Entities.

The WFOE shall calculate the service fee on a monthly basis and issue a corresponding invoice to Easou Shenzhen. Notwithstanding the payment arrangements in the Exclusive Business Cooperation Agreement, the WFOE may adjust the payment time and payment method of the service fee.

In addition, without the prior written consent of the WFOE, during the term of the Exclusive Business Cooperation Agreement, the Consolidated Affiliated Entities shall not accept the same or any similar services and/or support provided by any third party with respect to the services subject to the Exclusive Business Cooperation Agreement and shall not establish cooperation relationships similar to that formed by the Exclusive Business Cooperation Agreement with any third party. In addition, without the prior written consent of the WFOE, the Consolidated Affiliated Entities shall not enter into any written or oral agreements with any third party for the provision of the same or similar services. The WFOE may designate other parties, who may enter into certain agreements with the Consolidated Affiliated Entities, to provide the Consolidated Affiliated Entities with the services under the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement also provide that the WFOE has the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by the Consolidated Affiliated Entities during the performance of the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement shall remain effective unless terminated (a) in accordance with the provisions of the Exclusive Business Cooperation Agreement; (b) in writing by the WFOE; or (c) upon Easou Shenzhen’s bankruptcy, liquidation or dissolution, at which time the Exclusive Business Cooperation Agreement will terminate upon the bankruptcy, liquidation or dissolution becomes effective.

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Exclusive Option Agreement

Under the exclusive option agreement dated December 31, 2022 among the WFOE, Easou Shenzhen and the Registered Shareholders of Easou Shenzhen (the “Exclusive Option Agreement”), the Registered Shareholders of Easou Shenzhen irrevocably and unconditionally grants the exclusive right to the WFOE to:

- (a) require the Registered Shareholders of Easou Shenzhen to transfer any or all their shares in Easou Shenzhen to the WFOE and/or its nominee(s), in whole or in part at any time and from time to time, at:
 - (i) the lowest price permitted under the PRC laws and regulations at the time of the purchase, and if the consideration for the exercise of the exclusive right to purchase by the WFOE or its nominee exceeds RMB1, the difference shall be compensated by the Registered Shareholders of Easou Shenzhen to the WFOE or its nominee; or
 - (ii) in the absence of such provisions under the PRC laws and regulations, for a price of RMB1;
- (b) purchase from Easou Shenzhen or to have its nominee purchase from Easou Shenzhen at any time all or part of the assets of Easou Shenzhen, including but not limited to the equity interest in subsidiaries held by Easou Shenzhen.

Easou Shenzhen and the Registered Shareholders of Easou Shenzhen, among other things, have jointly, severally and irrevocably covenanted that:

- (i) without the prior written consent of the WFOE, they shall not in any manner supplement, change or amend the business scope and the constitutional documents of Easou Shenzhen, increase or decrease their issued share capital, or change the structure of their share capital in other manner;
- (ii) they shall maintain Easou Shenzhen’s corporate existence and conduct its business and affairs prudently and efficiently in accordance with good financial and business standards and practices and not to cause Easou Shenzhen to be liquidated, suspended, wound up or dissolved;
- (iii) without the prior written consent of the WFOE, they shall not at any time following the effective date of the Exclusive Option Agreement sell, transfer, gift, pledge or dispose of or procure the management of Easou Shenzhen to sell, transfer, gift, pledge or dispose of any legal or beneficial interest in any assets (including intellectual properties) business or revenues of the Consolidated Affiliated Entities, or allow the encumbrance thereon of any security interest;
- (iv) they shall procure that Easou Shenzhen fulfill its obligations under the Exclusive Option Agreement, Equity Pledge Agreement and Proxy Agreement, and shall not terminate or procure Easou Shenzhen or the management of Easou Shenzhen to terminate the

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Contractual Arrangements entered into by Easou Shenzhen or enter into any agreement that conflicts with the Contractual Arrangements without the prior written consent of the WFOE;

- (v) they shall not incur any indebtedness, except for indebtedness incurred in the ordinary course of business, ordinary borrowings of Easou Shenzhen, or indebtedness which has been disclosed to and agreed in writing by the WFOE;
- (vi) Easou Shenzhen shall operate all of its business at all times in the ordinary course of business to maintain the asset value of the Consolidated Affiliated Entities, and refrain from any action or omission that may adversely affect the operating status and asset value of the Consolidated Affiliated Entities;
- (vii) without the prior written consent of the WFOE, they shall not cause the Consolidated Affiliated Entities to execute any material contract or enter into any material transaction with a single lump sum or aggregate value above RMB20 million in a financial year, except the contracts executed in the ordinary course of business;
- (viii) without the prior written consent of the WFOE, they shall not cause the Consolidated Affiliated Entities to provide any person with any loan or guarantee;
- (ix) if requested by the WFOE, they shall provide the WFOE or its nominee with all information concerning the labour, operations and financial conditions of Easou Shenzhen;
- (x) if requested by the WFOE, they shall procure the Consolidated Affiliated Entities to purchase and maintain insurance from an insurance carrier acceptable to the WFOE, at an amount and type of coverage typical for companies that own similar businesses in the WFOE's consented geographical area and similar property or asset;
- (xi) without the prior written consent of the WFOE, they shall not cause or permit the Consolidated Affiliated Entities to split, merge, consolidate with, acquire or invest in any person, or be acquired by any person;
- (xii) they shall notify the WFOE immediately of any litigation, arbitration or administrative proceedings that have taken place or may take place in relation to the assets, business and income of the Consolidated Affiliated Entities and take all necessary measures as reasonably requested by the WFOE;
- (xiii) they shall execute all necessary or appropriate documents, take all necessary or appropriate actions, assert all necessary or appropriate claims, or defend all claims as may be necessary and appropriate to preserve the ownership of the Consolidated Affiliated Entities in all of its assets;
- (xiv) if the exercise of the exclusive right to purchase by the WFOE is prevented by the failure of the Registered Shareholders of Easou Shenzhen or Easou Shenzhen to comply with their tax obligations under applicable law, the WFOE shall be entitled to require

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Easou Shenzhen or the Registered Shareholders of Easou Shenzhen to comply with such tax obligations or to require Easou Shenzhen or the Registered Shareholders of Easou Shenzhen to pay such taxes to the WFOE to pay on behalf of Easou Shenzhen;

- (xv) without the prior written consent of the WFOE, Easou Shenzhen shall not in any manner distribute dividends, bonuses, distributable benefits and for other income arising from any assets and equity interest held by the Registered Shareholders of Easou Shenzhen to its shareholders. For the avoidance of doubt, all benefits received by the WFOE during the term of this Agreement and upon termination of this Agreement shall not be returned to the Registered Shareholders of Easou Shenzhen;
- (xvi) they shall adopt and cause its subsidiaries and branches to adopt all applicable internal control policies and systems established by the WFOE as it may require from time to time; and
- (xvii) in the event of liquidation or dissolution of Easou Shenzhen, they shall promptly procure Easou Shenzhen to appoint any persons designated by the WFOE to administer the property of Easou Shenzhen to the extent permitted by PRC law.

In addition, the Registered Shareholders of Easou Shenzhen, among other things, have jointly, severally and irrevocably covenanted that:

- (i) without the prior written consent of the WFOE, they shall not sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in Easou Shenzhen, or allow the encumbrance thereon of any security interest, except for the Equity Pledge Agreement, and they shall not support or sign any shareholders' resolution to approve any of the above matters;
- (ii) for each exercise of the equity purchase option under the Exclusive Option Agreement, they shall cause Easou Shenzhen to convene, in a timely manner, the shareholders' meeting of Easou Shenzhen to vote on the approval of the transfer of shares and assets pursuant to the Exclusive Option Agreement;
- (iii) without the prior written consent of the WFOE, they shall not appoint or remove any director, supervisor or other officer of Easou Shenzhen, whom shall be appointed by the Registered Shareholders of Easou Shenzhen and, if requested by the WFOE, to appoint or employ a person appointed by the WFOE as a director and officer of Easou Shenzhen;
- (iv) without the prior written consent of the WFOE, they shall not support or sign any shareholders' resolution to approve that Easou Shenzhen merge with, be acquired by, or invest in any person, or after the registered share capital or company form of Easou Shenzhen;
- (v) they shall notify the WFOE immediately of any litigation, arbitration or administrative proceedings that have taken place or may take place in relation to the shares or assets held by them; and

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- (vi) if there is potential conflict of interest among the WFOE, Easou Shenzhen and the Registered Shareholders of Easou Shenzhen, they shall privatise the protection of the interest of the WFOE or the Company.

The Registered Shareholders of Easou Shenzhen have also undertaken that, subject to the relevant laws and regulations, they will return to the WFOE any consideration they receive in the event that the Exclusive Option Agreement is terminated.

The Exclusive Option Agreement shall remain effective unless terminated in writing or in the event that the shares held by the Registered Shareholders of Easou Shenzhen in Easou Shenzhen or all assets of Easou Shenzhen have been lawfully transferred to the WFOE or its nominee(s).

Equity Pledge Agreement

Under the equity pledge agreement dated December 31, 2022 between the WFOE, Easou Shenzhen and the Registered Shareholders of Easou Shenzhen (the “Equity Pledge Agreement”), the Registered Shareholders of Easou Shenzhen agreed to pledge to the WFOE (i) all of their respective shares in Easou Shenzhen, including any additional shares in Easou Shenzhen that may be subscribed by the Registered Shareholders of Easou Shenzhen after the entering into of the Equity Pledge Agreement; and (ii) their present and future rights, interests, distributions or income related to their shares in Easou Shenzhen as a continuing security interest to guarantee the performance of contractual obligations and the payment of outstanding debts.

During the term of the pledge, the Registered Shareholders of Easou Shenzhen are entitled to receive dividends distributed on the shares pledged, but shall procure Easou Shenzhen and Easou Shenzhen agrees not to distribute any dividends or adopt any profit distribution schemes. If the Registered Shareholders of Easou Shenzhen shall receive any economic benefit of any nature other than a dividend or other profit distribution in respect of the pledged shares, the Registered Shareholders of Easou Shenzhen shall, at the request of the WFOE, instruct Easou Shenzhen to remit the relevant amount directly to the bank account specified by the WFOE, which shall not be used by the Registered Shareholders of Easou Shenzhen without the prior written consent of the WFOE.

The pledge in respect of Easou Shenzhen takes effect upon the completion of registration with the relevant administration for market regulation and shall remain valid until after all the contractual obligations of the Registered Shareholders of Easou Shenzhen and Easou Shenzhen under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders of Easou Shenzhen and Easou Shenzhen under the relevant Contractual Arrangements have been fully paid.

Upon the occurrence of an event of default (as defined in the Equity Pledge Agreement), the Registered Shareholders of Easou Shenzhen shall immediately notify the WFOE in writing. Unless the event of default has been successfully resolved to the WFOE’s satisfaction, the WFOE may, upon the occurrence of an event of default or any time thereafter, deliver a notice in writing of the event of default to the Registered Shareholders of Easou Shenzhen, and shall have the right to exercise all rights and power to rectify the event of default under applicable PRC laws and the

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Equity Pledge Agreement, including but not limited to being paid in priority with the shares based on the monetary valuation that such equity interest is converted into or from the proceeds from auction or sale of the shares.

The share pledges in connection with the Consolidated Affiliated Entity have been registered with the relevant PRC government authority pursuant to PRC laws and regulations.

Proxy Agreement

Under the proxy agreement among the WFOE, Easou Shenzhen and the Registered Shareholders of Easou Shenzhen dated December 31, 2022 (the “Proxy Agreement”), the Registered Shareholders of Easou Shenzhen irrevocably and exclusively delegated to the WFOE or its nominee (including but not limited to the directors, successors and/or liquidators of the WFOE) the exercise on their behalf of any and all voting and other rights that they have in respect of their shares in Easou Shenzhen pursuant to applicable laws, regulations and the articles of association of Easou Shenzhen, including but not limited to the following rights:

- (i) to propose, convene and attend shareholders’ meetings of Easou Shenzhen on behalf of the Registered Shareholders of Easou Shenzhen, receive notice of and sign minutes and resolutions of any shareholders’ meeting, exercise voting rights on all matters at such meetings (including but not limited to the appointment, election or removal of directors, legal representatives, supervisors and senior management of Easou Shenzhen), and to execute any documents which shall be executed by the Registered Shareholders of Easou Shenzhen and to submit such documents for the purpose of filing with the relevant administration for market regulation on behalf of Easou Shenzhen;
- (ii) to authorize or resolve, on behalf of the Registered Shareholders of Easou Shenzhen, on matters relating to the disposal of assets of Easou Shenzhen;
- (iii) to resolve, on behalf of the Registered Shareholders of Easou Shenzhen, on the dissolution and liquidation of Easou Shenzhen, and on the formation of a liquidation committee and exercise the powers and functions of the liquidation committee during the liquidation period in accordance with the applicable laws;
- (iv) to transfer or, in any other manner, dispose of the shares in Easou Shenzhen held by the Registered Shareholders of Easou Shenzhen in any manner and to execute all necessary documents and perform all necessary steps on behalf of the Registered Shareholders of Easou Shenzhen for such purpose; and
- (v) such other rights as shareholders of Easou Shenzhen as provided for in other applicable PRC laws and regulations and the articles of association of Easou Shenzhen (and as amended from time to time).

Pursuant to the Proxy Agreement, the Registered Shareholders of Easou Shenzhen shall not transfer or undertake to transfer all or any of its shares in Easou Shenzhen to, or create any pledge or encumbrance on such shares for the benefit of any entity or person, other than the WFOE or its nominee. If any of the Registered Shareholders of Easou Shenzhen transfers all of its shares in

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Easou Shenzhen with the consent of the WFOE, such Registered Shareholder of Easou Shenzhen shall cease to be a party to the Proxy Agreement upon transferring all its shares in Easou Shenzhen, but the obligations and undertakings of the other Registered Shareholder of Easou Shenzhen under the Proxy Agreement shall not be affected in any way. Any transfer of shares in Easou Shenzhen by the Registered Shareholders of Easou Shenzhen with the consent of the WFOE shall be conditional upon the transferee undertaking to assume the transferring Registered Shareholder of Easou Shenzhen's rights and obligations under the Proxy Agreement and becoming a party to the Proxy Agreement in place of the transferring Registered Shareholder of Easou Shenzhen.

As a result of the Proxy Agreement, the Company, through the WFOE, is able to exercise management control over the activities that most significantly impact the economic performance of Easou Shenzhen.

The Proxy Agreement, shall remain effective until, among others, the WFOE or its nominee has lawfully acquired all the shares in and/or all assets of Easou Shenzhen.

Spousal Consents

The spouse of each of Mr. Wang, Mr. Zhao, Mr. Chen and Mr. Lu has signed a spousal consent letter, pursuant to which the signing spouses unconditionally and irrevocably agree that they are aware of the Exclusive Option Agreement, Equity Pledge Agreement and the Proxy Agreement, and have no objection regarding such contractual arrangements.

The signing spouses agree that: (i) any present or future shares held by their respective spouse as a Registered Shareholder of Easou Shenzhen in Easou Shenzhen do not fall within the scope of their communal properties; (ii) each of them will not take any measures that are in conflict with the Contractual Arrangements; and (iii) each of them will take any necessary measures to procure the execution of the Contractual Arrangements.

Common Terms of the Contractual Arrangements

Dispute Resolution

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the Shenzhen Court of International Arbitration for arbitration, in accordance with the then effective arbitration rules.

The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or assets of Easou Shenzhen or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of Easou Shenzhen; any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the PRC and the places where the principal assets of Easou Shenzhen are located for interim remedies or injunctive relief.

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However, our PRC Legal Advisers has advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Easou Shenzhen pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

As a result of the above, in the event that Easou Shenzhen or the Registered Shareholders of Easou Shenzhen breach any terms of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert fully effective control over Easou Shenzhen and to conduct our business could be materially and adversely affected. See the section headed “Risk Factors – Risks Relating to Our Contractual Arrangements” in this prospectus for further details.

Succession

As advised by our PRC Legal Advisers, subject to the succession rules of the PRC Civil Code, the provisions set out in the Contractual Arrangements are also binding on any successor(s) of the Registered Shareholders of Easou Shenzhen as if such successors were a signing party to the Contractual Arrangements. As such, any breach by the successors would be deemed to be a breach of the Contractual Arrangements. Under the PRC Civil Code, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and maternal grandparents. In the case of a breach, the WFOE can enforce its rights against the successors.

Loss Sharing

Under the relevant PRC laws and regulations, none of our Company or the WFOE is legally required to share the losses of, or provide financial support to the Consolidated Affiliated Entities. Further, the Consolidated Affiliated Entities are limited liability companies and shall be solely liable for its own debts and losses with assets and properties owned by them.

Despite the foregoing, given that our Group conducts certain of its business operations in the PRC through the Consolidated Affiliated Entities, which hold the requisite PRC operational licenses and approvals, and that its financial position and results of operations are consolidated into our Group’s financial statements under the applicable accounting principles, our Company’s business, financial position and results of operations would be adversely affected if the Consolidated Affiliated Entities suffer losses.

Liquidation

Pursuant to the Proxy Agreement, the Registered Shareholders of Easou Shenzhen have undertaken that the WFOE or its nominee are entitled to appoint members of the liquidation committee of Easou Shenzhen upon the winding up of Easou Shenzhen. Pursuant to the Equity Pledge Agreement, in the event of a mandatory liquidation required by the PRC laws, the shareholders of Easou Shenzhen shall, upon completion of the liquidation, give the proceeds they received from liquidation as a gift to the WFOE or its designee(s) to the extent permitted by the PRC laws.

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Accordingly, in the event a winding up of Easou Shenzhen, the WFOE is entitled to liquidation proceeds of Easou Shenzhen based on the Contractual Arrangements for the benefit of our Company's creditors and shareholders.

Insurance

There are certain risks involved in our operations, in particular, those relating to our corporate structure and the Contractual Arrangements. A detailed discussion of material risks relating to our Contractual Arrangements is set forth in the section headed "Risk Factors – Risks Relating to Our Contractual Arrangements". We have determined that the costs of insurance for the risks associated with business liability or disruption and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Accordingly, as of the Latest Practicable Date, we did not purchase any insurance to cover the risks relating to the Contractual Arrangements.

Our Confirmation

Our Directors confirm that, as of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through the Consolidated Affiliated Entities under the Contractual Arrangements.

Legality of the Contractual Arrangements

We believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

- (a) in relation to the provision of value-added telecommunications services under the ICP License and with regards to the Contractual Arrangements, our PRC Legal Adviser:
 - (i) conducted an interview with the Shenzhen Communications Administration* (深圳市通信管理局) in December 2022 and obtained verbal confirmation that (1) the Contractual Arrangements are not subject to any approval or filing requirement from the authority; (2) the Contractual Arrangements are not in violation of relevant PRC laws and regulations; and (3) the arrangements contemplated by the Contractual Arrangements would not affect the validity of the ICP License held by the Group;
 - (ii) verbally consulted with the Beijing Communications Administration* (北京市通信管理局) in January 2023 and obtained verbal confirmation that (1) the Contractual Arrangements are not subject to any approval, consent or filing requirement from the authority; and (2) the Contractual Arrangements are not in violation of relevant PRC laws and regulations;
 - (iii) verbally consulted with the MIIT in January 2023 and obtained verbal confirmation that (1) the Contractual Arrangements are not subject to any approval, consent or filing requirement from the authority; and (2) the Contractual Arrangements are not in violation of relevant PRC laws and regulations;

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- (b) in relation to the operation of internet cultural business under the Internet Culture Operation License and with regards to the Contractual Arrangements, our PRC Legal Advisor:
- (i) conducted an interview with the Guangdong Province Department of Culture and Tourism* (廣東省文化和旅遊廳) in December 2022 and verbally consulted with the Shenzhen Bureau of Culture, Radio, Television, Tourism and Sports* (深圳市文化廣電旅遊體育局) in February 2023 and obtained confirmation that (1) the Contractual Arrangements are not subject to any approval, consent or filing requirement from the aforementioned authorities; and (2) the Contractual Arrangements are not in violation of the relevant PRC laws and regulations;
 - (ii) verbally consulted with the Beijing Municipal Bureau of Culture and Tourism* (北京市文化和旅遊局) in January 2023 and obtained confirmation that (1) the Contractual Arrangements are not subject to any approval, consent or filing requirement from the authority; and (2) the Contractual Arrangements are not in violation of relevant PRC laws and regulations;
 - (iii) verbally consulted with the Guangzhou Bureau of Culture, Radio, Television, Tourism and Sports* (廣州市文化廣電旅遊和體育局) and the Shanghai Municipal Bureau of Culture and Tourism* (上海文化和旅遊局) in January 2023 and obtained confirmation that (1) the Contractual Arrangements are not subject to any approval, consent or filing requirement from the relevant authorities, unless there is a change in the shareholding of the business entity holding the Internet Culture Operation License; and (2) the Contractual Arrangements are not in violation of relevant PRC laws and regulations;
- (c) in relation to the internet publishing business under the Internet Publishing Service License, our PRC Legal Advisor:
- (i) conducted an interview with the Shenzhen Municipal Committee Propaganda Department Shenzhen Press and Publication Bureau* (深圳市委宣傳部深圳市新聞出版局) in February 2023 and obtained verbal confirmation that (1) the Contractual Arrangements are not subject to any approval, consent or filing requirement from the authority; (2) the Contractual Arrangements are in the form of an independent operation by enterprises and are not in violation of the relevant PRC laws and regulations; (3) the authority did not express any objection to the Contractual Arrangements; and (4) the arrangements contemplated by the Contractual Arrangements would not affect the validity of the Internet Publishing Service License held by Easou Shenzhen.

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Based on the above, our PRC Legal Advisor is of the view that:

- (a) the aforementioned authorities are competent government authorities for the regulation of the Company's principal business; and
- (b) the Contractual Arrangements are currently not prohibited by effective PRC laws and regulations.

In addition, based on the above, our PRC Legal Advisers is of the opinion that:

- (a) parties to each of the agreements are entitled to execute the agreements and perform their respective obligations thereunder, and each of the agreements is binding on the parties thereto;
- (b) the Contractual Arrangements would not fall within the circumstances as stipulated in the PRC Civil Code which will lead the arrangements as invalid act under the PRC Civil Code;
- (c) none of the Contractual Arrangements violates any provisions of the articles of association of the WFOE and Easou Shenzhen;
- (d) the parties to each of the Contractual Arrangements are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that:
 - (i) the exercise of the option by our WFOE of their rights under the Exclusive Option Agreement to acquire all or part of the shares in Easou Shenzhen are subject to the approvals of, consent of, filing with and/or registrations with the PRC governmental authorities;
 - (ii) any share pledge contemplated under the Equity Pledge Agreement are subject to the registration with competent administration bureau for market regulation;
 - (iii) the transfer and license of the intellectual property under the Exclusive Business Cooperation Agreement may be subject to the approvals of and/or registration with the relevant government authorities; and
 - (iv) the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognized by the PRC courts before compulsory enforcement; and
- (e) each of the Contractual Arrangements is valid, legally binding and enforceable under the PRC laws and regulations, except for certain clauses regarding the remedies that may be awarded by the arbitration tribunal and the power of courts of competent jurisdictions to grant interim remedies in support of the arbitration and liquidation arrangements concerning our Consolidated Affiliated Entities, and clauses on the formation of liquidation committee in the event of winding-up of Easou Shenzhen.

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There are uncertainties regarding the PRC laws and regulations and the PRC legislature, executive, judiciary or arbitration authorities have a wide discretionary power for legal interpretation. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion of our PRC Legal Advisers. The PRC governmental authorities may also implement laws or regulations in the future which may render the Contractual Arrangements void. For further details of the risks, please see the section headed “Risk Factors – Risks Relating to Our Contractual Arrangements” in this prospectus.

Based on the above and as advised by our PRC Legal Advisers, based upon the interviews and verbal consultation with the aforementioned relevant government authorities and market practice:

- (i) the adoption of the Contractual Arrangements is currently not prohibited by effective PRC laws and regulations;
- (ii) the content, execution and performance of the Contractual Arrangements do not constitute a violation of the relevant PRC laws and regulations; and
- (iii) the rights and obligations under the Contractual Arrangements are legally binding on all parties.

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions for our Company, a waiver has been sought from and has been granted by the Stock Exchange, details of which are disclosed in the section headed “Continuing Connected Transactions”.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the FIL

On March 15, 2019, the NPC approved the FIL, which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Implementation Rules, which came into effect on January 1, 2020. The FIL replaced the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Ventures Enterprise Law and the Wholly Foreign Invested Enterprises Law to become the legal foundation for foreign investment in the PRC. The FIL stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Implementation Rules are also silent on whether foreign investment includes contractual arrangements.

The Potential Impact of the FIL on the Contractual Arrangements

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including our Group. We use the Contractual Arrangements to establish control of the Consolidated Affiliated Entities, through which we operate our business in the PRC. As advised by our PRC Legal Advisers, since contractual arrangements are not specified as foreign investment under the FIL and if future laws, regulations and provisions prescribed by the State

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Council do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties with an exception, for which, see “– Legality of the Contractual Arrangements” in this section.

Notwithstanding the above, the FIL stipulates that foreign investment includes “foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council” without elaboration on the meaning of “other methods”. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of the Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. Please see “Risk Factors – Risks Relating to Our Contractual Arrangements – If the PRC government finds that the Contractual Arrangements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations on foreign investment in internet and other related businesses, or if these laws and regulations or their interpretation change in the future, we could be subject to severe consequences, including penalties, nullification of the Contractual Arrangement or to be forced to relinquish our interests in those operation” in this prospectus.

If the Relevant Business is no longer falling within the catalog of prohibitions or certain conditions and permission of foreign investment access required under the 2021 Negative List and we can legally operate our business under PRC laws and regulations, the WFOE will exercise the option under the exclusive option agreements to acquire the equity interest/assets of the VIE and unwind the Contractual Arrangements subject to any applicable approvals from the relevant governmental authorities, and subject to any application or approval procedures by the relevant governmental authorities.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (b) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (c) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports; and

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- (d) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of the WFOE and the Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Under the Exclusive Business Cooperation Agreement, it was agreed that, in consideration of the services provided by WFOE, Easou Shenzhen shall pay services fees to WFOE. The services fee shall consist of total consolidated profit of the Consolidated Affiliated Entities, after the deduction of any accumulated deficit of the Consolidated Affiliated Entities in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions.

In addition, under the Equity Pledge Agreement, the Registered Shareholders of Easou Shenzhen are entitled to receive dividends distributed on the shares pledged, but shall procure Easou Shenzhen not to distribute any dividends or adopt any profit distribution schemes. If the Registered Shareholders of Easou Shenzhen shall receive any economic benefit of any nature other than a dividend or other profit distribution in respect of the pledged shares, the Registered Shareholders of Easou Shenzhen shall, at the request of WFOE, instruct Easou Shenzhen to remit the relevant amount directly to the bank account specified by WFOE.

Due to the Contractual Arrangements, WFOE can effectively control, recognize and receive substantially all the economic benefit of the business and operations of the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities are treated as controlled structured entities of our Company and consolidated by our Company. The basis of consolidating the results of the Consolidated Affiliated Entities is disclosed in Note 3 to the Accountants' Report set out in Appendix I to this prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Wang, through Growth Value, Fase Ltd and Gather Forever, held 106,855,884 Shares, representing approximately 34.02% of the issued share capital of the Company. Immediately following the completion of the Global Offering (assuming full conversion of the Pre-IPO Preferred Shares and without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), Mr. Wang, through Growth Value, Fase Ltd and Gather Forever, will hold and be entitled to exercise in general meetings voting rights attached to Shares representing approximately 32.49% of the issued share capital of our Company. Accordingly, Mr. Wang, Growth Value, Fase Ltd and Gather Forever will be our Controlling Shareholders upon completion of the Global Offering.

Upon the establishment of The Hope Trust, Growth Value is controlled by Mr. Wang as it is owned as to (i) 99% by Gather Forever, which is in turn wholly-owned by CMB Wing Lung (Trustee) Ltd. (the trustee of The Hope Trust); and (ii) 1% by Fase Ltd, which is wholly-owned by Mr. Wang. The Hope Trust is an irrevocable reserved power trust established by Mr. Wang, as the settlor and protector, with CMB Wing Lung (Trustee) Ltd., an independent trustee, as trustee, for the benefit of Mr. Wang and his family members. Mr. Wang is also the sole director of Growth Value and Fase Ltd, each of which is an investment holding vehicle without substantive business operations.

For details of the shareholding of our Controlling Shareholders immediately prior to and following completion of the Global Offering, please see the section headed “History, Reorganization and Corporate Structure” in this prospectus.

OTHER BUSINESS OR INTERESTS OF OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders confirmed that as of the Latest Practicable Date, none of our Controlling Shareholders and their respective close associates had any interest in any business that competes or is likely to compete, either directly or indirectly with our Group’s business, which would require disclosure under Rule 8.10 of the Listing Rules.

To ensure that competition does not develop between our Group and other business and/or interest of our Controlling Shareholders, our Controlling Shareholders have entered into the Deed of Non-competition on May 27, 2024 in favor of our Company to the effect that they will not and will procure each of their respective close associates (excluding our Group) not to, directly or indirectly engage in, or hold any right or interest, or otherwise be involved in any business which may be in substantial competition with our business.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Taking into consideration the following factors, our Directors are of the view that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after completion of the Global Offering.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Management Independence

Our Board consists of nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors.

Although one of our executive Directors, Mr. Wang, is also one of our Controlling Shareholders, all of our other Directors and senior management possess relevant management and/or industry-related experience to act as Directors or senior management of our Company and to make management decisions independently from our Controlling Shareholders. The balance of power and authority is ensured by the operation of the senior management and our Board. We are of the view that our Company is able to carry on our business independently from our Controlling Shareholders and their respective close associates from a management perspective for the following reasons:

- (a) each Director is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of the Group. For details of the industry experience of our senior management team, please see the section headed “Directors and Senior Management” in this prospectus;
- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. For details, please see the paragraph headed “Corporate Governance Measures” in this section.

Based on the above, the Directors believe that the Board as a whole and together with our senior management are able to perform the managerial role in our Group independently from our Controlling Shareholders and their respective close associates after the Global Offering.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational Independence

Although our Controlling Shareholders will retain a substantial interest in our Company after the Listing, we have full rights to make all decisions regarding, and carry out, our business operations independently, and we are capable of operating our business independently from our Controlling Shareholders and their respective close associates since:

- (a) we do not rely on our Controlling Shareholders and their respective close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions. We have our own divisional and functional teams specialising in these respective areas. Each division has a clear delineation of duties and functions as determined by our Board to promote efficiency, effectiveness and quality in the development of our business and are expected to continue to operate separately and independently from our Controlling Shareholders and their respective close associates;
- (b) we have independent access to suppliers and customers and an independent management team to handle our day-to-day operations;
- (c) we are in possession of all relevant licenses, certificates, facilities and intellectual property rights necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently; and
- (d) we have established corporate governance procedures in safeguarding the interests of our Shareholders and preventing our Controlling Shareholders from furthering their own interests at the expense of our Group's interests. For details, please see the paragraph headed "Corporate Governance Measures" in this section.

Details of the continuing connected transactions between our Group and Mr. Wang and Wang PRC SPV, which will continue after completion of the Global Offering and are related to our Contractual Arrangements, are set out in the sections headed "Continuing Connected Transactions" and "Contractual Arrangements" in this prospectus. Our Directors are of the view that (i) the Contractual Arrangements are fundamental to our Group's legal structure and business operations; and (ii) the Contractual Arrangements are on normal commercial terms or on terms more favorable to our Group; in the ordinary and usual course of our Group's business and are not expected to affect our operational independence as a whole.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders and their respective close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Financial Independence

During the Track Record Period, our Group had bank borrowings from licensed banks in the PRC secured by personal guarantees provided by Mr. Wang. As of the Latest Practicable Date, such bank borrowings were either fully repaid or settled, or the personal guarantees provided by Mr. Wang were fully released and replaced by corporate guarantee(s) provided by our Company and/or our Group companies.

Save as disclosed above, there is no other financial assistance provided by our Controlling Shareholders or their respective close associates to our Group.

We believe that we are able to operate financially independently from our Controlling Shareholders and their respective close associates as:

- (a) we have an independent financial system and make financial decisions according to our Group's own business needs;
- (b) we have internal control and accounting systems and an independent finance department for discharging the treasury function;
- (c) we expect that our working capital will be funded by cash flows generated from operating activities, bank loans as well as the proceeds from the Global Offering and we do not expect to rely on Mr. Wang and his close associates for financing after the Listing;
- (d) we are capable of obtaining financing from external resources independently without relying on any guarantee or security provided by our Controlling Shareholders and their respective close associates; and
- (e) we have sufficient capital to operate our business independently, and have adequate internal resources and credit profile to support our daily operations.

DEED OF NON-COMPETITION

Our Controlling Shareholders (collectively, the "Covenantors" and each, a "Covenantor") have entered into the Deed of Non-competition in favour of our Company pursuant to which each of the Covenantor has, among other things, irrevocably and unconditionally undertaken to our Company on a joint and several basis that during the period when the Deed of Non-competition remains effective (the "Relevant Period"), the Covenantors will not, and will procure their respective close associates (other than members of our Group) not to (i) directly or indirectly be involved in any business (other than our business) that directly or indirectly competes, or may compete, with the business currently engaged by our Group as disclosed in this prospectus (collectively referred to as the "Restricted Businesses"); or (ii) hold shares or interest in any companies or businesses that compete directly or indirectly with the Restricted Businesses, or conduct any Restricted Businesses, except where our Controlling Shareholders and their respective close associates hold less than 10% of the total share capital of any company which is engaged in any business that is or may be in competition with the Restricted Businesses, and they do not

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

control the composition of the board of directors of such company (the “Non-controlling Interest”). The above restrictions shall not apply to the business of any of our Controlling Shareholders and his/its close associates when (i) our Group engages in a new business that is not a Restricted Business after Listing; (ii) the holding by our Controlling Shareholders of interests in the shares of a company other than our Group which are listed on a recognized stock exchange, provided that any Restricted Businesses conducted or engaged in by such company (and assets relating thereto) accounts for less than 5% of that company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited accounts, or the total number of the shares held by our Controlling Shareholders and/or their respective close associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Controlling Shareholders and/or their respective close associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by our Controlling Shareholders and their respective close associates in aggregate; or (iii) the business was a Restricted Business but our Group has since ceased to engage in such business.

Furthermore, our Controlling Shareholders have undertaken on a joint and several basis that if any new business investment/other business opportunity relating to the Restricted Businesses (the “Competing Business Opportunity”) is identified by/made available to him/it or any of his/its close associates, he/it shall, and shall procure his/its close associates to, refer such Competing Business Opportunity to our Company on a timely basis by giving written notice (the “Offer Notice”) within 30 business days of identifying the target company (if relevant), the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity.

Upon receiving the Offer Notice, our Company shall decide whether to pursue or decline the Competing Business Opportunity. Our Company shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group’s strategies and development plans and the general market conditions of our business. Our Company, within 30 business days of receipt of the written notice referred to above, shall inform our Controlling Shareholders in writing in its decision whether to pursue or decline the Competing Business Opportunity.

Our Controlling Shareholders shall be entitled but not obliged to pursue such Competing Business Opportunity if he/it has received a notice from our Company declining such Competing Business Opportunity or if our Company fails to respond within the 30 business days’ period as mentioned above. If there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by our Controlling Shareholders, they will refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

Our Group shall only exercise or reject the right of first refusal upon the approval by all independent non-executive Directors who do not have any interest in such opportunity. The relevant Controlling Shareholder(s) and other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

convened to consider such opportunity including but not limited to the relevant meeting(s) of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

For the above purpose, the Relevant Period means the period commencing from the Listing Date and shall expire on the earlier of the dates below:

- (a) as for our Controlling Shareholders, the date on which our Controlling Shareholders and their respective close associates cease to be our Controlling Shareholders; or
- (b) our Shares cease to be listed and traded on the Stock Exchange (other than temporary trading halt or suspension of trading of our Shares on the Stock Exchange due to any other reason).

Our Controlling Shareholders have further undertaken to us that they will provide and procure their close associates to provide, on a best endeavour basis, all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-competition. They will make an annual declaration in our annual report on the compliance with the Deed of Non-competition in accordance with the principle of voluntary disclosure in the corporate governance report.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules, which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

- (a) in preparation for the Listing, we have conditionally adopted the Articles of Association which complies with the Listing Rules. In particular, pursuant to our Articles of Association, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his associates (other than any member of our Group) has a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) where a Shareholders' meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders or their respective associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (c) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with Mr. Wang or any of his associates, our Company will comply with the applicable Listing Rules;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (d) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and Mr. Wang and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (e) our Company will obtain (i) an annual written confirmation in respect of our Controlling Shareholders' compliance with the terms of the Deed of Non-competition; (ii) consent from our Controlling Shareholders to refer to the said confirmation in our annual reports; and (iii) all information as may reasonably be requested by us and/or our independent non-executive Directors for our review and enforcement of the Deed of Non-competition;
- (f) the independent non-executive Directors will review, on an annual basis, the compliance with non-competition undertakings by the Controlling Shareholders under the Deed of Non-competition;
- (g) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;
- (h) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and
- (i) we have appointed China Sunrise Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and Mr. Wang, and to protect minority Shareholders' interests after the Listing.

CONTINUING CONNECTED TRANSACTIONS

OVERVIEW

Our Group has entered into the following transactions with parties who will, upon the Listing, become our connected persons, and such transactions are expected to continue after the Listing Date. As such, upon the Listing, these transactions will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

Upon the Listing, the following parties, who have entered into the following transactions with our Group, will be connected persons of our Group:

<u>Name</u>	<u>Relationship with Our Group</u>
Mr. Wang	Chairman of our Board, executive Director, chief executive officer and one of the Controlling Shareholders
Wang PRC SPV	Controlled corporation of Mr. Wang, who is the chairman of our Board, executive Director, chief executive officer and one of the Controlling Shareholders
Zhou Yuan	Spouse of Mr. Wang, who is the chairman of our Board, executive Director, chief executive officer and one of the Controlling Shareholders
Mr. Zhao	Executive Director and chief operating officer
Wu Xianli	Spouse of Mr. Zhao, who is an executive Director and our chief operating officer
Mr. Chen	Executive Director, chief financial officer and joint company secretary
Lv Xia	Spouse of Mr. Chen, who is an executive Director, chief financial officer and joint company secretary

CONTINUING CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNOUNCEMENT, CIRCULAR AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

Contractual Arrangements

Background

As disclosed in the section headed “Contractual Arrangements”, the business operations of the Consolidated Affiliated Entities constitute a business restricted to foreign investment in the PRC. Therefore, we cannot directly acquire the entire equity interest in the Consolidated Affiliated Entities. In light of such restriction and in order to exercise effective control over our Consolidated Affiliated Entities, we have entered into the Contractual Arrangements with Easou Shenzhen and the Registered Shareholders of Easou Shenzhen on December 31, 2022, pursuant to which our Group (i) receives substantially all of the economic benefits from the Consolidated Affiliated Entities in consideration for the services provided by WFOE to the Consolidated Affiliated Entities; (ii) exercises effective control over the Consolidated Affiliated Entities through WFOE; and (iii) holds an exclusive option to purchase all or part of the shares in Easou Shenzhen when and to the extent permitted by the PRC laws. See the section headed “Contractual Arrangements” in this prospectus for details of the key terms of the Contractual Arrangements.

Listing Rules Implications

The transactions contemplated under the Contractual Arrangements are continuing connected transactions for our Company and are subject to reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Our Directors, including our independent non-executive Directors, are of the view that (i) the Contractual Arrangements are fundamental to our Group's legal structure and business operations; and (ii) the Contractual Arrangements are on normal commercial terms or on terms more favorable to our Group, in the ordinary and usual course of our Group's business and are fair and reasonable or to the advantage of our Group and are in the interests of our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent Shareholders.

CONTINUING CONNECTED TRANSACTIONS

APPLICATION FOR WAIVER

The Contractual Arrangements

In relation to the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent Shareholders' approval requirements under Rules 14A.35 and 36 of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

(a) No Change without Independent Non-executive Directors' Approval

No changes to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of the independent non-executive Directors.

(b) No Change without Independent Shareholders' Approval

Save as described in paragraph (d) below, no changes to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of the independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic Benefits Flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through: (i) our Group's potential right (if and when so allowed under the applicable PRC laws) to acquire the equity interest in and/or assets of the Consolidated Affiliated Entities; (ii) the business structure under which the net profits generated by the Consolidated Affiliated Entities (after deducting the necessary costs, expenses, taxes and other statutory contribution in relation to the respective fiscal year) is substantially retained by us (such that no annual caps shall be set on the amount of services fees payable to the WFOE under the Exclusive Operation Services Agreement); and (iii) our right to control the management and operation of, as well as, in substance, all of the voting rights of the Consolidated Affiliated Entities.

(d) Renewal and Reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our Company has direct shareholding, on one hand, and the Consolidated Affiliated Entities, on the other hand, that

CONTINUING CONNECTED TRANSACTIONS

framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as described under the section headed “Contractual Arrangements” in this prospectus. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish when justified by business expediency will, upon renewal and/or cloning of the Contractual Arrangements, however be treated as our Group’s connected persons and transactions between these connected persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to the relevant PRC laws, regulations and approvals.

(e) Ongoing Reporting and Approvals

We will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- (i) The Contractual Arrangements in place during each financial period will be disclosed in our annual report and accounts in accordance with the relevant provisions of the Listing Rules.
- (ii) Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our annual report and accounts for the relevant year that:
 - (1) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements;
 - (2) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interest which are not otherwise subsequently assigned or transferred to our Group; and
 - (3) the Contractual Arrangements and any new contracts (if any) entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Company and the Shareholders as a whole.
- (iii) Our auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions carried out pursuant to the Contractual Arrangements have received the approval of our Directors and that no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interest which are not otherwise subsequently assigned/ transferred to our Group.

CONTINUING CONNECTED TRANSACTIONS

- (iv) For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, the Consolidated Affiliated Entities will be treated as our wholly-owned subsidiaries, and the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the Consolidated Affiliated Entities and its associates will be treated as our “connected persons”. As such, transactions between these connected persons and our Group (including, for this purpose, the Consolidated Affiliated Entities) other than those under the Contractual Arrangements shall comply with Chapter 14A of the Listing Rules.

The Consolidated Affiliated Entities further undertake that, for so long as the Shares are listed on the Stock Exchange, the Consolidated Affiliated Entities will provide our Group’s management and our auditors with full access to its relevant records for the purpose of procedures to be carried out by our auditors on connected transactions.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that (i) the Contractual Arrangements are fundamental to our Group’s legal structure and business operations; and (ii) the Contractual Arrangements are on normal commercial terms or on terms more favorable to our Group, in the ordinary and usual course of our Group’s business and are fair and reasonable or to the advantage of our Group and are in the interests of our Shareholders as a whole.

Our Directors (including our independent non-executive Directors) are also of the view that with respect to the terms of the Contractual Arrangements, which is of a duration of longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the view that: (i) the contracts constituting the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group’s legal structure and business operations; and (ii) the Contractual Arrangements are on normal commercial terms or on terms more favorable to our Group in the ordinary and usual course of our Group’s business and are fair and reasonable or to the advantage of our Group and are in the interests of our Shareholders as a whole. Further, the Sole Sponsor is also of the view that with respect to the terms of the Contractual Arrangements, which is of a duration of longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board consists of nine members, comprising three executive Directors, three non-executive Directors, and three independent non-executive Directors.

Our Board is responsible and has general powers for the management and conduct of our business. The following table sets out information regarding our Directors:

Name	Age	Position	Time of joining our Group	Date of Appointment to our Board	Principal Responsibilities	Relationship with other Directors or senior management
Wang Xi (汪溪)	48	Executive Director, chairman of the Board and chief executive officer	June 2007	February 9, 2022	Responsible for the provision of guidance for the overall development of our Group	None
Chen Jun (陳鈞)	44	Executive Director, chief financial officer and joint company secretary	September 2009	December 2, 2022	Responsible for the overall strategic decision, daily management and operation and the finance department of our Group	None
Zhao Lei (趙磊)	47	Executive Director and chief operating officer	September 2006	December 2, 2022	Responsible for the overall strategic decision, business planning, and daily management and operation of our Group	None
Luan Ling (樂凌)	62	Non-executive Director	December 2015	December 2, 2022	Responsible for the provision of guidance for the overall development of our Group	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Time of joining our Group	Date of Appointment to our Board	Principal Responsibilities	Relationship with other Directors or senior management
Zhuge Qingchen (諸葛慶晨)	34	Non-executive Director	May 2021	December 2, 2022	Responsible for the provision of guidance for the overall development of our Group	None
Gan Minggao (甘鳴皋)	46	Non-executive Director	September 2020	December 2, 2022	Responsible for the provision of guidance for the overall development of our Group	None
Zhu Jianfeng (朱劍峰)	52	Independent non-executive Director	May 2024	May 17, 2024 ⁽²⁾	Responsible for the provision of independent advice to our Board	None
An Yingchuan (安穎川)	46	Independent non-executive Director	May 2019 ⁽¹⁾	May 17, 2024 ⁽²⁾	Responsible for the provision of independent advice to our Board	None
Meng Xue (孟雪)	38	Independent non-executive Director	May 2024	May 17, 2024 ⁽²⁾	Responsible for the provision of independent advice to our Board	None

Notes:

- (1) Date on which Mr. An Yingchuan joined our Group as an independent non-executive director of Easou Shenzhen.
- (2) These independent non-executive Directors were appointed to our Board on May 17, 2024. Each of the independent non-executive Directors entered into a letter of appointment with our Company on May 17, 2024 for an initial term of three years commencing from the Listing Date.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Wang Xi (汪溪), aged 48, is an executive Director, the chairman of the Board and the chief executive officer of our Company. Mr. Wang joined our Group in June 2007. He was appointed as a Director on February 9, 2022 and re-designated as an executive Director on December 2, 2022. He is responsible for the provision of guidance for the overall development of the Group.

Mr. Wang has approximately 24 years of experience in management. From March 2000 to May 2007, Mr. Wang worked as a vice president of the president's office at Shenzhen Xuntian Communication Technology Co.* (深圳市訊天通信技術有限公司). He then joined our Group in June 2007 as the chief executive officer and was primarily responsible for the daily operation and management of Easou Shenzhen. In January 2009 and December 2015, Mr. Wang was appointed as the general manager and chairman of the board of Easou Shenzhen, respectively. He has also been the executive Director of Easou Beijing since January 2016 and the director of Yiyikang Technology (Beijing) Co. Ltd.* (易醫康科技(北京)有限公司), a company which was primarily engaged in development and sales of self-developed products, mainly including an app aimed at connecting patients and doctors for online consultations prior to its cessation of operations, since August 2016. As confirmed by Mr. Wang, as at the Latest Practicable Date, Yiyikang Technology (Beijing) Co. Ltd.* did not have any business operations. Given the above and that Mr. Wang's primary focus is on the development of our Group, where he devotes most of his time and effort, our Directors are of the view that Mr. Wang will be able to devote sufficient time to discharge his duties as an executive Director of our Company.

Mr. Wang graduated from Southwestern University of Finance and Economics in the PRC with a bachelor's degree in accounting in July 1998.

Mr. Chen Jun (陳鈞), aged 44, is an executive Director, chief financial officer and joint company secretary of our Company. Mr. Chen joined our Group in September 2009. He was appointed as an executive Director on December 2, 2022 and is primarily responsible for the overall strategic decision, daily management and operation of the finance department of our Group.

Mr. Chen has approximately 17 years of working experience in the accounting and finance industry. He worked in Ernst & Young Hua Ming LLP Shenzhen Branch as an auditor and then a senior auditor from September 2006 to September 2009, where he was primarily responsible for auditing. In September 2009, Mr. Chen joined our Group as the director of finance and was promoted as the vice general manager and appointed as a director in July 2013 and December 2015, respectively. Since August 2013, he has also been the supervisor of Shenzhen Chuangtu, and the director and general manager of Shenzhen Taite since November 2015.

Mr. Chen graduated from Beijing Technology and Business University in the PRC with a bachelor's degree in financial management in July 2002. He also obtained a master's degree in international financial analysis from the University of Newcastle Upon Tyne in the United Kingdom in December 2004. Since July 2009, Mr. Chen has been a member of the Association of Chartered Certified Accountants ("ACCA"), and has been a fellow member of ACCA since July 2014.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhao Lei (趙磊), aged 47, is an executive Director and the chief operating officer of our Company. Mr. Zhao joined our Group in September 2006. He was appointed as an executive Director on December 2, 2022 and is responsible for the overall strategic decision, business planning, and the daily management and operation of our Group.

Mr. Zhao has approximately 22 years of working experience in management. From March 2002 to September 2006, Mr. Zhao worked as a commercial director of Shenzhen Xuntian Communication Technology Co.* (深圳市訊天通信技術有限公司). From September 2006 to November 2008, Mr. Zhao worked as a vice president of Easou Shenzhen. He then worked as a senior vice president of Easou Shenzhen from November 2008 to February 2013. From February 2013 to August 2016, Mr. Zhao worked as a chief operating officer of Easou Shenzhen. He also worked as a director of Easou Shenzhen from December 2015 to August 2016. Since August 2016, Mr. Zhao has been a director and chief operating officer of Easou Shenzhen. Mr. Zhao has also been the vice general manager of Easou Shenzhen since February 2019. In February 2007, Mr. Zhao joined Shenzhen Dahuatong as a chairman of the board of directors, and since November 2011, he has been a director and general manager of the company and has been primarily responsible for the company's operation. He has also been the supervisor of Shanghai Yinggao since March 2014.

Mr. Zhao graduated from the South Central Minzu University in the PRC with a bachelor's degree in accounting in July 1997.

Non-executive Directors

Mr. Luan Ling (樂凌), aged 62, joined our Group as a director of Easou Shenzhen in December 2015. He was appointed as a non-executive Director on December 2, 2022 and is responsible for the provision of guidance for the overall development of our Group.

Mr. Luan has approximately 32 years of experience in the technology sector and in investment management. Mr. Luan worked in National Semiconductor Corporation in U.S. as an engineer from July 1991 to December 1997, a company listed on New York Stock Exchange until 2011 (stock symbol: NSM) and primarily engages in semiconductor design and manufacturing, where he was primarily responsible for product research and development. He then worked as a principal in Catamaran Communications Inc., a start-up company which develops high-speed communication chips, from January 1998 to November 2000, where he was primarily responsible for the marketing of new products. From 2000 to 2005, Mr. Luan worked as a director of Infineon Technologies AG, a company listed on Frankfurt Stock Exchange (stock symbol: IFX) and primarily engages in semiconductor design and manufacturing, where he was primarily responsible for the communications product market. From July 2005 to November 2008, Mr. Luan worked as an executive director in Conexant Systems Inc., a company listed on Nasdaq (stock symbol: CNXT) until 2011 and primarily engages in semiconductor design and manufacturing, where he was primarily responsible for the company's business operations in China. After leaving Conexant Systems Inc., he worked as a vice president in Zoran Corporation, which was listed on Nasdaq (stock symbol: ZRAN) until 2011 and primarily engages in the design and marketing of electronic circuits, where he was primarily responsible for the management of the company in China. He then worked as a vice president in Entropic Communications Inc., a company which primarily engages in communication system equipment manufacturing and was listed on Nasdaq (stock symbol:

DIRECTORS AND SENIOR MANAGEMENT

ENTR) until 2015, where he was primarily responsible for the management of the company's business in China and its access device division, and then as a partner of Shenzhen Qianhai Highrun M&A Fund Management Co., Ltd.* (深圳前海海潤國際並購基金管理有限公司), a company which primarily engages in equity investment, mergers and acquisitions, restructuring and securities investment, where he was primarily responsible for the management of the company's business division. Since July 2016, he has been a partner of Shenzhen Honesta Capital Management Co., Ltd.* (深圳利用投資管理有限公司), a company which primarily engages in asset and investment management, where he was primarily responsible for the investment and management of the company.

Mr. Luan has been an independent non-executive director of Leon Technology Co. Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300603) and an information technology and application solutions provider, since February 2019. Mr. Luan has also been an independent non-executive director of Telepower Communication Co., Ltd, a company listed on NEEQ (stock code: 833839), and is a manufacturer in intelligent terminal products, enterprise information technology communication equipment and solutions provider, since September 2021.

Mr. Luan graduated from Peking University in the PRC with a bachelor's degree in Astrophysics in June 1982 and obtained a master's degree in electrical engineering and computer science from University of California, Berkeley in the United States in June 1991. He also obtained a degree of Master of Business Administration from San Jose State University in the United States in December 1995. Mr. Luan is a qualified independent director under Shenzhen Stock Exchange since April 2019. He was awarded the Touzhong-Hurun Best Cross-Border M&A Investor China 2016* (投中-胡潤2016年度中國最佳跨境並購投資人) by CV Info (投中信息) and Hurun Baifu* (胡潤百富).

Mr. Zhuge Qingchen (諸葛慶晨), formerly known as Zhu Qingchen (諸慶晨), aged 34, joined our Group as a director of Easou Shenzhen in May 2021. He was appointed as a non-executive Director on December 2, 2022 and is responsible for the provision of guidance for the overall development of our Group.

Mr. Zhuge has approximately six years of experience in corporate management. Mr. Zhuge has been an investment director of the investment department for Suzhou Ruanyin Huatian Venture Capital Management Partnership (Limited Partnership)* (蘇州軟銀華天創業投資管理合夥企業(有限合夥)) since May 2018, a company which primarily engages in venture capital investment, and was primarily responsible for entrepreneurial investment and project management. He has also been the director of Shenzhen Kanghong Environmental Technology Co., Ltd.* (深圳市康弘環保技術有限公司) since March 2021. Mr. Zhuge has been the director of Shanghai Bai'an Sensing Technology Co., Ltd.* (上海拜安傳感技術有限公司), Zhangjiagang Meijingrong Chemical Industry Co., Ltd.* (張家港美景榮化學工業有限公司) and Zhangjiagang Huamei Biomaterials Co., Ltd.* (張家港華美生物材料有限公司) since April 2021. He has also been the supervisor of Shanghai Kuaicang Intelligent Technology Co., Ltd.* (上海快倉智能科技有限公司), a company which primarily engages in the development of artificial intelligence technology and automated machines in the logistics and warehouse context, since September 2021.

Mr. Zhuge graduated from Shanghai Jiao Tong University in the PRC with a master's degree in business management in June 2023.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Gan Minggao (甘鳴皋), aged 46, was appointed as a non-executive Director on December 2, 2022. He joined our Group as a non-executive director of Easou Shenzhen in September 2020 and is responsible for the provision of guidance for the overall development of our Group.

Mr. Gan has approximately 10 years of experience in investment management. Since July 2013, he has been working as a managing director of Kunshan Kunyu Equity Investment Management Co., Ltd.* (昆山琨玉股權投資管理有限公司), a company primarily engaging in investment management and related information consulting services, and is primarily responsible for equity investment and post-investment operation management.

Mr. Gan graduated from Fudan University in the PRC with a bachelor's degree in international business management in July 2000 and obtained a degree of Master of Business Administration from China Europe International Business School in the PRC in March 2007.

Independent non-executive Directors

Mr. Zhu Jianfeng (朱劍峰), aged 52, is an independent non-executive Director of our Company. He was appointed as an independent non-executive Director on May 17, 2024. Mr. Zhu is responsible for the provision of independent advice to our Board.

Mr. Zhu has approximately 19 years of experience in management. From June 2004 to July 2005, Mr. Zhu worked as a quality manager of Jabil Circuit (Shenzhen) Limited. He then worked as a representative office manager of Case Logic Asia Pacific Ltd. from July 2005 to December 2007, where he was primarily responsible for the operations of the company. From July 2010 to January 2012, Mr. Zhu worked as a vice president of the project of Wukuang Dornier Caravans Limited (五礦集團多尼爾房車有限公司). He then worked as a manager in the investment banking department of McKnight Financial Holdings Group Limited* (麥肯特金融控股集團有限公司) from March 2012 to September 2014. From September 2014 to August 2015, he worked as a deputy general manager at Zhongzheng Xinye Investment Holdings Limited* (中證信業投資控股有限公司), a wholly owned subsidiary of Credit Prosperity Fund Management Co., Ltd. (信業股權投資管理有限公司), where he was primarily responsible for the operation of the company. From September 2015 to January 2017, Mr. Zhu worked as a general manager of Shenzhen Qianhai Nanshan Financial Development Co. Ltd.* (深圳前海南山金融發展有限公司). He also worked as a general manager of CITIC Securities Nanshan M&A Investment Fund Management Co., Ltd* (深圳市前海中證南山併購投資基金管理有限公司) from September 2015 to October 2018, where he was responsible for the overall management of the company. Mr. Zhu then worked as a research associate of the Quantitative Investment Research Centre of Tsinghua University Shenzhen International Graduate School from January 2019 to December 2021. From January 2019 to January 2022, Mr. Zhu worked as a distinguished professor of Wuhan University Shenzhen Research Institute. From July 2021 to October 2022, Mr. Zhu worked as a managing director and a license representative in respect of type 1, type 4 and type 9 regulated activities of Maxcess Capital Limited. Since November 2022, Mr. Zhu has been working as an associate director of business development of Huajin Financial (International) Holdings Limited.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhu graduated from Tianjin University of Science and Technology in the PRC with a bachelor's degree in chemical equipment and machinery from the department of mechanical engineering in July 1993. He then obtained a master's degree in business management from Tsinghua University in the PRC in January 2008. In June 2013, Mr. Zhu obtained his PhD in business management from Wuhan University. He also obtained a degree of Master of Business Administration from the Chinese University of Hong Kong in Hong Kong in November 2016. Mr. Zhu is currently a part-time mentor in master of finance at Tsinghua University and a part-time tutor in business management and master of finance at Wuhan University.

Mr. An Yingchuan (安穎川), aged 46, is an independent non-executive Director of our Company. He joined our Group as an independent non-executive director of Easou Shenzhen in May 2019 and was appointed as an independent non-executive Director of our Company on May 17, 2024. Mr. An is responsible for the provision of independent advice to our Board.

Mr. An has approximately 21 years of experience in the accounting and finance sector. From October 2002 to February 2015, he worked at Ernst & Young Hua Ming LLP Shenzhen Branch, with his last position as a senior manager primarily responsible for auditing. Since February 2015, Mr. An has been working as the financial director, investment and financing director and vice president of Shenzhen Tomtop Technology Co., Ltd.* (深圳市通拓科技有限公司), a company which primarily engages in domestic cross-border e-commerce export retail.

Mr. An graduated from Central University of Finance and Economics in the PRC with a bachelor's degree in accounting in June 2001. Mr. An has been a registered accountant in the PRC since October 2008 and has been a member of the Hong Kong Institute of Certified Public Accountants since July 2012.

Ms. Meng Xue (孟雪), aged 38, is an independent non-executive Director of our Company. She was appointed as an independent non-executive Director of our Company on May 17, 2024. Ms. Meng is responsible for the provision of independent advice to our Board.

Ms. Meng is currently working as a partner of Tianchi Juntai Law Firm. Ms. Meng primarily focuses on compliance, risk control and risk management in the financial sector.

Ms. Meng graduated from Beijing Forestry University in the PRC with a bachelor's degree in Japanese in July 2008. She has also obtained a master's degree in foreign linguistics and applied linguistics from Beijing Forestry University in June 2011. Ms. Meng has been a registered lawyer in the PRC since 2016.

Disclosure Required under Rule 13.51(2) of the Listing Rules

Save as disclosed above, none of our Directors has been involved in any of the events described under Rules 13.51(2)(h) to (v) of the Listing Rules and none of our Directors has been a director of other listed entities for the three years immediately preceding the date of this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

Disclosure under Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on December 2, 2022; and (ii) understands his or her obligations as a director of a listed issuer on the Stock Exchange under the Listing Rules.

Disclosure under Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors confirms (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) that he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

SENIOR MANAGEMENT

The following table sets out information regarding our senior management:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of joining our Group</u>	<u>Responsibilities</u>
Wang Xi (汪溪)	48	Chief executive officer	June 2007	Responsible for the provision of guidance for the overall development of the our Group
Chen Jun (陳鈞)	44	Chief financial officer and joint company secretary	September 2009	Responsible for the overall strategic decision, daily management and operation and the finance department of our Group
Zhao Lei (趙磊)	47	Chief operating officer	September 2006	Responsible for the overall strategic decision, business planning, and daily management and operation of our Group

For details of **Mr. Wang Xi (汪溪)**, **Mr. Chen Jun (陳鈞)** and **Mr. Zhao Lei (趙磊)**, please see the paragraphs headed “– Board of Directors – Executive Directors” in this section.

DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

For details of **Mr. Chen Jun** (陳鈞), please see the paragraphs headed “– Board of Directors – Executive Directors” in this section.

Ms. Fung Po Ting (馮寶婷) was appointed as a joint company secretary of our Company on November 11, 2022. Ms. Fung is a manager of the listing services department of TMF Hong Kong Limited, responsible for providing corporate secretarial and compliance services to listed companies.

Ms. Fung is an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Fung obtained her master’s degree in Corporate Governance and her bachelor’s degree of Business Administration in Corporate Administration from Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong) in 2020 and 2016, respectively.

BOARD COMMITTEES

Audit Committee

Our Company established an audit committee on May 17, 2024 with its written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to our Board on matters related to corporate governance.

Our audit committee consists of Mr. An Yingchuan, Mr. Gan Minggao and Mr. Zhu Jianfeng, of whom Mr. An Yingchuan has been appointed as the chairman of the audit committee.

Remuneration Committee

Our Company established a remuneration committee on May 17, 2024 with its written terms of reference in compliance with the Listing Rules. The primary duties of the remuneration committee are to make recommendations on the remuneration of our Directors and senior management.

Our remuneration committee consists of Mr. Zhu Jianfeng, Ms. Meng Xue and Mr. Luan Ling, of whom Mr. Zhu Jianfeng has been appointed as the chairman of the remuneration committee.

Nomination Committee

Our Company established a nomination committee on May 17, 2024 with its written terms of reference in compliance with the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management.

DIRECTORS AND SENIOR MANAGEMENT

Our nomination committee consists of Mr. Wang, Mr. An Yingchuan and Ms. Meng Xue, of whom Mr. Wang has been appointed as the chairman of the nomination committee.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation from our Company in the form of fees, salaries, allowances and benefits in kind, bonuses and pension scheme contribution and social welfare.

For each of the three years ended December 31, 2021, 2022 and 2023, the total remuneration (including fees, salaries, allowances and benefits in kind, performance-related bonuses, pension scheme contributions and social welfare) paid by us to our Directors amounted to approximately RMB1.5 million, RMB1.4 million and RMB1.5 million, respectively.

Save as disclosed, none of our Directors received any fees or emoluments in respect of their services to our Group during the Track Record Period.

The total remuneration (including fee, salaries, allowances and benefits in kind, performance-related bonuses, pension scheme contributions and social welfare) paid to the five highest paid individuals of our Group for each of the three years ended December 31, 2021, 2022 and 2023 amounted to approximately RMB3.1 million, RMB3.1 million and RMB2.9 million, respectively.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the three years ended December 31, 2021, 2022 and 2023. Further, none of our Directors has waived or agreed to waive any remuneration during the same periods.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, allowances and benefits in kind, performance-related bonuses, pension scheme contributions and social welfare) of our Directors for the year ending December 31, 2024 is estimated to be approximately RMB1.8 million.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of director fees, salaries, allowances and benefits in kind, performance-related bonuses, pension scheme contributions and social welfare. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. We regularly review and determine the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

DIRECTORS AND SENIOR MANAGEMENT

BOARD DIVERSITY POLICY

We have adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of our Board that are relevant to our business growth. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, business operation and accounting and financial management. They obtained degrees in various majors, including business management, law, accounting, electrical engineering and computer science. We have three independent non-executive Directors with different industry backgrounds, representing one-third of the Board. In addition, our Board has a wide range of age, ranging from 34 years old to 62 years old. While we recognize that the gender diversity at the Board level can be improved given its current composition of one female Director, we have taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the management levels. Going forward, our Company will consider the possibility of nominating female senior management to the Board or appointing further female independent non-executive Director who has the necessary skills and experience. In particular, we target to achieve 20% female representation in the Board within five years following the Listing, subject to our Directors (i) being satisfied with the competence and experience of the relevant candidates after a comprehensive review process based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interest of our Company and our Shareholders as a whole when deliberating on the appointment. To develop a pipeline of potential female successors to the Board, our Company will (i) ensure that there is gender diversity when recruiting staff at mid to senior levels; and (ii) engage more resources in training female staff with the aim of promoting them to be members of our senior management or the Board.

Our nomination committee is responsible for ensuring the diversity of our Board. After the Listing, our nomination committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

COMPLIANCE ADVISER

Our Company has appointed China Sunrise Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our Company will consult the compliance adviser in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including but not limited to share issues and share repurchases;

DIRECTORS AND SENIOR MANAGEMENT

- (iii) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of operation of our Group deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares and/or any other matters under Rule 13.10 of the Listing Rules.

The term of appointment of the compliance adviser shall commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

CORPORATE GOVERNANCE

The roles of the chairman and the chief executive officer of our Company have not been separated as required by code provision C.2.1 of the Corporate Governance Code. The roles of the chairman and the chief executive officer of our Company are both performed by Mr. Wang, an executive Director. Our Board believes that vesting the roles of both chairman and the chief executive officer in the same individual enables our Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. Furthermore, in view of Mr. Wang's extensive industrial experience and significant role in the historical development of our Group, our Board believes that it is beneficial to the business prospects of our Group that Mr. Wang continues to act as the chairman of our Group following the Listing Date, and that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors, non-executive Directors and independent non-executive Directors.

We aim to achieve high standards of corporate governance which are crucial to our development and would safeguard the interests of our Shareholders. To accomplish this, save as the deviation from code provision C.2.1 of the Corporate Governance Code as disclosed above, we expect to comply with the Corporate Governance Code set out in Appendix C1 to the Listing Rules and the associated Listing Rules after the Listing.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following the completion of the Global Offering (assuming full conversion of the Pre-IPO Preferred Shares and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), have beneficial interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

(a) Interests in the Shares of Our Company

Name of Shareholder	Nature of Interest	Shares Held as of the Date Hereof and Immediately Prior to the Global Offering		Shares Held Immediately Following the Completion of the Global Offering (Assuming Full Conversion of the Pre-IPO Preferred Shares and without Taking Into Account Any Shares Which May Be Issued Pursuant to the Exercise of the Over-allotment Option or any Options Which may be Granted Under the Share Option Scheme)	
		Number	Approximate Percentage	Number	Approximate Percentage
Mr. Wang	Founder of a discretionary trust/ Interest in controlled corporation ⁽²⁾	106,855,884	34.02%	106,855,884	32.49%
CMB Wing Lung (Trustee) Ltd.	Trustee of a trust ⁽²⁾	106,855,884	34.02%	106,855,884	32.49%
Gather Forever	Interest in controlled corporation ⁽²⁾	106,855,884	34.02%	106,855,884	32.49%
Fase Ltd	Interest in controlled corporation ⁽²⁾	106,855,884	34.02%	106,855,884	32.49%
Growth Value	Beneficial interest	106,855,884	34.02%	106,855,884	32.49%
Zhou Yuan (周媛)	Interest of spouse ⁽³⁾	106,855,884	34.02%	106,855,884	32.49%
Easou Union	Beneficial interest	34,580,412	11.01%	34,580,412	10.51%
Shenzhen Yijiujiu	Interest in controlled corporation ⁽⁴⁾	34,580,412	11.01%	34,580,412	10.51%
Suzhou Kunyu	Beneficial interest ⁽⁵⁾	23,438,912	7.46%	23,438,912	7.13%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of Interest	Shares Held as of the Date Hereof and Immediately Prior to the Global Offering		Shares Held Immediately Following the Completion of the Global Offering (Assuming Full Conversion of the Pre-IPO Preferred Shares and without Taking Into Account Any Shares Which May Be Issued Pursuant to the Exercise of the Over-allotment Option or any Options Which may be Granted Under the Share Option Scheme)	
		Number	Approximate Percentage	Number	Approximate Percentage
Xuyong Phase One Jinduo Equity Investment Fund Partnership (Limited Partnership)* (叙永壹期金舵股權投資基金合夥企業(有限合伙)) ("Xuyong Phase One Jinduo")	Interest in controlled corporation ⁽⁵⁾	23,438,912	7.46%	23,438,912	7.13%
Suzhou Kunyu Jinduo Investment Management Centre (Limited Partnership)* (蘇州琨玉金舵投資管理中心有限合夥)) ("Suzhou Kunyu Jinduo")	Interest in controlled corporation ⁽⁵⁾	23,438,912	7.46%	23,438,912	7.13%
Estate Success	Beneficial interest	20,920,532	6.66%	20,920,532	6.36%
Dexon Global Investment Fund SPC	Interest in controlled corporation ⁽⁶⁾	20,920,532	6.66%	20,920,532	6.36%
Independent Advice Pte. Ltd.	Interest in controlled corporation ⁽⁶⁾	20,920,532	6.66%	20,920,532	6.36%
Mario Christoph Becker	Interest in controlled corporation ⁽⁶⁾	20,920,532	6.66%	20,920,532	6.36%
Shanghai Shengda	Beneficial interest	19,683,260	6.27%	19,683,260	5.98%
Chen Tianqiao	Interest in controlled corporation ⁽⁷⁾	19,683,260	6.27%	19,683,260	5.98%

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) All interests stated are long positions.
- (2) Growth Value is an investment holding company incorporated in the BVI and, upon the establishment of The Hope Trust, is owned as to (i) 99% by Gather Forever, which is in turn wholly-owned by CMB Wing Lung (Trustee) Ltd. (the trustee of The Hope Trust); and (ii) 1% by Fase Ltd, which in turn is wholly-owned by Mr. Wang. The Hope Trust is an irrevocable reserved power trust established by Mr. Wang, as the settlor and protector, with CMB Wing Lung (Trustee) Ltd., an independent trustee, as trustee, for the benefit of Mr. Wang and his family members. Mr. Wang (as the founder of The Hope Trust), CMB Wing Lung (Trustee) Ltd., Gather Forever and Fase Ltd are deemed to be interested in all the Shares held by Growth Value under the SFO.
- (3) Zhou Yuan is the spouse of Mr. Wang and is therefore deemed to be interested in the Shares in which Mr. Wang is interested under the SFO.
- (4) Easou Union is wholly-owned by Shenzhen Yijiujiu. Therefore, Shenzhen Yijiujiu is deemed to be interested in all the Shares held by Easou Union under the SFO.
- (5) Suzhou Kunyu Jinduo is the general partner of Suzhou Kunyu and Xuyong Phase One Jinduo owns one third or more interest of Suzhou Kunyu.
- (6) Estate Success is owned as to 99.90% by Dexon Global Investment Fund SPC, which is in turn wholly-owned by Independent Advice Pte. Ltd.. Independent Advice Pte. Ltd. is owned as to 100% by Mario Christoph Becker. Therefore, each of Mario Christoph Becker and Independent Advice Pte. Ltd., through Dexon Global Investment Fund SPC, and Dexon Global Investment Fund SPC, are deemed to be interested in all the Shares held by Estate Success under the SFO.
- (7) Shanghai Shengda is owned as to 91.20% by Chen Tianqiao. Therefore, Chen Tianqiao is deemed to be interested in all the Shares held by Shanghai Shengda under the SFO.

(b) Interests in the Shares/Equity of Other Members of Our Group

Name of Shareholder	Nature of Interest	Name of Member of Our Group	Percentage Shareholding Interest
Wang PRC SPV	Beneficial owner	Easou Shenzhen ⁽¹⁾	62.10%
Mr. Wang	Beneficial owner	Easou Shenzhen ⁽¹⁾	33.39%
	Interest of controlled corporation ⁽²⁾	Easou Shenzhen ⁽¹⁾	62.10%

Notes:

- (1) The entire equity interest in Easou Shenzhen is pledged by the Registered Shareholders of Easou Shenzhen (including, among others, Wang PRC SPV and Mr. Wang) in favour of the WFOE as part of the Contractual Arrangements. Please refer to “Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — Equity Pledge Agreement” of this prospectus for details.
- (2) Mr. Wang is the sole shareholder of Wang PRC SPV, thus, Mr. Wang is deemed to be interested in all the shares in Easou Shenzhen held by Wang PRC SPV.

SUBSTANTIAL SHAREHOLDERS

Except as disclosed in the section headed “Substantial Shareholders” in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (assuming full conversion of the Pre-IPO Preferred Shares and without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), have beneficial interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Global Offering (assuming the Over-allotment Option is not exercised):

Share Capital as at the Date of this Prospectus

<i>Authorized share capital:</i>		<u>US\$</u>
4,841,735,348	Shares of par value US\$0.00001 each	48,417.35
<u>158,264,652</u>	Pre-IPO Preferred Shares of par value US\$0.00001 each ⁽¹⁾	<u>1,582.65</u>
	Total	50,000.00
 <i>Shares issued or to be issued, fully paid or credited as fully paid:</i>		 <u>US\$</u>
155,870,092	Shares of par value US\$0.00001 each	1,558.70
<u>158,264,652</u>	Pre-IPO Preferred Shares of par value US\$0.00001 each ⁽¹⁾	<u>1,582.65</u>
<u><u>314,134,744</u></u>	Total	<u><u>3,141.35</u></u>

Note:

- (1) All the Pre-IPO Preferred Shares in the authorized share capital of our Company will be re-designated into ordinary Shares and all the Pre-IPO Preferred Shares shall automatically be converted into ordinary Shares immediately prior to the Listing. It is expected that one Pre-IPO Preferred Share will be converted into one Share based on the initial conversion price of the Pre-IPO Preferred Share.

Share Capital Immediately Following the Completion of the Global Offering

Pursuant to the written resolutions of all Shareholders on May 17, 2024, subject to the Global Offering becoming unconditional and with effect immediately prior to the Listing, the Pre-IPO Preferred Shares will be re-classified, re-designated and converted into ordinary Shares of US\$0.00001 each.

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately following the completion of the Global Offering will be as follows:

<i>Authorized share capital:</i>		<u>US\$</u>
<u>5,000,000,000</u>	Shares of par value US\$0.00001 each	<u>50,000.00</u>
	Total	<u><u>50,000.00</u></u>

SHARE CAPITAL

<i>Shares issued or to be issued, fully paid or credited as fully paid:</i>		<i>US\$</i>
314,134,744	Shares of par value US\$0.00001 each	3,141.35
<u>14,802,500</u>	Shares to be issued pursuant to the Global Offering	<u>148.02</u>
<u>328,937,244</u>	Total	<u>3,289.37</u>

Assuming the Over-allotment Option is fully exercised, the share capital of our Company immediately following the completion of the Global Offering will be as follows:

<i>Authorized share capital:</i>		<i>US\$</i>
<u>5,000,000,000</u>	Shares of par value of US\$0.00001 each	<u>50,000.00</u>
	Total	<u>50,000.00</u>

<i>Shares issued or to be issued, fully paid or credited as fully paid:</i>		<i>US\$</i>
314,134,744	Shares of par value US\$0.00001 each	3,141.35
<u>17,022,500</u>	Shares to be issued pursuant to the Global Offering	<u>170.22</u>
<u>331,157,244</u>	Total	<u>3,311.57</u>

ASSUMPTIONS

The above table assumes that (i) the Global Offering becomes unconditional; (ii) the issue of Shares pursuant to the Global Offering are made; and (iii) the Pre-IPO Preferred Shares held by the 2023 Subscribers are converted into Shares on a one to one basis immediately prior to the Listing. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandate granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the issued share capital of our Company in the hands of the public (as defined in the Listing Rules). Save for Growth Value, Easou Union, Full Ocean, Skymobi, Houju No. 1 and Houju No. 3, who held approximately 49.46% of the issued share capital of our Company in aggregate, other Shareholders are Independent Third Parties and their Shares will be counted towards public float for the purpose of the Listing Rules. Based on the information above, our Company will meet the public float requirement under the Listing Rules after the completion of the Global Offering (whether or not the Over-allotment Option is exercised in full).

SHARE CAPITAL

RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will qualify for all dividends or other distributions declared, paid or made on the Shares after the date of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed “Structure of the Global Offering – Conditions of the Global Offering” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

- (a) 20% of the total number of Shares in issue immediately following the completion of Global Offering (assuming full conversion of the Pre-IPO Preferred Shares and excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme); and
- (b) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

The allotment and issue of Shares under a right issue, script dividend scheme or similar arrangement in accordance with the Articles do not generally require the approval of the Shareholders in general meeting and the aggregate nominal value of the Shares which our Directors are authorized to allot and issue under this mandate will not be reduced by the allotment and issue of such Shares.

The general mandate will expire at the earliest of:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company is required by applicable laws or the Articles to hold its next annual general meeting; and
- (c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details, please see “Statutory and General Information – Information about our Group – 4. Written resolutions of all shareholders of the Company passed on May 17, 2024” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed “Structure of the Global Offering – Conditions of the Global Offering” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue (excluding treasury shares) following completion of the Global Offering (assuming full conversion of the Pre-IPO Preferred Shares and excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose), which are made in accordance with all applicable laws and requirements of the Listing Rules. The repurchase mandate will expire at the earliest of:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company is required by applicable laws or the Articles to hold its next annual general meeting; and
- (c) when varied, revoked or renewed by an ordinary resolution of our Shareholder in general meeting.

For further details, please see “Statutory and General Information – Further Information about our Group – 6. Repurchase by our Company of our securities” in Appendix IV to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarized in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as of the Latest Practicable Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

Upon Listing, our Company will have only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

A company may, by an ordinary resolution of its members, if so authorized by its articles of association, alter the conditions of its memorandum of association to (a) increase its share capital by new shares of such amount as it thinks expedient provided that an exempted company having no shares of a fixed amount may increase its share capital by such number of shares without nominal or par value, or may increase the aggregate consideration for which such shares may be

SHARE CAPITAL

issued, as it thinks expedient; (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; (c) convert all or any of its paid-up shares into stock, and reconvert that stock into paid-up shares of any denomination; (d) subdivide its shares or any of them, into shares of an amount smaller than that fixed by the memorandum of association so, however, that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived; and (e) cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled or, in the case of shares without nominal or par value, diminish the number of shares into which its capital is divided. Subject to the provisions of the Companies Act and to confirmation by the Cayman Islands Court, a company limited by shares may, if so authorized by its articles of association, by special resolution, reduce its share capital in any way. Please see “Summary of the Constitution of our Company and the Cayman Islands Company Law” in Appendix III to this prospectus for details.

As a matter of the Companies Act, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meetings or class meetings is prescribed for under the Articles of Association. Accordingly, our Company will hold general meetings and class meetings as prescribed for under the Articles of Association, a summary of which is set forth in the paragraph headed “Summary of the Constitution of our Company and the Cayman Islands Company Law” in Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion in conjunction with the consolidated financial statements and the notes thereto included in the Accountants' Report in Appendix I to this prospectus which has been prepared in accordance with HKFRSs, and the selected historical financial information and operating data included elsewhere in this prospectus.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future development, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the sections headed "Risk Factors" and "Forward-Looking Statements" and elsewhere in this prospectus.

OVERVIEW

Founded in 2005, we operate four business lines covering online reading platform services, digital marketing services, online games publishing services and other digital content services. We have achieved multi-faceted monetization model in the aforementioned four application scenarios, which primarily include subscriptions, pay per use, revenue sharing and advertising income, among others. The details of our diversified monetization model for our various business lines are as follows:

- *Online reading.* We generate revenue primarily through (i) advertisements displayed in the literary resources from our advertising customers in connection with reading with advertising in which we charge them on CPC basis and CPM basis; and (ii) paid readership, including the purchase of our paid reading resources and the subscription of our premium membership, from our users under reading with paid services;
- *Digital marketing.* We generally cooperate with advertising customers based on relevant framework agreements to generate advertising income and charge them primarily on CPC basis, CPM basis and CPA basis;
- *Online games publishing.* We generally share income from the game user's in-game purchases and share a portion of the income with third-party game content providers (i.e., revenue sharing); and
- *Other digital content.* After receiving income settlement from the users, the telecommunications operators we cooperate with will subsequently share such income with us (i.e., revenue sharing) based on agreed-upon proportions.

We have a large user base. The number of our cumulative registered users of our Easou Reading App Series was 44.7 million as of December 31, 2023. The level of our user activity on our platform has also been increasing. Our average MAU on our Easou Reading App Series increased from 23.9 million in 2021 to 25.6 million in 2022, and further increased to 26.0 million in 2023.

FINANCIAL INFORMATION

We experienced steady growth during the Track Record Period. Our revenue increased from RMB433.1 million in 2021 to RMB456.4 million in 2022, and further increased to RMB559.0 million in 2023.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, some of which are beyond our control. These factors include but are not limited to the following:

General Factors

Our business and operating results are impacted by general factors affecting the internet and intelligent content recommendation industries in China, including:

- China's overall economic growth and level of per capita disposable income;
- growth in internet usage and penetration;
- development of network infrastructure;
- competition with other forms of entertainment in user traffic and online usage time;
- regulatory environment in China; and
- awareness and enforcement of intellectual property protection in China.

Any unfavorable change in any of these general industry conditions may have a negative impact on the demand for our services, and materially affect our results of operations.

Company Specific Factors

Our results of operations are also affected by a number of specific factors applicable to our Company, including the following:

Our ability to maintain and grow our user base, further meet users' preferences and demand

Our business depends on our ability to maintain and grow our user base and meet their particular needs and preferences. The size and engagement of our user base are crucial for the development and functioning of our Easou Recommendation Engine and monetization efforts. We believe that a large user base supplies us with accurate and evolving user feedback and behavioral data, enabling us to develop our Easou Recommendation Engine and improve existing and future content recommendation with features that cater to the evolving user preferences and demands. In addition, we believe industry players, such as content providers, advertising customers and telecommunications operators are drawn to us because of the size of our user base, its attractive demographics and the level of our user activity.

FINANCIAL INFORMATION

We have achieved substantial growth of our user base during the Track Record Period. The number of our cumulative registered users of our Easou Reading App Series was 44.7 million as of December 31, 2023. The level of our user activity on our platform has also been increasing. Our average MAUs increased from 23.9 million in 2021 to 25.6 million in 2022, and further increased to 26.0 million in 2023. Based on the foregoing, we believe our user base has demonstrated strong loyalty to and a high level of activity on our platform.

Our future growth will largely depend on whether we are able to retain our existing users, attract new users, maintain active user base and enhance the monetization of digital content, such as online literature, online games and other digital content. We will continue to cater to users' preferences and demands, explore and stimulate their online interest and improve our service quality by offering more user-friendly features of our products.

Our ability to improve technologies, provide accurate and precise digital content recommendation and apply our technologies to various application scenarios

Our ability to improve our proprietary technologies, especially our Easou Recommendation Engine is an important factor affecting our ability to provide accurate and precise digital content recommendation to our users. We develop our Easou Recommendation Engine to study the behaviors of our users and we rely on the analysis of user data to predict their interests and preferences, develop tailored content recommendations and further enhance our user experience in various application scenarios. Our business depends on our ability to anticipate industry trends, and identify and provide precise and accurate content recommendations based on various application scenarios of our Easou Recommendation Engine that meet our users' preferences and demands on a continuing basis. Our future success relies in part on our ability to enhance our existing services, introduce new services and explore new application scenarios with features that we believe can keep up with the evolving technological developments, while satisfying the user requirements, all in a timely and cost-effective manner.

In order to improve our technological capabilities, we have devoted significant resources to the enhancement and development of proprietary technologies and services during the Track Record Period and expect to continue to do so in the foreseeable future. Our R&D expenses accounted for RMB51.0 million, RMB38.7 million and RMB37.6 million in the years ended December 31, 2021, 2022 and 2023, respectively, representing approximately 11.8%, 8.5% and 6.7% of our total revenue in the same years, respectively. We are also dedicated to recruiting, retaining and motivating talented employees for our R&D efforts. As of December 31, 2023, we had a total of 64 R&D staff, who were engaged in the R&D of technology and mobile applications, accounting for approximately 43.5% of the total number of our employees. Among them, approximately 40 of our R&D personnel were dedicated to the development of underlying technologies of our Easou Recommendation Engine. As we continue to improve our technological capabilities, our R&D expenses may rise in the near future.

Our ability to strengthen our monetization capability

Our revenue and business scale are affected by our ability to effectively enhance our monetization of each our business lines and expand the application of our Easou Recommendation Engine.

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We have been enhancing our multi-faceted monetization in certain of our business lines. Leveraging our Easou Recommendation Engine, we connect content providers, advertising customers and a large number of users in online reading, digital marketing, online games publishing and other digital content application scenarios. Our platform involving digital content recommendation enables us to realize multi-faceted monetization of our proprietary platform traffic, external media and channels, such as paid literary content, premium membership services, advertising, in-game purchases and new services that we introduce from time to time.

Our revenue growth during the Track Record Period primarily depended on the size of user base and the spending of our advertising customers. In order to keep up with the industry trends and changing user preferences and demands, we continually develop new monetization features and improve existing features in order to increase the activity of our users and their willingness to pay. We also test new pricing strategies, including offering varying prices for different service packages to optimize monetization.

In addition, we are actively exploring new application scenarios of our Easou Recommendation Engine to keep up with the rapid industry evolution mainly driven by the continuous technological developments and changing users' preferences, which in turn expand additional monetization channels to diversify our revenue streams.

Effective control of the costs of sales and operating expenses

We believe our ability to effectively manage our cost and expenses is important for our business growth and profitability. Our cost of sales primarily consists of content costs, internet traffic costs and depreciation and amortization expenses, and staff costs. We expect our content costs to fluctuate with positive correlation with our online reading platform services and online games publishing services. We also expect our internet traffic costs to increase in absolute amount as we will continue to expand our digital marketing services.

Our operating expenses primarily include selling and distribution expenses, administrative expenses and R&D expenses. As our business grows, our operating expenses will generally increase correspondingly. For example, there is considerable competition for user traffic among the players in the China's intelligent content recommendation industry. Selling and distribution expenses historically represent a significant majority of our total operating expenses. For the years ended December 31, 2021, 2022 and 2023, our selling and distribution expenses amounted to RMB99.3 million, RMB133.6 million and RMB153.7 million, respectively, which accounted for approximately 22.9%, 29.3% and 27.5% of our total revenue, respectively. Our ability to maintain our user base and attract new users while controlling advertising expenses and staff costs of selling and distribution team, is critical for our results of operations in the future.

Relationship with content providers, advertising customers and other business partners

We typically rely on third-party content providers to provide digital content and then distribute such content through our platform or other third-party web-based platforms as we do not produce proprietary digital content. We have fostered long-term business relationship with a number of digital content providers, such as online literature content providers and online game

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operators, to promote and recommend their digital content to suitable users. We also have well-established relationship with advertising customers to serve their personalized advertising needs.

Building upon our successful track record and the outstanding performance of our sales and marketing team, we are able to capture long-term growth opportunities arising from China's intelligent content recommendation market through our in-depth collaboration with diverse business partners. Our five largest customers, including advertising customers under our online reading platform services business and our digital marketing services business and a game operator under our online games publishing services, accounted for approximately for 33.1%, 29.2% and 23.2% of our total revenue for the years ended December 31, 2021, 2022 and 2023, respectively. In addition, we cooperate with content providers in China's online literature market and online games market, and we believe such cooperation is essential for the expansion of our business and the growth of our revenue and market share.

BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Our Group consists of our Company and its subsidiaries. The historical financial information of our Group has been prepared with the results of operations of both our Company and its subsidiaries combined, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of our Group during the Track Record Period, and a summary of material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The financial statements of our Company's subsidiaries are prepared for the same reporting period as our Company, using consistent accounting policies. The results of operations of our Company's subsidiaries are consolidated as if the reorganization had been completed at the beginning of Track Record Period. The Historical Financial Information has been prepared in accordance with HKFRSs (which include all HKFRS, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from January 1, 2023, together with the relevant transitional provisions, have been early adopted by us in the preparation of the Historical Financial Information throughout the Track Record Period. The Historical Financial Information is presented in RMB. The Historical Financial Information has been prepared under the historical cost convention, except for the financial assets at FVTPL, which have been measured at fair value.

MATERIAL ACCOUNTING POLICY INFORMATION AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our material accounting policy information involve subjective assumptions and estimates, as well as complex judgments by our management relating to accounting items. The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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We set forth below those accounting policies that we believe are of critical importance to us or involve significant estimates, assumptions and judgements in the preparation of our financial statements. Our material accounting policy information is set forth in detail in the Accountants' Report included in Appendix I to this prospectus.

Revenue Recognition

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between us and the customer at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Reading with Advertising

We distribute the advertisements of our advertising customers on our own literature platform. Revenue is recognized at a point in time when the related services are delivered based on specific actions (i.e., cost per action) as agreed on the contracts with customers. We act as the principal as we are the primary obligor and are responsible for (i) identifying and contracting with third-party advertisers which we view as customers; (ii) establishing the selling prices of the specified action pricing model; (iii) performing all billing and collection activities, including retaining credit risk; and (iv) bearing the sole responsibility for fulfilment of the advertising. We act as the principal of these arrangements and therefore have recognized revenue earned and costs incurred related to these transactions on a gross basis.

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Reading with Paid Services

We generate revenue from providing online literature content to the users primarily through our self-developed mobile application or web-based platform. We do not develop literature content. We either purchase the content rights from content providers in a lump sum, after which we would be responsible for all profits generated and losses incurred from such content, or we charge users directly for their access to the online literature from the original content providers and share a portion of the income with such original content providers. We offer (i) online literature purchased by chapter (excluding the membership); and (ii) premium membership services that provide members with book discounts and other exclusive member services, such as advertisement-free services and enhanced book storage capacity. With respect to the online literature that are purchased by chapter, the proceeds from the users are initially recorded in contract liabilities and are recognized as revenue at the time of purchase by the users as we do not have further obligation after providing the content to user upon purchase and all other criteria for revenue recognition is met. With respect to the premium membership, revenue is recognized over membership subscription period on a straight-line basis.

Digital Marketing Services

We distribute the advertisements of our advertising customers on our downstream media channels. Revenue is recognized at a point in time when the related services are delivered based on specific actions (i.e., cost per action) as agreed in the contracts with customers. We act as the principal as we are the primary obligator and are responsible for (i) identifying and contracting with third-party advertising customers which views us as customers; (ii) identifying other platforms to provide online spaces where we view the other platforms as suppliers; (iii) establishing the selling prices of the specified action pricing model; (iv) performing all billing and collection activities, including retaining credit risk; and (v) bearing the sole responsibility for fulfilment of the advertising. We act as the principal of these arrangements and therefore, has recognized revenue earned and costs incurred related to these transactions on a gross basis.

Online Games Publishing Services

We engage in the provision of online games publishing services through our own web-based platform and third-party web-based platforms. We entered into exclusive game licensing agreements and non-exclusive game licensing agreements with the game content providers. Games are operated under a free-to-play basis whereby game users can play the games free of charge and are charged for purchase of a virtual currency that can exchange for virtual items in the games.

For joint operation model, the game content providers take primary responsibilities for game operation, providing game update package and customer services, while we provide platform use rights, advertising space, payment systems and other platform services. When game users make payments in the game through our own web-based platform and third party web-based platforms, revenue is recognized at a point in time when we are entitled to a prescribed fixed percentages of the gross proceeds collected from the game users as channel service fee, and remit the remaining amounts to the game content providers. We recognize the amount collected, net of amount paid to game content providers, as the revenue on a net basis.

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For exclusive agency model, we distribute our games through our own web-based platform and third party web-based platforms and take the primary responsibilities for game operation, providing customer services and controlling games and services. When the game users make payments in the game through our own web-based platform and third party web-based platforms, we obtain the information about game users payment record and in-game data. The proceeds from the game users are initially recorded in contract liabilities and are recognized as revenue at point in time when game users purchased in-game virtual items. We considered ourself as a principal under the exclusive agency model and records the revenue under exclusive agency model on a gross basis.

Other Digital Content Services

We distribute digital content, such as music, through cooperation with telecommunications operators. The consumers purchase digital content through mobile operators. The revenue from other digital content is recognized at the time of purchase.

Other Income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Intangible Assets (Other Than Goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software is stated at cost less any impairment loss and is amortized on the straight-line basis over its estimated useful life of five years.

Copyright is stated at cost less any impairment loss and is amortized over the contractual live which around two to six years.

Research and Development Costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset,

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how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Contract Liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before we transfer the related goods or services. Contract liabilities are recognized as revenue when we perform under the contract (i.e., transfers control of the related goods or services to the customer).

Leases

We assess at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a Lessee

We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use Assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises 3 to 5 years

If ownership of the leased asset transfers to us by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease Liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by us and payments of penalties for termination of a lease, if the lease term

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reflects that we exercised the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, we use our incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Short-term Leases

We apply the short-term lease recognition exemption to several our short-term leases of office (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as an expense on a straight-line basis over the lease term.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful life are as follows:

Computer equipment	3 to 5 years
Electronic devices	5 years
Motor vehicles	5 years
Office equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost and FVTPL, as appropriate.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and our business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which we have applied the practical expedient of not adjusting the effect of a significant financing component, we initially measure a financial asset at its fair value plus in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which we have applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortized cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Our business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognized on the trade date, that is, the date that our Group commits to purchase or sell the asset.

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Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial Assets at Amortized Cost

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial Assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes unlisted private equity fund investments which we had not irrevocably elected to classify at fair value through other comprehensive income.

Government Grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Income Tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which we operate.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each year in the Track Record Period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each year in the Track Record Period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if we has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax

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liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying our accounting policies, our management has made the following judgement apart from those involving estimations, which have the most significant effect on the amounts recognized in the Historical Financial Information.

Contractual Arrangements

The PRC Operating Entities are engaged in the online reading platform services, online games publishing services and other digital content services in the PRC, which fall in the scope of internet cultural business that foreign investors are prohibited to invest.

We exercise control over the PRC Operating Entities and enjoys all economic benefits of the PRC Operating Entities through the Structured Contracts. For further details, please refer to note 2.1 to the Accountants' Report set out in Appendix I to this prospectus.

We consider that we control the PRC Operating Entities, notwithstanding the fact that we do not hold direct equity interest in the PRC Operating Entities, as we have power over the financial and operating policies of the PRC Operating Entities and receive substantially all the economic benefits from the business activities of the PRC Operating Entities through the Structured Contracts. Accordingly, the PRC Operating Entities have been accounted as subsidiaries during the Track Record Period.

Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the Track Record Period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Impairment of Goodwill

We test goodwill for impairment annually or more frequently. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires us to make an estimate of the expected future cash flows from the

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cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2021, 2022 and 2023 was RMB32,273,000. For further details, please refer to note 15 to the Accountants' Report set out in Appendix I to this prospectus.

Provision for Expected Credit Losses on Trade Receivables

We use a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on our historical observed default rates. We will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the advertising sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on our trade receivables is disclosed in note 17 to the Accountant's Report set out in Appendix I to this prospectus.

Deferred Tax Assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. As of December 31, 2021, 2022 and 2023, the carrying value of deferred tax assets was approximately RMB3.2 million, RMB3.0 million and RMB2.4 million, respectively. As of December 31, 2021, 2022 and 2023, the amount of unrecognized tax losses was approximately RMB12.4 million, RMB5.0 million and RMB5.3 million, respectively. Further details are disclosed in note 25 to the Accountants' Report set out in Appendix I to this prospectus.

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RESULTS OF OPERATIONS

The table below presents a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this prospectus. The results of operations in any particular period are not necessarily indicative of our future trends.

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Revenue	433,108	100.0	456,411	100.0	559,045	100.0
Cost of sales	(224,416)	(51.8)	(217,741)	(47.7)	(299,317)	(53.5)
Gross profit	208,692	48.2	238,670	52.3	259,728	46.5
Other income and gains	11,531	2.7	6,528	1.4	3,157	0.6
Selling and distribution expenses	(99,270)	(22.9)	(133,612)	(29.3)	(153,660)	(27.5)
Administrative expenses	(18,642)	(4.3)	(19,774)	(4.3)	(25,566)	(4.6)
Research and development expenses	(50,951)	(11.8)	(38,738)	(8.5)	(37,615)	(6.7)
Fair value losses on financial assets at FVTPL	–	–	(5,897)	(1.3)	(10,925)	(2.0)
Other expenses	(580)	(0.1)	(301)	*	(592)	(0.1)
Finance costs	(305)	(0.1)	(2,131)	(0.5)	(8,442)	(1.5)
Profit before tax	50,475	11.7	44,745	9.8	26,085	4.7
Income tax expenses	(464)	(0.1)	(297)	(0.1)	(1,074)	(0.2)
Profit for the year	50,011	11.5	44,448	9.7	25,011	4.5
Other comprehensive loss						
Other comprehensive loss that will not be reclassified to profit or loss on subsequent periods:						
Exchange differences on translation of the Company's financial statements	–		–		(4,799)	(0.9)
Total comprehensive income for the year	50,011	11.5	44,448	9.7	20,212	3.6
Attributable to:						
Owners of the parent	49,983	11.5	44,388	9.7	20,172	3.6
Non-controlling interests	28	*	60	*	40	*

Note:

* *Less than 0.1%*

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DESCRIPTION OF MAJOR COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our revenue consists of the sales derived from our four business lines, namely, online reading platform services, digital marketing services, online games publishing services and other digital content services. For the years ended December 31, 2021, 2022 and 2023, our revenue amounted to RMB433.1 million, RMB456.4 million and RMB559.0 million, respectively.

Revenue by Business Lines

During the Track Record Period, we generated revenue from the following four business lines: (i) online reading platform services through reading with advertising, through which we obtain advertising revenue from advertising customers when users browse or click on such advertisements, and reading with paid services, through which we generate revenue from the users for their payments of our literature resources or subscription of our premium membership services; (ii) digital marketing services, which refer to the comprehensive advertising placement services, including mobile application embedded advertising, and bidding ranking services in the mobile application stores; (iii) online games publishing services, which refer to the introduction, evaluation, launch and management of online games either through the joint operation model or exclusive agency model; and (iv) other digital content services, which primarily refer to the promotion services for digital content offered by third-party telecommunications operators or other value-added content providers through our proprietary platform and other third-party channels. Please refer to the section headed “Business – Our Business Model” in this prospectus for further details of our various business lines.

The following table sets forth revenue attributable to each of our four business lines for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Online reading platform services:						
– Reading with advertising	185,959	42.9	220,007	48.2	229,416	41.0
– Reading with paid services	32,173	7.4	24,703	5.4	19,513	3.5
Sub-total	218,132	50.3	244,710	53.6	248,929	44.5
Digital marketing services.	201,607	46.6	200,721	44.0	288,836	51.7
Online games publishing services	4,330	1.0	4,944	1.1	10,553	1.9
Other digital content services	9,039	2.1	6,036	1.3	10,727	1.9
Total	433,108	100.0	456,411	100.0	559,045	100.0

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Cost of Sales

Our cost of sales primarily includes (i) internet traffic cost, which mainly refers to the user traffic we purchase for serving our advertising customers; (ii) online literature content cost, which mainly refers to the portion of the income we share with literature content providers after we charge users directly for their access to the online literature from such content providers under our pro-rata sharing model; (iii) depreciation and amortization, which is mainly in relation to the depreciation of right-of-use assets used for office purposes, the depreciation of the servers and office equipment we use in connection with our business operations and the amortization of intangible assets, which mainly refer to the content rights we purchased from content providers in a lump sum under buy-out model; (iv) operator value-added content costs, which mainly refer to the portion of the income we share with value-added content providers after we charge users directly for their access to the digital content from such content providers; and (v) staff costs, which mainly refer to the salaries and benefit packages provided to our operating personnel.

The table below sets forth our cost of sales and the components as a percentage of total cost of sales by nature for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Internet traffic cost	185,038	82.5	184,754	84.9	265,670	88.8
Online reading content cost	9,803	4.4	6,328	2.9	2,995	1.0
Depreciation and amortization	16,453	7.3	16,808	7.7	19,665	6.6
Operator value-added service content cost	4,243	1.9	3,098	1.4	4,498	1.5
Staff costs	7,488	3.3	5,344	2.5	5,057	1.7
Mobile game content cost	42	*	384	0.2	11	*
Server maintenance cost	961	0.4	793	0.4	1,019	0.3
Rental	388	0.2	232	0.1	402	0.1
Total	224,416	100.0	217,741	100.0	299,317	100.0

Note:

* Less than 0.1%.

We recorded internet traffic cost, online reading content cost, operator value-added service content cost, mobile game content cost and depreciation and amortization directly under our four business lines. We allocated staff costs, server maintenance cost and rental expenses to our four business lines according to the proportion of the revenue generated from online reading platform services, online games publishing services and other digital content services, and the revenue, net of internet traffic cost, generated from digital marketing services.

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The table below sets forth our cost of sales and the components as a percentage of total cost of sales by our business lines for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Online reading platform services	33,644	15.0	27,114	12.5	24,190	8.1
Digital marketing services	185,820	82.8	185,239	85.1	266,342	89.0
Online games publishing services	282	0.1	2,105	1.0	3,983	1.3
Other digital content services	4,670	2.1	3,283	1.5	4,802	1.6
Total	224,416	100.0	217,741	100.0	299,317	100.0

Gross Profit and Gross Profit Margin

The table below sets forth the gross profit and gross profit margin by our business lines for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Online reading platform services	184,488	84.6	217,596	88.9	224,739	90.3
Digital marketing services	15,787	7.8	15,482	7.7	22,494	7.8
Online games publishing services	4,048	93.5	2,839	57.4	6,570	62.3
Other digital content services	4,369	48.3	2,753	45.6	5,925	55.2
Total	208,692	48.2	238,670	52.3	259,728	46.5

The gross profit margin of each of our four business lines varied during the Track Record Period. The gross profit margin of our online reading platform services was 84.6%, 88.9% and 90.3% for the years ended December 31, 2021, 2022 and 2023, respectively. The gross profit margin for online reading platform services remained relatively high during the Track Record Period, primarily because (i) our reading with advertising and reading with paid services under online literature platform services enabled us to generate revenue from our use of literary content and our user traffic; (ii) cost of sales under the pro-rata income sharing model decreased given the decreased revenue generated from reading with paid services and cost of sales under the buy-out model remained relatively stable; and (iii) we utilized our proprietary platform traffic to serve the demand of our advertising customers under reading with advertising, which allowed us to save internet traffic cost. For the same years, the gross profit margin of our online games publishing services was 93.5%, 57.4% and 62.3%, respectively. The gross profit margin for online games publishing services was relatively high in 2021, mainly because we only operated one game called “Age of Empires (帝王世紀)”, which generated revenue but did not incur any amortization of content cost in 2021. The gross profit margin for online games publishing services decreased from 93.5% in 2021 to 57.4% in 2022 primarily because we launched a new game called “Civilization (文明)” mainly in the United States, Canada and Europe in 2022, which did not generate significant revenue at such stage but we had begun to amortize the game content costs during this

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period. The gross profit margin for online games publishing services increased in 2023 compared to 2022 primarily because we continued to expand our online games offering, including beta testing and official launch of new games and continued operation of several existing games.

Other Income and Gains

Other income and gains primarily represent (i) government subsidies, which primarily consist of R&D subsidies, project support funds, listing support funds, high-tech enterprise subsidies, regional support funds, and intellectual property subsidies. All government subsidies we recognized during the Track Record Period were non-recurring in nature. We must satisfy certain conditions to obtain such government subsidies, such as the “High and New Technology Enterprise” qualification, R&D results, welfare for employees and the status as a small-sized enterprise. As of the Latest Practicable Date, there were no unfulfilled obligations with respect to our government grants; (ii) bank interest income, which primarily represents the interest income from bank deposits; and (iii) others, which primarily include input value-added tax credit and the litigation awards we obtained.

The following table sets forth the components of our other income and gains and the components as a percentage of total other income for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Government subsidies	5,231	45.4	1,381	21.2	527	16.7
Interest income	4,463	38.7	2,360	36.1	867	27.5
Others	1,837	15.9	2,787	42.7	1,763	55.8
Total	11,531	100.0	6,528	100.0	3,157	100.0

Selling and Distribution Expenses

Selling and distribution expenses principally include (i) advertising expenses, which mainly consist of marketing and promotion fees for our online reading platform services and online games publishing services; (ii) staff costs, which mainly refer to the salaries and benefit packages for our selling and distribution personnel; (iii) travel and entertainment expenses, which mainly represent transportation and accommodation expenses for business travel purposes, and catering expenses incurred in connection with the business travels of our selling and distribution personnel; (iv) rental expenses, which mainly consist of the rent for short-term office leases; (v) depreciation and amortization, which mainly refers to the depreciation of computer equipment and mobile phones, and the depreciation for long-term office leases; and (vi) others, which primarily include training fees, conference fees and consulting fees.

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The following table sets forth the components of our selling and distribution expenses and the components as a percentage of total selling and distribution expenses for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
Advertising expenses	88,816	89.5	126,036	94.3	145,564	94.7
Staff cost	8,840	8.9	6,575	4.9	7,001	4.6
Traveling and entertainment expenses	605	0.6	302	0.2	399	0.3
Rental expenses	736	0.7	446	0.3	496	0.3
Depreciation and amortization	32	*	30	*	28	*
Others	241	0.2	223	0.2	172	0.1
Total	99,270	100.0	133,612	100.0	153,660	100.0

Note:

* *Less than 0.1%*

Administrative Expenses

Administrative expenses include (i) staff costs, which mainly consist of the salaries and benefit packages of our administrative staff; (ii) professional fee, which mainly consists of service fee incurred from external human resource services, appraisal services, consulting services, network certification services, legal services and audit service (iii) traveling and entertainment expenses, which mainly represent the transportation and accommodation expenses for business travel purposes of our administrative staff, and catering expenses incurred in connection with the business travels of our administrative staff; (iv) office administrative expenses, which mainly consist of the office supplies and utilities used for administrative purposes; (v) listing expenses, which represent the listing expenses incurred in relation to our prior attempt to list in China and the Global Offering that are not capitalized; (vi) depreciation and amortization, which mainly consists of the depreciation of computer equipment, motor vehicles, office equipment and the depreciation for long-term office leases, and the amortization of office software costs; (vii) rental expenses, which mainly consist of the rent for short-term office lease; (viii) taxes and surcharges, which mainly consist of surcharge of VAT and other taxes; and (ix) others, which mainly consist of impairment of trade receivables, bank charges, recruitment fee, training fee, agency fee, and COVID-19-related rent concessions from the lessors.

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The following table sets forth the components of our administrative expenses and the components as a percentage of total administrative expenses for the indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	10,024	53.8	8,151	41.2	7,792	30.5
Professional fee	684	3.7	868	4.4	1,350	5.3
Traveling and entertainment expenses	1,627	8.7	1,153	5.8	1,638	6.4
Office administrative expenses	1,523	8.2	1,360	6.9	1,154	4.5
Listing expenses	2,094	11.2	4,459	22.5	11,698	45.8
Rental expenses	720	3.9	366	1.9	632	2.5
Depreciation and amortization	342	1.8	340	1.7	259	1.0
Taxes and surcharges	547	2.9	775	3.9	512	2.0
Others ⁽¹⁾	1,081	5.8	2,302	11.6	531	2.1
Total	18,642	100.0	19,774	100.0	25,566	100.0

Note:

- (1) Approximately RMB2.0 million and RMB0.4 million under others in 2022 and 2023, respectively, was impairment of trade receivables, net.

Research and Development Expenses

R&D expenses primarily include (i) staff costs, which mainly consist of the salaries and benefit packages of our R&D staff; (ii) broadband and maintenance expense, which represents the fees incurred in the maintenance and upgrade of the servers and broadband; (iii) depreciation, which mainly consists of depreciation of computer equipment and mobile phones used for testing purposes; (iv) traveling and entertainment expenses, which mainly represent the transportation and accommodation expenses for business travels of our R&D staff, and catering expenses incurred in connection with business travels of our R&D staff; and (v) rental expenses, which mainly represent rent for short-term lease expenses.

The following table sets forth the components of our R&D expenses and the components as a percentage of total R&D expenses for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	35,847	70.4	27,422	70.8	23,042	61.3
Broadband and maintenance expense	6,321	12.4	5,069	13.1	7,553	20.1
Depreciation and amortization	5,020	9.8	3,348	8.6	4,386	11.7
Traveling and entertainment expenses	188	0.4	159	0.4	248	0.7
Rental expenses	2,568	5.0	2,005	5.2	1,695	4.5
Others	1,007	2.0	735	1.9	691	1.8
Total	50,951	100.0	38,738	100.0	37,615	100.0

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Fair Value Losses on Financial Assets at FVTPL

Fair values losses on financial assets at FVTPL reflected the losses arising from our private equity fund investments. Please refer to the subsection headed “– Current Assets and Current Liabilities – Financial Assets at FVTPL” for details.

Other Expenses

Other expenses primarily represent (i) the loss on disposal of items of property, plant and equipment, which primarily consist of servers, vehicles, electronic devices and office equipment; and (ii) others, which primarily represent payments for litigation settlements.

The following table sets forth the components of our other expenses and the components as a percentage of total other income for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Loss on disposal of items of property, plant and equipment	580	100.0	278	92.4	547	92.4
Others	–	–	23	7.6	45	7.6
Total	580	100.0	301	100.0	592	100.0

Finance Costs

Finance costs principally represent (i) the interest on bank and other borrowings, which mainly represent interests incurred from the loans we obtained from the banks; and (ii) the interest on lease liabilities, which primarily represents property leases.

The following table sets forth the components of our finance costs and the components as a percentage of total finance costs for the periods indicated:

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Interest on bank and other borrowings	274	89.8	2,117	99.3	8,430	99.9
Interest on lease liabilities	31	10.2	14	0.7	12	0.1
Total	305	100.0	2,131	100.0	8,442	100.0

Income Tax Expenses

We are subject to income tax on an entity basis on profits arising in or derived from tax jurisdictions in which members of our Group are domiciled and operate. The Cayman Islands government imposes no taxes on an exempted company incorporated in the Cayman Islands relating to profits, income or dividends, capital gains or estate duty.

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Under the EIT Law and its implementation regulation, the standard EIT rate of the PRC subsidiaries is 25%. Easou Shenzhen was accredited as a “High and New Technology Enterprise” in 2019, and therefore, it was entitled to a preferential EIT rate of 15% from 2019 to 2021. Easou Beijing was accredited as “High and New Technology Enterprise” in 2019, and therefore, it was entitled to a preferential EIT rate of 15% from 2019 to 2021. In October 2022, Easou Beijing successfully renewed its certificate of “High and New Technology Enterprise” and was entitled to continue to enjoy the preferential EIT rate of 15% from 2022 to 2024. In December 2022, Easou Shenzhen successfully renewed its certificate of High and New Technology Enterprise and was entitled to continue to enjoy the preferential EIT rate of 15% from 2022 to 2024. Guangzhou Ledian was accredited as “High and New Technology Enterprise” in 2021, and therefore, it was entitled to a preferential EIT rate of 15% from 2021 to 2023. Certain of our subsidiaries enjoyed preferential tax treatment under the “Small-Scaled Minimal Profit Enterprise Income Tax Preferential Policy” (《小微企业所得税优惠政策》) during the Track Record Period, and therefore, they were entitled to a preferential EIT rate ranging from 2.5% to 10.0% in 2021, from 2.5% to 5.0% in 2022, and 5.0% in 2023.

Our effective income tax rate was 0.9%, 0.7% and 4.1% for the years ended December 31, 2021, 2022 and 2023, respectively. The increase in effective income tax rate in 2023 compared to 2022 was mainly due to (i) the effect of different tax rate as described below; and (ii) the expenses not deductible for tax, which are mainly attributable to the fair value loss on financial assets at FVTPL arising from our private equity fund investments in 2023. During the Track Record Period and up to the Latest Practicable Date, we had no disputes or unresolved tax issues with the relevant tax authorities.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	Year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Profit before tax	50,475		44,745		26,085	
Tax at the statutory tax rate	12,619	25.0	11,187	25.0	6,521	25.0
Effect of different tax rates	-	-	-	-	1,628	6.2
Lower tax rates for specific provinces or enacted by local authority	(6,334)	(12.5)	(5,054)	(11.3)	(5,990)	(23.0)
Expenses not deductible for tax.	101	0.2	84	0.2	3,647	14.0
Super deduction for eligible research and development expenses	(4,252)	(8.4)	(4,372)	(9.8)	(4,580)	(17.6)
Tax loss utilized from previous years	(1,380)	(2.7)	(1,095)	(2.4)	(6)	*
Tax loss not recognized	-	-	-	-	23	0.1
Others	(290)	(0.6)	(453)	(1.0)	(169)	(0.6)
	<u>464</u>	<u>0.9</u>	<u>297</u>	<u>0.7</u>	<u>1,074</u>	<u>4.1</u>

Note:

* *Less than 0.1%*

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The tax at statutory rate represents the tax applicable to profit before tax of our Group at the statutory tax rate for the jurisdiction in which the majority of our Company's subsidiaries are domiciled, namely, in China, while our Group's profit before tax comprises the profit before tax of our Company's PRC subsidiaries and the loss before tax of our Company and certain of our subsidiaries domiciling in the jurisdictions other than China. Therefore, the effect of different tax rates represents the adjustments to reflect the tax applicable to profit before tax of our Company's PRC subsidiaries and tax applicable to loss before tax of our Company and our subsidiaries domiciling in the jurisdictions other than China at their respective statutory tax rates.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our revenue increased by 22.5% from RMB456.4 million in 2022 to RMB559.0 million in 2023. The increase was mainly due to increased revenue from digital marketing services business.

Specifically, revenue of online reading platform services slightly increased by 1.7% from RMB244.7 million to RMB248.9 million, mainly due to an increase of 4.3% in revenue generated from reading with advertising, from RMB220.0 million in 2022 to RMB229.4 million in 2023. This increase was largely attributable to (i) our increased efforts to expand reading with advertising, and (ii) an increase in the number of our advertising customers under reading with advertising, which was in line with the prevalent industry trend. The increase in revenue from reading with advertising was partially offset by a decrease of revenue from reading with paid services by 21.1% from RMB24.7 million in 2022 to RMB19.5 million in 2023. This decrease was primarily because we focus on promoting reading with advertising. According to Analysys, the growth of reading with advertising, in terms of user scale has been more rapid than that of reading with paid services with broad user acceptance in China's online literature market in recent years, and we are exposed to the ongoing free-to-read industry trends. In practice, we identified a decrease of users' willingness to pay in the past few years and decided to offer reading with advertising to our users more broadly, which caused the business scale of reading with paid services to decline, resulting in a decrease in the number of the users who purchase our reading with paid services as some of them became users who use our reading with advertising.

Revenue of digital marketing services increased significantly by 43.9% from RMB200.7 million in 2022 to RMB288.8 million in 2023. This increase was mainly due to increased advertising demand from our advertising customers, which was fueled by the waning impact of the COVID-19 pandemic.

Revenue of online games publishing services increased by 116.3% from RMB4.9 million in the 2022 to RMB10.6 million in 2023, primarily because we continued to expand our online games offering in 2023. Specifically, we conducted beta testing of Kyoto Shopkeeper (京都大掌柜) in the Taiwan markets, The Legend of Ninja (忍者傳奇) in the domestic market, and The Awakening of Super Saiyan (超賽覺醒) in the Taiwan, Hong Kong, Malaysia, Singapore and Vietnam markets. We subsequently officially launched The Legend of Ninja in the domestic market in July 2023 and The Awakening of Super Saiyan in the Taiwan, Hong Kong, Malaysia, Singapore and Vietnam in

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December 2023 considering their strong performance during beta testing. Since the beta testing result of Kyoto Shopkeeper in the overseas markets was below our expectation, we subsequently suspended its promotion in May 2023. In addition, we continued the operation of several existing games, including War and Soldiers (我的坦克我的團) and Civilization (文明).

Revenue of other digital content services increased by 78.3% from RMB6.0 million in 2022 to RMB10.7 million in 2023, mainly because we continued to promote a premier music membership service for a telecommunications operator and generated revenue thereof.

Cost of Sales

Our cost of sales increased from RMB217.7 million in 2022 to RMB299.3 million in 2023, mainly due to the increases in internet traffic cost and depreciation and amortization. Internet traffic cost increased primarily because we procured additional internet traffic to serve the development of our digital marketing services. Depreciation and amortization increased primarily because we introduced several new games through beta testing and official launch and continued the operation of several online games in 2023 and incurred amortization expenses of the intangible assets.

In terms of segment cost of sales, the cost of sales of online reading platform services decreased by 10.7% from RMB27.1 million in 2022 to RMB24.2 million in 2023, mainly due to that a decrease in revenue generated from reading with paid services caused a corresponding decrease in the cost of goods sold under the pro-rata income sharing model, while the amortization of the purchased content costs under the buy-out model remained relatively stable.

The cost of sales of digital marketing services increased by 43.8% from RMB185.2 million in 2022 to RMB266.3 million in 2023, which was in line with the revenue growth of this business.

The cost of sales of online games publishing services increased by 90.5% from RMB2.1 million in 2022 to RMB4.0 million in 2023, primarily because we continued to expand our online games offering, including beta testing, official launch of new games and continued operation of several existing games that involved the purchases of the relevant game content and amortization expenses of the intangible assets in 2023.

The cost of sales of other digital content services increased by 45.5% from RMB3.3 million in 2022 to RMB4.8 million in 2023, which was in line with the significant revenue growth of this business line.

Gross Profit and Gross Profit Margin

Based on the foregoing, our gross profit increased from RMB238.7 million in 2022 to RMB259.7 million in 2023. Our gross profit margin decreased from 52.3% in 2022 to 46.5% in 2023, primarily because the revenue contribution from digital marketing services increased, the gross profit margin of which was significantly lower than that of our other business lines.

Specifically, the gross profit margin for online reading platform services remained relatively stable at 88.9% and 90.3% in 2022 and 2023, respectively.

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The gross profit margin for digital marketing services also remained relatively stable at 7.7% and 7.8% in 2022 and 2023, respectively.

The gross profit margin for online games publishing services increased from 57.4% in 2022 to 62.3% in 2023, mainly because we continued to expand our online games offerings.

The gross profit margin for other digital content services slightly increased from 45.6% in 2022 to 55.2% in 2023, primarily reflecting the gross profit margin of the premier music membership service for a telecommunications operator, which remained relatively stable in 2022 and 2023.

Other Income and Gains

Our other income and gains decreased by 50.8% from RMB6.5 million in 2022 to RMB3.2 million in 2023, primarily due to (i) a decrease in interest income as our bank deposits that generated interest income decreased in 2023 compared to 2022; and (ii) a decrease in the proportion of additional deductions from our taxable income in 2023 compared to 2022.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 15.0% from RMB133.6 million in 2022 to RMB153.7 million in 2023, primarily due to our increased promotional activities relating to the expansion of online games publishing services. Our selling and distribution expenses accounted for approximately 29.3% and 27.5% of our total revenue in 2022 and 2023, respectively.

Administrative Expenses

Our administrative expenses increased by 29.3% from RMB19.8 million in 2022 to RMB25.6 million in 2023, primarily due to an increase in listing expenses in connection with our preparation for the Listing. Our administrative expenses accounted for approximately 4.3% and 4.6% of our total revenue in 2022 and 2023, respectively.

Research and Development Expenses

Our R&D expenses decreased by 2.8% from RMB38.7 million in 2022 to RMB37.6 million in the 2023, primarily because we continued to reduce our R&D staff headcount in an effort to improve R&D efficiency to focus on certain key R&D projects and kept a streamlined R&D team in 2023. Our R&D expenses accounted for approximately 8.5% and 6.7% of our total revenue in 2022 and 2023, respectively.

Fair Value Losses on Financial Assets at FVTPL

Our fair value losses on financial assets at FVTPL significantly increased from RMB5.9 million in 2022 to RMB10.9 million in 2023, mainly because the net assets value of the funds we invested decreased due to the change in capital market condition, which was non-operational in nature and beyond our control.

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Other Expenses

Our other expenses increased from RMB0.3 million in 2022 to approximately RMB0.6 million in 2023. The increase was mainly due to an increase in loss on disposal of items of property, plant and equipment from RMB0.3 million in 2022 to approximately RMB0.5 million in 2023, which mainly represented the losses arising from the difference between book value and disposal value and was in line with our business development.

Finance Costs

Our finance costs increased from RMB2.1 million in 2022 to RMB8.4 million in 2023. The increase was primarily attributable to a new bridge loan that we borrowed in 2023 in connection with the Reorganization and increased interest on the bank borrowings we incurred.

Profit Before Tax

As a result of the foregoing, we recorded profit before tax of RMB44.7 million and RMB26.1 million in 2022 and 2023, respectively, representing approximately 9.8% and 4.7% of our revenue in the same year, respectively.

Income Tax Expenses

We recorded income tax expense of RMB0.3 million in 2022 and RMB1.1 million in 2023. This change occurred primarily due to the increased expenses not deductible for tax.

Profit for the Period

As a result of the foregoing, our profit for the period decreased from RMB44.4 million in 2022 to RMB25.0 million in 2023. Our net profit margin was 9.7% and 4.5% in 2022 and 2023, respectively.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our revenue increased by 5.4% from RMB433.1 million in 2021 to RMB456.4 million in 2022. The increase was mainly due to increased revenue from online reading platform services business.

Specifically, revenue of online reading platform services increased by 12.2% from RMB218.1 million in 2021 to RMB244.7 million in 2022, mainly due to an increase of 18.3% in revenue generated from reading with advertising from RMB186.0 million in 2021 to RMB220.0 million in 2022. The increase in revenue generated from reading with advertising was largely attributable to (i) our increased efforts to expand reading with advertising; and (ii) an increase in the number of our advertising customers with which we established cooperative relationships. The increase in revenue from reading with advertising was partially offset by a decline of 23.2% in the revenue generated from reading with paid services from RMB32.2 million in 2021 to RMB24.7 million in

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2022. According to Analysys, the growth of reading with advertising in terms of user scale is more rapid than that of reading with paid services with broad user acceptance in China's online literature market, and we are exposed to the ongoing free-to-read industry trends. In practice, we identified a decrease of users' willingness to pay in the past few years and decided to offer reading with advertising to our users more broadly, which caused the business scale of reading with paid services to decline, resulting in a decrease in the number of the users who purchase our reading with paid services as some of them became users who use our reading with advertising.

Revenue of digital marketing services remained relatively stable at RMB201.6 million in 2021 and RMB200.7 million in 2022.

Revenue of online games publishing services increased by 14.2% from RMB4.3 million in 2021 to RMB4.9 million in 2022, mainly because we published new online games in 2022 and started to generate revenue from these games. We generated very limited revenue in 2021 since we resumed our online games publishing services in December 2021.

Revenue of other digital content services decreased by 33.3% from RMB9.0 million in 2021 to RMB6.0 million in 2022. It decreased mainly because the digital content services are not our core business focus since we have successfully applied our Easou Recommendation Engine to more application scenarios.

Cost of Sales

Our cost of sales decreased from RMB224.4 million in 2021 to RMB217.7 million in 2022. The decrease was mainly due to a decrease in online reading content cost and staff cost. The decrease in online reading content cost was primarily due to a decrease in revenue from reading with paid services. The decrease in staff cost was primarily because we reduced staff headcount in an effort to improve our operating efficiency.

In terms of segment cost of sales, the cost of sales of online reading platform services decreased by 19.3% from RMB33.6 million in 2021 to RMB27.1 million in 2022. It decreased mainly because the decreased revenue generated from reading with paid services caused a decrease in the cost of sales under the pro-rata income sharing model, while the amortization of the purchased content under the buy-out model was relatively stable.

The cost of sales of digital marketing services remained relatively stable at RMB185.8 million in 2021 and RMB185.2 million in 2022, which was in line with the development of revenue of our digital marketing services business.

The cost of sales of online games publishing services increased by 600.0% from RMB0.3 million in 2021 to RMB2.1 million in 2022, primarily due to an increase in mobile game content cost resulting from our publishing of new online games that involved the purchases of the relevant game content and amortization expense of intangible assets.

The cost of sales of other digital content services decreased by 29.8% from RMB4.7 million in 2021 to RMB3.3 million in 2022. The decrease was in line with the decrease of revenue from other digital content services business.

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Gross Profit and Gross Profit Margin

Based on the foregoing, our gross profit increased by 14.4% from RMB208.7 million in 2021 to RMB238.7 million in 2022, and our gross profit margin increased from 48.2% in 2021 to 52.3% in 2022, primarily due to an increase in gross profit margin of online reading platform services from 2021 to 2022.

Specifically, the gross profit margin for online reading platform services increased from 84.6% in 2021 to 88.9% in 2022, primarily due to (i) the combined effect of the decreased cost of sales under the pro-rata income sharing model given the decreased revenue generated from reading with paid services and the relatively stable cost of sales under the buy-out model from the amortization of the purchased content; and (ii) the fast growth of our reading with advertising services.

The gross profit margin for digital marketing services remained relatively stable at 7.8% and 7.7% in 2021 and 2022, respectively.

The gross profit margin for online games publishing services decreased from 93.5% in 2021 to 57.4% in 2022, mainly because we conducted trial operation of a new game called “Civilization (文明)” in the overseas markets, which did not generate significant revenue at such stage but we had begun to amortize the game content costs during this period.

The gross profit margin for other digital content services remained relatively stable at 48.3% in 2021 and 45.6% in 2022.

Other Income and Gains

Our other income and gains decreased by 43.5% from RMB11.5 million in 2021 to RMB6.5 million in 2022, which was primarily due to (i) a decrease in one-off government subsidies we recognized in 2022 compared to 2021. A majority of the government grants we received were government subsidies for the encouragement of R&D projects and purchasing the relevant equipment; and (ii) a decrease in interest income as we utilized a portion of our cash to invest in the RMB Fund as part of our wealth management activities.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 34.5% from RMB99.3 million in 2021 to RMB133.6 million in 2022, primarily due to an increase in advertising expenses for game marketing and promotional activities, which was mainly attributable to our relaunch of online games publishing services and our promotion of our Easou Reading App Series in order to expand the business scale of reading with advertising. Our selling and distribution expenses accounted for approximately 22.9% and 29.3% of our total revenue in 2021 and 2022, respectively.

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Administrative Expenses

Our administrative expenses remained relatively stable at RMB19.8 million in 2022 compared to RMB18.6 million in 2021. Our administrative expenses accounted for approximately 4.3% of our total revenue in both 2021 and 2022.

Research and Development Expenses

Our R&D expenses decreased by 24.0% from RMB51.0 million in 2021 to RMB38.7 million in 2022, which was mainly due to our reduction of R&D staff headcount in an effort to improve our R&D efficiency to focus on certain key R&D projects. Accordingly, the number of our R&D employees decreased from 80 as of December 31, 2021 to 65 as of December 31, 2022. Our R&D expenses accounted for approximately 11.8% and 8.5% of our total revenue in 2021 and 2022, respectively.

Fair Value Losses on Financial Assets at FVTPL

Our fair value losses on financial assets at FVTPL significantly increased from nil in 2021 to RMB5.9 million in 2022, mainly because the funds we invested incurred losses, which caused their market value to decrease.

Other Expenses

Our other expenses slightly decreased from approximately RMB580,000 in 2021 to approximately RMB301,000 in 2022. The decrease was mainly due to a decrease in loss on disposal of items of property, plant and equipment from approximately RMB580,000 in 2021 to approximately RMB278,000 in 2022, which mainly represented the losses arising from the difference between book value and disposal value, and was in line with our business development.

Finance Costs

Our finance costs increased from RMB0.3 million in 2021 to RMB2.1 million in 2022. The increase was mainly because we incurred new bank borrowings to fund our working capital, which caused the interest expense on bank borrowings to increase accordingly in 2022.

Profit Before Tax

As a result of the foregoing, we recorded profit before tax of RMB50.5 million in 2021, representing approximately 11.7% of our revenue in the same year, and RMB44.7 million in 2022, representing approximately 9.8% of our revenue in the same year.

Income Tax Expenses

Our income tax expenses slightly decreased from RMB0.5 million in 2021 to RMB0.3 million in 2022. Our effective tax rate for 2021 and 2022 was 0.9% and 0.7%, respectively. Our effective tax rate for this period was lower than the standard tax rate primarily because (i) we utilized tax losses from certain of our subsidiaries that were brought forward from the previous years; and (ii) certain of our subsidiaries enjoyed preferential tax treatments under the certificates of “High and New Technology Enterprise” and “Small-Scaled Minimal Profit Enterprise Income Tax Preferential Policy”.

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Profit for the Year

As a result of the foregoing, our profit for the year decreased from RMB50.0 million in 2021 to RMB44.4 million in 2022. Our net profit margin was 11.5% in 2021 as compared to 9.7% in 2022.

DESCRIPTION OF CERTAIN KEY ITEMS FROM OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Net Current Assets

The table below sets forth the breakdown of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)
Current assets:				
Trade receivables	86,327	127,027	161,501	176,156
Prepayments, deposits and other receivables . .	8,106	23,474	76,048	91,141
Financial assets at FVTPL	–	5,294	73,282	74,333
Tax recoverable	1,372	1,377	31	68
Restricted cash ⁽¹⁾	2,565	2,565	–	–
Cash and cash equivalents	214,960	152,155	89,081	72,382
Total current assets	<u>313,330</u>	<u>311,892</u>	<u>399,943</u>	<u>414,080</u>
Current liabilities:				
Trade payables	12,002	8,028	11,781	12,537
Other payables and accruals	17,905	19,555	11,070	8,801
Contract liabilities	18,286	15,428	13,814	13,896
Interest-bearing bank and other borrowings . .	–	89,700	84,900	90,346
Lease liabilities	175	117	101	162
Tax payable	184	148	64	322
Total current liabilities	<u>48,552</u>	<u>132,976</u>	<u>121,730</u>	<u>126,064</u>
Net current assets	<u>264,778</u>	<u>178,916</u>	<u>278,213</u>	<u>288,016</u>

Note:

- (1) Restricted cash was primarily related to our legal proceedings with Guangzhou TDW. Please refer to “Business – Legal Proceedings and Compliance – Legal Proceedings” in this prospectus for details. Except for the aforementioned situations, no assets of our Group were frozen or under dispute during each year of the Track Record Period.

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Our net current assets increased from RMB278.2 million as of December 31, 2023 to RMB288.0 million as of March 31, 2024, primarily because the increase in our current assets outpaced the increase in our current liabilities. Our current assets increased from RMB399.9 million as of December 31, 2023 to RMB414.1 million as of March 31, 2024, primarily due to (i) an increase in trade receivables from RMB161.5 million as of December 31, 2023 to RMB176.2 million as of March 31, 2024, mainly as a result of our increased sales in reading with advertising under the online reading platform services business and increased sales in digital marketing services business; and (ii) an increase in prepayment, deposits and other receivables from RMB76.0 million as of December 31, 2023 to RMB91.1 million as of March 31, 2024, primarily because we increased the prepayment of advertising expenses relating to the increased promotional activities for our Easou Reading App Series, and we increased our prepayment to procure internet traffic to support the growth of our digital marketing services business and to expand our online games offering in 2024. The increase in our current assets was partially offset by a decrease in cash and cash equivalents from RMB89.1 million as of December 31, 2023 to RMB72.4 million as of March 31, 2024, mainly due to a delay in our collection of certain trade receivables during the Chinese New Year Holiday. Our current liabilities increased from RMB121.7 million as of December 31, 2023 to RMB126.1 million as of March 31, 2024, primarily due to (i) an increase in interest-bearing bank and other borrowings from RMB84.9 million as of December 31, 2023 to RMB90.3 million as of March 31, 2024 as we incurred new bank loans to support our business operation; and (ii) an increase in trade payables from RMB11.8 million as of December 31, 2023 to RMB12.5 million as of March 31, 2024 as we increased our procurement of internet traffic for our digital marketing services.

Our net current assets increased from RMB178.9 million as of December 31, 2022 to RMB278.2 million as of December 31, 2023, which was primarily attributable to the increase in our current assets and a decrease in our current liabilities. Our current assets increased from RMB311.9 million as of December 31, 2022 to RMB399.9 million as of December 31, 2023, primarily due to (i) an increase in trade receivables from RMB127.0 million as of December 31, 2022 to RMB161.5 million as of December 31, 2023, mainly due to our increased sales in reading with advertising under the online reading platform services business and increased sales in digital marketing services business; (ii) an increase in prepayment, deposits and other receivables from RMB23.5 million as of December 31, 2022 to RMB76.0 million as of December 31, 2023, primarily because we increased the prepayment of advertising expenses relating to the increased promotional activities for our Easou Reading App Series, and we increased our prepayment to procure internet traffic to support the growth of our digital marketing services business and to expand our online games offering in 2023; and (iii) an increase in financial assets at FVTPL from RMB5.3 million as of December 31, 2022 to RMB73.3 million as of December 31, 2023, primarily because we made additional investments in two open-ended private equity funds in 2023. The increase in our current assets was partially offset by a decrease in cash and cash equivalents from RMB152.2 million as of December 31, 2022 to RMB89.1 million as of December 31, 2023, as we utilized a portion of our cash to invest in two open-ended private equity funds in 2023 as part of our wealth management activities. Our current liabilities decreased from RMB133.0 million as of December 31, 2022 to RMB121.7 million as of December 31, 2023, primarily due to a decrease in other payable and accruals from RMB19.6 million as of December 31, 2022 to RMB11.1 million as of December 31, 2023, mainly because (i) we distributed the 2022 bonuses for our employees

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before December 31, 2023 and such delayed distribution was mainly a result of the impact of the COVID-19 pandemic; and (ii) we cooperated with certain new advertising service providers who required us to make prepayments to them prior to using their products/services.

Our net current assets decreased from RMB264.8 million as of December 31, 2021 to RMB178.9 million as of December 31, 2022, which was primarily attributable to an increase in our current liabilities and a slight decrease in our current assets. Our current liabilities increased from RMB48.6 million as of December 31, 2021 to RMB133.0 million as of December 31, 2022, primarily due to an increase in interest-bearing bank and other borrowings from nil as of December 31, 2021 to RMB89.7 million as of December 31, 2022 as we incurred new bank borrowings to fund our working capital, partially offset by (i) a decrease in trade payables from RMB12.0 million as of December 31, 2021 to RMB8.0 million as of December 31, 2022 mainly because the number of suppliers using prepayment settlement method has increased in 2022; and (ii) a decrease in contract liabilities from RMB18.3 million as of December 31, 2021 to RMB15.4 million as of December 31, 2022, mainly due to a decrease in service fee collected in advance as we performed our obligations under the relevant contracts. Our current assets decreased slightly from RMB313.3 million as of December 31, 2021 to RMB311.9 million as of December 31, 2022, primarily due to a decrease of cash and cash equivalents from RMB215.0 million as of December 31, 2021 to RMB152.2 million as of December 31, 2022 primarily because we utilized a portion of our cash to as deemed distribution to the then equity owners of our Group in connection with the Reorganization, partially offset by (i) an increase of prepayments, deposits and other receivables from RMB8.1 million to RMB23.5 million in 2022, reflecting the expansion in our digital marketing services, which required us to increase prepayments to procure internet traffic in order to support the growth of this business line; and (ii) an increase in trade receivables from RMB86.3 million as of December 31, 2021 to RMB127.0 million as of December 31, 2022, which was mainly due to increased sales in advertising services through reading with advertising under our online reading platform services business and increased sales in digital marketing services.

Trade Receivables

Our trade receivables primarily represent the outstanding amounts due to us from our advertising customers in connection with reading with advertising under the online reading platform services and digital marketing services. The trading terms with our advertising customers are mainly on credit. The credit period is generally 30 to 120 days. Each of our customers has a maximum credit limit. We do not hold any collateral or other credit enhancements over our trade receivable balances. Trade receivables are non-interest-bearing.

As of December 31, 2021, 2022 and 2023, our trade receivables amounted to RMB86.3 million, RMB127.0 million and RMB161.5 million, respectively. Our trade receivables increased from 2021 to 2023 primarily because (i) the revenue of reading with advertising under our online reading platform services business increased from 2021 to 2023, which led to an increase in the end balance of trade receivables as of the end of each year of the Track Record Period; (ii) the negative impact of COVID-19 on China's digital advertising market in 2022 resulted in a longer collection period for us to receive the trade receivables from our advertising customers from reading with advertising under the online reading platform services and digital marketing services; and (iii) we granted longer credit term to some of our new advertising customers in 2022 to facilitate business cooperation. Our trade receivables increased to RMB161.5 million as of

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December 31, 2023, mainly because we increased our sales in reading with advertising under the online reading platform services business and the digital marketing services business, which led to an increase in the end balance of trade receivables as of December 31, 2023.

The following table sets forth, for the periods indicated, our average trade receivables turnover days for the periods indicated:

	For the year ended December 31,		
	2021	2022	2023
Average trade receivables turnover days ⁽¹⁾	60.6	84.1	92.9

Note:

- (1) The average trade receivable turnover days based on the average of the opening balance and closing balance of trade receivables for the relevant year divided by revenue and multiplied by the number of days in the relevant year.

Our average trade receivables turnover days increased from 60.6 days in 2021 to 84.1 days in 2022. It increased to 92.9 days in 2023. The increase in our average trade receivables turnover days from 2021 to 2022, primarily due to longer credit term we granted to some of our new advertising customers to facilitate business cooperation. In addition, the collection cycles with the advertising customers were generally longer during the COVID-19 pandemic compared to other normal periods. Our average trade receivables turnovers increased from 84.1 days in 2022 to 92.9 days in 2023 mainly because we extended the credit term for some of our advertising customers in 2023 in order to maintain positive cooperative relationship with them.

An aging analysis of the trade receivables as of the end of each year the Track Record Period, based on the invoice date and net of loss allowance, is as follows:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	66,755	76,633	121,638
3 to 6 months	18,990	31,449	34,819
6 to 12 months	468	18,696	4,880
Over a year	114	249	164
Total.	86,327	127,027	161,501

We performed impairment analysis at the end of each year of the Track Record Period using a provision matrix to measure expected credit losses. The provision matrix method is detailed in “– Estimation Uncertainty – Provision for Expected Credit Losses on Trade Receivables” in this section. Considering that we have been settling with our customers who failed to make their payments in a timely manner and have been collecting the overdue trade receivables, we have made 2.44%, 3.19% and 2.74% provision for impairment of these overdue trade receivables as of December 31, 2021, 2022 and 2023, respectively, which we believe would be sufficient according

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to the expected credit loss model. Therefore, our Directors are in the opinion that we are not expected to be subject to any material risk exposure to credit impairment and there is no recoverability issue for our trade receivables.

As of April 30, 2024, RMB114.9 million, or 69.2% of our gross trade receivables as of December 31, 2023 had been subsequently settled.

Prepayments, Deposits and Other Receivables

The prepayments, deposits and other receivables mainly represent (i) prepayments, which primarily consist of prepayments for advertising activities and internet traffic acquisition and are generally refundable from the suppliers upon mutual agreement; (ii) deposits, which mainly include deposits for our leased properties; and (iii) other receivables, which primarily represent prepaid service maintenance costs, prepaid listing expenses and amount due from third-party payment platforms.

As of December 31, 2021, 2022 and 2023, our prepayments, deposits and other receivables (current portion) amounted to RMB8.1 million, RMB23.5 million and RMB76.0 million, respectively. The increase in prepayments, deposits and other receivables (current portion) as of December 31, 2022 compared to that as of December 31, 2021 was mainly due to our expansion in our digital marketing services, which required us to increase our prepayments to procure internet traffic in order to support our business growth. The prepayments, deposits and other receivables (current portion) increased as of December 31, 2023 compared to that as of December 31, 2022, mainly because we (i) increased the prepayment of advertising expenses relating to the increased promotional activities for our Easou Reading App Series; and (ii) increased our prepayment to procure internet traffic in order to conduct the beta testing and launch of new games in 2023.

The following table sets forth, as of the dates indicated, prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments	6,558	21,381	68,804
Deposits and other receivables	2,268	2,798	7,932
Analyzed into:			
Current portion	8,106	23,474	76,048
Non-current portion	720	705	688
Total	8,826	24,179	76,736

As of April 30, 2024, RMB59.8 million, or 86.9% of our prepayment, deposits and other receivables as of December 31, 2023 had been subsequently settled.

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Financial Asset at FVTPL

Our financial asset at FVTPL mainly consisted of two open-ended private equity funds during the Track Record Period. After making an investment, we closely monitor performance and fair value of these investments on a regular basis. We made private equity fund investments as part of our cash management strategy in order to obtain higher yields than we would typically receive from regular bank deposits. We recorded RMB5.3 million and RMB73.3 million of financial asset at FVTPL as of December 31, 2022 and 2023, respectively.

We normally invest in wealth management products to achieve more flexibility in the management of our cash flow and liquidity while providing higher investment returns than commercial bank savings deposit yield. In order to achieve reasonable returns on our surplus cash, our finance department closely monitors the macroeconomic development and policy changes in China and overseas capital markets, and actively seeks suitable investment opportunities. Our finance department conducted research on China's capital market and had thorough communications with the relevant domestic funds. Based on the research results and advice of our finance department, we formed optimistic view in the performance of China's capital market in the long run and decided to invest in a suitable fund denominated in RMB with underlying assets in China's capital market.

In January 2022, we invested in the RMB Fund with an aggregate subscription amount of RMB88.0 million with a relatively high risk level. It consisted of cash assets and securities and was principal unprotected with floating returns. The annual growth rate of the net value of the fund was approximately negative 13.0% for the year ended December 31, 2022. We redeemed a majority of the fund in December 2022, mainly as a result of our cash needs for the Reorganization and the then capital market conditions. In May and June 2023, we made additional investments in the RMB Fund with a subscription amount of RMB5.0 million and RMB3.0 million, respectively. Although we incurred losses in the RMB fund in 2022, we continued to invest in the RMB Fund mainly because we believe that there would be investment opportunities with favorable returns in China's capital market as the Chinese economy continues to recover from the aftermaths of the COVID-19 pandemic in the long run.

Since we received subscription monies from the Shareholders in the Reorganization, we maintained surplus cash offshore after repaying a bridge loan. Considering the working capital needs of our overseas business expansion plan and our current onshore capital sufficiency, we decided to maintain certain amount of cash denominated in US dollars offshore. In order to improve our working capital efficiency and based on our research on the global macroeconomic environment, we were optimistic about the global economic recovery trend after the COVID-19 pandemic, we decided to utilize such surplus cash to invest in a suitable fund denominated in US dollars with underlying assets in Hong Kong's capital market and other overseas stock markets. In January 2023, we invested in the USD Fund with a subscription amount of US\$9.9 million. The USD Fund is principal unprotected with floating returns. It is redeemable in whole or in part at our sole discretion beginning after May 31, 2023.

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We continue to monitor the performance of the funds that we had invested in. From January 2024 to March 2024, the net value of the USD Fund had experienced certain recovery and our loss in the USD Fund had decreased. Therefore, we plan to continue to hold these funds in the short term. We will closely monitor the capital market developments and macroeconomic changes. Subject to the performance of these funds and our future working capital requirements, we will redeem these funds in whole or in part in due course.

The table below sets forth the details of the funds that we invested during the Track Record Period:

	RMB Fund	USD Fund
Product provider and fund manager:	Shouning Investment Management (Shanghai) Co., Ltd.	Apollo Asset Management Limited
Purpose:	To gain profit through investment	To gain profit through investment
Underlying assets:	China's domestic financial assets, including stocks traded on China's domestic stock exchanges, options and futures, bonds, asset-backed securities, securities margin trading, refinancing securities lending, bank deposits, trust plans, asset management plans, private equity funds, beneficiary certificates, and eligible securities in Mainland – Hong Kong Stock Connect	Global financial assets, including fixed rate and floating-rate debt, securities, notes and structured products

Our investments in the RMB Fund in January 2022 and May and June 2023 were approved by the Board and our Chief Executive Officer, respectively. Our investment in the USD Fund in January 2023 was approved by our Chief Executive Officer. As of the Latest Practicable Date, other than our investments in the RMB Fund and the USD Fund, we had not purchased any other wealth management products. For the years ended December 31, 2021, 2022 and 2023, we incurred fair value losses on financial assets at FVTPL of nil, RMB5.9 million and RMB10.9 million, respectively. Our finance department conducted research and analyzed the relevant risks of the funds we purchased. Based on their recommendations, investment decisions were made by the authorized departments and persons in accordance with the approval procedures as set out in the then applicable investment policies.

We consider private equity fund investments as a cash management tool that enables us to achieve more favourable returns and improve our working capital efficiency based on our prudent risk control parameters.

After the Listing, our investments in wealth management products (including open-ended private equity funds) will be subject to the compliance with Chapter 14 of the Listing Rules. We will strictly comply with our risk management policies and internal control measures, Articles of Association and the requirements under Chapter 14 of the Listing Rules when making investments in wealth management products after the Listing.

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Our Investment Policies

During the Track Record Period, we made private equity fund investments. Accordingly, we generally adopt investment measures that govern our investment activities and have established management policies and systems to monitor our investment activities. These measures include, among other things, the following:

- Our investments shall comply with applicable laws and regulations and the relevant provisions of our articles of association;
- Our investments shall be in line with our development strategies and national industry-wide development policies;
- Our investments shall be conducive to accelerating our sustainable and coordinated development, improving our core strengths, and promoting the benefits of our shareholders;
- Our investments shall promote the effective allocation of our resources, improving the quality of our assets, preventing operational risks, improving investment returns and safeguarding our shareholders' rights and interests;
- Our investments shall be conducive to standardizing our operations, improving our operating efficiency and emphasizing the responsibilities of our management;
- Our investments shall be made only in situations where our Group has surplus cash;
- We shall allocate our investments in different types of wealth management products that only consist of principal-protected assets or low-risk assets and adhere to the principle of risk diversification in connection with such allocation. We shall also monitor our investment portfolio on a quarterly basis and make timely adjustments thereto to the extent necessary and appropriate to maintain such principle; and
- We shall ensure that more than 50% of our investments consist of wealth management products with a maturity within one year or redeemable at any time in order to maintain sufficient liquidity and financial flexibility. For our remaining investments, we shall also ensure a maturity term within three years. We will monitor the maturity of our investments on a quarterly basis and timely adjust our investment portfolio to adhere to such liquidity requirement.

We only invest in principal-protected wealth management products or those with low investment risk which are limited to certificates of deposits, treasury notes, investment grade corporate bond, dividend-paying stock, preferred stocks, fixed annuities and money market fund after the Listing.

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Risk Management Policies and Internal Control Measures

To improve our internal control with respect to investment activities and make prudent investment decisions, we have continuously reviewed our investment-related internal control policies and our most updated policies were implemented in September 2023. We have complied with all requirements of such updated policies since its implementation and up to the date of this prospectus.

We make prudent investment decisions by considering, among other things, the sufficiency of our cash and cash equivalent and the availability of banking facilities we have obtained to support our business operation. We will ensure sufficient cash and cash equivalent that could cover our present working capital requirements for at least 15 months.

Our finance department is mainly responsible for collecting and organizing information on investment projects in accordance with our development strategies, evaluating the value of the proposed investment projects, and proposing suitable investment projects to the chief executive officer, the Board, and the general meeting of the Shareholders for approval. In addition, our finance department is responsible for the financial management of our investment activities, such as preparing the feasibility analysis of the investment projects, and carrying out the relevant investment procedures once the requisite approval is obtained.

The chief financial officer, the chief executive officer, the Board and the general meeting of the Shareholders are the decision-making bodies for our investment activities. They have the authorities to make decisions on the investment proposals of our financial department in accordance with applicable laws, regulations, the Articles of Association, department guidelines or the provisions of our investment policies, as the case may be. Except the foregoing decision-making bodies, no other department or individual has the authority to make the decision on our investment activities.

The approval procedures of our investments are set out below:

- For the transactions which exceed 25% of the size test as defined in the Listing Rules, the finance department shall obtain the approval from the general meeting of the Shareholders;
- For other material transactions as defined in the laws, regulations, Articles of Association, department guidelines and the investment policies, the finance department shall obtain the approval from the general meeting of the Shareholders;

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- For investments in wealth management products, in order to ensure the safety of our investment principal and to obtain stable investment returns, in general, we only choose to purchase principal-protected wealth management products or those with low investment risk which are limited to certificates of deposits, treasury notes, investment grade corporate bond, dividend-paying stock, preferred stocks, fixed annuities and money market fund. We also obtain approval for such purchases in accordance with the following criteria. For wealth management products with investment amount:
 - o *Below RMB5.0 million:* The finance department and the chief financial officer shall determine and approve the investment;
 - o *Above RMB5.0 million (inclusive) and below RMB20.0 million:* The finance department shall prepare the investment plan and evaluation analysis, submit such plan for the chief financial officer's review. Once the chief financial officer approves the investment plan, it will be submitted to the chief executive officer for approval.
 - o *Above RMB20.0 million (inclusive) and below RMB50.0 million:* The finance department shall prepare the investment plan and evaluation analysis, submit such plan for the review of the chief financial officer and the chief executive officer. Once both the chief executive officer and chief financial officer approve the investment plan, it will be submitted to the Board for final approval; and
 - o *Above RMB50.0 million (inclusive):* The finance department shall prepare the investment plan and evaluation analysis, submit such plan for the review of the chief financial officer, the chief executive officer and the Board. Once they all approve the investment plan, it will be tabled at the generally meeting of the Shareholders for final approval.
- After making the investments in wealth management products, we closely monitor their performance and communicate with the fund managers on a monthly basis. The finance department is responsible for preparing investment reports and analysis of investment returns on a quarterly basis. Quarterly investment analysis reports, which contain, among other things, the basic information of the wealth management products purchased, their performance and investment returns, the types and purchase amounts of wealth management products, investment risk analysis, investment outlook and investment strategies and suggestions, shall be submitted to the chief executive officer and the independent non-executive Directors who have accounting or financial experience. The finance department shall (i) report the performance of our investments to the Board on a quarterly basis; and (ii) report to the Board to take any appropriate action as soon as any investment experiences a cumulative loss (A) of over 20% of the total purchase amount for the quarter; or (B) constituting more than 10% of the net profit of our Group for the preceding year.

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In the Board, nine of our Directors have backgrounds in accounting, auditing, risk control and investment, and have the capability to provide professional advice on financial management solutions. Mr. Wang, as the Chief Executive Officer, has a bachelor degree in accounting and has expertise in investment management. Mr. Chen, as the Chief Financial Officer, is responsible for managing and monitoring the daily investment activities of our Group. Mr. Chen has approximately 16 years of work experience in accounting and finance. Since July 2009, Mr. Chen has been a member of the Association of Chartered Certified Accountants (“ACCA”). He has also been a fellow member of ACCA since July 2014. We believe that our internal control and risk management measures regarding investments in financial assets are adequate. Before making an investment, we evaluate on a case-by-case basis, cautiously consider a number of factors such as macro-economic environment, general market conditions and the expected profit or potential loss of the proposed investment, and ensure that the proposed investment will not interfere with our daily operation and business prospects. After making an investment, we closely monitor the performance and fair value of these investments on a regular basis.

Subject to the prevalent general economic and market conditions, we expect to continue to invest our surplus cash in funds and other wealth management products. However, we will only invest in principal-protected wealth management products or those with low investment risk which are limited to certificates of deposits, treasury notes, investment grade corporate bond, dividend-paying stock, preferred stocks, fixed annuities and money market fund. We will not borrow any bank loans or make other borrowings for our investments in such financial products.

Tax Recoverable

As of December 31, 2021, 2022 and 2023, our tax recoverable amounted to RMB1.4 million, RMB1.4 million and RMB31,000, respectively. Our tax recoverable remained stable at RMB1.4 million as of December 31, 2021 and 2022, primarily because we did not complete EIT remittance filing for 2021 and 2022 as at December 31, 2021 and 2022, respectively. Our tax recoverable decreased to RMB31,000 as of December 31, 2023, primarily because we have received the tax recoverable.

Cash and Cash Equivalents

As of December 31, 2021, 2022 and 2023, the balance of our cash and cash equivalents amounted to RMB215.0 million, RMB152.2 million and RMB89.1 million, respectively. Our cash and cash equivalents decreased from RMB215.0 million as of December 31, 2021 to RMB152.2 million as of December 31, 2022, primarily because we made a deemed distribution to our Controlling Shareholder in connection with the Reorganization. Please refer to note 27 to the Accountants’ Report set out in Appendix I to this prospectus for details of the deemed distribution in connection with the Reorganization. Our cash and cash equivalents further decreased from RMB152.2 million as of December 31, 2022 to RMB89.1 million as of December 31, 2023, mainly because we utilized a portion of our cash to invest in two open-ended private equity funds in 2023.

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Trade Payables

Our trade payables primarily represent our obligations to pay for the products and services that we have obtained in the ordinary course of our business. The trade payables are non-interest-bearing and are normally settled within three months.

As of December 31, 2021, 2022 and 2023, the balance of our trade payables amounted to RMB12.0 million, RMB8.0 million and RMB11.8 million, respectively. Our trade payables decreased from RMB12.0 million as of December 31, 2021 to RMB8.0 million as of December 31, 2022, mainly because the number of suppliers using prepayment settlement method increased in 2022. Our trade payables increased to RMB11.8 million as of December 31, 2023, primarily due to our increased procurement of internet traffic for our digital marketing services, which was in line with the growth of this business line in 2023.

The following table sets the aging analysis of the trade payables as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	10,513	6,528	10,930
3 to 6 months	310	761	609
6 to 12 months	632	314	185
Over 12 months	547	425	57
Total	12,002	8,028	11,781

The following table sets forth our trade payables turnover days for the periods indicated:

	For the year ended December 31,		
	2021	2022	2023
Trade payables turnover days ⁽¹⁾	16.0	16.6	11.9

Note:

- (1) The calculation of trade payables turnover days is based on the average of the opening balance and closing balance of trade payables for the relevant period divided by cost of sales and multiplied by the number of days in the relevant period.

Trade payables turnover days indicate the average time we take to make cash payments to suppliers. Our average trade payables turnover days stabled at 16.6 days in 2022 compared to 16.0 days in 2021. Our average trade payable turnover days decreased to 11.9 in 2023, mainly because we experienced a change of settlement policy from the suppliers in our digital marketing services business pursuant to which we were required to make prepayments to them prior to using their services, which resulted in a decrease in the payables under our digital marketing services business.

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As of April 30, 2024, RMB10.3 million, or 87.6% of our trade payables as of December 31, 2023 had been subsequently settled.

Other Payables and Accruals

Other payables and accruals primarily represent (i) deferred income, which mainly consists of government grants; (ii) other payables, which mainly include value-added tax payable, marketing fee and professional service fees payable; and (iii) accruals, which mainly consists of salaries and bonus payable and social insurance and housing fund payable.

The following table sets forth the breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred income	74	–	–
Other payables	10,149	12,015	7,066
Accruals	8,404	7,768	4,232
	18,627	19,783	11,298
Analyzed into:			
Current portion	17,905	19,555	11,070
Non-current portion.	722	228	228

Our other payables and accruals (current portion) increased from RMB17.9 million as of December 31, 2021 to RMB19.6 million as of December 31, 2022, which was primarily due to an increase in marketing fee as we increased our marketing activities for Easou Reading App Series to expand our reading with advertising.

Our other payables and accruals (current portion) decreased from RMB19.6 million as of December 31, 2022 to RMB11.1 million as of December 31, 2023 primarily because we (i) distributed the 2022 bonuses for our employees in 2023, which reduced bonus payables. Such delayed distribution was mainly a result of the impact of the COVID-19 pandemic; and (ii) cooperated with certain new advertising service providers who required us to make prepayments to them prior to using their services.

As of April 30, 2024, RMB8.7 million, or 95.7% of our other payables and accruals as of December 31, 2023 had been subsequently settled.

Contract Liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before we transfer the related goods or services. Contract liabilities are recognized as revenue when we perform under the contract (i.e., transfers control of the related

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goods or services to the customer). Contract liabilities include advances received to deliver online reading platform services and online games publishing services. For details, see “– Material Accounting Policy Information and Estimates – Contract Liabilities” in this section.

The following table sets forth the breakdown of our contract liabilities as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Online reading platform services:			
Reading with advertising	13,242	7,126	5,751
Reading with paid services	9,382	11,698	11,960
Online games publishing services	1,030	1,030	–
Total	23,654	19,854	17,711
Analyzed into:			
Current portion	18,286	15,428	13,814
Non-current portion	5,368	4,426	3,897

Our contract liabilities (current portion) decreased from RMB18.3 million as of December 31, 2021 to RMB15.4 million as of December 31, 2022. The decrease in contract liabilities (current portion) was mainly in relation to the contract liabilities incurred from one of our digital marketing projects under reading with advertising in which we provided advertising services of key word searches. We entered into multiple long-term service agreements with our advertising customers and received prepayments from them. We recorded those prepayments as contract liabilities and recognized revenue annually in accordance with such agreements. As our service continued, we recognized more revenue from such agreements and accordingly, our contract liabilities thereof decreased each year. Due to the adjustment of our pricing methods we made for our advertising services under the online reading platform services in 2013, we replaced the CPT pricing method with CPC, CPM and CPD pricing methods for subsequent new advertising services. However, we continued to perform our obligations by the CPT pricing method under each existing advertising service agreement until its service term expired. Our contract liabilities (current portion) further decreased from RMB15.4 million as of December 31, 2022 to RMB13.8 million as of December 31, 2023 primarily because (i) we closed certain external channels of our online games and recognized revenue in accordance with the agreements we entered into with them; and (ii) we continued to recognize revenue from one of our digital marketing projects under reading with advertising as described above and our contract liabilities thereof decreased accordingly.

Our Directors confirm that they have no doubt about the genuineness, existence and reasonableness of our contract liabilities as at the end of each year in the Track Record Period.

As of April 30, 2024, RMB2.6 million, or 14.7% of our contract liabilities as of December 31, 2023 had been subsequently settled.

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Certain Items of Non-current Assets and Non-current Liabilities

Property, Plant and Equipment

Our property, plant and equipment primarily represent servers, vehicles, electronic devices and office equipment. As of December 31, 2021, 2022 and 2023, our property, plant and equipment amounted to RMB19.7 million, RMB14.2 million and RMB19.1 million, respectively. The decrease in our property, plant and equipment from December 31, 2021 to December 31, 2022 was mainly because the amount of depreciation of property, plant and equipment was larger than the additions during the same years. Our property, plant and equipment increased from RMB14.2 million as of December 31, 2022 to RMB19.1 million as of December 31, 2023 primarily because we purchased additional servers in 2023.

Goodwill

Our goodwill relates to our acquisition of Guangzhou Ledian, which primarily engages in digital marketing services. As of December 31, 2021, 2022 and 2023, our goodwill remained at RMB32.3 million.

	<i>RMB'000</i>
At January 1, 2021 and December 31, 2021, January 1, 2022, December 31, 2022, January 1, 2023 and December 31, 2023	
Cost	32,273
Accumulated impairment	—
Net carrying amount	<u>32,273</u>

Impairment Testing of Goodwill

Goodwill acquired through business combinations is allocated to the digital marketing cash-generating unit (the “CGU”) for impairment testing.

Digital Marketing CGU

The recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by our senior management. The discount rates applied to the cash flow projections were 19.1%, 17.7% and 18.2% for December 31, 2021, 2022 and 2023, respectively. The growth rate used to extrapolate the cash flows of the digital marketing unit beyond the five-year period were 3%, 3% and 3% for December 31, 2021, 2022 and 2023, respectively.

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Assumptions were used in the value in use calculation of the CGU for the years ended December 31, 2021, 2022 and 2023. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Sensitivity to Changes in Key Assumptions

Our management has performed sensitivity test by decreasing 1% of budgeted gross margins or increasing 1% of pre-tax discount rate, with all other assumptions held constant. The impacts on the amount by which the CGU's recoverable amount above its carrying amount (headroom) are as below:

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Headroom	3,892	8,253	8,255
Impact by decreasing budgeted gross margins	(4,617)	(4,537)	(5,565)
Impact by increasing pre-tax discount rate	(2,807)	(3,305)	(3,476)

However, our management believes that the reasonably possible change should be less than 1% of the above key assumptions, therefore a reasonably possible change in key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

Other Intangible Assets

Our other intangible assets primarily include copyright and software. As of December 31, 2021, 2022 and 2023, our other intangible assets amounted to RMB35.5 million, RMB32.2 million and RMB50.8 million, respectively. The fluctuation in our other intangible assets during the Track Record Period was primarily due to the addition of newly purchased intangible assets as of the end of each year of the Track Record Period and the amortization of this item as of each end of the corresponding periods.

Prepayment and Deposits

Our prepayment and deposits (non-current portion) primarily include deposits for leased properties and property service fees. Our prepayment and deposits (non-current portion) remained stable at RMB0.7 million as of December 31, 2021 and 2022 and 2023.

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Contract Liabilities

Our contract liabilities (non-current portion) primarily consist of advertising fee collected in advance under the CPT pricing method. As of December 31, 2021, 2022 and 2023, our contract liabilities (non-current portion) amounted to RMB5.4 million, RMB4.4 million and RMB3.9 million, respectively. The decline in our contract liabilities during the Track Record Period was primarily a result of revenue recognized over the contracted period.

INDEBTEDNESS

Our indebtedness primarily consists of interest-bearing borrowings obtained from commercial banks and lease liabilities.

The following table sets forth our indebtedness as of the dates indicated:

	As of December 31,			As of March 31,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
Interest-bearing bank and other borrowings . . .	–	89,700	84,900	90,346
Lease liabilities	308	131	243	434
	308	89,831	85,143	90,780

As of December 31, 2022, the amount of our interest-bearing bank and other borrowings was RMB89.7 million because we obtained new short-term bank loans in 2022 to fund our working capital. Such bank loans had an effective interest rate of 4.2% to 5.0% due 2022 to 2023, and were secured by (i) the guarantees from Mr. Wang and our wholly-owned subsidiaries; and (ii) the charges on certain patents of our Group as of December 31, 2022. Such guarantee from Mr. Wang has been released and replaced by corporate guarantees provided by our Company and/or our Group companies as of the Latest Practicable Date.

As of December 31, 2023, the amount of our interest-bearing bank and other borrowings was RMB84.9 million because we had repaid the original bank borrowings and obtained new short-term loans in 2023 to fund our working capital. Such bank loans had an effective interest rate of 4.10% to 5.00% due 2024. Among them, RMB34.9 million of interest-bearing bank borrowings were secured by the guarantees from Mr. Wang and RMB54.9 million were secured by our wholly-owned subsidiaries. Such guarantee from Mr. Wang has been released and replaced by corporate guarantees provided by our Company and/or our Group companies as of the Latest Practicable Date.

As of March 31, 2024, we had banking facilities of RMB147.0 million, among which RMB56.7 million had not been utilized.

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Our lease liabilities primarily relate to the leases of office premises used in our operations. During the Track Record Period, we entered into certain long-term lease contracts for office premises, which generally have lease terms between three to five years. Generally, sublease is restricted under our lease contracts.

We recorded lease liabilities of RMB0.3 million, RMB0.1 million and RMB0.2 million as of December 31, 2021, 2022 and 2023, respectively. The fluctuation in our lease liabilities during the Track Record Period was consistent with the payment schedules under each lease contract.

Statement of Indebtedness

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Except as disclosed above, and apart from intra-group liabilities and normal trade payables, as of December 31, 2023, we did not have any other material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness since December 31, 2023 and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any unrecorded significant contingent liabilities, guarantees or any litigation against us.

CAPITAL COMMITMENTS

During the Track Record Period, we had no capital commitment that were not provided for in our consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows Analysis

During the Track Record Period, our principal uses of cash were to fund our working capital requirements, investing activities and financing activities. We have historically met our working capital needs primarily through cash flow from operating activities.

Upon the completion of the Global Offering, we expect to meet our working capital needs primarily through cash flows from operating activities and the net proceeds from the Global Offering.

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The table below sets forth a summary of our cash flows for the periods indicated:

	For the year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows (used in) / from operating activities	50,952	6,070	(29,501)
Net cash flows used in investing activities	(22,430)	(20,696)	(127,044)
Net cash flows (used in) / from financing activities	(20,265)	(48,179)	97,488
Net increase/(decrease) in cash and cash equivalents	8,257	(62,805)	(59,057)
Cash and cash equivalents at the beginning of year	206,703	214,960	152,155
Cash and cash equivalents at the end of year	214,960	152,155	89,081

Net Cash Flows Generated from / Used in Operating Activities

During the Track Record Period, our cash flows from operating activities were generated from the sales made under our online reading platform services, digital marketing services, online games publishing services and other digital content services.

In 2023, our net cash used in operating activities was RMB29.5 million. This net cash outflow in operating activities was mainly attributable to (i) negative movements in working capital of RMB91.7 million; and (ii) interest paid of RMB8.4 million, partially offset by (i) our profit before tax of RMB26.1 million; and (ii) positive total adjustments before movements in working capital of RMB43.8 million. The negative movements in working capital primarily reflected (i) an increase of RMB52.6 million in prepayment, other receivables and deposits; (ii) an increase of RMB34.9 million in trade receivables; and (iii) a decrease in other payables and accruals of RMB8.5 million. The positive total adjustments before movements in working capital primarily reflected (i) a positive adjustment for amortization of intangible assets of RMB17.9 million; (ii) a positive adjustment for finance costs of RMB8.4 million; and (iii) a positive adjustment for depreciation of property, plant and equipment of RMB6.3 million, partially offset by negative adjustment for interest income of RMB0.9 million. Going forward, we aim to improve our net operating cash flow through (i) the increase of revenue to be generated from our confirmed orders and project pipelines in development, through continuous expanding our customer base; (ii) our price adjustment mechanism with customers in response to fluctuations in internet traffic cost, upgrade in product offerings and therefore expected improvement in gross margin; (iii) strengthened cost control, through further improvement of production efficiency, optimization of production process and reduction of wastes; and (iv) improvement in working capital efficiency, through (a) establishing cash flow management and monitoring mechanism, and (b) closely monitoring the operation status of our customers and the aging analysis of the trade receivables to reduce the impairment losses.

In 2022, our net cash generated from operating activities was RMB6.1 million. This net cash inflow in operating activities was mainly attributable to (i) our profit before tax of RMB44.7 million; and (ii) positive total adjustments before movements in working capital of RMB28.5 million, partially offset by (i) negative movements in working capital of RMB64.7 million; (ii) interest paid of RMB2.1 million; and (iii) PRC corporate income tax paid of RMB0.4 million. The positive total adjustment before movements in working capital mainly reflected (i) a positive

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adjustment for amortization of intangible assets of RMB15.1 million; (ii) a positive adjustment for depreciation of items of property, plant and equipment of RMB5.3 million; and (iii) a positive adjustment for finance cost of RMB2.1 million, partially offset by negative adjustment for interest income of RMB2.4 million. The negative movements in working capital primarily reflected (i) an increase of RMB42.7 million of trade receivables; (ii) an increase of RMB15.3 million in prepayments, deposits and other receivables; (iii) a decrease of RMB4.0 million in trade payables; and (iv) a decrease of RMB3.8 million in contract liabilities.

In 2021, our net cash generated from in operating activities was RMB51.0 million. This net cash inflow in operating activities was primarily attributable to (i) our profit before tax of RMB50.5 million; (ii) positive total adjustment before movements in working capital of RMB18.8 million, partially offset by (i) negative movements in working capital of RMB16.3 million; (ii) interest paid of RMB0.3 million; and (iii) PRC corporate income tax paid of RMB1.7 million. The positive total adjustment before movements in working capital primarily reflected (i) a positive adjustment for depreciation of items of property, plant and equipment of RMB7.4 million; and (ii) a positive adjustment for amortization of intangible assets of RMB13.7 million. The negative movements in working capital primarily reflected (i) an increase of RMB27.6 million of trade receivables; and (ii) a decrease of RMB13.8 million in contract liabilities, partially offset by (i) a decrease of RMB17.2 million in prepayments, deposits and other receivables; and (ii) an increase of RMB4.1 million in trade payables.

Net Cash Flows Used in Investing Activities

During the Track Record Period, our investing activities primarily consisted of (i) purchases of items of property, plant and equipment; (ii) interest received; (iii) purchase of other intangible assets; and (iv) purchase of financial assets at FVTPL.

In 2023, our net cash used in investing activities was RMB127.0 million, which was primarily attributable to (i) purchase of financial assets at FVTPL of RMB79.7 million; (ii) purchase of intangible assets of RMB36.5 million; and (iii) purchase of fix assets of RMB11.7 million.

In 2022, our net cash used in investing activities was RMB20.7 million. This net cash outflow in investing activities was primarily attributable to (i) the purchase of financial assets at FVTPL of RMB88.0 million; and (ii) the purchase of intangible assets of RMB11.8 million, partially offset by RMB76.8 million of proceeds from disposal of financial asset at fair value through profit or loss.

Net cash used in investing activities was RMB22.4 million in 2021, primarily attributable to (i) the purchase of intangible assets of RMB 21.7 million; and (ii) the purchase of fixed assets of RMB5.2 million, partially offset by RMB4.5 million of interest received.

Net Cash Flows Generated from / Used in Financing Activities

During the Track Record Period, our financing activities primarily related to (i) new bank borrowings; (ii) repayment of bank borrowings; and (iii) principal portion of the lease payments.

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In 2023, our net cash from financing activities was RMB97.5 million. This net cash inflow in financing activities was primarily attributable to the proceeds from issue of preferred shares of RMB559.5 million and new bank loans of 142.9 million, partially offset by deemed distributions to the then equity owners of our Group of RMB468.2 million in connection with the Reorganization and repayment of bank borrowings of RMB147.7 million.

In 2022, our net cash used in financing activities was RMB48.2 million. This net cash outflow in financing activities was primarily attributable to (i) deemed distribution to the then equity owners of our Group of RMB137.7 million in connection with the Reorganization; and (ii) repayment of bank borrowings of RMB22.4 million, partially offset by new bank borrowings of RMB112.1 million.

Net cash used in financing activities was RMB20.3 million in 2021, primarily attributable to (i) repayment of bank borrowings of RMB20.0 million; and (ii) principal portion of the lease payments of RMB0.8 million, partially offset by the contributions from non-controlling interests of RMB0.5 million.

WORKING CAPITAL SUFFICIENCY

Historically, we finance our working capital needs primarily through cash flow from operating activities and financing activities. Taking into account the financial resources available to our Group, including the cash flow from operating activities, existing borrowings and the estimated net proceeds from the Global Offering, our Directors are of the view that, after due and careful inquiry, we have sufficient available working capital for our present requirements for at least the next 12 months from the date of this prospectus.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period consisted of the purchases of property, plant and equipment, as well as intangible assets. Our capital expenditures amounted to RMB26.9 million, RMB11.9 million and RMB48.2 million for the years ended December 31, 2021, 2022 and 2023, respectively.

We expect to incur approximately RMB35.0 million of capital expenditures in 2024, primarily relating to the purchases of equipment to improve hardware support capabilities and copyrights to expand our digital content portfolio. We expect to fund these capital expenditures primarily with the cash generated from operations and the net proceeds from the Global Offering.

Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, results of operations and financial condition, our business plans, market conditions and various other factors.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

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RELATED PARTY TRANSACTIONS

We entered into certain related party transactions with our related parties during the Track Record Period that were non-trade in nature, details of which are set forth in note 29 to the Accountants' Report set out in Appendix I to this prospectus.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates and for the periods indicated:

	As of/for the year ended December 31,		
	2021	2022	2023
Net profit margin ⁽¹⁾	11.5%	9.7%	4.5%
Current ratio ⁽²⁾ (times)	6.5	2.3	3.3
Gearing ratio ⁽³⁾	–	34.9%	22.4%
Return on equity ⁽⁴⁾	14.3%	17.3%	6.6%

Notes:

- (1) Net profit margin equals profit for the year divided by the revenue for the same year.
- (2) Current ratio equals our current assets divided by current liabilities as of the end of the year.
- (3) Gearing ratio equals total debt as of the end of the year divided by total equity as of the end of the same year. Total debt includes all interest-bearing borrowings.
- (4) Return on equity equals net profit for the year divided by total equity as of the end of the year.

Net Profit Margin

Please refer to the paragraphs headed “Period to Period Comparison of Results of Operations” in this section for the reasons of the fluctuations in our net profit margin.

Current Ratio

Our current ratio decreased from 6.5 as of December 31, 2021 to 2.3 as of December 31, 2022, primarily because our current liabilities increased at a faster pace than the increase in our current assets. Our current liabilities increased mainly as a result of additional bank loans we borrowed to fund our working capital. Our current assets increased slightly primarily due to increases in trade receivables and prepayments, deposits and other receivables, partially offset by a decrease in our cash and cash equivalents mainly as a result of a deemed distribution to the then equity owners of our Group in connection with the Reorganization. Our current ratio increased from 2.3 as of December 31, 2022 to 3.3 as of December 31, 2023, mainly because our current assets increased while our current liabilities decreased. Our current assets increased primarily due to increases in trade receivables, prepayments, deposits and other receivables and financial assets

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at FVTPL, partially offset by a decrease in our cash and cash equivalents mainly due to additional investments we made in the RMB Fund and the USD Fund in 2023. Our current liabilities decreased mainly due to a decrease in other payables and accruals.

Gearing Ratio

Our gearing ratio was not applicable as of December 31, 2021, because we did not record any outstanding bank loans as of December 31, 2021. Our gearing ratio was 34.9% as of December 31, 2022 because we had outstanding bank loans of RMB89.7 million and there had been a deemed distribution to the then equity owners of our Group, which reduced our total equity. Our gearing ratio decreased to 22.4% as of December 31, 2023, primarily because our total equity increased significantly from RMB256.7 million as of December 31, 2022 to RMB379.3 million as of December 31, 2023 while our total outstanding bank loans slightly decreased from RMB89.7 million as of December 31, 2022 to RMB84.9 million as of December 31, 2023.

Return on Equity

Our return on equity was 14.3%, 17.3% and 6.6% for the years ended December 31, 2021, 2022 and 2023, respectively. The changes in our return on equity primarily reflected the fluctuations of our net profit in the corresponding years.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our principal financial instruments comprise cash and cash equivalents, financial assets at FVTPL and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise finance for our operations. We have various other financial assets and liabilities such as trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables and financial liabilities included in other payables and accruals, which arise directly from our operations. The main risks arising from our financial instruments are credit risk and liquidity risk. The board of directors of our Group reviews and agrees policies for managing each of these risks and they are summarized below. We regularly monitor our exposure to these risks to ensure appropriate measures are implemented on a timely and effective manner. For further details, please see note 32 to the Accountants' Report set out in Appendix I to this Prospectus.

Credit Risk

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant. Please see note 32 to the Accountants' Report set out in Appendix I to this prospectus for more details about our expected credit loss on different financial asset groups.

FINANCIAL INFORMATION

Liquidity Risk

Our objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain a contingency plan for funding to ensure that we maintain sufficient cash to meet its liquidity requirements. Please see note 32 to the Accountants' Report set forth in Appendix I to this prospectus for more details about our financial liabilities by different maturity groups.

DIVIDENDS

No dividend has been paid or declared by our Company since its incorporation or other companies comprising our Group during the Track Record Period.

Our Group currently does not have a pre-determined dividend policy. The Board may declare, and the Company may pay, dividends after taking into account our results of operations, financial condition, cash flow, operating and capital expenditure requirements, future business development strategies and estimates and other factors as it may deem relevant. We may distribute dividends by way of cash, or warrant. We may distribute stock dividends if our Directors consider that our stock price and equity scale do not match and that distribution of stock dividends is beneficial to all Shareholders' interest. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Act. Any proposed distribution of dividends shall be determined by our Board and must be approved by our shareholders at a general meeting. In addition, we may declare interim dividends as our Board considers to be justified by our profits and overall financial requirements. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Board and subject to the approval of Shareholders' meeting.

DISTRIBUTABLE RESERVES

As of December 31, 2023, our Company did not have any distributable reserves.

LISTING EXPENSES

Our listing expenses mainly include underwriting fees and commissions and professional fees paid to legal advisers and service providers for their services rendered in relation to the Global Offering. We expect to incur a total of approximately RMB41.8 million of listing expenses (assuming an Offer Price of HK\$6.90, being the mid-point of the indicative Offer Price range between HK\$5.80 and HK\$8.00, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, including (i) underwriting commission of approximately RMB4.2 million; and (ii) non-underwriting related expenses of approximately RMB37.6 million, which consist of fees and expenses of legal advisers and Reporting Accountants of approximately RMB22.6 million and other fees and expenses of approximately RMB15.0 million, which account for approximately 44.9% of the gross proceeds from the Global Offering. We estimate that approximately RMB17.6 million will be charged to our profit or loss after December 31, 2023, and the balance of approximately RMB5.0 million, which was directly attributable to the issue of the Shares, will be deducted from equity upon listing. The listing

FINANCIAL INFORMATION

expenses above are the best estimate as of the Latest Practicable Date and for reference only, actual amount may differ from this estimate. Listing expenses of approximately RMB19.2 million were incurred before December 31, 2023, of which approximately RMB0.9 million were recorded as prepayment, and the remaining approximately RMB18.3 million were charged to our profit and loss.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since December 31, 2023, being the date on which our latest audited consolidated financial statements were prepared, and there is no event since December 31, 2023 which would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

DISCLOSURE UNDER RULE 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent has been prepared in accordance with rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purpose only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to owners of the parent as at December 31, 2023 as if the Global Offering had taken place on December 31, 2023.

The statement of unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the parent had the Global Offering been completed as at December 31, 2023 or any future date. It is prepared based on the consolidated net tangible assets attributable to owners of the parent as at December 31, 2023 as set out in the Accountants' Report, the text of which is set out in Appendix I to the prospectus, and adjusted as described below.

FINANCIAL INFORMATION

	Consolidated Net Tangible Assets Attributable to Owners of Our Company as of December 31, 2023 ⁽¹⁾	Estimated Net Proceeds from the Global Offering	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Attributable to Owners of Our Company Immediately After the Completion of the Global Offering	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Attributable to Owners of Our Company per Share Immediately After Completion of the Global Offering ⁽⁴⁾	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB ⁽²⁾</i>	<i>HK\$ ⁽³⁾</i>
Based on the minimum indicative Offer Price of HK\$5.80 per Share	295,631	55,352	350,983	1.07	1.17
Based on the maximum indicative Offer Price of HK\$8.00 per Share	295,631	83,699	379,330	1.15	1.26

Notes:

- (1) The consolidated net tangible assets of our Group attributable to owners of our Company as of December 31, 2023 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the consolidated net assets attributable to owners of our Company as of December 31, 2023 of approximately RMB378,706,000, less goodwill of RMB32,273,000 and other intangible assets of RMB50,802,000 as at December 31, 2023.

The estimated net proceeds from the Global Offering are based on Offer Price at the lower limit and upper limit of the Offer Price range of HK\$5.80 per Share and HK\$8.00 per Offer Share, respectively, after deduction of the relevant estimated underwriting fees and other related fees and expenses payable by us (exclude those listing expenses of RMB18,251,000, of which RMB2,094,000, RMB4,459,000 and RMB11,698,000 were charged to profit or loss for the years ended 31 December 2021, 2022 and 2023, respectively) in connection with the Global Offering. The calculation of estimated net proceeds does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from HK\$ into RMB at the exchange rate of HK\$1.00 to RMB0.9115.

- (2) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 328,937,244 Offer Shares in issue immediately upon the completion of the Global Offering, assuming that the Global Offering has been completed on December 31, 2023 for the purpose of the pro forma financial information and does not take into account of any shares which may be issued upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company per Share is converted from RMB into HK\$ at the exchange rate of RMB1.00 to HK\$1.0971.
- (4) No adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to December 31, 2023.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business – Our Business Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive aggregate net proceeds of approximately HK\$56.2 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the initial public Offer Price of HK\$6.90 per Share, being the mid-point of the indicative Offer Price Range set forth on the cover page of this prospectus. If the Over-allotment Option is exercised in full, we estimate that our additional net proceeds from the offering of these additional Shares will be approximately HK\$14.6 million, after deducting the underwriting commissions and our estimated expenses, assuming an Offer Price of HK\$6.90 per Share.

We intend to use the net proceeds as follows (based on the mid-point of the Offer Price range stated in this prospectus):

<u>Allocation of the Estimated Net Proceeds</u>	<u>Proposed Main Purposes</u>
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Approximately 45.0%, or HK\$25.2 million	Enhance our R&D capabilities to ensure long-term technological advantage. We primarily rely on big data mining and analysis and techniques such as recommendation algorithms to provide services to our customers and/or users. Technological innovation is crucial to our development, and it is a prerequisite for us to maintain competitive advantage and realize continuous growth in the market. Therefore, in order to achieve technological innovation, we need to constantly improve our R&D capabilities. In particular, we intend to implement the following measures:
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- (i) Approximately 15.0%, or HK\$8.4 million, will be used in a series of R&D projects with a focus on improving our technological capability in Easou Recommendation Engine that covers data distributed storage technology, data processing and analysis technology, service availability technology. This will help us enhance the competitiveness of our existing business lines, facilitate the development and design of new products, create new profit drivers and further enhance our overall core competitiveness. The table below sets forth the relevant R&D projects, their estimated amount of net proceeds from the Global Offering to be used, and estimated commencement and completion timelines:

FUTURE PLANS AND USE OF PROCEEDS

Allocation of the Estimated Net Proceeds

Proposed Main Purposes					
No.	Project Name	Estimated Amount of Net Proceeds (HK\$ Million)	Estimated Commencement Time	Estimated Completion Time	Purpose and Feasibility
1	Deep Learning Recommendation System Construction Project	2.6	First quarter of 2025	Fourth quarter of 2027	<p>To establish a recommendation engine system based on distributed deep learning algorithms, and to improve the recommendation capability of Easou Recommendation Engine.</p> <p>Currently, our Easou Recommendation Engine is a multi-algorithm engine system that combines machine learning-based recommendation algorithms and a few aspects of the deep learning recommendation algorithms. We are committed to further improving the application of deep learning algorithm in our engine.</p>
2	High-Performance Terminal Log Real-Time Processing System	1.9	Third quarter of 2023 (in progress)	Fourth Quarter of 2026	<p>To enhance and expand the real-time recommendation capability of Easou Recommendation Engine. Currently, our engine mainly processes some of the user behavior logs in real time and provides real-time recommendation services using these behaviors. We believe the expansion of application scenarios will gradually increase the demand of our real-time processing and analysis capability.</p> <p>This project is an upgrade of our terminal log processing system to enhance real-time log collection as well as processing capability. High-performance log processing system is the foundation of a real-time recommendation engine. In order to provide such engine with higher capacity, we believe it is important to complete this project.</p>

FUTURE PLANS AND USE OF PROCEEDS

Allocation of the Estimated Net Proceeds

Proposed Main Purposes					
No.	Project Name	Estimated Amount of Net Proceeds (HK\$ Million)	Estimated Commencement Time	Estimated Completion Time	Purpose and Feasibility
3	User Analysis and Anti-Cheating System	1.9	Second quarter of 2024	Fourth quarter of 2027	To mine user preferences and analyze user behavior, and to identify abnormal users through user behavior analysis, which, we believe, could better serve the entire user community and safeguard their rights and interests. From the perspective of anti-cheating system, we will be able to protect user accounts and literary content from theft and plagiarism.
					This project is an upgrade and expansion of our existing business projects.
4	Big Data Storage and Computing Platform Upgrade	2.0	Fourth quarter of 2024	Third quarter of 2026	To upgrade the existing data storage and computing platform to satisfy the needs of big data storage and big data computing efficiency from future business expansion.

FUTURE PLANS AND USE OF PROCEEDS

**Allocation of the Estimated
Net Proceeds**

Proposed Main Purposes

- (ii) Approximately 15.0%, or HK\$8.4 million, will be used to enhance the versatility of our technology in proprietary intelligent recommendation engine to facilitate the application of our technology to additional new digital content scenarios based on new technical architecture. The table below sets forth the relevant R&D projects, their estimated amount of net proceeds from the Global Offering to be used, and estimated commencement and completion timelines:

FUTURE PLANS AND USE OF PROCEEDS

Allocation of the Estimated Net Proceeds

Proposed Main Purposes					
No.	Project Name	Estimated Amount (HK\$ Million)	Estimated Commencement Time	Estimated Completion Time	Purpose and Feasibility
1	Multi-Business Integration Vertical Intelligent Recommendation Engine System Project	2.7	Second quarter of 2024	Third quarter of 2026	To enhance the recommendation capability of Easou Recommendation Engine in various application scenarios. We need to train the algorithm models that are suitable for the business characteristics of various application scenarios and process and analyze the features for different characteristics.
2	Algorithm Model and Tuning Project	2.3	Second quarter of 2024	First quarter of 2026	To improve the tuning of our current algorithm model, and to ensure such algorithm model can effectively adapt to changes in user behavior. By completing this project, we can further optimize the algorithm for better efficiency and effectiveness.
3	Deep Interest Network Algorithm Research Project	1.7	Fourth quarter of 2024	Fourth quarter of 2027	To study the application and integration of deep interest network algorithm in Easou Recommendation Engine with our other recommendation algorithms.
4	Algorithm Concurrency Computing Tuning Project	1.7	Second Quarter of 2024	Fourth quarter of 2027	To develop our Easou Recommendation Engine on the basis of multi-algorithm recommendation matrix. This project will enable our engine to select one or more complementary algorithms and use fusion processing of algorithm results to provide users with content recommendations, according to the different characteristics of each algorithm combined with various application scenarios. This project will contribute to the improvement of the recommendation capability of our Easou Recommendation Engine.

FUTURE PLANS AND USE OF PROCEEDS

**Allocation of the Estimated
Net Proceeds**

Proposed Main Purposes

- (iii) Approximately 15.0%, or HK\$8.4 million, will be used to increase our investment in equipment to improve our hardware support capabilities, such as the hardware for distributed data storage and data processing and analysis and thereby, to enhance our computing capabilities. Therefore, we plan to use the majority of the net proceeds from the Global Offering under item (iii) to purchase new servers.

The aforementioned R&D projects require the recruitment of new research personnel and the deployment of our existing research personnel to provide technical support. We intend to increase the number of research personnel from 64 employees as of December 31, 2023 to over 70 employees by December 31, 2024, as part of our R&D efforts under items (i) and (ii) above to keep up with technological advances, and as part of our R&D support for implementing the strategies below for our four existing business lines. The research personnel we recruit will be required to have the relevant experience in the internet industry or in the development of intelligent engines. In particular, we plan to recruit research talents with (i) a bachelor degree or above in computer science or related disciplines; (ii) working experience in developing front- and back-end of softwares; and (iii) strong execution capability and communication skill. We will recruit qualified research personnel according to our budget and project needs, and offer them competitive salaries and benefit packages. We expect that the net proceeds from the Global Offering allocated to the recruitment of new research personnel and our internal funds will be able to cover their salaries and benefit packages until we complete these R&D projects as described in (i) and (ii) above.

We believe these R&D projects will substantially improve our overall R&D capability, innovation capability and business management capability, which will further contribute to the competitiveness of our existing businesses and enable us to develop and design new products and create business growth line.

FUTURE PLANS AND USE OF PROCEEDS

**Allocation of the Estimated
Net Proceeds**

Proposed Main Purposes

Approximately 25.0%, or
HK\$14.2 million

Reinforce our strength as a third-party online literature platform. Leveraging years of cultivation of the intelligent recommendation technology, we have developed our online reading platform services by applying proprietary algorithms. We plan to improve user experience, expand user base and increase the quantity of our digital content resources. In particular, we intend to implement the following measures:

- (i) Approximately 10.0%, or HK\$5.7 million, will be used to expand our user base by increasing the number of users in our online reading platform services, especially the users in the low-tier regions in China and overseas users. We plan to expand our sales and marketing team and increase the promotion of our Easou Reading App Series.

- (ii) Approximately 10.0%, or HK\$5.7 million, will be used to expand our collaboration with content providers, especially overseas content providers. We plan to expand the size of our online reading platform services team, actively seek suitable content providers, increase the number of content providers, and expand the breadth and depth of our literary content offerings, so that we can recommend more suitable literary content to our users. In particular, in order to seek more cooperation opportunities from content providers, we plan to (i) increase our procurement of literary content to enrich our content offering; (ii) conduct business visits and brand promotion activities and participate in industry meetings to enhance our brand awareness; and (iii) closely monitor the trend in the literary content market to identify new content providers. We also intend to offer more competitive cooperation conditions for content providers with high-quality literary resources, such as increasing the proportion of income generated from users to be shared with them.

FUTURE PLANS AND USE OF PROCEEDS

Allocation of the Estimated Net Proceeds

Proposed Main Purposes

- (iii) Approximately 5.0%, or HK\$2.8 million, will be used to (i) continuously optimize the application depth of our Easou Recommendation Engine in online reading platform services and expand into new scenarios for our online reading platform services to improve our ability to provide intelligent recommendation; and (ii) explore new types of online literature (e.g., literature-related digital collectibles), to enhance the core competitiveness of our online reading products. The table below sets forth the relevant projects under item (i) above, their estimated amount of net proceeds from the Global Offering to be used, and estimated commencement and completion timelines:

No.	Project Name	Estimated Amount	Estimated Commencement Time	Estimated Completion Time
		<i>(HK\$ Million)</i>		
1	Application Optimization Project	1.5	Second quarter of 2024	First quarter of 2026
2	User Center Business Upgrade Project	1.3	Second quarter of 2025	Third quarter of 2026

Approximately 15.0%, or
HK\$8.4 million

Expand our digital marketing services. We intend to expand the business scale of our digital marketing services by upgrading our proprietary intelligent advertising platform, Win Ads, increasing the number of downstream media channels, deepening cooperation with advertisers and expanding the scope of our digital marketing services. In particular, we intend to implement the following measures:

- (i) Approximately 10.0%, or HK\$5.7 million, will be used to establish cooperative relationship with new media channels and strengthen the depth of cooperation with media resources and attract more traffic. In particular, we plan to (i) procure more internet traffic to serve our advertising customers; and (ii) actively seek cooperation with new media channels by closely monitoring the development of media channels in the digital marketing industry and offering more lucrative cooperative conditions for new media channels, such as procuring more advertising space on their channels. In addition, we plan to conduct business visits and brand promotion activities and participate in industry meetings to enhance our brand image in order to attract more media channels for cooperation.

FUTURE PLANS AND USE OF PROCEEDS

Allocation of the Estimated Net Proceeds

Proposed Main Purposes

- (ii) Approximately 5.0%, or HK\$2.8 million, will be used to deepen our collaboration with advertising customers, expand our sales and marketing team in digital marketing business, explore new advertising customers and retain existing ones. In particular, we plan to develop new advertising customers by (i) expanding the cooperation with advertising customers in additional new industries; and (ii) conducting business visits and brand promotion activities and participating in industry meetings to enhance our brand image. We also intend to closely monitor the development in digital marketing industry and actively seek cooperation with advertising customers.

We plan to expand our digital marketing team by recruiting approximately 20 additional sales and marketing personnel in the next two years to (i) support the expansion of our digital marketing services; and (ii) increase the marketing efforts for our other three business lines. In particular, we plan to recruit sales and marketing personnel with (i) a degree in junior college or above; (ii) more than three years of working experience in sales and marketing in the internet industry; and (iii) strong execution capability and communication skill. We will recruit qualified sales and marketing personnel according to our budget and the needs of the specific marketing business, and offer them competitive salaries and benefit packages. We expect that the net proceeds from the Global Offering allocated to the recruitment of new sales and marketing personnel and our internal funds will be able to cover their salaries and benefit packages until 2026.

Approximately 15.0%, or
HK\$8.4 million

Expand our online games publishing services in overseas markets. We rely on Easou Recommendation Engine to connect game content provider resources and game users, and coupled with our media channels and operational experience to closely follow the development trend of the online gaming industry. In particular, we intend to expand overseas market through (i) seeking collaboration with Chinese domestic game content providers and overseas digital content providers to launch new overseas games and expanding publishing channels of overseas games; and (ii) expanding our game user base in the overseas market. We aim to expand our overseas games publishing team, purchase more suitable game content, and expand our overseas sales and marketing team while paying for the overseas promotion expenses. This will also enhance the exposure of the Easou brand and the recognition of our online games in the overseas markets.

FUTURE PLANS AND USE OF PROCEEDS

Allocation of the Estimated Net Proceeds

Proposed Main Purposes

We plan to launch approximately two to three games in the overseas markets, each year in the future. We estimate that the game content costs, marketing expenses and staff costs will constitute a majority of the estimated net proceeds to be used for this initiative. In particular, based on our experience and our estimates, the content cost of an SLG will generally range between RMB8.0 million and RMB10.0 million and the content cost of a female-oriented game will generally range between RMB3.0 million and RMB6.0 million. We expect to launch three to four SLGs and five to six female-oriented games in overseas markets in the following four years. We plan to set up target average MAU for each game that we launch and assess the marketing expenses to be incurred. Based on our experience and our estimates, the marketing expense per SLG user and female-oriented/card game user will generally range between RMB30.0 and RMB100.0 and between RMB30.0 and RMB50.0, respectively. We expect to conduct marketing activities to acquire new game users at the beginning of launching new games and gradually expand user base by other means, such as market reputation of our games and word-of-mouth referrals. Additionally, we plan to expand our sales and marketing team and overseas games publishing team, and therefore, we expect to incur additional staff costs. We expect those costs will be covered by the net proceeds of the Global Offering allocated to this item and our internal funds.

We published only a few online games during the Track Record Period mainly because we suspended our online games publishing services from June 2020 to December 2021 in light of the uncertainty in the regulatory environment of online games market in China. This led to a smaller than expected contribution of the revenue from our online games publishing services to our total revenue during the Track Record Period. However, the historical financial performance of our online games publishing services would not be indicative to illustrate the basis of our allocation of the net proceeds from the Global Offering to the online games publishing services, mainly because we expect to expand our presence in the overseas markets and publish additional new games to overseas users, which require substantial investment.

FUTURE PLANS AND USE OF PROCEEDS

The following table sets forth the estimated timeline for our use of the net proceeds from the Global Offering:

Use of Proceeds	2024	2025	2026	2027	Sub-total
	<i>(HK\$ in million)</i>	<i>(HK\$ in million)</i>	<i>(HK\$ in million)</i>	<i>(HK\$ in million)</i>	<i>(HK\$ in million)</i>
Enhancing our R&D capabilities to ensure long-term technological advantage:	11.3	6.6	5.0	2.3	25.2
– Investing in a series of R&D projects with a focus on improving our technological capability in Easou Recommendation Engine	1.1	3.1	2.9	1.3	8.4
– Enhancing the versatility of our technology in proprietary intelligent recommendation engine	1.8	3.5	2.1	1.0	8.4
– Increasing our investment in equipment to improve our hardware support capabilities	8.4	–	–	–	8.4
Reinforcing the strength as a third-party online reading platform:	3.9	5.8	4.5	–	14.2
– Expand our user base by increasing the number of users in our online reading platform services	1.7	2.3	1.7	–	5.7
– Expanding our collaboration with content providers	1.7	2.3	1.7	–	5.7
– Continuously optimizing the application depth of our Easou Recommendation Engine in online reading platform services	0.5	1.2	1.1	–	2.8
Expanding our digital marketing services:	2.8	3.4	2.2	–	8.4
– Establishing cooperative relationship with new media channels	1.7	2.3	1.6	–	5.7
– Deepening our collaboration with advertising customers	1.1	1.1	0.6	–	2.8
Relaunch our online games publishing services in overseas markets:	3.3	3.4	1.7	–	8.4
Total:	21.3	19.2	13.4	2.3	56.2

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated offer price range. To the extent our net proceeds are either more or less than expected, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

In the event the net proceeds are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, the unused net proceeds will only be held in short-term interest-bearing accounts at licensed commercial banks and/or authorized financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions). We will make an appropriate announcement if there is any material change to the above proposed use of proceeds.

FUTURE PLANS AND USE OF PROCEEDS

If the Over-allotment Option is fully exercised, we will receive additional net proceeds of approximately HK\$14.6 million for 2,220,000 Shares to be allotted and issued upon the full exercise of the Over-allotment Option based on the Offer Price of HK\$6.90 per Offer Share, being the mid-point of the Offer Price range, and after deducting the underwriting fees and commissions payable by us. The additional amount raised will be applied to the above areas of use of proceeds on pro-rata basis.

UNDERWRITING

HONG KONG UNDERWRITERS

BOCI Asia Limited

Guotai Junan Securities (Hong Kong) Limited

BOCOM International Securities Limited

China Everbright Securities (HK) Limited

Citrus Securities Limited

Guosen Securities (HK) Capital Company Limited

ICBC International Securities Limited

Livermore Holdings Limited

Shenwan Hongyuan Securities (H.K.) Limited

SPDB International Capital Limited

Tiger Brokers (HK) Global Limited

Yue Xiu Securities Company Limited

Zhongtai International Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering initially 1,480,500 Hong Kong Offer Shares (subject to reallocation) for subscription by way of Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus.

Subject to various conditions, which include, but without limitation, the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein including any additional Shares which may be made available pursuant to any exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme and certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally, but not jointly or jointly and severally to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not subsequently having been terminated.

UNDERWRITING

Grounds for Termination

The Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by notice to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

- (1) there has come to the notice of the Sole Sponsor and the Overall Coordinators or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:
 - (i) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
 - (ii) the chairman of the Board, the chief executive officer or the chief financial officer of our Company vacating his or her office; or
 - (iii) the commencement by any administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organization or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign or supranational of any investigation, claim, proceedings or other action, or announcing an intention to investigate or take such action, against any executive Director; or
 - (iv) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme) pursuant to the terms of the Global Offering; or
 - (v) any breach of, or any matter or event rendering untrue, incorrect, inaccurate or misleading in any respect, any of the representations, warranties, agreements and undertakings given by our Company, the Controlling Shareholders and Mr. Chen under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
 - (vi) any breach of any of the obligations or undertakings imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or
 - (vii) that any statement contained in any of this prospectus and/or in any notices, announcements, application proof information pack, post hearing information pack, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering or the Global Offering (including any supplement or amendment thereto) was, when it was issued, or has or may become, untrue, incorrect, inaccurate or misleading in any

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respect, or that any estimate/forecast, expression of opinion, intention or expectation contained in any of this prospectus and/or any notices, announcements, application proof information pack, post hearing information pack, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering or the Global Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

- (viii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute a misstatement in or omission from any of this prospectus, application proof information pack, post hearing information pack and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering or the Global Offering (including any supplement or amendment thereto); or
- (ix) any matter, event, act or omission which gives or is likely to give rise to any liability of our Company or the Controlling Shareholders or Mr. Chen, the executive Director out of or in connection with any breach, inaccuracy and/or incorrectness of the warranties under the Hong Kong Underwriting Agreement or the International Underwriting Agreement and/or pursuant to the indemnities given by any of the indemnifying parties pursuant to the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (x) any adverse change or development involving a prospective adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, earnings, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole and/or any member of our Group, whether or not arising in the ordinary course of business, as determined by the Overall Coordinators in their sole and absolute discretion; or
- (xi) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme) under the Global Offering is refused or not granted on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (xii) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
- (xiii) any expert named in this prospectus (other than the Sole Sponsor) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

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(xiv) a portion of the orders placed or confirmed in the book building process have been withdrawn, terminated or cancelled, and the Overall Coordinators, in their sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or

(2) there shall have developed, occurred, happened or come into effect:

(i) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in any change or development involving a prospective change or development (whether or not permanent), in any local, national, regional or international financial, economic, political, military, industrial, fiscal, legal, regulatory, currency, credit or market conditions or exchange control or any monetary or trading settlement system (including, without limitation, conditions in or affecting the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or the Renminbi is linked to any foreign currency or currencies), in or affecting Hong Kong, the PRC, Singapore, the United States, the United Kingdom, the European Union (or any member thereof), Japan, the Cayman Islands or BVI, or any other jurisdiction relevant to any member of our Group (each a “Relevant Jurisdiction”); or

(ii) the imposition or declaration of:

(a) any moratorium, suspension, restriction or limitation (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(b) any general moratorium on commercial banking activities or foreign exchange trading or securities settlement or clearance services in Hong Kong, New York, London, the PRC, the European Union (or any member thereof), Japan, the Cayman Islands, BVI or any other Relevant Jurisdiction, or any disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdiction; or

(iii) any change or development involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in or affecting any Relevant Jurisdiction; or

(iv) any litigation or claim being threatened or instigated against any Group company or the Controlling Shareholders or the executive Directors; or

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- (v) the imposition of economic, political or other sanctions or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction on the Group; or
- (vi) a contravention by any Group company of the Listing Rules or applicable laws, rules or regulations; or
- (vii) non-compliance of this prospectus (or any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or
- (viii) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Shares) pursuant to the Companies (WUMP) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (ix) any event or series of events in the nature of force majeure, including, without limitation, acts of government, declaration of a national or international emergency, calamity, crisis, labour disputes, strikes, lock-outs, riots, public disorder, fire, explosion, flooding, earthquake, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), outbreak of diseases or epidemics or pandemics including, but not limited to, COVID-19, Severe Acute Respiratory Syndrome (SARS), H1N1 and H5N1 and avian influenza and such related/mutated forms or accident or interruption or delay in transportation, economic sanction and any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis; or
- (x) any change or prospective change in, or a materialization of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (xi) order or petition for the winding up or liquidation of any Group company or any composition, compromise or arrangement made by any Group company with its creditors or a scheme of arrangement entered into by any Group company or any resolution for the winding up or liquidation of any Group company is passed or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or
- (xii) a demand by any creditor for repayment or payment of any of the Group’s indebtedness prior to its stated maturity;

which, individually or in the aggregate, in the sole and absolute opinion of the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

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- (a) has or will or may have or is likely to have a material adverse effect, or any development involving or is likely to involve a prospective material adverse effect, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial, operational or otherwise, or performance of the Group as a whole; or
- (b) has or will or may have or is likely to have adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in the Offer Shares in the secondary market; or
- (c) makes or will or may make or is likely to make it inadvisable or inexpedient or impracticable for any part of Hong Kong Underwriting Agreement, or for any part of the Hong Kong Public Offering or the Global Offering to be performed or implemented or proceed as envisaged or to market the Global Offering or to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus, the formal notice, the preliminary offering circular or the final offering circular; or
- (d) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange Pursuant to the Listing Rules

By Our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (the "First Six-Month Period") (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), or any of the circumstances prescribed by Rule 10.08 of the Listing Rules which include the grant of options and the issue of Shares pursuant to the Share Option Scheme.

By Our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange that, except pursuant to (i) the Global Offering, (ii) any transfer of Shares pursuant to any exercise of the Over-allotment Option (if applicable), or (iii) the Stock Borrowing Agreement, he/it shall not and shall procure that the relevant registered holder(s) of the Shares shall not:

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- (1) at any time during the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities of our Company in respect of which he/it is shown by this prospectus to be beneficial owner(s); or
- (2) at any time during the period of six months commencing on the date on which the First Six-Month Period expires (the “Second Six-Month Period”), dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (1) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the Listing Rules) and/or a group of controlling shareholders (as defined in the Listing Rules) of our Company (as the case may be).

Each of our Controlling Shareholders has also undertaken to the Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

- (1) when he/it pledges or charges any Shares or other securities of our Company beneficially owned by him/it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (2) when he/it receives any indications, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such Shares or securities will be disposed of, immediately inform us in writing of any such indications.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of an announcement published in accordance with Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of the Controlling Shareholders.

Undertakings to the Hong Kong Underwriters

Pursuant to the Hong Kong Underwriting Agreement, our Company and our Controlling Shareholders have undertaken as follows.

Undertakings by Our Company

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option) or the issue of options or shares under the Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date of the expiry of the First Six-Month Period, our Company

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has undertaken to each of the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor not to, and to procure each other member of the Group not to, without the prior written consent of the Sole Sponsor and the Overall Coordinators (for themselves and on behalf the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (1) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien, or other security interest or any option, restriction, right of first refusal, right of preemption, defect, or other third party claim, right, interest or preference or any other encumbrance of any kind (“Encumbrance”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, with a depository in connection with the issue of depository receipts; or
- (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable); or
- (3) enter into any transaction with the same economic effect as any transaction specified in paragraphs (1) or (2) above; or
- (4) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (1), (2) or (3) above,

in each case, whether any of the transactions specified in paragraphs (1) or (2) or (3) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the allotment and issue of such Shares or other shares or securities of our Company or such shares or other securities of such other member of the Group, as applicable, will be completed within the First Six-Month Period).

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In the event that, at any time during the Second Six-Month Period, our Company enters into any of the transactions specified in paragraphs (1), (2) or (3) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of our Company. Each of the Controlling Shareholders and Mr. Chen, an executive Director has undertaken to each of the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor to procure our Company to comply with the undertakings in this paragraph.

Undertakings by Our Controlling Shareholders

Except for any transfer of Shares pursuant to the Stock Borrowing Agreement, each of our Controlling Shareholders has undertaken to our Company, each of the Sole Sponsor, Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, without the prior written consent of the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (1) he/it will not at any time during the First Six-Month Period:
 - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable) or deposit any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, with a depository in connection with the issue of depository receipts, or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, or any interest therein in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable), or
 - (iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (1)(i) or (ii) above, or

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- (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (1)(i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraphs (1)(i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, in cash or otherwise (whether or not the allotment and issue of such Shares or such other securities of our Company or such shares or other securities of such other member of the Group, as applicable, will be completed within the First Six-Month Period);
- (2) he/it will not at any time during the Second Six-Month Period, enter into any of the transactions specified in paragraph(1)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, he/it will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company; and
- (3) until the expiry of the Second Six-Month Period, in the event that he/it enters into any of the transactions specified in paragraphs (1)(i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, he/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the securities of our Company.

Indemnity

Each of our Company, the Controlling Shareholders and Mr. Chen Jun, our executive Director agreed to jointly and severally indemnify the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

The International Offering

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the Overall Coordinators, the Joint Global Coordinators and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would severally, but not jointly or jointly and severally, agree to procure purchasers for or failing which to purchase, the International Offer Shares. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

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Over-allotment Option

Under the International Underwriting Agreement, our Company is expected to grant to the International Underwriters, exercisable by the Overall Coordinators on behalf of the International Underwriters, the Over-allotment Option, exercisable within 30 days from the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to 2,220,000 additional Shares, representing 15% of the initial size of the Global Offering, at the same price per Offer Share under the International Offering, to cover over-allocations in the International Offering, if any.

Stabilization

In connection with the Global Offering, the Stabilizing Manager, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate Shares or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. See the section headed “Structure of the Global Offering – Over-allocation and Stabilization” in this prospectus for details regarding stabilization and over-allocation.

Underwriting Commission and Expenses

The Underwriters and the Capital Market Intermediaries will receive an underwriting commission of 3.5% of the aggregate Offer Price of all the Offer Shares, including Offer Shares to be issued pursuant to the Over-allotment Option (the “Fixed Fees”). Our Company may, at our sole and absolute discretion, pay to the Capital Market Intermediaries an incentive fee up to but not exceeding 1% of the Offer Price of all the Offer Shares (including Offer Shares to be issued pursuant to the Over-allotment Option) (the “Discretionary Fees”). The ratio of Fixed Fees and Discretionary Fees (if fully paid) is therefore approximately 78:22. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters.

The aggregate commissions and fees (excluding any discretionary incentive fee), together with listing fees, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated to amount to approximately RMB41.8 million (assuming an Offer Price of HK\$6.90, being the mid-point of the indicative offer price range and assuming that the Over-allotment Option is not exercised) in total and are payable by us.

Activities by Syndicate Members

We describe below a variety of activities that each of the Underwriters of the Hong Kong Public Offering and the International Offering, together referred to as “Syndicate Members”, may individually undertake and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

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- (1) under the agreement among the Syndicate Members, all of them (except for the Stabilizing Manager or its designated affiliate as the stabilizing manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (2) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing, and other activities for their own account and for the accounts of others. In relation to the Shares, those activities could include acting as an agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by the Syndicate Members or their affiliates of any listed securities having the Shares as their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described under the section headed “Structure of the Global Offering – Over-allocation and Stabilization” in this prospectus. These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares, and the volatility of the Shares’ share price, and the extent to which this occurs from day to day cannot be estimated.

Hong Kong Underwriters’ Interests in Our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and as disclosed in this prospectus, as of the Latest Practicable Date, none of the Hong Kong Underwriters has any shareholding interests in our Company or any other member of our Group or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any other member of our Group.

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Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Buyers of Offer Shares sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the relevant laws and practice of the country of purchase in addition to the Offer Price.

The Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering consists of (subject to reallocation and the Over-allotment Option):

- (i) the Hong Kong Public Offering of 1,480,500 Shares (subject to reallocation) in Hong Kong as described below under the sub-section headed “The Hong Kong Public Offering”; and
- (ii) the International Offering of 13,322,000 Shares (subject to reallocation and the Over-allotment Option) outside the United States in reliance on Regulation S.

You may apply for the Hong Kong Offer Shares or if qualified to do so, indicate an interest in the International Offer Shares, but you may not apply in both.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as institutional and professional investors and other investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of the Hong Kong Offer Shares and the International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively, may be subject to reallocation as described below under the sub-section headed “Pricing and allocation”.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- (i) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any additional shares which may be issued pursuant to the exercise of the Over-allotment Option) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (ii) the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

STRUCTURE OF THE GLOBAL OFFERING

- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any conditions by the Overall Coordinators (acting for themselves and on behalf of other Underwriters) and such obligations not being terminated in accordance with the terms of the respective agreements,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus.

The consummation of each of the International Offering and the Hong Kong Public Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Global Offering on the website of our Company at <http://www.easou.cn> and the Stock Exchange at www.hkexnews.hk on the next day following such lapse.

In the above situation, we will return all application monies to the applicants, without interest and on the terms set out in “How to Apply for Hong Kong Offer Shares” in this prospectus. In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving banks or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

We expect to dispatch Share certificates for the Offer Shares on Thursday, June 6, 2024. However, these Share certificates will only become valid evidence of title if (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting” in this prospectus has not been exercised, which is expected to be at 8:00 a.m. (Hong Kong time) on the Listing Date.

PRICING AND ALLOCATION

Indicative range of the Offer Price

The Offer Price will not be more than HK\$8.00 per Offer Share and is expected to be not less than HK\$5.80 per Offer Share, unless otherwise announced no later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative range of the Offer Price stated in this prospectus.**

STRUCTURE OF THE GLOBAL OFFERING

Price Payable on Application

Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$8.00 for each Hong Kong Offer Share (plus brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy). If the Offer Price is less than HK\$8.00, appropriate refund payments (including brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy attributable to the surplus application monies) will be made to successful applicants. Further details are set out in the paragraph headed “How to Apply for Hong Kong Offer Shares – D. Despatch/Collection of Share Certificates and Refund of Application Monies” in this prospectus.

Determining the Offer Price

The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of the International Offer Shares they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, but to cease on or around, Tuesday, June 4, 2024 and in any event, not later than 12:00 noon on Wednesday, June 5, 2024.

The Offer Price is expected to be fixed by agreement between the Overall Coordinators (acting for themselves and on behalf of the other Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or before Wednesday, June 5, 2024.

If, for any reason, the Overall Coordinators (acting for themselves and on behalf of the other Underwriters) and our Company are unable to reach agreement on the Offer Price on or before 12:00 noon on Wednesday, June 5, 2024, the Global Offering will not proceed and will lapse.

Reduction in Offer Price range and/or number of Offer Shares

If the Overall Coordinators (acting for themselves and on behalf of the other Underwriters) consider it appropriate, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering with the consent of our Company.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at <http://www.easou.cn> an announcement of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the use of proceeds and the offering statistics as currently disclosed in the section headed “Summary” in this prospectus, and any other financial information which may change as a result of such reduction. Our Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being

STRUCTURE OF THE GLOBAL OFFERING

offered under the Global Offering and/or the Offer Price. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. The Global Offering must first be canceled and subsequently relaunched on FINI pursuant to the supplemental prospectus.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative range of the Offer Price and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Overall Coordinators (for themselves and on behalf of the Underwriters), and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Overall Coordinators (for themselves and on behalf of the Underwriters) may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering.

Allocation

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Overall Coordinators.

Allocation of the Offer Shares under the International Offering will be determined by the Overall Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the listing of the Shares on the Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of the Offer Shares under the Hong Kong Public Offering will be based solely on the level of applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Announcement of Offer Price and basis of allocations

The final Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on Thursday, June 6, 2024, on our website <http://www.easou.cn> (in English and Chinese) and on the Stock Exchange's website www.hkexnews.hk and in a variety of channels in the manner described in the paragraph headed

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“How to Apply for Hong Kong Offer Shares – B. Publication of Results” in this prospectus. You should note that our website and all information contained in our website, does not form part of this prospectus.

THE HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions set out in the Hong Kong Underwriting Agreement including those described in the paragraphs under “Conditions of the Global Offering” above) for the subscription in Hong Kong of, initially, 1,480,500 Offer Shares at the Offer Price, representing approximately 10% of the initial number of the Offer Shares (before any exercise of the Over-allotment Option). Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 0.5% of the enlarged number of our Shares in issue immediately after completion of the Global Offering but before any exercise of the Over-allotment Option.

For allocation purposes only, the total number of Offer Shares available under the Hong Kong Public Offering (after taking into account of any reallocation of Hong Kong Offer Shares and International Offer Shares) is to be divided equally into two pools (with any odd lot being allocated to pool A):

Pool A: The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregated subscription price of HK\$5 million or less (excluding brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy payable); and

Pool B: The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million and up to the value of pool B (excluding brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 740,000 Hong Kong Offer Shares, being approximately 50% of the Shares initially comprised in the Hong Kong Public Offering, are liable to be rejected.

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Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. In the event of over applications, a clawback mechanism following the closing of the application lists shall be applied on the following basis:

- (i) if the Hong Kong Public Offering is fully subscribed and the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 1,480,000 Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 2,960,500 Offer Shares, representing double the initial allocation to the Hong Kong Public Offering and the final Offer Price shall be fixed at the low end of the indicated Offer Price range stated in this prospectus (i.e. HK\$5.80 per Offer Share) according to Chapter 4.14 of the Guide for New Listing Applicants issued by the Stock Exchange;
- (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then 2,960,500 Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 4,441,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;
- (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then 4,440,500 Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 5,921,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and
- (iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then 5,921,000 Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 7,401,500 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Overall Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering. The Overall Coordinators also have the discretion to reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any International Offer Shares, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue. Our Company, our Directors and the Hong Kong Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have received Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Shares in the Hong Kong Public Offering.

The Overall Coordinators (acting for themselves and on behalf of the other Underwriters) may require any investor who has been offered Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the International Offering.

References in this prospectus to applications, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

In addition, the Overall Coordinators may, in their sole and absolute discretion, reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guide for New Listing Applicants issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 2,960,500 Offer Shares) and the final Offer Price shall be fixed at the low end of the indicated Offer Price range stated in this prospectus (i.e. HK\$5.80 per Offer Share) according to the Guide for New Listing Applicants issued by the Stock Exchange. In all cases, the number of Offer Shares allocated to the International Offering will be correspondingly reduced. The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Overall Coordinators.

THE INTERNATIONAL OFFERING

The number of the Offer Shares to be initially offered for subscription under the International Offering will be 13,322,000 Offer Shares, representing approximately 90% of the initial number of the Offer Shares (before the exercise of the Over-allotment Option). Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent approximately 4.1% of the enlarged number of our Shares in issue immediately following the completion of the Global Offering but before any exercise of the Over-allotment Option.

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Pursuant to the International Offering, the International Offer Shares will be conditionally placed on behalf of us by the International Underwriters or through selling agents appointed by them. International Offer Shares will be placed with certain professional and institutional investors and other investors anticipated to have sizeable demand for the International Offer Shares in Hong Kong, Europe and other jurisdictions outside the United States in offshore transactions meeting the requirements of, and in reliance on Regulation S or another exemption from registration requirements under the U.S. Securities Act. Prospective investors may be required to give an undertaking and confirmation that they have not applied or taken up any Hong Kong Offer Shares. The International Offering is subject to the Hong Kong Public Offering becoming unconditional.

We are expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Overall Coordinators at any time from the signing of the International Underwriting Agreement until the 30th day after the last date for the lodging of applications in the Hong Kong Public Offering, to require us to issue up to 2,220,000 additional Shares, representing approximately 15% of the initial number of the Offer Shares. These Shares will be issued at the same price per Share under the International Offering to cover, among other things, over-allocations in the International Offering, if any. An announcement will be made in the event that the Over-allotment Option is exercised.

OVER-ALLOCATION AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 2,220,000 Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering.

Stabilizing action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong and stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the SFO includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) selling or agreeing

STRUCTURE OF THE GLOBAL OFFERING

to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (i) the Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares;
- (ii) there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;
- (iii) liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the Shares;
- (iv) no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- (v) the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and
- (vi) stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the International Offering, the Stabilizing Manager or any person acting for it may choose to borrow Shares from Growth Value under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

STRUCTURE OF THE GLOBAL OFFERING

- (i) such stock borrowing arrangement with Growth Value will only be effected by the Stabilizing Manager for settlement of over-allocations in the International Offering and covering any short position prior to the exercise of the Over-allotment Option;
- (ii) the maximum number of Shares borrowed from Growth Value under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- (iii) the same number of Shares so borrowed must be returned to Growth Value or its nominees on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised or (b) the day on which the Over-allotment Option is exercised in full;
- (iv) the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- (v) no payment will be made to Growth Value by the Stabilizing Manager or its authorized agents in relation to such stock borrowing arrangement.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

All necessary arrangements have been made to enable the Shares to be admitted into the CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and the HKSCC Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, June 7, 2024, dealings in Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, June 7, 2024.

The Shares will be traded in board lots of 500 Shares each and the stock code is 2550.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at <http://www.easou.cn>.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address (for the *White Form eIPO* service only).

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or close associates; or
- are a Director or any of his/ her close associates.

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 am on Thursday, May 30, 2024 and end at 12:00 noon on Tuesday, June 4, 2024 (Hong Kong time).

HOW TO APPLY FOR HONG KONG OFFER SHARES

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
White Form eIPO service	www.eipo.com.hk	Investors who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 am on Thursday, May 30, 2024 to 11:30 a.m. on Tuesday, June 4, 2024, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Tuesday, June 4, 2024, Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction	Investors who would <u>not</u> like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **White Form eIPO** service and the HKSCC EIPO channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **White Form eIPO** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

HOW TO APPLY FOR HONG KONG OFFER SHARES

For the avoidance of doubt, giving an application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **White Form eIPO service**, you are deemed to have authorized the **White Form eIPO Service Provider** to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through HKSCC EIPO channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

3. Information Required to Apply

You must provide the following information with your application:

For Individual/Joint Applicants	For Corporate Applicants
<ul style="list-style-type: none">• Full name(s)² as shown on your identity document• Identity document's issuing country or jurisdiction• Identity document type, with order of priority:<ul style="list-style-type: none">i. HKID card; orii. National identification document; oriii. Passport; and• Identity document number	<ul style="list-style-type: none">• Full name(s)² as shown on your identity document• Identity document's issuing country or jurisdiction• Identity document type, with order of priority:<ul style="list-style-type: none">i. LEI registration document; orii. Certificate of incorporation; oriii. Business registration certificate; oriv. Other equivalent document; and• Identity document number

HOW TO APPLY FOR HONG KONG OFFER SHARES

Notes:

1. If you are applying through the **White Form eIPO** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card.
2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for Hong Kong Offer Shares. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.
3. If the applicant is a trustee, the client identification data ("CID") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.
4. The maximum number of joint account holders on FINI is capped at 4 in accordance with market practice.
5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii) the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner.
6. If you do not include this information, the application will be treated as being made for your benefit. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.
"Unlisted company" means a company with no equity securities listed on the Stock Exchange or any other stock exchange.
"Statutory control" means you:
 - control the composition of the board of directors of the company;
 - control more than half of the voting power of the company; or
 - hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through HKSCC EIPO channel, and making an application under a power of attorney, we and the Overall Coordinators, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size : 500 Hong Kong Offer Shares

Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment : Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The maximum Offer Price is HK\$8.00 per Share.

If you are applying through the HKSCC EIPO channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the Designated Bank for your broker or custodian.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Eason Technology Holdings Limited (Stock Code: 2550) (HK\$8.00 per Hong Kong Offer Share) NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS							
No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application
<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>	
500	4,040.35	7,000	56,564.75	50,000	404,034.00	300,000	2,424,204.00
1,000	8,080.68	8,000	64,645.45	60,000	484,840.80	350,000	2,828,238.00
1,500	12,121.02	9,000	72,726.12	70,000	565,647.60	400,000	3,232,272.00
2,000	16,161.35	10,000	80,806.80	80,000	646,454.40	450,000	3,636,306.00
2,500	20,201.70	15,000	121,210.20	90,000	727,261.20	500,000	4,040,340.00
3,000	24,242.05	20,000	161,613.60	100,000	808,068.00	600,000	4,848,408.00
3,500	28,282.38	25,000	202,017.00	125,000	1,010,085.00	700,000	5,656,476.00
4,000	32,322.72	30,000	242,420.40	150,000	1,212,102.00	740,000 ⁽¹⁾	5,979,703.20
4,500	36,363.05	35,000	282,823.80	175,000	1,414,119.00		
5,000	40,403.40	40,000	323,227.20	200,000	1,616,136.00		
6,000	48,484.08	45,000	363,630.60	250,000	2,020,170.00		

- (1) Maximum number of Hong Kong Offer Share you may apply for.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed “– A. Applications for Hong Kong Offer Shares – 3. Information Required to Apply” in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **White Form eIPO** service, (ii) HKSCC EIPO channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **White Form eIPO** service or HKSCC EIPO channel, you or the person(s) for whose benefit you have made the application shall not apply for any International Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **White Form eIPO** service or HKSCC EIPO channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

- (i) **undertake** to execute all relevant documents and instruct and authorize us and/or the Overall Coordinators, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the HKSCC EIPO channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC participant's stock account on your behalf;
- (ii) **confirm** that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **White Form eIPO** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;
- (iii) (if you are applying through the HKSCC EIPO channel) **agree** to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;
- (iv) **confirm** that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;
- (v) **confirm** that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;
- (vi) **agree** that the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or the Company's respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering (the "Relevant Persons"), the Hong Kong Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;
- (vii) **agree** to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the Hong Kong Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and

HOW TO APPLY FOR HONG KONG OFFER SHARES

any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed “– G. *Personal Data – 3. Purposes and 4. Transfer of personal data*” in this section;

- (viii) **agree** (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees’ application) has been accepted) that you will not rescind it because of an innocent misrepresentation;
- (ix) **agree** that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the Hong Kong Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed “– B. Publication of Results” in this section;
- (x) **confirm** that you are aware of the situations specified in the paragraph headed “– C. *Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares*” in this section;
- (xi) **agree** that your application or HKSCC Nominees’ application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (xii) **agree** to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/ or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;
- (xiii) **confirm** that (a) your application or HKSCC Nominees’ application on your behalf is not financed directly or indirectly by the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;
- (xiv) **warrant** that the information you have provided is true and accurate;
- (xv) **confirm** that you understand that we and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xvi) **agree** to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (xvii) **declare** and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit by giving electronic application instructions to HKSCC directly or indirectly or through the application channel of the Hong Kong Share Registrar or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) **warrant** that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

HOW TO APPLY FOR HONG KONG OFFER SHARES

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform	Date/ Time	
Applying through White Form eIPO service or HKSCC EIPO channel :		
Website	<p>The designated results of allocation at www.iporeresults.com.hk (alternatively: www.eipo.com.hk/eIPOAllotment) with a “search by ID” function.</p> <p>The full list of (i) wholly or partially successful applicants using the White Form eIPO service and HKSCC EIPO channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed on the “Allotment Results” page of the the White Form eIPO service at www.iporeresults.com.hk (alternatively: www.eipo.com.hk/eIPOAllotment).</p>	24 hours, from 11:00 p.m. and Thursday, June 6, 2024 to 12:00 midnight and Wednesday, June 12, 2024 (Hong Kong time)
	<p>The Stock Exchange’s website at www.hkexnews.hk and our website at http://www.easou.cn which will provide links to the abovementioned websites of the Hong Kong Share Registrar.</p>	No later than 11:00 p.m. on Thursday, June 6, 2024 (Hong Kong time).
Telephone	+852 2862 8555 – the allocation results telephone enquiry line provided by the Hong Kong Share Registrar	between 9:00 a.m. and 6:00 p.m., from Friday, June 7, 2024 to Thursday, June 13, 2024 (Hong Kong time) on a business day
For those applying through HKSCC EIPO channel, you may also check with your broker or custodian from 6:00 p.m. on Wednesday, June 5, 2024 (Hong Kong time)		

HKSCC participants can log into FINI and review the allotment result from 6:00 p.m. on Wednesday, June 5, 2024 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Allocation Announcement

We expect to announce the results of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at www.hkexnews.hk and our website at <http://www.easou.cn> by no later than 11:00 p.m. on Thursday, June 6, 2024 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Overall Coordinators, the Hong Kong Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed “– A. Applications for Hong Kong Offer Shares – 5. Multiple Applications Prohibited” in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Overall Coordinators believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted Shares:

Based on the arrangements between HKSCC participants and HKSCC, HKSCC participants will be required to hold sufficient application funds on deposit with their Designated Bank before balloting. After balloting of Hong Kong Offer Shares, the receiving bank(s) will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their Designated Bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its Designated Bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its Designated Bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the Hong Kong Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DESPATCH / COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the HKSCC EIPO channel where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Share certificates will only become valid evidence of title at 8:00 a.m. on Friday, June 7, 2024 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid evidence of title do so entirely at their own risk.

The right is reserved to retain any Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The following sets out the relevant procedures and time:

	White Form eIPO service	HKSCC EIPO channel
<p>Despatch/ collection of Share certificate (Except in the event of any Severe Weather Signals (as defined below) in force in Hong Kong on the business day before the Listing Date rendering it impossible for the relevant share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the Hong Kong Share Registrar to arrange for delivery of the supporting documents and share certificates in accordance with the contingency arrangements as agreed between them. You may refer to “– E. Severe Weather Arrangements” in this section.)</p>		
<p>For physical share certificates of 500,000 or more Offer Shares issued under your own name</p>	<p>Collection in person at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong</p> <p>Time: 9: 00 a.m. to 1: 00 p.m. on Friday, June 7, 2024 (Hong Kong time)</p> <p>If you are an individual, you must not authorize any other person to collect for you. If you are a corporate applicant, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop.</p> <p>Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.</p> <p>Note: If you do not collect your Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk</p>	<p>Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant’s stock account.</p> <p>No action by you is required.</p>
<p>For physical share certificates of less than 500,000 Offer Shares issued under your own name</p>	<p>Your Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk</p> <p>Time: Thursday, June 6, 2024</p>	

HOW TO APPLY FOR HONG KONG OFFER SHARES

	White Form eIPO service	HKSCC EIPO channel
Refund mechanism for surplus application monies paid by you		
Date	Friday, June 7, 2024	Subject to the arrangement between you and your broker or custodian
Responsible party	Hong Kong Share Registrar	Your broker or custodian
Application monies paid through single bank account	White Form e-Refund payment instructions to your designated bank account	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it
Application monies paid through multiple bank accounts	Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk	

E. SEVERE WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Tuesday, June 4, 2024 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- an Extreme Conditions, (collectively, “Severe Weather Signals”),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, June 4, 2024.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have Severe Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made and published on the Stock Exchange’s website at www.hkexnews.hk and our website at <http://www.easou.cn> of the revised timetable.

If a Severe Weather Signal is hoisted on Thursday, June 6, 2024, the Hong Kong Share Registrar will make appropriate arrangements for the delivery of the share certificates to the CCASS Depository’s service counter so that they would be available for trading on Friday, June 7, 2024.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If a Severe Weather Signal is hoisted on Friday, June 7, 2024:

- for physical Share certificates of 500,000 or more Offer Shares issued under your own name, you may pick them up from the Hong Kong Share Registrar's office after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Friday, June 7, 2024 or on Tuesday, June 11, 2024).

If a Severe Weather Signal is hoisted on Thursday, June 6, 2024:

- for physical Share certificates of less than 500,000 Offer Shares issued under your own name, despatch will be made by ordinary post when the post office re-opens after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Thursday, June 6, 2024 or on Friday, June 7, 2024).

Prospective investors should be aware that if they choose to receive physical share certificates issued in their own name, there may be a delay in receiving the share certificates.

F. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to the Company or its agents and the Hong Kong Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of the Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and White Form e-Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of the Company;
- verifying identities of applicants for and holders of the Shares and identifying any duplicate applications for the Shares;
- facilitating Hong Kong Offer Shares balloting;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements;
- and any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge their obligations to applicants and holders of the Shares and/or regulators and/or any other purposes to which applicants and holders of the Shares may from time to time agree.

4. Transfer of personal data

Personal data held by the Company and the Hong Kong Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but the Company and the Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bank(s) and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the Hong Kong Share Registrar for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- and any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. Retention of personal data

The Company and the Hong Kong Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether the Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the Hong Kong Share Registrar, at their registered address disclosed in the section headed “Corporate Information” in this prospectus or as notified from time to time, for the attention of the company secretary, or the Hong Kong Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong. As described in Appendix V headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" to this document, a copy of the accountants' report is available for inspection.



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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF EASOU TECHNOLOGY HOLDINGS LIMITED AND BOCI ASIA LIMITED

Introduction

We report on the historical financial information of Easou Technology Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-3 to I-72, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2021, 2022 and 2023 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Group as at 31 December 2021, 2022 and 2023, and the statements of financial position of the Company as at 31 December 2022 and 2023, and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-3 to I-72 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 May 2024 (the "**Prospectus**") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants report, a true and fair view of the financial position of the Group as at 31 December 2021, 2022 and 2023 and the Company as at 31 December 2022 and 2023 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Certified Public Accountants
Hong Kong
30 May 2024

I HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards of Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	5	433,108	456,411	559,045
Cost of sales		(224,416)	(217,741)	(299,317)
Gross profits		208,692	238,670	259,728
Other income and gains	5	11,531	6,528	3,157
Selling and distribution expenses		(99,270)	(133,612)	(153,660)
Administrative expenses		(18,642)	(19,774)	(25,566)
Research and development expenses		(50,951)	(38,738)	(37,615)
Fair value losses on financial assets at fair value through profit or loss		–	(5,897)	(10,925)
Other expenses		(580)	(301)	(592)
Finance costs	7	(305)	(2,131)	(8,442)
PROFIT BEFORE TAX	6	50,475	44,745	26,085
Income tax expenses	10	(464)	(297)	(1,074)
PROFIT FOR THE YEAR		<u>50,011</u>	<u>44,448</u>	<u>25,011</u>
OTHER COMPREHENSIVE LOSS				
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of the Company's financial statements		–	–	(4,799)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>50,011</u>	<u>44,448</u>	<u>20,212</u>
Attributable to:				
Owners of the parent		49,983	44,388	20,172
Non-controlling interests		28	60	40
		<u>50,011</u>	<u>44,448</u>	<u>20,212</u>
EARNINGS PER SHARE				
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted	12	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31	As at 31	As at 31
		December 2021	December 2022	December 2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	13	19,675	14,188	19,053
Right-of-use assets	14(a)	255	105	228
Goodwill	15	32,273	32,273	32,273
Other intangible assets	16	35,484	32,182	50,802
Prepayments and deposits	18	720	705	688
Deferred tax assets	25	3,210	2,968	2,444
Total non-current assets		<u>91,617</u>	<u>82,421</u>	<u>105,488</u>
CURRENT ASSETS				
Trade receivables	17	86,327	127,027	161,501
Prepayments, deposits and other receivables	18	8,106	23,474	76,048
Financial assets at fair value through profit or loss	19	–	5,294	73,282
Tax recoverable		1,372	1,377	31
Restricted cash	20	2,565	2,565	–
Cash and cash equivalents	20	214,960	152,155	89,081
Total current assets		<u>313,330</u>	<u>311,892</u>	<u>399,943</u>
CURRENT LIABILITIES				
Trade payables	21	12,002	8,028	11,781
Other payables and accruals	22	17,905	19,555	11,070
Contract liabilities	23	18,286	15,428	13,814
Interest-bearing bank and other borrowings	24	–	89,700	84,900
Lease liabilities	14(b)	175	117	101
Tax payable		184	148	64
Total current liabilities		<u>48,552</u>	<u>132,976</u>	<u>121,730</u>
NET CURRENT ASSETS		<u>264,778</u>	<u>178,916</u>	<u>278,213</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>356,395</u>	<u>261,337</u>	<u>383,701</u>

		As at 31 December 2021	As at 31 December 2022	As at 31 December 2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES				
Other payables and accruals	22	722	228	228
Contract liabilities	23	5,368	4,426	3,897
Lease liabilities	14(b)	133	14	142
Deferred tax liabilities	25	257	–	100
Total non-current liabilities		<u>6,480</u>	<u>4,668</u>	<u>4,367</u>
Net assets		<u>349,915</u>	<u>256,669</u>	<u>379,334</u>
EQUITY				
Equity attributable to owners of the parent				
Ordinary share capital	26	–	8	10
Preferred share capital	26	–	–	11
Other reserves	27	349,387	256,073	378,685
		<u>349,387</u>	<u>256,081</u>	<u>378,706</u>
Non-controlling interest		528	588	628
Total equity		<u>349,915</u>	<u>256,669</u>	<u>379,334</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent										
	Ordinary share capital	Preferred share capital	Share premium	Merger reserve	Capital reserve	Exchange fluctuation reserve	Statutory surplus reserve	Retained profits	Total	Non- controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000 (note 27(a))	RMB'000 (note 27(b))	RMB'000	RMB'000 (note 27(c))	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	-	-	-	80,000	3,899	-	14,744	200,761	299,404	-	299,404
Profit and total comprehensive income for the year	-	-	-	-	-	-	-	49,983	49,983	28	50,011
Transfer from retained profits.	-	-	-	-	-	-	4,998	(4,998)	-	-	-
Contributions from non-controlling interests .	-	-	-	-	-	-	-	-	-	500	500
At 31 December 2021 and 1 January 2022	-	-	-*	80,000*	3,899*	-*	19,742*	245,746*	349,387	528	349,915
Profit and total comprehensive income for the year	-	-	-	-	-	-	-	44,388	44,388	60	44,448
Transfer from retained profits.	-	-	-	-	-	-	1,871	(1,871)	-	-	-
Issue of shares (note 26) . . .	8	-	-	-	-	-	-	-	8	-	8
Deemed distribution to the then equity owners of the Group (note 27(a)(ii)) . . .	-	-	-	(137,702)	-	-	-	-	(137,702)	-	(137,702)
At 31 December 2022	8	-	-	(57,702)*	3,899*	-*	21,613*	288,263*	256,081	588	256,669
At 1 January 2023	8	-	-*	(57,702)*	3,899*	-	21,613*	288,263*	256,081	588	256,669
Profit for the year	-	-	-	-	-	-	-	24,971	24,971	40	25,011
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of the Company's financial statements	-	-	-	-	-	(4,799)	-	-	(4,799)	-	(4,799)
Total comprehensive income for the year	-	-	-	-	-	(4,799)	-	24,971	20,172	40	20,212
Transfer from retained profits.	-	-	-	-	-	-	414	(414)	-	-	-
Deemed distribution to the then equity owners (note 27(a)(ii))	-	-	-	(468,183)	-	-	-	-	(468,183)	-	(468,183)
Issue of ordinary shares (note 26)	2	-	11,154	-	-	-	-	-	11,156	-	11,156
Capital contribution from holders of preferred shares (note 26)	-	11	559,469	-	-	-	-	-	559,480	-	559,480
At 31 December 2023	10	11	570,623*	(525,885)*	3,899*	(4,799)*	22,027*	312,820*	378,706	628	379,334

* These reserve amounts comprise the consolidated reserves of RMB349,387,000, RMB256,073,000 and RMB378,685,000 in the consolidated statements of financial position as at 31 December 2021, 2022 and 2023, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax		50,475	44,745	26,085
Adjustments for:				
Finance costs	7	305	2,131	8,442
Interest income	5	(4,463)	(2,360)	(867)
Loss on disposal of items of property, plant and equipment	6	580	278	547
Depreciation of property, plant and equipment	6	7,420	5,286	6,311
Depreciation of right-of-use assets	6	731	150	154
Amortisation of other intangible assets	6	13,696	15,090	17,873
Impairment of trade receivables	6	852	2,020	379
Remeasurement arising from rent concession	14(c)	(297)	–	–
Fair value losses on financial asset at fair value through profit or loss	6	–	5,897	10,925
		69,299	73,237	69,849
Increase in trade receivables		(27,644)	(42,720)	(34,853)
Decrease/(increase) in prepayment, other receivables and deposits		17,208	(15,345)	(52,557)
Increase/(decrease) in trade payables		4,104	(3,974)	3,753
Decrease in contract liabilities		(13,844)	(3,800)	(2,143)
Increase/(decrease) in other payables and accruals		3,853	1,156	(8,485)
Decrease in restricted cash		–	–	2,565
Cash generated from/(used in) operations		52,976	8,554	(21,871)
Interest paid		(305)	(2,131)	(8,442)
PRC corporate income tax refunded		–	–	1,396
PRC corporate income tax paid		(1,719)	(353)	(584)
Net cash flow from/(used in) operating activities		50,952	6,070	(29,501)

		Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CASH FLOW FROM INVESTING ACTIVITIES				
Interest received		4,463	2,360	867
Purchases of items of property, plant and equipment	<i>13</i>	(5,213)	(77)	(11,723)
Purchase of intangible assets	<i>16</i>	(21,680)	(11,788)	(36,493)
Purchase of financial asset at fair value through profit or loss		–	(88,000)	(79,695)
Proceeds from disposal of financial asset at fair value through profit or loss		–	76,809	–
Net cash flow used in investing activities . .		<u>(22,430)</u>	<u>(20,696)</u>	<u>(127,044)</u>

APPENDIX I
ACCOUNTANTS' REPORT

	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2023
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CASH FLOW FROM FINANCING ACTIVITIES			
New bank borrowings	–	112,100	142,900
Repayment of bank borrowings	(20,000)	(22,400)	(147,700)
Principal portion of lease payments 28(a)	(765)	(177)	(165)
Contributions from non-controlling interests	500	–	–
Proceeds from issue of ordinary shares	–	–	11,156
Contribution from holders of preferred shares	–	–	559,480
Deemed distributions to the then equity owners of the Group	–	(137,702)	(468,183)
	<u>–</u>	<u>(137,702)</u>	<u>(468,183)</u>
Net cash flow from/(used in) financing activities	<u>(20,265)</u>	<u>(48,179)</u>	<u>97,488</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
	8,257	(62,805)	(59,057)
Cash and cash equivalents at the beginning of year	206,703	214,960	152,155
Effect of foreign exchange rate changes, net	–	–	(4,017)
	<u>–</u>	<u>–</u>	<u>(4,017)</u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	<u>214,960</u>	<u>152,155</u>	<u>89,081</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	112,960	152,155	89,081
Non-pledged time deposits with original maturity of less than three months when acquired	102,000	–	–
	<u>102,000</u>	<u>–</u>	<u>–</u>
Cash and cash equivalents as stated in the consolidated statements of financial position and consolidated statements of cash flows	<u>214,960</u>	<u>152,155</u>	<u>89,081</u>

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December 2022	As at 31 December 2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSET			
Investment in a subsidiary	<i>1</i>	—*	490,728
CURRENT ASSET			
Cash and cash equivalents	<i>20</i>	—	42,122
Financial asset at fair value through profit or loss	<i>19</i>	—	62,578
Due from a subsidiary**		—	4
Due from shareholders		8	8
		<u>8</u>	<u>104,712</u>
CURRENT LIABILITY			
Due to a subsidiary		—*	(45,463)
NET CURRENT ASSETS		<u>8</u>	<u>59,249</u>
NET ASSETS		<u><u>8</u></u>	<u><u>549,977</u></u>
EQUITY			
Ordinary share capital		8	10
Preferred share capital		—	11
Other reserves	<i>27(d)</i>	—	549,956
		<u>8</u>	<u>549,977</u>

* These items were with an amount less than a thousand.

** The balance was unsecured, interest-free and repayable on demand.

No statement of financial position as at 31 December 2021 is presented as the Company has not been incorporated at that time.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Easou Technology Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 9 February 2022 as an exempted company with limited liability under the Cayman Companies Act. The Company’s registered office is at Suite 102, Cannon Place, P.O. Box 712, North Sound Road, George Town Grand Cayman, KY1-9006, Cayman Islands. The principal place of business of the Company is located at Room 403, Building 5C, Software Industry Base, Keyuan Road, Nanshan District, Shenzhen, the People’s Republic of China (the “**PRC**”).

The Company is an investment holding company. During the Relevant Periods, the Group was involved in online literature recommendation services, digital marketing services, online games publishing services and other digital content services in the PRC. There has been no significant change in the Group’s principal activities during the Relevant Periods.

The Group underwent a reorganisation (the “**Reorganisation**”) as set out in the paragraph headed “Reorganization” in the section headed “History, Reorganization and Corporate Structure” in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Easou Technology Limited (<i>note (a)</i>)	British Virgin Islands (“BVI”) 14 February 2022	US\$1	100	–	Investment holding
Easou Technology (HK) Limited (<i>note (c)</i>)	Hong Kong 11 March 2022	HK\$1	–	100	Investment holding, online games publishing services
Easou Holdings (Hainan) Co., Ltd. (the “WFOE”) 宜搜控股(海南)有限公司 (<i>notes (a, b, d)</i>)	PRC/Chinese Mainland 16 May 2022	USD95,000,000	–	100	Investment holding
Shenzhen Easou Technology Co., Ltd. (“Easou Shenzhen”) 深圳宜搜天下科技股份有限公司 (<i>notes (a, d, e)</i>)	PRC/Chinese Mainland 27 April 2005	RMB80,000,000	–	100	Digital marketing services, online literature recommendation services, online games publishing services, other digital content services

APPENDIX I
ACCOUNTANTS' REPORT

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangzhou Ledian Information Technology Co., Ltd. 廣州樂點信息科技有限公司 (notes (a, e))	PRC/Chinese Mainland 24 February 2011	RMB5,000,000	–	100	Digital marketing services
Guangzhou Tianshitong Computer Technology Co., Ltd. 廣州天時通計算機網絡科技有限公司 (notes (a, e))	PRC/Chinese Mainland 21 December 2004	RMB10,000,000	–	100	Digital marketing services, other digital content services, online games publishing services
Shanghai Yinggao Information Technology Co., Ltd. 上海贏告信息科技有限公司 (notes (a, e))	PRC/Chinese Mainland 02 April 2014	RMB1,000,000	–	100	Online literature recommendation services
Shenzhen New Drive Technology Co., Ltd. 深圳市新動力科技有限公司 (notes (a, e))	PRC/Chinese Mainland 22 June 2001	RMB10,100,000	–	100	Digital marketing services, other digital content services
Shenzhen Dahuatong Information Technology Co., Ltd. 深圳市達華通信息技術有限公司 (notes (a, e))	PRC/Chinese Mainland 18 December 2000	RMB10,000,000	–	100	Online literature recommendation services, online games publishing services, other digital content services
Beijing Easou Tianxia Technology Co., Ltd. 北京宜搜天下科技有限公司 (notes (a, e))	PRC/Chinese Mainland 08 July 2011	RMB10,000,000	–	100	Digital marketing services
Shenzhen Chuangtu Technology Co., Ltd. 深圳市創圖科技有限公司 (notes (a, e))	PRC/Chinese Mainland 07 April 2005	RMB10,000,000	–	100	Other digital content services
Beijing Yike Culture Co., Ltd. 北京宜科文化有限責任公司 (notes (a, e))	PRC/Chinese Mainland 17 July 2020	RMB10,000,000	–	95	Online literature recommendation services
Shenzhen Eayou Network Technology Co., Ltd. 深圳市宜遊網絡技術有限公司 (notes (a, e))	PRC/Chinese Mainland 11 August 2006	RMB10,000,000	–	100	Online games publishing services
Shenzhen Taite Technology Co., Ltd. 深圳市泰特科技有限公司 (notes (a, e))	PRC/Chinese Mainland 17 May 2004	RMB10,000,000	–	100	Digital marketing services, other digital content service, online games publishing services

Notes:

- (a) No statutory financial statements have been prepared for these entities for the Relevant Periods (or since the date of incorporation/registration, where later than the beginning of the Relevant Periods), as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation/registration.
- (b) Easou Holdings (Hainan) Co., Ltd. is registered as a wholly-foreign-owned enterprise under PRC law. No audited financial statements have been prepared for this entity since its incorporation.
- (c) The statutory financial statement of Easou Technology (HK) Limited for the period from date of incorporation to 31 December 2022 prepared under Hong Kong Financial Reporting Standards for Private Entities was audited by Chan Kin Cheong, a certified public accountant registered in Hong Kong.
- (d) The English names of these companies in the PRC represent the best effort made by the management of the Company to directly translate the Chinese names as they did not register any official English names.

Company

The carrying amounts of the Company's investment in a subsidiary:

	<u>As at 31 December 2022</u>	<u>As at 31 December 2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Investment in a subsidiary, at cost	—	490,728

2. ACCOUNTING POLICIES**2.1 BASIS OF PRESENTATION**

Pursuant to the Reorganisation, as more fully explained in the paragraph headed “Reorganization” in the section headed “History, Reorganization and Corporate Structure” in the Prospectus, the Company became the holding company of the companies now comprising the Group on 31 December 2022. The Reorganisation mainly involved (i) acquisition of equity interests in Easou Shenzhen from the then certain shareholders of Easou Shenzhen (collectively, the “Relevant Shareholders”) by Mr. Zhao Lei and Shenzhen Yijuhui Technology Co., Ltd. (深圳宜聚匯科技有限責任公司) (“Wang SPV”), a limited liability company wholly-owned by Mr. Wang Xi; (ii) the entering into Contractual Arrangements as detailed below; and (iii) the establishment of WFOE and the incorporation/establishment of the Company and other investment holding companies and, inserting of the Company at the top of the Group. The Reorganisation has not resulted in any changes of economic substances of the businesses of the Group before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information for the Relevant Periods has been presented as a continuation of Easou Shenzhen and its subsidiaries by applying the pooling of interests method as if the Reorganisation had been completed at the beginning of the Relevant Periods.

Equity interests in subsidiaries and/or business held by parties other than the Relevant Shareholders, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the pooling of interests method.

The prevailing PRC laws and regulations restrict foreign ownership of companies that involve internet cultural activities, value-added telecommunication services and internet publishing business, which include activities and businesses operated by the Group.

In order to continue to conduct the online literature recommendation services, digital marketing services, online games publishing services and other digital content services in the PRC, while asserting control over the operations, and enjoying the economic benefits of Easou Shenzhen and its subsidiaries (collectively, the “**PRC Operating Entities**”), WFOE entered into a series of contractual arrangements (the “**Contractual Arrangements**”) with Easou Shenzhen and the registered shareholders of Easou Shenzhen on 31 December 2022, which comprise Mr. Wang Xi, Wang SPV, Mr. Zhao Lei, Mr. Chen Jun and Mr. Lu Jin. The Contractual Arrangements enable WFOE to exercise effective control over the PRC Operating Entities and, accordingly, WFOE has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities. Accordingly, the Company regards the PRC Operating Entities as indirect subsidiaries for the purpose of the Historical Financial Information and the historical financial information of the PRC Operating Entities are consolidated in the Historical Financial Information for the Relevant Periods. Details of the Contractual Arrangements are disclosed in the section headed “Contractual Arrangements” in the Prospectus.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2023, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for the financial asset at fair value through profit or loss which has been measured at fair value.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ¹
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i> ^{1, 4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i> ^{1,4}
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i> ¹
Amendments to HKAS 21	<i>Lack of Exchangeability</i> ²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same Relevant Periods as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The results of a subsidiary are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investment in a subsidiary is stated at cost less any impairment losses.

Business combinations other than common control combination

Business combinations other than acquisitions of subsidiaries under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its unlisted fund investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for a non-financial asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any

depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful life are as follows:

Computer equipment	3 to 5 years
Electronic devices	5 years
Motor vehicles	5 years
Office equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 5 years.

Copyright is stated at cost less any impairment loss and is amortised over the contractual live which around 2 to 6 years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises 3 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to several its short-term leases of office (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Financial assets*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes unlisted fund investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

- | | | |
|---------|---|--|
| Stage 1 | – | Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs |
| Stage 2 | – | Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs |
| Stage 3 | – | Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs |

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as trade and other payables, and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amount due to directors and related parties and interest-bearing bank borrowings.

Subsequent measurement

After initial recognition, trade and other payables, and interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between

the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Reading with advertising

The Group distributes the advertisements of its customers (advertisers) on its own reading platforms. Revenue is recognised at a point in time when the related services are delivered based on specific actions (i.e., cost per action) agreed on the contracts with customers. The Group acts as the principal as it is the primary obligor and is responsible for (i) identifying and contracting with third-party advertisers which the Group views as customers; (ii) establishing the selling prices of the specified action pricing model; (iii) performing all billing and collection activities, including retaining credit risk; and (iv) bearing the sole responsibility for fulfilment of the advertising. The Group acts as the principal of these arrangements and therefore has recognised revenue earned and costs incurred related to these transactions on a gross basis.

Reading with paid services

The Group generates revenue from providing online literature content to the users primarily through its self-developed mobile application or web-based platform. The Group does not develop literature contents. The Group either purchase the content rights from content providers in a lump sum, after which the Group would be responsible for all profits generated and losses incurred from such content, or the Group charge users directly for their access to the online literature from the original content providers and share a portion of the income with such original content providers. The Group offers (i) online literature purchased by chapter (excluding the membership); and (ii) premium membership services that provide members with book discounts and other exclusive member services. With respect to the online literature that are purchased by chapter, the proceeds from the users are initially recorded in contract liabilities and are recognised as revenue at point in time of purchase by the users as the Group does not have further obligation after providing the content to user upon purchase and all other criteria for revenue recognition is met. With respect to the premium membership, revenue is recognised over membership subscription period on a straight-line basis.

Online games publishing services

The Group engages in the provision of online games publishing services through its own web-based platforms and third party web-based platforms. The Group entered exclusive game licensing agreements and non-exclusive game licensing agreements with the game content providers.

Games are operated under a free-to-play basis whereby game players can play the games free of charge and are charged for purchase of a virtual currency that can exchange for virtual items in the games.

For joint operation model, the game content providers take primary responsibilities for game operation, providing game update packages and customer services, while the Group provides platform use rights, advertising space, payment systems and other platform services. When game players make payments in the game through its own web-based platforms and third party web-based platforms, revenue is recognised at a point in time when the Group is entitled to a prescribed fixed percentages of the gross proceeds collected from the game players as channel service fee, and remit the remaining amounts to the game content providers. The Group recognises the amount collected, net of amount paid to game content providers, as the revenue on a net basis.

For exclusive agency model, the Group distributes its games through its own web-based platforms and third party web-based platforms and takes the primary responsibilities for game operation, providing customer services and controlling games and services. When the game players make payments in the game through its own web-based platforms and third party web-based platforms, the Group obtained the information about game players payment record and in-game data. The proceeds from the game players are initially recorded in contract liabilities and are recognised as revenue at point in time when game players purchased in-game virtual items. The Group considered itself as a principal under the exclusive agency model and records the revenue under exclusive agency model on a gross basis.

Other digital content services

The Group distributes digital content, such as music, through cooperation with telecommunications operators. The consumers purchase digital content through mobile operators. The revenue from other digital content is recognised at the time of purchase.

Digital marketing services

The Group distributes the advertisements of its customers (advertisers) on downstream media channels. Revenue is recognised at a point in time when the related services are delivered based on specific actions (i.e., cost per action) as agreed in the contracts with customers. The Group acts as the principal as it is the primary obligator and is responsible for (i) identifying and contracting with third-party advertisers which the Group views as customers; (ii) identifying other platforms to provide online spaces where the Group views the other platforms as suppliers; (iii) establishing the selling prices of the specified action pricing model; (iv) performing all billing and collection activities, including retaining credit risk; and (v) bearing the sole responsibility for fulfilment of the advertising. The Group acts as the principal of these arrangements and therefore, has recognised revenue earned and costs incurred related to these transactions on a gross basis.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Other employee benefits*Pension scheme*

The employees of the Group's subsidiaries which operate in China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

The Historical Financial Information is presented in RMB, which is different from the Company's functional currency, United States Dollars ("USD"). As the major revenues and assets of the Group are derived from operations in Chinese Mainland, RMB is chosen as the presentation currency to present the Historical Financial Information. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain group companies are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information.

Contractual arrangements

The PRC Operating Entities are engaged in the online literature recommendation services and other digital content services in the PRC, which falls in the scope of internet cultural business that foreign investors are prohibited to invest.

As disclosed in note 2.1 to the Historical Financial Information, the Group exercises control over the PRC Operating Entities and enjoys all economic benefits of the PRC Operating Entities through the Contractual Arrangements.

The Group considers that it controls the PRC Operating Entities, notwithstanding the fact that it does not hold direct equity interest in the PRC Operating Entities, as it has power over the financial and operating policies of the PRC Operating Entities and receives

substantially all the economic benefits from the business activities of the PRC Operating Entities through the Contractual Arrangements. Accordingly, the PRC Operating Entities have been accounted as subsidiaries during the Relevant Periods.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2021, 2022 and 2023 were RMB32,273,000. Further details are given in note 15 to the Historical Financial Information.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the advertising sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 17 to the Historical Financial Information.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets at 31 December 2021, 2022 and 2023 was RMB3,210,000, RMB2,968,000 and RMB2,444,000, respectively. The amount of unrecognised tax losses at 31 December 2021, 2022 and 2023 was RMB12,384,000, RMB4,998,000 and RMB5,347,000, respectively. Further details are contained in note 25 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in online literature recommendation services, digital marketing services, online games publishing services and other digital content services in China. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information*(a) Revenue from external customers*

All significant external customers of the Group are located in China. Accordingly, no geographical information of revenue from external customers is presented.

(b) Non-current assets

All significant non-current assets of the Group are located in China. Accordingly, no geographical information of non-current assets is presented.

Information about a major customer

During the years ended 31 December 2021, 2022 and 2023, no revenue from a single external customer contributed 10% or more of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers	433,108	456,411	559,045

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Types of goods or services			
Reading with advertising	185,959	220,007	229,416
Reading with paid services	32,173	24,703	19,513
Digital marketing services	201,607	200,721	288,836
Online games publishing services	4,330	4,944	10,553
Other digital content services.	9,039	6,036	10,727
Total	433,108	456,411	559,045
Timing of revenue recognition			
Point in time	417,594	447,536	553,853
Over time	15,514	8,875	5,192
Total	433,108	456,411	559,045

The following table shows the amounts of revenue recognised in the current reporting periods that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Reading with advertising	11,106	6,510	2,621
Reading with paid services	8,930	9,382	7,555
Online games publishing services	3,643	–	1,030
Total	<u>23,679</u>	<u>15,892</u>	<u>11,206</u>

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Reading with advertising/digital marketing services

The performance obligation is satisfied when the services are delivered based on specific actions. Payment is generally due within 30 days when the services are delivered.

Reading with paid services

The performance obligation is satisfied (i) upon the online literature chapters were purchased; or (ii) over time as the premium membership services are rendered. Payment in advance is normally required.

Online games publishing services

For exclusive agency model, the performance obligation is satisfied upon the purchase of in-game virtual items. Payment in advance is normally required.

For joint operation model, the performance obligation is satisfied upon payment received from game players.

Other digital content services

The performance obligation is satisfied when the digital content is distributed to the customer. Payment is generally due within 30 days after the digital content is distributed.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each of the Relevant Periods are as follows:

	Year ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amount expected to be recognised as revenue:			
Within one year	18,286	15,428	13,814
After one year	5,368	4,426	3,897
Total	<u>23,654</u>	<u>19,854</u>	<u>17,711</u>

An analysis of the Group's other income and gains is as follows:

	Year ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other income and gains			
Government subsidies*	5,231	1,381	527
Interest income	4,463	2,360	867
Others	1,837	2,787	1,763
Total	<u>11,531</u>	<u>6,528</u>	<u>3,157</u>

* Various government grants have been received by certain subsidiaries as these subsidiaries were qualified as High and New Technology Enterprises in the Chinese Mainland. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	Year ended 31 December		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
Cost of sales		224,416	217,741	299,317
Depreciation of property, plant and equipment	13	7,420	5,286	6,311
Depreciation of right-of-use assets	14(a)	731	150	154
Amortisation of other intangible assets	16	13,696	15,090	17,873
Lease payments not included in the measurement of lease liabilities	14(c)	3,538	2,462	2,792
Listing expenses		2,094	4,459	11,698
Employee benefit expense (including directors' remuneration (note 8)):				
Wages and salaries		50,229	36,700	33,934
Pension scheme contributions		11,963	10,792	8,958
Total		62,192	47,492	42,892
Fair value losses on financial assets at fair value through profit or loss*		–	5,897	10,925
Impairment of trade receivables	17	852	2,020	379
Loss on disposal of items of property, plant and equipment*		580	278	547

* Included in "Other expenses" in the consolidated statements of profit or loss and other comprehensive income.

7. FINANCE COSTS

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Interest on bank and other borrowings	274	2,117	8,430
Interest on lease liabilities	31	14	12
Total	305	2,131	8,442

8. DIRECTORS' REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors before 9 February 2022, the date of incorporation of the Company.

Mr. Wang Xi was appointed as executive director of the Company on 9 February 2022. Mr. Chen Jun and Mr. Zhao Lei were appointed as executive directors on 2 December 2022. Mr. Luan Ling, Mr. Zhuge Qingchen and Mr. Gan Minggao were appointed as non-executive directors on 2 December 2022. Mr. Zhu Jianfeng, Mr. An Yingchuan and Ms. Meng Xue were appointed as independent non-executive directors on 17 May 2024.

Certain of the directors received remuneration from the subsidiaries now comprising the Group of for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fees	–	–	–
Other emoluments			
Salaries, allowances and benefits in kind	1,222	1,169	1,181
Pension scheme contributions	245	264	277
Subtotal	<u>1,467</u>	<u>1,433</u>	<u>1,458</u>
Total fees and other emoluments	<u><u>1,467</u></u>	<u><u>1,433</u></u>	<u><u>1,458</u></u>

(a) Non-executive director

Mr. Luan Ling, Mr. Zhuge Qingchen and Mr. Gan Minggao were appointed as non-executive directors on 2 December 2022. There were no fees and other emoluments payable to the non-executive directors during the Relevant Periods.

(b) Independent non-executive directors

Mr. Zhu Jianfeng, Mr. An Yingchuan and Ms. Meng Xue were appointed as independent non-executive directors on 17 May 2024. There were no fees and other emoluments payable to the independent non-executive directors during the year ended 31 December 2022 and 2023.

Year ended 31 December 2021			
Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Zhu Jianfeng	–	–	–
Mr. An Yingchuan	–	30	30
Ms. Meng Xue	–	–	–
Total	–	30	30

(c) Executive directors

Mr. Wang Xi was appointed as executive director of the Company on 9 February 2022. Mr. Chen Jun and Mr. Zhao Lei were appointed as executive directors on 2 December 2022.

Year ended 31 December 2021			
Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Wang Xi	–	367	379
Mr. Zhao Lei	–	428	558
Mr. Chen Jun	–	427	530
Total	–	1,222	1,467

Year ended 31 December 2022			
Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Wang Xi	–	369	382
Mr. Zhao Lei	–	396	535
Mr. Chen Jun	–	404	516
Total	–	1,169	1,433

	Year ended 31 December 2023			
	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Wang Xi	–	369	13	382
Mr. Zhao Lei	–	398	150	548
Mr. Chen Jun	–	414	114	528
Total	–	1,181	277	1,458

9. FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the remaining 5, 5 and 5 highest paid employees for the years ended 31 December 2021, 2022 and 2023, respectively, who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, bonuses and allowances	2,498	2,399	2,179
Pension scheme contributions	638	692	758
Total	3,136	3,091	2,937

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Nil to RMB1,000,000	5	5	5

10. INCOME TAX

All subsidiaries of the Group established in the PRC are subject to PRC corporate income tax at a standard rate of 25% during the Relevant Periods, except for:

- (i) Certain subsidiaries of the Group, which qualified as High and New Technology Enterprises in the PRC, were entitled to a lower PRC corporate income tax rate of 15%; and

- (ii) Certain subsidiaries of the Group applied the Small-Scaled Minimal Profit Enterprise Income Tax Preferential Policy announced by the PRC's State Administration of Taxation and subjected to tax rates of 5% to 10%, 2.5% to 10%, 2.5% to 5% and 5% for the Relevant Periods.

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Current – PRC Charge for the year	322	312	450
Deferred (<i>note 25</i>).	142	(15)	624
Total tax charge for the year	<u>464</u>	<u>297</u>	<u>1,074</u>

A reconciliation of the tax expense/(credit) applicable to profit before tax at the statutory tax rates to the tax expense at the effective tax rates is as follows:

	Year ended 31 December					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax	<u>50,475</u>		<u>44,745</u>		<u>26,085</u>	
Tax at the statutory tax rates	12,619	25.0	11,187	25.0	6,521	25.0
Effect of different tax rate	–	–	–	–	1,628	6.2
Lower tax rates for specific provinces or enacted by local authority	(6,334)	(12.5)	(5,054)	(11.3)	(5,990)	(23.0)
Expenses not deductible for tax	101	0.2	84	0.2	3,647	14.0
Super deduction for eligible research and development expenses.	(4,252)	(8.4)	(4,372)	(9.8)	(4,580)	(17.6)
Tax loss utilised from previous years	(1,380)	(2.7)	(1,095)	(2.4)	(6)	–
Tax loss not recognised	–	–	–	–	23	0.1
Others	(290)	(0.6)	(453)	(1.0)	(169)	(0.6)
	<u>464</u>	0.9	<u>297</u>	0.7	<u>1,074</u>	4.1

11. DIVIDENDS

No dividends have been paid or declared by the Company since its date of incorporation.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful in connection with the Reorganisation and the presentation of the results of the Group for the Relevant Periods on the basis as disclosed in note 2.1 to the Historical Financial Information.

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2021	Computer equipment	Electronic devices	Motor vehicle	Office equipment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021					
Cost	48,505	1,527	970	1,012	52,014
Accumulated depreciation	(27,655)	(944)	(265)	(688)	(29,552)
Net carrying amount	<u>20,850</u>	<u>583</u>	<u>705</u>	<u>324</u>	<u>22,462</u>
At 1 January 2021, net of accumulated depreciation					
	20,850	583	705	324	22,462
Additions	5,146	35	–	32	5,213
Disposals	(570)	(10)	–	–	(580)
Depreciation provided during the year . .	(7,107)	(128)	(92)	(93)	(7,420)
At 31 December 2021, net of accumulated depreciation	<u>18,319</u>	<u>480</u>	<u>613</u>	<u>263</u>	<u>19,675</u>
At 31 December 2021					
Cost	42,247	1,409	970	1,044	45,670
Accumulated Depreciation	(23,928)	(929)	(357)	(781)	(25,995)
Net carrying amount	<u>18,319</u>	<u>480</u>	<u>613</u>	<u>263</u>	<u>19,675</u>

APPENDIX I
ACCOUNTANTS' REPORT

31 December 2022	Computer equipment	Electronic devices	Motor vehicle	Office equipment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2022					
Cost	42,247	1,409	970	1,044	45,670
Accumulated depreciation	(23,928)	(929)	(357)	(781)	(25,995)
Net carrying amount	<u>18,319</u>	<u>480</u>	<u>613</u>	<u>263</u>	<u>19,675</u>
At 1 January 2022, net of accumulated depreciation	18,319	480	613	263	19,675
Additions	24	47	–	6	77
Disposals	(278)	–	–	–	(278)
Depreciation provided during the year ..	(4,981)	(129)	(92)	(84)	(5,286)
At 31 December 2022, net of accumulated depreciation	<u>13,084</u>	<u>398</u>	<u>521</u>	<u>185</u>	<u>14,188</u>
At 31 December 2022					
Cost	36,711	1,456	970	1,050	40,187
Accumulated Depreciation	(23,627)	(1,058)	(449)	(865)	(25,999)
Net carrying amount	<u>13,084</u>	<u>398</u>	<u>521</u>	<u>185</u>	<u>14,188</u>
31 December 2023	Computer equipment	Electronic devices	Motor vehicle	Office equipment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023					
Cost	36,711	1,456	970	1,050	40,187
Accumulated depreciation	(23,627)	(1,058)	(449)	(865)	(25,999)
Net carrying amount	<u>13,084</u>	<u>398</u>	<u>521</u>	<u>185</u>	<u>14,188</u>
At 1 January 2023, net of accumulated depreciation	13,084	398	521	185	14,188
Additions	11,623	95	–	5	11,723
Disposals	(542)	–	–	(5)	(547)
Depreciation provided during the year ..	(6,018)	(131)	(92)	(70)	(6,311)
At 31 December 2023, net of accumulated depreciation	<u>18,147</u>	<u>362</u>	<u>429</u>	<u>115</u>	<u>19,053</u>
At 31 December 2023					
Cost	37,486	1,551	970	937	40,944
Accumulated Depreciation	(19,339)	(1,189)	(541)	(822)	(21,891)
Net carrying amount	<u>18,147</u>	<u>362</u>	<u>429</u>	<u>115</u>	<u>19,053</u>

14. LEASES

The Group as a lessee

The Group has lease contracts for various office premises used in its operations.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements are as follows:

	Year ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of year	1,270	255	105
Addition	–	–	277
Remeasurement arising from rent concessions	(284)	–	–
Depreciation charge	(731)	(150)	(154)
At the end of year	<u>255</u>	<u>105</u>	<u>228</u>

(b) Lease liabilities

The carrying amount of lease liabilities and the movements are as follows:

	Year ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of year	1,654	308	131
Addition	–	–	277
Remeasurement arising from rent concessions	(581)	–	–
Accretion of interest recognised during the year	31	14	12
Payments	(796)	(191)	(177)
At the end of year	<u>308</u>	<u>131</u>	<u>243</u>
Analysed into:			
Current portion	175	117	101
Non-current portion	133	14	142

The maturity analysis of lease liabilities is disclosed in note 32 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Note	Year ended 31 December		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
Interest on lease liabilities	7	31	14	12
Depreciation charge of right-of-use assets . .		731	150	154
Expenses relating to short-term leases		3,538	2,462	2,792
Remeasurement arising from rent concessions		(297)	–	–
Total amount recognised in profit or loss . . .		<u>4,003</u>	<u>2,626</u>	<u>2,958</u>

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 28(a) and 32, respectively, to the Historical Financial Information.

15. GOODWILL

	<i>RMB'000</i>
At 1 January 2021, 31 December 2021, 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	
Cost	32,273
Accumulated impairment	–
Net carrying amount	<u>32,273</u>

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the digital marketing cash-generating unit (the “CGU”) for impairment testing.

Digital marketing cash-generating unit

The recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rates applied to the cash flow projections were 19.1%, 17.7% and 18.2% for 31 December 2021, 2022 and 2023, respectively. The growth rate used to extrapolate the cash flows of the digital marketing unit beyond the five-year period were 3%, 3% and 3% for 31 December 2021, 2022 and 2023, respectively.

Assumptions were used in the value in use calculation of the CGU for the years ended 31 December 2021, 2022 and 2023. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Sensitivity to changes in key assumptions:

The management of the Company has performed sensitivity test by decreasing 1% of budgeted gross margins or increasing 1% of pre-tax discount rate, with all other assumptions held constant. The impacts on the amount by which the CGU's recoverable amount above its carrying amount (headroom) are as below:

	As of 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Headroom	3,892	8,253	8,255
Impact by decreasing budgeted gross margins	(4,617)	(4,537)	(5,565)
Impact by increasing pre-tax discount rate	(2,807)	(3,305)	(3,476)

However, the management of the Company believes the reasonably possible change should be less than 1% of the above key assumptions, therefore a reasonably possible change in key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

16. OTHER INTANGIBLE ASSETS

31 December 2021	Copyrights	Software	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021			
Cost	68,667	2,636	71,303
Accumulated amortisation	(41,539)	(2,264)	(43,803)
Net carrying amount	<u>27,128</u>	<u>372</u>	<u>27,500</u>
Cost at 1 January 2021, net of accumulated amortisation	27,128	372	27,500
Additions	21,680	–	21,680
Amortisation provided during the year	(13,526)	(170)	(13,696)
At 31 December 2021	<u>35,282</u>	<u>202</u>	<u>35,484</u>
At 31 December 2021			
Cost	90,347	2,636	92,983
Accumulated amortisation	(55,065)	(2,434)	(57,499)
Net carrying amount	<u>35,282</u>	<u>202</u>	<u>35,484</u>
31 December 2022	Copyrights	Software	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2022			
Cost	90,347	2,636	92,983
Accumulated amortisation	(55,065)	(2,434)	(57,499)
Net carrying amount	<u>35,282</u>	<u>202</u>	<u>35,484</u>
Cost at 1 January 2022, net of accumulated amortisation	35,282	202	35,484
Additions	11,788	–	11,788
Amortisation provided during the year	(14,931)	(159)	(15,090)
At 31 December 2022	<u>32,139</u>	<u>43</u>	<u>32,182</u>
At 31 December 2022			
Cost	102,135	2,636	104,771
Accumulated amortisation	(69,996)	(2,593)	(72,589)
Net carrying amount	<u>32,139</u>	<u>43</u>	<u>32,182</u>

APPENDIX I
ACCOUNTANTS' REPORT

31 December 2023	Copyrights	Software	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023			
Cost	102,135	2,636	104,771
Accumulated amortisation	(69,996)	(2,593)	(72,589)
Net carrying amount	<u>32,139</u>	<u>43</u>	<u>32,182</u>
Cost at 1 January 2023, net of accumulated amortisation	32,139	43	32,182
Additions	29,082	7,411	36,493
Amortisation provided during the year	(17,319)	(554)	(17,873)
At 31 December 2023	<u>43,902</u>	<u>6,900</u>	<u>50,802</u>
At 31 December 2023			
Cost	131,217	10,047	141,264
Accumulated amortisation	(87,315)	(3,147)	(90,462)
Net carrying amount	<u>43,902</u>	<u>6,900</u>	<u>50,802</u>

17. TRADE RECEIVABLES

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	88,486	131,206	166,059
Impairment	(2,159)	(4,179)	(4,558)
Net carrying amount	<u>86,327</u>	<u>127,027</u>	<u>161,501</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 to 120 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	66,755	76,633	121,638
3 to 6 months	18,990	31,449	34,819
6 to 12 months	468	18,696	4,880
Over a year	114	249	164
Total	<u>86,327</u>	<u>127,027</u>	<u>161,501</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of year	1,307	2,159	4,179
Impairment losses, net (note 6)	852	2,020	379
At the end of year	<u>2,159</u>	<u>4,179</u>	<u>4,558</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021	Current	Past due			Total
		1 to 3 months	4 to 9 months	Over 9 months	
Expected credit loss rate	1.03%	1.02%	1.27%	91.73%	2.44%
Gross carrying amount (RMB'000).	67,448	19,186	474	1,378	88,486
Expected credit loss (RMB'000). .	693	196	6	1,264	2,159

As at 31 December 2022	Current	Past due			Total
		1 to 3 months	4 to 9 months	Over 9 months	
Expected credit loss rate	1.00%	1.00%	5.95%	88.42%	3.19%
Gross carrying amount (RMB'000).	77,410	31,767	19,878	2,151	131,206
Expected credit loss (RMB'000). .	777	318	1,182	1,902	4,179

As at 31 December 2023	Current	Past due			Total
		1 to 3 months	4 to 9 months	Over 9 months	
Expected credit loss rate	1.01%	1.00%	1.00%	94.71%	2.74%
Gross carrying amount (RMB'000).	122,877	35,172	4,929	3,081	166,059
Expected credit loss (RMB'000). .	1,238	353	49	2,918	4,558

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Prepayment	6,558	21,381	68,804
Deposits and other receivables.	2,268	2,798	7,932
Total	8,826	24,179	76,736
Analysed into:			
Current portion	8,106	23,474	76,048
Non-current portion	720	705	688

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2021, 2022 and 2023, the loss allowance was assessed to be minimal.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted fund investments, at fair value	–	5,294	73,282

As at 31 December 2022, the above unlisted investments was denominated in RMB. It was mandatorily classified as financial asset at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest.

As at 31 December 2023, the above unlisted investments of carrying amounts of RMB10,704,000 and RMB62,578,000 were denominated in RMB and USD, respectively. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

Company

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted fund investments, at fair value	–	–	62,578

As at 31 December 2023, the above unlisted investments of carrying amounts of RMB62,578,000 was denominated in USD. It was mandatorily classified as financial asset at fair value through profit or loss as its contractual cash flows is not solely payments of principal and interest.

20. CASH AND CASH EQUIVALENTS**Group**

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	115,525	154,720	89,081
Time deposits	102,000	–	–
Less: Restricted cash	(2,565)	(2,565)	–
	<u>214,960</u>	<u>152,155</u>	<u>89,081</u>

At 31 December 2021, 2022 and 2023, cash and bank balances of the Group amounted to RMB115,525,000, RMB154,720,000 and RMB46,959,000, respectively, are denominated in RMB and are not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. At 31 December 2023, cash and bank balances of the Group amounted to RMB42,122,000 is denominated in USD.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

At 31 December 2021 and 2022, the Group had cash and bank balances of RMB2,565,000 and RMB2,565,000, respectively, which were frozen by the relevant PRC local authorities in connection with an on-going litigation with an individual third party. During the year ended 31 December 2023, frozen balances of RMB2,565,000 have been released by the relevant PRC local authorities.

Company

	As at 31 December		
	2021	2022	2023
Cash and bank balances	–	–	42,122
	<u>–</u>	<u>–</u>	<u>42,122</u>

At 31 December 2023, cash and bank balances of the Company amounted to RMB42,122,000 is denominated in USD.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	10,513	6,528	10,930
3 to 6 months	310	761	609
6 to 12 months	632	314	185
Over a year	547	425	57
Total	<u>12,002</u>	<u>8,028</u>	<u>11,781</u>

The trade payables are non-interest bearing and are normally settled within three months.

22. OTHER PAYABLES AND ACCRUALS

		As at 31 December		
		2021	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred income		74	–	–
Other payables	<i>(a)</i>	10,149	12,015	7,066
Accruals		8,404	7,768	4,232
Total		<u>18,627</u>	<u>19,783</u>	<u>11,298</u>
Analysed into:				
Current portion		17,905	19,555	11,070
Non-current portion		722	228	228

Note:

- (a) Other payables are non-interest bearing and have an average term of three months.

23. CONTRACT LIABILITIES

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reading with advertising	13,242	7,126	5,751
Reading with paid services	9,382	11,698	11,960
Online games publishing services	1,030	1,030	–
	<u>23,654</u>	<u>19,854</u>	<u>17,711</u>
Analysed into:			
Current portion	18,286	15,428	13,814
Non-current portion	5,368	4,426	3,897
	<u>5,368</u>	<u>4,426</u>	<u>3,897</u>

Contract liabilities include advances received to deliver reading with advertising, reading with paid services, and online games publishing services.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December 2021			As at 31 December 2022			As at 31 December 2023		
	<i>Effective</i>	<i>Maturity</i>	<i>RMB'000</i>	<i>Effective</i>	<i>Maturity</i>	<i>RMB'000</i>	<i>Effective</i>	<i>Maturity</i>	<i>RMB'000</i>
	<i>interest rate %</i>			<i>interest rate %</i>			<i>interest rate %</i>		
Current									
Bank loans									
– secured	–	–	–	4.2-5.0	2022-2023	77,700	4.1-5.0	2023-2024	54,900
– unsecured	–	–	–	–	–	–	4.1-5.0	2023-2024	18,000
Other loans									
– secured	–	–	–	4.96	2022-2023	12,000	4.96	2023-2024	12,000
Total						<u>89,700</u>			<u>84,900</u>

At the end of each of the Relevant Periods, the maturity profile of interest-bearing bank and other borrowings, based on the scheduled repayment dates set out in the loan agreements, is as follows:

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Analysed into:			
Bank loans repayable:			
Within one year or on demand	–	77,700	72,900
Other borrowings repayable:			
Within one year or on demand	–	12,000	12,000
Total	<u>–</u>	<u>89,700</u>	<u>84,900</u>

- (a) As at 31 December 2022 and 2023, the Group's bank loans amounted to RMB77,700,000 and RMB34,900,000 were secured by guarantees given by a shareholder, namely Mr. Wang Xi. Subsequent to the end of the reporting period, all the guarantees provided by Mr. Wang Xi have been released.

As at 31 December 2022 and 2023, the Group's bank and other loans amounted to RMB89,700,000 and RMB54,900,000 were secured by guarantees given by certain wholly-owned subsidiaries of the Company.

- (b) The interest-bearing bank and other borrowings were denominated in RMB.

25. DEFERRED TAX

The movements in deferred tax liabilities and assets are as follows:

Deferred tax

	Depreciation allowance in excess of related depreciation	Impairment loss allowance against trade receivables	Government grant	Fair value losses on financial assets at fair value through profit or loss	Loss available for offsetting against future taxable profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021.	(2,488)	166	499	–	4,918	3,095
Deferred tax credited/(charged) to profit or loss.	(371)	108	(488)	–	609	(142)
At 31 December 2021 and 1 January 2022	(2,859)	274	11	–	5,527	2,953
Deferred tax credited/(charged) to profit or loss.	693	207	(11)	885	(1,759)	15
At 31 December 2022 and 1 January 2023	(2,166)	481	–	885	3,768	2,968
Deferred tax credited/(charged) to profit or loss.	(695)	118	–	(428)	381	(624)
At 31 December 2023	(2,861)	599	–	457	4,149	2,344

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax assets	3,210	2,968	2,444
Deferred tax liabilities	(257)	–	(100)
	<u>2,953</u>	<u>2,968</u>	<u>2,344</u>

At 31 December 2021, 2022 and 2023, the Group had unrecognised tax losses arising in China of RMB12,384,000, RMB4,998,000 and RMB5,347,000, respectively, that can be carried forward for ten years from the year in which the losses arose for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax assets were recognised in respect of these losses as it was not considered probable that taxable profit will be available against which the tax losses could be utilised.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 5% or 10% for the Group.

At 31 December 2021, 2022 and 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subjected to withholding taxes of the Group's subsidiaries established in China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future as the Group will retain the funding for the business development in China. The aggregate amount of temporary differences associated with investments in subsidiaries in China for which deferred tax liabilities have not been recognised totaled approximately RMB299,278,000, RMB343,157,000 and RMB363,728,000 at 31 December 2021, 2022 and 2023, respectively.

26. SHARE CAPITAL

	<u>Number of Shares in issue</u>	<u>Share Capital</u>
		<i>RMB'000</i>
Authorised:		
Ordinary shares of US\$0.00001 each		
At 9 February 2022 (date of incorporation)	5,000,000,000	318
Re-designation to preferred shares	<u>(158,264,652)</u>	<u>(11)</u>
At 31 December 2022, 1 January 2023 and 31 December 2023	<u>4,841,735,348</u>	<u>307</u>
Preferred shares of US\$0.00001 each		
At 9 February 2022 (date of incorporation)	–	–
Re-designation from ordinary shares	<u>158,264,652</u>	<u>11</u>
At 31 December 2022, 1 January 2023 and 31 December 2023	<u>158,264,652</u>	<u>11</u>
Issued and fully paid:		
Ordinary shares of US\$0.00001 each		
At 9 February 2022 (date of incorporation), 31 December 2022 and 1 January 2023 (<i>note a</i>)	121,289,680	8
Issue of new ordinary shares (<i>note b</i>)	<u>34,580,412</u>	<u>2</u>
At 31 December 2023	<u>155,870,092</u>	<u>10</u>
Preferred shares of US\$0.00001 each		
At 9 February 2022 (date of incorporation), 31 December 2022 and 1 January 2023	–	–
Issue of preferred shares (<i>note c</i>).	<u>158,264,652</u>	<u>11</u>
At 31 December 2023	<u>158,264,652</u>	<u>11</u>

Notes:

- (a) The Company was incorporated in the Cayman Islands as an exempted company on 9 February 2022 with authorised share capital of US\$50,000 divided into 5,000,000,000 shares of a nominal par value of US\$0.00001 each. Upon incorporation, 121,289,680 ordinary shares was issued at par.
- (b) On 21 February 2023, pursuant to the share subscription agreements dated 31 December 2022, the Company issued 34,580,412 ordinary shares to a then shareholder of Easou Shenzhen at a price of RMB0.32 per share with total cash consideration of RMB11,156,000 pursuant to the Reorganisation.
- (c) On 21 February 2023, pursuant to the share subscription agreements dated 31 December 2022, the Company issued 158,264,652 Pre-IPO preferred shares to a new investor and the then shareholders of Easou Shenzhen at prices of ranging from RMB1.0 per share to RMB4.5 per share with total cash consideration of RMB559,480,000, of which US\$9,500,000 (equivalent to RMB65,077,000) was received from a new investor and the remainder of RMB494,403,000 was received from the then shareholders of Easou Shenzhen pursuant to the Reorganisation.

The Company does not hold an unavoidable obligation to (i) deliver cash or other financial assets to the holders of preferred shares; (ii) to exchange financial assets or financial liabilities with the holders of preferred shares that are unfavorable to the Company; and (iii) to deliver a variable number of the Company's own ordinary shares. Accordingly, the preferred shares were accounted for as equity. The major terms of the preferred shares are set out below:

- Each preferred share may, at the option of the holder thereof, be converted at any time after the date of issuance of such preferred shares or shall be converted automatically upon the consummation of a qualified IPO into ordinary shares as a price as determined by dividing the original issue price by the conversion price of such preferred shares (the "Conversion Price"). The original issue price, in any event not being less than par value per share, subject to the anti-dilution adjustments (as adjusted for share subdivision and consolidation, share dividends and distributions, reorganisation, mergers, consolidation, reclassification, exchanges, substitutions).
- The Conversion Price shall initially be the preferred share purchase price, resulting in an initial conversion ratio for the preferred shares of 1:1, and no adjustment in the Conversion Price shall be made in respect of the issuance of additional ordinary shares unless the issue price per share for an additional ordinary share issued or deemed to be issued is less than the Conversion Price.

27. RESERVE

The amounts of the Group's reserves and the movements therein during the Relevant Periods are presented in the consolidated statements of changes in equity.

(a) Merger reserve

The merger reserve of the Group represents:

- (i) the issued capital of Easou Shenzhen prior to the completion of the Reorganisation as detailed in note 1 to the Historical Financial Information.
- (ii) Deemed distribution to the then equity owners of the Group represents the consideration paid to the Relevant Shareholders in order to facilitate the Reorganisation detailed in note 2.1 to the Historical Financial Information.

(b) Capital reserve

Capital reserve represents the deemed contribution from the shareholders resulted from transactions prior to the Relevant Periods.

(c) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, each of the relevant subsidiaries is required to appropriate 10% of its net profit after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the relevant subsidiaries, the statutory surplus reserve may be used either to offset losses, or to be converted to increase the share capital provided that the balance after such conversion is not less than 25% of registered capital. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(d) A summary of the Company's reserve is as follows:

	<u>Share premium</u>	<u>Exchange fluctuation reserve</u>	<u>Accumulated losses</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 9 February 2022 (date of incorporation), 31 December 2022 and 1 January 2023	–	–	–	–
Loss for the period	–	–	(15,925)	(15,925)
Other comprehensive loss for the period				
Exchange differences of translation of financial statements	–	(4,742)	–	(4,742)
Total comprehensive loss for the period	–	(4,742)	(15,925)	(20,667)
Issue of ordinary shares (note 26)	11,154	–	–	11,154
Capital contribution from holders of preferred shares (note 26)	559,469	–	–	559,469
At 31 December 2023 . . .	<u>570,623</u>	<u>(4,742)</u>	<u>(15,925)</u>	<u>549,956</u>

28. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	Lease liabilities
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021	20,000	1,654
Changes from financing cash flows	(20,000)	(765)
Interest expense	274	31
Interest paid classified as operating cash flows	(274)	(31)
Remeasurement arising from rent concessions	–	(581)
At 31 December 2021 and 1 January 2022	–	308
Changes from financing cash flows	89,700	(177)
Interest expense	2,117	14
Interest paid classified as operating cash flows	(2,117)	(14)
At 31 December 2022 and 1 January 2023	89,700	131
Changes from financing cash flows	(4,800)	(165)
New leases	–	277
Interest expense	8,430	12
Interest paid classified as operating cash flows	(8,430)	(12)
At 31 December 2023	<u>84,900</u>	<u>243</u>

29. RELATED PARTY TRANSACTIONS

(a) Other transactions with related parties:

Guarantees were given by a shareholder of the Group in favour of banks in respect of bank borrowings during the Relevant Periods.

- (b) The compensation of key management personnel of the Group for each of the reporting period during the Relevant Periods represented the directors' emoluments as disclosed in note 8 to the Historical Financial Information.

The following table provides compensation of key management personnel of the Group:

	For the year ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, bonuses and allowances	1,222	1,169	1,181
Pension scheme contributions	245	264	277
Total	<u>1,467</u>	<u>1,433</u>	<u>1,458</u>

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

As at 31 December 2021	Financial assets at fair value through profit or loss – Mandatorily designated as such	Financial assets at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	–	86,327	86,327
Financial assets included in prepayments, deposits and other receivables	–	2,268	2,268
Restricted cash	–	2,565	2,565
Cash and cash equivalents	–	214,960	214,960
Total	–	306,120	306,120

As at 31 December 2022	Financial assets at fair value through profit or loss – Mandatorily designated as such	Financial assets at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	–	127,027	127,027
Financial assets included in prepayments, deposits and other receivables	–	1,765	1,765
Financial assets at fair value through profit or loss	5,294	–	5,294
Restricted cash	–	2,565	2,565
Cash and cash equivalents	–	152,155	152,155
Total	5,294	283,512	288,806

As at 31 December 2023	Financial assets at fair value through profit or loss – Mandatorily designated as such	Financial assets at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	–	161,501	161,501
Financial assets included in prepayments, deposits and other receivables	–	2,163	2,163
Financial assets at fair value through profit or loss	73,282	–	73,282
Cash and cash equivalents	–	89,081	89,081
Total	73,282	252,745	326,027

Financial liabilities

	Financial liabilities at amortised cost		
	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	12,002	8,028	11,781
Financial liabilities included in other payable and accruals	6,486	7,386	4,675
Interest-bearing bank and other borrowings	–	89,700	84,900
Lease liabilities	308	131	243
Total	18,796	105,245	101,599

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments reasonably approximate to their fair values.

Management has assessed that the fair values of trade receivables, financial assets included in prepayments, deposits and other receivables, cash and cash equivalents, trade payables, financial liabilities included in other payables and accruals and the interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of unlisted fund investments at fair value through profit or loss have been stated with reference to the adjusted net asset value provided by the relevant administrators of the fund investments. The fair value measurement is positively correlated to the net asset value of the underlying funds.

Fair value hierarchy**Group**

The following table illustrates the fair value hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement as at 31 December 2022		
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
	(Level 1)	(Level 2)	(Level 3)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted fund investments	–	5,294	–

	Fair value measurement as at 31 December 2023		
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
	(Level 1)	(Level 2)	(Level 3)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted fund investments	–	73,282	–

The Group did not have any financial assets measured at fair value as at 31 December 2021 or financial liabilities measured at fair value as at 31 December 2021, 2022 and 2023.

Company

The following table illustrates the fair value hierarchy of the Company's financial instruments:

	Fair value measurement as at 31 December 2023		
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
	(Level 1)	(Level 2)	(Level 3)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted fund investments	–	62,578	–

The Company did not have any financial assets measured at fair value as at 31 December 2021 and 2022 or financial liabilities measured at fair value as at 31 December 2021, 2022 and 2023.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of level 3 for both financial assets and financial liabilities.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, financial assets at fair value through profit or loss and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables and financial liabilities included in other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2021, 2022 and 2023. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2021

	12-month	Lifetime ECLs			Total
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	88,486	88,486
Financial assets included in prepayments, deposits and other receivables					
– Normal**	2,268	–	–	–	2,268
Restricted cash	2,565	–	–	–	2,565
Cash and cash equivalents					
– Not yet past due	214,960	–	–	–	214,960
Total	<u>219,793</u>	<u>–</u>	<u>–</u>	<u>88,486</u>	<u>308,279</u>

As at 31 December 2022

	12-month	Lifetime ECLs			Total
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	131,206	131,206
Financial assets included in prepayments, deposits and other receivables					
– Normal**	1,765	–	–	–	1,765
Restricted cash	2,565	–	–	–	2,565
Cash and cash equivalents					
– Not yet past due	152,155	–	–	–	152,155
Total	<u>156,485</u>	<u>–</u>	<u>–</u>	<u>131,206</u>	<u>287,691</u>

As at 31 December 2023

	12-month	Lifetime ECLs			Total
	ECLs			Simplified	
	Stage 1	Stage 2	Stage 3	approach	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables*	–	–	–	166,059	166,059
Financial assets included in prepayments, deposits and other receivables					
– Normal**	2,163	–	–	–	2,163
Cash and cash equivalents					
– Not yet past due	89,081	–	–	–	89,081
Total	<u>91,244</u>	<u>–</u>	<u>–</u>	<u>166,059</u>	<u>257,303</u>

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Further quantitative data in respect of the Group’s exposure to credit risk arising from trade receivables are disclosed in note 17 to the Historical Financial Information.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group’s trade receivables are widely dispersed.

Liquidity risk

The Group’s objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain a contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

The following table details the remaining contractual maturities of the Group's financial liabilities as at 31 December 2021, 2022 and 2023, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, based on rates as at 31 December 2021, 2022 and 2023) and the earliest date that the Group could be required to repay:

31 December 2021	Within one year or on demand	In the second year	In the third to fifth year	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Lease liabilities	190	121	14	325
Trade payables	12,002	–	–	12,002
Financial liabilities included in other payables and accruals	6,486	–	–	6,486
Total	18,678	121	14	18,813
31 December 2022	Within one year or on demand	In the second year	In the third to fifth year	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank and other borrowings . . .	90,343	–	–	90,343
Lease liabilities	121	14	–	135
Trade payables	8,028	–	–	8,028
Financial liabilities included in other payables and accruals	7,386	–	–	7,386
Total	105,878	14	–	105,892
31 December 2023	Within one year or on demand	In the second year	In the third to fifth year	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank and other borrowings . . .	86,039	–	–	86,039
Lease liabilities	110	103	44	257
Trade payables	11,781	–	–	11,781
Financial liabilities included in other payables and accruals	4,675	–	–	4,675
Total	102,605	103	44	102,752

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to continue to provide returns for shareholders and benefits for other stakeholders.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

33. EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 31 December 2023.

34. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2023.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form part of the Accountants' Report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent has been prepared in accordance with rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purpose only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to owners of the parent as at 31 December 2023 as if the Global Offering had taken place on 31 December 2023.

The statement of unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the parent had the Global Offering been completed as at 31 December 2023 or any future date. It is prepared based on the consolidated net tangible assets attributable to owners of the parent as at 31 December 2023 as set out in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Consolidated net tangible assets attributable to owners of the parent as at 31 December 2023	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent immediately after completion of the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share immediately after completion of the Global Offering	
	<i>RMB'000</i> <i>(note 1)</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i> <i>(note 2)</i>	<i>HK\$</i> <i>(note 3)</i>
Based on the minimum indicative Offer Price of HK\$5.80 per Share	295,631	55,352	350,983	1.07	1.17
Based on the maximum indicative Offer Price of HK\$8.00 per Share	295,631	83,699	379,330	1.15	1.26

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The consolidated net tangible assets of the Group attributable to owners of the parent as at 31 December 2023 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the consolidated net assets attributable to owners of the parent as at 31 December 2023 of approximately RMB378,706,000, less goodwill of RMB32,273,000 and other intangible assets of RMB50,802,000 as at 31 December 2023.

The estimated net proceeds from the Global Offering are based on Offer Price at the lower limit and upper limit of the Offer Price range of HK\$5.80 per Share and HK\$8.00 per Offer Share, respectively, after deduction of relevant estimated underwriting fees and other related fees and expenses payable by the Company (exclude those listing expenses of RMB18,251,000, of which RMB2,094,000, RMB4,459,000 and RMB11,698,000 were charged to profit or loss for the years ended 31 December 2021, 2022 and 2023, respectively) in connection with the Global Offering. The calculation of estimated net proceeds does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from HK\$ into RMB at the exchange rate of HK\$1 to RMB0.9115.

- (2) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 328,937,244 Offer Shares in issue immediately upon the completion of the Global Offering, assuming that the Global Offering has been completed on 31 December 2023 for the purpose of the pro forma financial information and does not take into account of any shares which may be issued upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share is converted from RMB into HK\$ at the exchange rate of RMB1 to HK\$1.0971.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2023.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATIONS

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this prospectus.



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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****To the Directors of Easou Technology Holdings Limited**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Easou Technology Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2023 and related notes as set out on pages II-1 to II-2 of the prospectus (the "**Prospectus**") dated 30 May 2024 issued by the Company (the "**Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 31 December 2023 as if the transaction had taken place on 31 December 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2023, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves valuating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Certified Public Accountants
Hong Kong
30 May 2024

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9 February 2022 under the Companies Act. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 17 May 2024 and take effect from the Listing Date. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a member being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Companies Act and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for

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registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognize any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of

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any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible

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for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board. A Director may be removed by an ordinary resolution of the members before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by an ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resigns;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) is prohibited from being or ceases to be a director by operation of law;

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- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by an ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of

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them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

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Any Director who, at the request of the Company, performs services which in the opinion of the Board goes beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

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(viii) Financial assistance to purchase Shares

Subject to the Companies Act, or any other law or so far as not prohibited by any law and subject to any rights conferred on the holders of any class of Shares, the Company shall have the power to give, directly or indirectly, by means of a loan, a guarantee, an indemnity, the provision of security or otherwise howsoever, financial assistance for the purpose of or in connection with a purchase or other acquisition made or to be made by any person of any Shares or warrants or other securities in the Company or any company which is a holding company of the Company.

(ix) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefit received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

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- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefit scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(x) *Proceedings of the Board*

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) *Alterations to the constitutional documents and the Company's name*

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

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(d) Meetings of member

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

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At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorized corporate representative):

- (aa) at least two members;
- (bb) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (cc) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorized as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote and the right to speak.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each financial year other than the financial year of the Company's adoption of the Articles. Such annual general meeting must be held within six (6) months after the end of the Company's financial year (unless a longer period would not infringe the Listing Rules, if any) and shall be held in the Relevant Territory or elsewhere as may be determined by the Board and at such time and place as the Board shall appoint.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such

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requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(v) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or by advertisement in the newspapers or by electronic means or by publishing it on the Company's website and/or the website of the Stock Exchange. Any member whose registered address is outside Hong Kong may notify the Company in writing of (i) an address in Hong Kong which shall be deemed to be his registered address for this purpose or (ii) an electronic address for the purpose of service of notice. Subject to the Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

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(vi) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vii) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorized officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(viii) Right to Speak

All members have the right to (a) speak at a general meeting; and (b) vote at a general meeting except where a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

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(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Act (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorized by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarized financial statements not less than 21 days before the general meeting.

The members may by an ordinary resolution appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members in a general meeting by an ordinary resolution in such manner as the members may determine.

The members may, at a general meeting remove the auditor(s) by an ordinary resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

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(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by an ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

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Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

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Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 9 February 2022 subject to the Companies Act. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Act and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

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(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Act;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company’s or a subsidiary’s shares. Therefore, a company may provide financial

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assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorize the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

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For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

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If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such

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register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the

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company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by (i) 75% in value of the members or class of members or (ii) a majority in number representing 75% in value of the creditors or class of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

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(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarizes certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available on display as referred to in the paragraph headed "Documents Available on Display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands as an exempted company on February 9, 2022 under the Companies Act. Our Company's registered office is at Suite 102, Cannon Place, P.O. Box 712, North Sound Rd., George Town Grand Cayman, KY1-9006, Cayman Islands. Our Company has established its principal place of business in Hong Kong at 3/F, Workington Tower, 78 Bonham Strand, Sheung Wan, Hong Kong and has been registered as a non-Hong Kong company on November 25, 2022 under Part 16 of the Companies Ordinance. Our joint company secretary, Ms. Fung Po Ting, has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, our corporate structure and the Articles are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Articles is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

The authorized share capital of our Company as at the date of its incorporation was US\$50,000 divided into 5,000,000,000 ordinary shares of a nominal or par value of US\$0.00001 each. The following sets out the changes in the share capital of our Company since its date of incorporation up to the date of this prospectus:

- (a) on February 9, 2022, one Share was allotted and issued to the initial subscriber, which was transferred to Growth Value on the same day;
- (b) on February 9, 2022, our Company also allotted and issued 106,855,883, 8,245,284, 4,128,652 and 2,059,860 Shares to Growth Value, Full Ocean, Sunbird International and Skymobi, respectively;
- (c) pursuant to the resolutions of the Shareholders passed on December 31, 2022, 158,264,652 Shares of par value US\$0.00001 each were re-designated into Pre-IPO Preferred Shares of par value US\$0.00001 each, such that the authorized share capital of the Company consisted of (i) 4,841,735,348 Shares of par value US\$0.00001 each, and (ii) 158,264,652 Pre-IPO Preferred Shares of par value US\$0.00001 each; and

- (d) on February 21, 2023, the Company allotted and issued the following Pre-IPO Preferred Shares or Shares (as the case maybe) to the following shareholders:

Shareholder	Number of share	Class of Share
SBCVC Fund III	15,954,852	Pre-IPO Preferred Shares
BlueSky Holding	9,920,000	Pre-IPO Preferred Shares
Suzhou Kunyu	23,438,912	Pre-IPO Preferred Shares
Estate Success	20,920,532	Pre-IPO Preferred Shares
Shanghai Shengda	19,683,260	Pre-IPO Preferred Shares
Qianhai Hairun	11,244,188	Pre-IPO Preferred Shares
Houju No.3	10,551,924	Pre-IPO Preferred Shares
Ventech China II SICAR	9,576,832	Pre-IPO Preferred Shares
Jinfa Changye Co., Ltd.	8,995,164	Pre-IPO Preferred Shares
Shenzhen Lihe Partnership.	3,023,564	Pre-IPO Preferred Shares
Shenzhen Lihe	2,841,696	Pre-IPO Preferred Shares
Easou Union	34,580,412	Shares
Yuanzhi Chuangtou	3,373,196	Pre-IPO Preferred Shares
Nanrun Wanxin Investment Ltd.	2,248,716	Pre-IPO Preferred Shares
Mr. Ding	453,500	Pre-IPO Preferred Shares
Houju No.1	391,268	Pre-IPO Preferred Shares
Jinhe Capital Limited	15,647,048	Pre-IPO Preferred Shares

Assuming that the Global Offering becomes unconditional, immediately following completion of the Global Offering (assuming full conversion of the Pre-IPO Preferred Shares and without taking into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme), the issued share capital of our Company will be US\$3,289.37 divided into 328,937,244 Shares, all fully paid or credited as fully paid and 4,671,062,756 Shares will remain unissued.

Other than the Shares to be issued pursuant to the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme and the general mandate to issue Shares referred to in the paragraph headed “4. Written resolutions of all shareholders of the Company passed on May 17, 2024” in this Appendix, our Directors do not have any present intention to issue any Share out of the authorized but unissued share capital of our Company and, without the prior approval of the Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed above and as mentioned in the section headed “History, Reorganization and Corporate Structure – Reorganization” in this prospectus and the paragraph headed “4. Written resolutions of all shareholders of the Company passed on May 17, 2024” below, there has been no alteration in the authorized and issued share capital of our Company since its incorporation.

3. Changes in share capital of our subsidiaries

Subsidiaries of our Company are referred to in the Accountants' Report set out in Appendix I to this prospectus.

Save as disclosed in the section headed "History, Reorganization and Corporate Structure" in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

4. Written resolutions of all shareholders of the Company passed on May 17, 2024

Pursuant to the written resolutions of all Shareholders passed on May 17, 2024, among other things:

- (a) all of the 158,264,652 Pre-IPO Preferred Shares be re-designated, re-classified and converted into 158,264,652 Shares of par value US\$0.00001 each;
- (b) (as a special resolution) conditional upon and with effect from the Listing, the Memorandum and the Articles were approved and adopted;
- (c) conditional upon the fulfilment or waiver of the conditions set out in "Structure of the Global Offering" in this prospectus:
 - (i) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to effect the same and to allot and issue new Shares pursuant to the Global Offering and the Over-allotment Option;
 - (ii) the grant of the Over-allotment Option by the Company to the International Underwriters, exercisable by the Overall Coordinators, pursuant to which the Overall Coordinators (on behalf of the International Underwriters) may require the Company to allot and issue up to an aggregate of 2,220,000 additional new Shares to cover, among other things, the over-allocations in the International Offering was approved;
 - (iii) the proposed Listing was approved and our Directors were authorised to implement the Listing;
 - (iv) the rules of the Share Option Scheme, the principal terms of which are set forth in the paragraph headed "D. Share Option Scheme" in this appendix, were approved and adopted with effect from the Listing Date and our Directors were authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of the

options which may be granted under the Share Option Scheme and to take all such actions as may be necessary and/or desirable to implement and give effect to the Share Option Scheme;

- (d) a general unconditional mandate (the “**Issuing Mandate**”) was given to our Directors to exercise all powers of our Company to allot (including the power to make and grant offers, agreements and options which would or might require Shares to be allotted and issued), otherwise than pursuant to, or in consequence of a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or other similar arrangement or pursuant to a specific authority granted by the Shareholders in general meeting, Shares with a total number not exceeding 20% of the number of Shares in issue (excluding treasury shares) immediately following completion of the Global Offering (assuming full conversion of the Pre-IPO Preferred Shares but without taking into account the number of Shares which may be issued pursuant to the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme) whereas such Issuing Mandate is to remain in effect until whichever is the earliest of (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or (iii) the passing of an ordinary resolution by the Shareholders at a general meeting revoking, varying or renewing the Issuing Mandate;
- (e) a general unconditional mandate (the “**Share Buy-back Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase, Shares on the Stock Exchange with a total number not exceeding 10% of the number of Shares in issue (excluding treasury shares) immediately following completion of the Global Offering (assuming full conversion of the Pre-IPO Preferred Shares but without taking into account the number of Shares which may be issued pursuant to the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme) whereas such Share Buy-back Mandate is proposed to remain in effect until whichever is the earliest of (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or (iii) the passing of an ordinary resolution by the Shareholders at a general meeting revoking, varying or renewing such Share Buy-back Mandate; and
- (f) the Issuing Mandate was extended by the addition to the number of Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to the Issuing Mandate of the number of Shares repurchased by our Company pursuant to and in accordance with the Share Buy-back Mandate, and references in paragraph (d) above and in this paragraph (f), respectively, to an allotment, issue, grant, offer placing, subscription or disposal of securities or shares shall include a sale or transfer of treasury shares listed on the Stock Exchange and references to allottees shall include purchasers or transferees of such treasury shares.

5. Reorganization

In preparation for the Global Offering, our Group has undergone the Reorganization, details of which are set forth in the section headed “History, Reorganization and Corporate Structure – Reorganization” in this prospectus.

6. Repurchase by our Company of our securities

This paragraph contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities. Our Directors confirm that neither the explanatory statement of the Share Buy-back Mandate nor the proposed share repurchase has any unusual features. References to treasury shares shall be subject to the relevant amendments to the Listing Rules in relation to the new treasury share regime taking effect on June 11, 2024.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders’ approval

All proposed repurchases of shares (which must be fully paid up) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions passed by all our shareholders on May 17, 2024, the Share Buy-back Mandate was given to the Directors to exercise all powers of our Company to repurchase on the Stock Exchange, Shares with a total number not exceeding 10% of the number of Shares in issue (excluding treasury shares) immediately following completion of the Global Offering (assuming full conversion of the Pre-IPO Preferred Shares but without taking into account the number of Shares which may be issued pursuant to the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme) whereas such Share Buy-back Mandate is proposed to remain in effect until whichever is the earliest of (a) the conclusion of the next annual general meeting of our Company; (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or (c) the passing of an ordinary resolution by the Shareholders at a general meeting revoking, varying or renewing such Share Buy-back Mandate.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Any repurchase by our Company may be made out of the profits of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorized by the Articles and subject to the Cayman Companies Act, out of capital and, out of our Company's share premium account before or at the time the Shares are repurchased, or if authorized by the Articles and subject to the Companies Act, out of capital.

(iii) Trading restrictions

The total number of shares which our Company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue (excluding treasury shares). A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased Shares

Effective from June 11, 2024, the shares repurchased by an issuer shall be held as treasury shares or cancelled. The listing of all shares which are held as treasury shares shall be retained. The issuer shall ensure that treasury shares are appropriately identified and segregated. The listing of all repurchased securities (whether on the Stock Exchange or otherwise) but not held as treasury shares is automatically cancelled upon repurchase and the Company must apply for listing of any further Shares in the normal way. The relative certificates must be cancelled and destroyed as soon as reasonably practicable following settlement of any such repurchase.

(v) Suspension of repurchase

A listed company may not make any repurchase of securities at any time after insider information has come to its knowledge until such information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if the Stock Exchange considers the listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be submitted for publication to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company shall include in its annual report and accounts a monthly breakdown regarding repurchases of securities made during the financial year under review, including the number of securities repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per share or the highest and lowest price paid for all such purchases (where relevant) and the aggregate price paid for such repurchases. The directors' report therein shall contain reference to the purchases made during the year and the reasons for making such purchases.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from our Shareholders to enable our Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) *Funding of repurchases*

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position as disclosed in this prospectus and taking into account the current working capital position, our Directors consider that, if the Share Buy-back Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Share Buy-back Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Company which in the opinion of the Directors are from time to time appropriate for our Company.

The exercise in full of the Share Buy-back Mandate, on the basis of 328,937,244 Shares in issue immediately following completion of the Global Offering (assuming full conversion of the Pre-IPO Preferred Shares and assuming that the Over-allotment Option is not exercised and no Share is issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), could accordingly result in up to 32,893,724 Shares being repurchased by our Company during the period prior to (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required by Cayman Companies Act or the Articles or any applicable laws of the Cayman Islands to be held; or (iii) the revocation or variation of the Share Buy-back Mandate by an ordinary resolution of the Shareholders in general meeting, whichever occurs first (the “**Relevant Period**”). If the Over-allotment Option is exercised in full, the exercise in full of the Share Buy-back Mandate on the basis of 331,157,244 Shares in issue immediately following the completion of the Global Offering could result in 33,115,724 Shares being repurchased by our Company during the Relevant Period.

(d) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Share Buy-back Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a shareholder’s proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of

the Takeovers Code. Save as the aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Share Buy-back Mandate.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares than in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Share Buy-back Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Company or any member of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) an offshore credit agreement (離岸授信協議) dated January 18, 2023 entered into between China Merchants Bank Co., Ltd. (招商銀行股份有限公司) and our Company, pursuant to which China Merchants Bank Co., Ltd. agreed to provide a line of credit in an aggregate principal amount of US\$38,920,000, or the US\$ equivalent of RMB276,267,182 or 60% of the Shares subscription consideration, whichever is the lowest, to our Company for the purpose of the acquisition of shares in Easou Shenzhen and the establishment of an offshore red-chip structure in accordance with the offshore credit agreement;
- (b) an exclusive business cooperation agreement (獨家業務合作協議) dated December 31, 2022 entered into between WFOE and Easou Shenzhen, pursuant to which Easou Shenzhen agreed to engage WFOE as its exclusive provider of technical support, consulting services and other services within the principal business scope of Easou Shenzhen in exchange for a service fee;

- (c) an exclusive option agreement (獨家購買權協議) dated December 31, 2022 entered into among WFOE, Easou Shenzhen and each of the Registered Shareholders of Easou Shenzhen, pursuant to which Easou Shenzhen and the Registered Shareholders of Easou Shenzhen granted to WFOE (exercisable by itself or its nominee(s)) an exclusive and irrevocable right to purchase, among other things, all or part of the equity interest in Easou Shenzhen any time at the lowest price permitted under the PRC laws;
- (d) an equity pledge agreement (股權質押協議) dated December 31, 2022 entered into among WFOE, Easou Shenzhen and each of the Registered Shareholders of Easou Shenzhen, pursuant to which the Registered Shareholders of Easou Shenzhen agreed to pledge to WFOE all of their existing and future shares in Easou Shenzhen;
- (e) a proxy agreement (股東權利委托協議) dated December 31, 2022 entered into among WFOE, Easou Shenzhen and each of the Registered Shareholders of Easou Shenzhen, pursuant to which the Registered Shareholders of Easou Shenzhen irrevocably and exclusively delegated to the WFOE or its nominee the exercise on their behalf of the voting and any and all other rights that they have in respect of their shares in Easou Shenzhen pursuant to applicable laws, regulations and the articles of association of Easou Shenzhen;
- (f) a share subscription agreement dated December 31, 2022 entered into among Easou Union Ltd, SBCVC Fund III Company Limited, SBCVC BlueSky Holding Company Limited, Suzhou Kunyu Jinduo Emerging Industry Investment Enterprise (Limited Partnership)* 蘇州琨玉金舵新興產業投資企業(有限合夥), Estate Success Enterprise Limited, Shanghai Shengda Co., Ltd.* 上海盛大網絡發展有限公司, Jinhe Capital Limited, Shenzhen Qianhai Hairun Changyu Investment Partnership (Limited Partnership)* 深圳前海海潤昌峪投資合夥企業(有限合夥), Shenzhen Houju No. 3 Investment Partnership (Limited Partnership)* 深圳厚聚三號投資合夥企業(有限合夥), VENTECH CHINA II SICAR, Jinfa Changye Co., Ltd., Shenzhen Yuanzhi Venture Capital Co., Ltd.* 深圳市遠致創業投資有限公司, Nanrun Wanxin Investment Ltd., DING DING, Shenzhen Houju No. 1 Investment Partnership (Limited Partnership)* 深圳厚聚一號投資合夥企業(有限合夥), Shenzhen Lihe Hongxin Venture Investment Partnership (Limited Partnership)* 深圳力合泓鑫創業投資合夥企業(有限合夥), Shenzhen Lihe Venture Capital Co., Ltd.* 深圳市力合創業投資有限公司 (the “Subscribers”), our Company, Easou (BVI), Easou (HK), WFOE, Easou Shenzhen, Mr. Wang, Mr. Lu, Mr. Zhao, Mr. Chen, Growth Value, Full Ocean, Sunbird International and Skymobi, pursuant to which our Company agreed to allot and issue to and the Subscribers agreed to subscribe for a total of 158,264,652 Pre-IPO Preferred Shares and 34,580,412 Shares at the respective purchase price as set out in the column titled “Consideration” in the table in the paragraph headed “History, Reorganization and Corporate Structure – Reorganization – 10. Escalation of Shareholdings in Easou Shenzhen to the Company and the 2023 Subscription” ;
- (g) a shareholders’ agreement dated December 31, 2022 entered into among our Company, Easou (BVI), Easou (HK), WFOE, Easou Shenzhen, Mr. Wang, Mr. Lu, Mr. Zhao, Mr. Chen, Growth Value, Full Ocean, Sunbird International, Skymobi, Easou Union Ltd, SBCVC Fund III Company Limited, SBCVC BlueSky Holding Company Limited,

Suzhou Kunyu Jinduo Emerging Industry Investment Enterprise (Limited Partnership)* 蘇州琨玉金舵新興產業投資企業(有限合夥), Estate Success Enterprise Limited, Shanghai Shengda Co., Ltd.* 上海盛大網絡發展有限公司, Jinhe Capital Limited, Shenzhen Qianhai Hairun Changyu Investment Partnership (Limited Partnership)* 深圳前海海潤昌峪投資合夥企業(有限合夥), Shenzhen Houju No. 3 Investment Partnership (Limited Partnership)* 深圳厚聚三號投資合夥企業(有限合夥), VENTECH CHINA II SICAR, Jinfa Changye Co., Ltd., Shenzhen Yuanzhi Venture Capital Co., Ltd.* 深圳市遠致創業投資有限公司, Nanrun Wanxin Investment Ltd., DING DING, Shenzhen Houju No. 1 Investment Partnership (Limited Partnership)* 深圳厚聚一號投資合夥企業(有限合夥), Shenzhen Lihe Hongxin Venture Investment Partnership (Limited Partnership)* 深圳力合泓鑫創業投資合夥企業(有限合夥) and Shenzhen Lihe Venture Capital Co., Ltd.* 深圳市力合創業投資有限公司 in relation to, among other things, the shareholders' rights and obligations in our Company;

- (h) a deed of non-competition dated May 27, 2024 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), particulars of which are set out in the section headed “Relationship with our Controlling Shareholders – Deed of Non-Competition” in this prospectus;
- (i) a deed of indemnity dated May 27, 2024 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for the benefit of each of its subsidiaries), particulars of which are set out in the paragraph headed “E. Other Information – 1. Estate duty, tax and other indemnities” in this Appendix; and
- (j) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

As of the Latest Practicable Date, we have registered the following intellectual property rights which we consider to be or may be material to our business.

(a) Trademarks

As of the Latest Practicable Date, we are the owner of the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Registration Number	Class	Registrant/ Trademark Owner	Place of Registration	Validity Period
1.	宜搜漫画	35300460	Class 42	Easou Shenzhen	PRC	2019-08-28–2029-08-27
2.	宜搜漫画	35304134	Class 28	Easou Shenzhen	PRC	2019-08-28–2029-08-27
3.	宜搜漫画	35286252	Class 16	Easou Shenzhen	PRC	2019-08-07–2029-08-06
4.	宜搜漫画	35289336	Class 09	Easou Shenzhen	PRC	2019-08-07–2029-08-06









No.	Trademark	Registration Number	Class	Registrant/ Trademark Owner	Place of Registration	Validity Period
5.	宜搜漫画	35284552	Class 35	Easou Shenzhen	PRC	2019-08-07-2029-08-06
6.	宜搜漫画	35292793	Class 41	Easou Shenzhen	PRC	2019-08-28-2029-08-27
7.	宜搜平板	20155220	Class 45	Easou Shenzhen	PRC	2017-07-21-2027-07-20
8.	宜搜平板	20153976	Class 41	Easou Shenzhen	PRC	2017-07-21-2027-07-20
9.	宜搜平板	20154976	Class 42	Easou Shenzhen	PRC	2017-07-21-2027-07-20
10.	宜搜平板	20153631	Class 35	Easou Shenzhen	PRC	2017-07-21-2027-07-20
11.	宜搜平板	20152853	Class 09	Easou Shenzhen	PRC	2017-07-21-2027-07-20
12.	宜搜平板	20153042	Class 16	Easou Shenzhen	PRC	2017-07-21-2027-07-20
13.	宜搜阅读	20153546	Class 35	Easou Shenzhen	PRC	2017-07-21-2027-07-20
14.	宜搜阅读	20154863	Class 42	Easou Shenzhen	PRC	2017-07-21-2027-07-20
15.	宜搜阅读	20155518	Class 45	Easou Shenzhen	PRC	2017-07-21-2027-07-20
16.	宜搜阅读	20153054	Class 16	Easou Shenzhen	PRC	2017-07-21-2027-07-20
17.	宜搜阅读	20154034	Class 41	Easou Shenzhen	PRC	2017-07-21-2027-07-20
18.	宜搜阅读	20152720	Class 09	Easou Shenzhen	PRC	2017-07-21-2027-07-20
19.	宜搜小说	20154812	Class 42	Easou Shenzhen	PRC	2017-07-21-2027-07-20
20.	宜搜小说	20153219	Class 16	Easou Shenzhen	PRC	2017-07-21-2027-07-20

No.	Trademark	Registration Number	Class	Registrant/ Trademark Owner	Place of Registration	Validity Period
21.	宜搜小说	20155522	Class 45	Easou Shenzhen	PRC	2017-07-21-2027-07-20
22.	宜搜小说	20153503	Class 35	Easou Shenzhen	PRC	2017-07-21-2027-07-20
23.	宜搜小说	20152662	Class 09	Easou Shenzhen	PRC	2017-07-21-2027-07-20
24.	宜搜小说	20154364	Class 41	Easou Shenzhen	PRC	2017-07-21-2027-07-20
25.	eapad	20153177	Class 16	Easou Shenzhen	PRC	2017-10-14-2027-10-13
26.	eapad	20155408	Class 45	Easou Shenzhen	PRC	2017-07-21-2027-07-20
27.	eapad	20153618	Class 35	Easou Shenzhen	PRC	2017-07-21-2027-07-20
28.	eapad	20154789	Class 42	Easou Shenzhen	PRC	2017-07-21-2027-07-20
29.	百花缭乱	16715676	Class 42	Easou Shenzhen	PRC	2016-06-07-2026-06-06
30.	百花缭乱	16715072	Class 09	Easou Shenzhen	PRC	2016-06-07-2026-06-06
31.	百花缭乱	16715375	Class 41	Easou Shenzhen	PRC	2016-06-07-2026-06-06
32.	百花缭乱武士少女	16715585	Class 42	Easou Shenzhen	PRC	2016-06-07-2026-06-06
33.	百花缭乱武士少女	16715137	Class 09	Easou Shenzhen	PRC	2016-06-07-2026-06-06
34.	百花缭乱武士少女	16715446	Class 41	Easou Shenzhen	PRC	2016-06-07-2026-06-06
35.	发现天下	16553953	Class 09	Easou Shenzhen	PRC	2016-06-07-2026-06-06
36.	发现天下	16554222	Class 41	Easou Shenzhen	PRC	2016-05-14-2026-05-13


No.	Trademark	Registration Number	Class	Registrant/ Trademark Owner	Place of Registration	Validity Period
37.	发现天下	16554165	Class 38	Easou Shenzhen	PRC	2016-05-14-2026-05-13
38.	发现天下	16554069	Class 35	Easou Shenzhen	PRC	2016-05-14-2026-05-13
39.	发现天下	16554391	Class 45	Easou Shenzhen	PRC	2016-05-07-2026-05-06
40.	发现天下	16554311	Class 42	Easou Shenzhen	PRC	2016-05-14-2026-05-13
41.	DARMI I	16464462	Class 09	Easou Shenzhen	PRC	2016-04-21-2026-04-20
42.	DARMI I	16464512	Class 35	Easou Shenzhen	PRC	2016-04-21-2026-04-20
43.	DARMI I	16464615	Class 42	Easou Shenzhen	PRC	2016-04-21-2026-04-20
44.	DARMI I	16464579	Class 41	Easou Shenzhen	PRC	2016-04-21-2026-04-20
45.	DAMIME	16462565	Class 35	Easou Shenzhen	PRC	2016-04-21-2026-04-20
46.	DAMIME	16462604	Class 41	Easou Shenzhen	PRC	2016-04-21-2026-04-20
47.	DAMIME	16462466	Class 09	Easou Shenzhen	PRC	2016-04-21-2026-04-20
48.	DAMIME	16462616	Class 42	Easou Shenzhen	PRC	2016-04-21-2026-04-20
49.		16058946A	Class 35	Easou Shenzhen	PRC	2016-04-14-2026-04-13
50.	无敌锁屏	16034413A	Class 09	Easou Shenzhen	PRC	2016-03-28-2026-03-27
51.	非常新闻	15825499	Class 42	Easou Shenzhen	PRC	2016-02-14-2026-02-13
52.	非常新闻	15825499	Class 9	Easou Shenzhen	PRC	2016-02-14-2026-02-13

No.	Trademark	Registration Number	Class	Registrant/ Trademark Owner	Place of Registration	Validity Period
53.	非常新闻	15825499	Class 41	Easou Shenzhen	PRC	2016-02-14-2026-02-13
54.	骇客帝国	15825498	Class 41	Easou Shenzhen	PRC	2016-01-28-2026-01-27
55.	萌宠爱消消	15557625A	Class 41	Easou Shenzhen	PRC	2016-01-14-2026-01-13
56.	勇者驯龙	15261921A	Class 41	Easou Shenzhen	PRC	2015-11-21-2025-11-20
57.	萌娃早教	15261920	Class 42	Easou Shenzhen	PRC	2015-10-14-2025-10-13
58.	星战风暴	15261923A	Class 41	Easou Shenzhen	PRC	2015-11-14-2025-11-13
59.	星战风暴	15170380A	Class 09	Easou Shenzhen	PRC	2015-11-14-2025-11-13
60.	dragon's den	13825171A	Class 42	Easou Shenzhen	PRC	2015-05-28-2025-05-27
61.	dragon's den	13825172	Class 35	Easou Shenzhen	PRC	2015-02-28-2025-02-27
62.	dragon's den	13825173	Class 09	Easou Shenzhen	PRC	2015-03-07-2025-03-06
63.	宜搜	13364246	Class 09	Easou Shenzhen	PRC	2015-02-07-2025-02-06
64.	宜搜	13364247	Class 16	Easou Shenzhen	PRC	2015-01-21-2025-01-20
65.	宜搜	13364248	Class 35	Easou Shenzhen	PRC	2015-01-21-2025-01-20
66.	宜搜	13364249	Class 36	Easou Shenzhen	PRC	2015-02-28-2025-02-27

No.	Trademark	Registration Number	Class	Registrant/ Trademark Owner	Place of Registration	Validity Period
67.		13364250	Class 37	Easou Shenzhen	PRC	2015-01-14-2025-01-13
68.		13364251	Class 38	Easou Shenzhen	PRC	2015-01-21-2025-01-20
69.		13364252	Class 41	Easou Shenzhen	PRC	2015-01-21-2025-01-20
70.		13364253	Class 42	Easou Shenzhen	PRC	2015-01-21-2025-01-20
No.	Trademark	Registration Number	Class	Registrant/ Trademark Owner	Place of Registration	Validity Period
71.		13364254	Class 45	Easou Shenzhen	PRC	2015-01-14-2025-01-13
72.		12912718	Class 09	Easou Shenzhen	PRC	2014-12-07-2024-12-06
73.		12912872	Class 41	Easou Shenzhen	PRC	2015-02-07-2025-02-06
74.		12912982	Class 42	Easou Shenzhen	PRC	2014-12-21-2024-12-20
75.		12390287	Class 09	Easou Shenzhen	PRC	2014-09-14-2024-09-13
76.		12388702	Class 41	Easou Shenzhen	PRC	2014-09-14-2024-09-13
77.		12388579	Class 41	Easou Shenzhen	PRC	2014-09-14-2024-09-13

No.	Trademark	Registration Number	Class	Registrant/ Trademark Owner	Place of Registration	Validity Period
78.	 宜搜+	12375754	Class 41	Easou Shenzhen	PRC	2015-03-21-2025-03-20
79.	 宜搜+	12375387	Class 09	Easou Shenzhen	PRC	2014-09-14-2024-09-13
80.	宜点通	10912916	Class 35	Easou Shenzhen	PRC	2023-08-21-2033-08-20
81.		10639982	Class 09	Easou Shenzhen	PRC	2015-03-28-2025-03-27
82.	 龙搜龙搜龙搜龙搜龙搜	10604567	Class 35	Easou Shenzhen	PRC	2015-04-07-2025-04-06
83.		6949020	Class 42	Easou Shenzhen	PRC	2021-02-21-2031-02-20
84.		6949021	Class 38	Easou Shenzhen	PRC	2020-09-21-2030-09-20
85.		6949019	Class 35	Easou Shenzhen	PRC	2020-08-28-2030-08-27
86.	Easou 宜搜	5599569	Class 35	Easou Shenzhen	PRC	2020-02-21-2030-02-20
87.	Easou 宜搜	5599568	Class 38	Easou Shenzhen	PRC	2019-12-14-2029-12-13
88.		4812127	Class 42	Easou Shenzhen	PRC	2019-03-07-2029-03-06
89.	宜游	16504592	Class 38	Shenzhen Eayou	PRC	2016-04-28-2026-04-27
90.	eayou	16497306	Class 41	Shenzhen Eayou	PRC	2016-04-28-2026-04-27
91.	eayou	16497286	Class 45	Shenzhen Eayou	PRC	2016-07-28-2026-07-27

No.	Trademark	Registration Number	Class	Registrant/ Trademark Owner	Place of Registration	Validity Period
92.	eayou	16497199	Class 42	Shenzhen Eayou	PRC	2016-08-14-2026-08-13
93.	eayou	16497109	Class 35	Shenzhen Eayou	PRC	2016-05-21-2026-05-20
94.	eayou	16497030	Class 38	Shenzhen Eayou	PRC	2016-06-21-2026-06-20
95.	eayou	16496766	Class 09	Shenzhen Eayou	PRC	2016-04-28-2026-04-27
96.	萌宠爱消消	16020703	Class 09	Shenzhen Eayou	PRC	2016-02-28-2026-02-27
97.	WinClick	6364203	Class 35	Guangzhou Ledian	PRC	2020-06-28-2030-06-27
98.	WinClick	6364204	Class 42	Guangzhou Ledian	PRC	2020-07-07-2030-07-06
99.		6364205	Class 35	Guangzhou Ledian	PRC	2020-06-28-2030-06-27
100.	赢点传媒	6364207	Class 35	Guangzhou Ledian	PRC	2020-09-14-2030-09-13
101.	赢点传媒	6364208	Class 42	Guangzhou Ledian	PRC	2020-07-07-2030-07-06
102.	微卷阅读	26796627	Class 41	Shenzhen Dahuatong	PRC	2018-10-14-2028-10-13
103.	微卷阅读	26787055	Class 42	Shenzhen Dahuatong	PRC	2018-10-21-2028-10-20
104.	微卷小说	26787062	Class 42	Shenzhen Dahuatong	PRC	2018-10-14-2028-10-13
105.	微卷小说阅读	26787020	Class 41	Shenzhen Dahuatong	PRC	2018-10-14-2028-10-13
106.	微卷小说	26791647	Class 09	Shenzhen Dahuatong	PRC	2018-10-14-2028-10-13
107.	微卷	26805480	Class 41	Shenzhen Dahuatong	PRC	2018-10-14-2028-10-13

No.	Trademark	Registration Number	Class	Registrant/ Trademark Owner	Place of Registration	Validity Period
108.	微卷小说阅读	26791158	Class 42	Shenzhen Dahuatong	PRC	2018-10-14-2028-10-13
109.	微卷小说阅读	26801724A	Class 35	Shenzhen Dahuatong	PRC	2019-01-14-2029-01-13
110.	微卷阅读	26790064A	Class 35	Shenzhen Dahuatong	PRC	2019-01-14-2029-01-13
111.	微卷	26805879	Class 42	Shenzhen Dahuatong	PRC	2018-10-14-2028-10-13
112.	微卷小说阅读	26804284	Class 09	Shenzhen Dahuatong	PRC	2018-10-14-2028-10-13
113.	微卷小说	26805436A	Class 35	Shenzhen Dahuatong	PRC	2019-01-14-2029-01-13
114.	微卷	26803854	Class 09	Shenzhen Dahuatong	PRC	2018-10-14-2028-10-13
115.	微卷	26760616A	Class 35	Shenzhen Dahuatong	PRC	2019-01-14-2029-01-13
116.	微卷阅读	26793186	Class 09	Shenzhen Dahuatong	PRC	2018-10-14-2028-10-13
117.	微卷小说	26797162	Class 41	Shenzhen Dahuatong	PRC	2018-10-21-2028-10-20
118.		305919049	Class 09, 35 and 42	Easou (HK)	Hong Kong	2022-03-28-2032-03-27

(b) Patents

As of the Latest Practicable Date, we are the owner of the following patents which we consider to be or may be material to our business:

No.	Patent	Patent Number	Type	Registered Owner	Place of Registration	Application Date	Expiry Date
1.	A method and system for acquiring new words* (一種新詞獲取方法及系統)	ZL201210438561.0	Invention	Easou Shenzhen	PRC	2012-11-06	2032-11-05
2.	A search method and system for identifying a user's search intent* (一種識別用戶檢索意圖的搜索方法和系統)	ZL201210404124.7	Invention	Easou Shenzhen	PRC	2012-10-22	2032-10-21
3.	A processing method and system for removing duplication of Internet resources* (一種互聯網資源去重的處理方法及系統)	ZL201210239076.0	Invention	Easou Shenzhen	PRC	2012-07-11	2032-07-10
4.	A method and apparatus for mining authoritative sites* (一種權威站點的挖掘方法及裝置)	ZL201210394980.9	Invention	Easou Shenzhen	PRC	2012-10-17	2032-10-16
5.	An image filtering method and system* (一種圖像過濾方法及系統)	ZL201210407445.2	Invention	Easou Shenzhen	PRC	2012-10-23	2032-10-22
6.	An approach to single-computer multi-node implementation in a cluster* (一種集群中單機多節點的實現方法)	ZL201210447644.6	Invention	Easou Shenzhen	PRC	2012-11-09	2032-11-08
7.	Methods and systems for testing the installability of Android resource packages* (Android資源包可安裝性的檢測方法及系統)	ZL201210460467.5	Invention	Easou Shenzhen	PRC	2012-11-15	2032-11-14
8.	A method and system for query expansion using search engines* (一種利用搜索引擎進行查詢擴展的方法及系統)	ZL201210395213.X	Invention	Easou Shenzhen	PRC	2012-10-17	2032-10-16
9.	A method and system for processing user search terms* (一種用戶檢索詞的處理方法及系統)	ZL201310005804.6	Invention	Easou Shenzhen	PRC	2013-01-08	2033-01-07

No.	Patent	Patent Number	Type	Registered Owner	Place of Registration	Application Date	Expiry Date
10.	An example sentence retrieval method and system* (一種例句檢索的方法及系統)	ZL201210413295.6	Invention	Easou Shenzhen	PRC	2012-10-25	2032-10-24
11.	A method and system for downloading internet resources* (一種互聯網資源的下載方法及系統)	ZL201210353411.X	Invention	Easou Shenzhen	PRC	2012-09-21	2032-09-20
12.	A word search recommendations method and system for users* (一種用戶檢索詞推薦的方法及系統)	ZL201310119667.9	Invention	Easou Shenzhen	PRC	2013-04-08	2033-04-07
13.	Synonym mining methods and devices* (同義詞挖掘方法及裝置)	ZL201410193704.5	Invention	Easou Shenzhen	PRC	2014-05-08	2034-05-07
14.	A method and system for creating thematic queries based on website terms* (一種基于網站主題詞查詢的建立方法及系統)	ZL201310223294.X	Invention	Easou Shenzhen	PRC	2013-06-06	2033-06-05
15.	A method and device for optimizing the bidding of advertising keywords* (一種廣告關鍵詞出價的優化方法及裝置)	ZL201310649036.8	Invention	Easou Shenzhen	PRC	2013-12-04	2033-12-03
16.	A method and system for processing user-searchable sentences* (一種用戶檢索語句的處理方法及系統)	ZL201310071213.9	Invention	Easou Shenzhen	PRC	2013-03-06	2033-03-05
17.	A method and system for extracting domain-specific terms* (一種領域特徵詞的提取方法及系統)	ZL201310211467.6	Invention	Easou Shenzhen	PRC	2013-05-31	2033-05-30
18.	A method and device for calculating the popularity of search terms* (實體詞熱度計算方法及裝置)	ZL201410778155.8	Invention	Easou Shenzhen	PRC	2014-12-15	2034-12-14
19.	A differential storage method and system for software application installation packages* (應用軟件安裝包差分存儲方法及系統)	ZL201610659108.0	Invention	Easou Shenzhen	PRC	2016-08-11	2036-08-10

No.	Patent	Patent Number	Type	Registered Owner	Place of Registration	Application Date	Expiry Date
20.	A method and system for personalized recommendation of online literature books* (一種網絡文學書籍個性化推薦方法及系統)	ZL202010478957.2	Invention	Easou Beijing	PRC	2020-05-29	2040-05-28
21	Stress test method and device for Android Apps* (基於安卓APP的壓力測試方法及裝置)	ZL202010508551.4	Invention	Easou Beijing	PRC	2020-06-06	2040-06-05

(c) Domain name

As of the Latest Practicable Date, we are the registrant of the following domain names which we consider to be or may be material to our business:

No.	Domain name	Registered Owner	Registration date	Expiry date
1.	easou.com	Easou Shenzhen	2005-04-13	2028-04-13
2.	appeasou.com	Easou Shenzhen	2012-08-13	2025-08-13
3.	easouplay.com	Easou Shenzhen	2019-10-08	2025-10-08
4.	heyule.net	Easou Shenzhen	2014-09-24	2025-09-24
5.	eagao.cn	Easou Shenzhen	2006-07-03	2025-07-03
6.	myeasou.net	Easou Shenzhen	2006-04-29	2026-04-29
7.	ieasou.com	Easou Shenzhen	2019-09-20	2025-09-20
8.	ieasou.cn	Easou Shenzhen	2019-09-20	2025-09-20
9.	easobj.com	Easou Beijing	2018-12-21	2028-12-21
10.	easobj.cn	Easou Beijing	2018-12-21	2028-12-21
11.	eayou.com	Shenzhen Eayou	2005-10-18	2026-10-18
12.	eayou.cn	Shenzhen Eayou	2006-06-27	2025-06-27
13.	eayoupay.com	Shenzhen Eayou	2019-07-18	2025-07-18
14.	winads.cn	Guangzhou Ledian	2008-08-06	2026-08-06
15.	anydown.cn	Guangzhou Ledian	2006-06-06	2026-06-06
16.	ledian.cn	Guangzhou Ledian	2007-05-31	2025-06-30

No.	Domain name	Registered Owner	Registration date	Expiry date
17.	eapush.com	Guangzhou Ledian	2013-06-15	2026-06-15
18.	taitlet.cn	Shenzhen Taite	2014-08-18	2028-08-18
19.	ueasou.cn	Shenzhen Taite	2019-08-28	2025-08-28
20.	mtianshitong.com	Guangzhou Tianshitong	2016-05-25	2026-05-25
21.	escpby.com	Guangzhou Tianshitong	2019-07-18	2025-07-18
22.	adplat.net	Shanghai Yinggao	2019-08-27	2025-08-27
23.	adpad.cn	Shanghai Yinggao	2019-08-27	2025-08-27
24.	new-powers.net	Shenzhen New Drive	2019-11-27	2029-11-27
25.	comiccc.net	Shenzhen New Drive	2019-08-16	2025-08-16
26.	easou.mobi	Shenzhen New Drive	2006-09-26	2028-09-26
27.	novelsee.cn	Shenzhen Chuangtu	2019-08-17	2025-08-17
28.	novelsee.net	Shenzhen Chuangtu	2019-08-17	2025-08-17
29.	chuangtutech.com	Shenzhen Chuangtu	2018-07-04	2028-07-04
30.	eachat.me	Shenzhen Chuangtu	2023-04-24	2025-04-24
31.	iaikan.cn	Shenzhen Dahuatong	2019-08-16	2025-08-16

No.	Domain name	Registered Owner	Registration date	Expiry date
32.	qreading.net	Shenzhen Dahuatong	2019-08-17	2025-08-17
33.	yuedushijie.cn	Shenzhen Dahuatong	2017-09-19	2025-09-19
34.	esnovel.com	Shenzhen Dahuatong	2019-09-20	2025-09-20
35.	easou.cn	Shenzhen Dahuatong	2005-06-14	2027-06-14
36.	adeasou.com	Shenzhen Dahuatong	2019-06-26	2027-06-26
37.	highyouxi.com	Shenzhen Dahuatong	2014-09-02	2025-09-02
38.	wejuan.cn	Shenzhen Dahuatong	2017-09-19	2027-09-19
39.	eawen.cn	Beijing Yike	2020-07-01	2025-07-01
40.	eake.mobi	Beijing Yike	2020-07-01	2025-07-01
41.	eayue.com	Beijing Yike	2011-03-06	2025-03-29

(d) Copyrights

As of the Latest Practicable Date, we had registered the following software copyrights which we consider to be material to our business, all of which were applied for in the PRC:

No.	Name of Software	Place of Registration	Registration Number	Registered Owner	Registration Date
1.	BERT-based Text Detection and Recognition System V1.0* 基于BERT的文本檢測識別系統 V1.0	PRC	2023SR1653745	Easou Shenzhen	2023-12-18
2.	EaShort Short Drama APP Software for Android V1.0.0* Android版EaShort短劇APP軟件 V1.0.0	PRC	2023SR1782239	Easou Shenzhen	2023-12-27
3.	EaShort Short Drama APP Software for iOS V1.0.0* iOS版EaShort短劇APP軟件V1.0.0	PRC	2023SR1775706	Easou Shenzhen	2023-12-27
4.	Dream Partners Mobile Game Software V1.0.0* 夢想合夥人手機遊戲軟件V1.0.0	PRC	2022SR0261590	Easou Shenzhen	2022-02-22
5.	Easou Music Recommendation System Software V1.0* 宜搜音樂推薦系統軟件V1.0	PRC	2020SR1741261	Easou Shenzhen	2020-12-04
6.	Easou Mobile Internet Value-added Service Platform V1.0* 宜搜移動互聯網增值業務服務平台V1.0	PRC	2020SR1738534	Easou Shenzhen	2020-12-04
7.	Crimson Realm Game Software V1.0.0* 緋紅之境遊戲軟件V1.0.0	PRC	2020SR0089222	Easou Shenzhen	2020-01-17
8.	Easou Novel Express Reader Software V1.0.0* 宜搜小說快讀版閱讀大全軟件V1.0.0	PRC	2019SR0829243	Easou Shenzhen	2019-08-09
9.	Easou Taming of the Dragon Game Software V1.0* 宜搜勇者馴龍遊戲軟件V1.0	PRC	2019SR0721202	Easou Shenzhen	2019-07-12
10.	Easou Prosperous Beauty Mobile Game Software* 宜搜盛世紅顏手機遊戲軟件V1.0	PRC	2019SR0603851	Easou Shenzhen	2019-06-12
11.	Fairview Palace Game Software V1.0* 錦繡深宮遊戲軟件V1.0	PRC	2019SR0512810	Easou Shenzhen	2019-05-23
12.	Schemes of the Imperial Consorts Software V1.0* 後宮心計遊戲軟件V1.0	PRC	2019SR0509233	Easou Shenzhen	2019-05-23

No.	Name of Software	Place of Registration	Registration Number	Registered Owner	Registration Date
13.	Palace Love Mobile Game Software V1.0* 宮廷蜜戀手機遊戲軟件V1.0	PRC	2019SR0509071	Easou Shenzhen	2019-05-23
14.	Queen of Six Palaces Game Software V1.0* 寵冠六宮遊戲軟件V1.0	PRC	2019SR0508596	Easou Shenzhen	2019-05-23
15.	Secret History of the Imperial Consorts Software V1.0* 後宮秘史遊戲軟件V1.0	PRC	2019SR0280064	Easou Shenzhen	2019-03-26
16.	Free Novel Reading Software V1.0.0* 免費小說閱讀軟件V1.0.0	PRC	2019SR0156874	Easou Shenzhen	2019-02-19
17.	All-in-one Popular Novels Software V1.0.0* 愛看小說大全軟件V1.0.0	PRC	2019SR0156866	Easou Shenzhen	2019-02-19
18.	Easou Comic Software V1.0* 宜搜漫畫軟件V1.0	PRC	2018SR705201	Easou Shenzhen	2018-09-03
19.	Three Kingdoms Player Game Software V1.0* 三國大玩家遊戲軟件V1.0	PRC	2018SR484723	Easou Shenzhen	2018-06-26
20.	Easou E-books Software V3.0.0* 宜搜電子書軟件V3.0.0	PRC	2018SR349079	Easou Shenzhen	2018-05-17
21.	Playboy Prince Game Software V1.0* 風流小王爺遊戲軟件V1.0	PRC	2018SR340015	Easou Shenzhen	2018-05-15
22.	Sword and Rain in Spring and Autumn Game Software V1.0* 劍雨春秋遊戲軟件V1.0	PRC	2018SR340009	Easou Shenzhen	2018-05-15
23.	Flood Heist Game Software V1.0* 洪荒劫遊戲軟件V1.0	PRC	2018SR125398	Easou Shenzhen	2018-02-26
24.	Easou Spiritual Sword Awakening Mobile Game Software V1.0* 宜搜靈劍覺醒手機遊戲軟件V1.0	PRC	2018SR112579	Easou Shenzhen	2018-02-13
25.	Spirit Sword Battle Game Software V1.0* 靈劍決遊戲軟件V1.0	PRC	2018SR112577	Easou Shenzhen	2018-02-13
26.	Fantasy Fairy Trail Game Software V1.0* 幻靈仙蹤遊戲軟件V1.0	PRC	2018SR095310	Easou Shenzhen	2018-02-06
27.	Spiritual Regicide Mobile Game Software V1.0* 靈域弑天手機遊戲軟件V1.0	PRC	2018SR095160	Easou Shenzhen	2018-02-06

No.	Name of Software	Place of Registration	Registration Number	Registered Owner	Registration Date
28.	Barbaric Tales Game Software V1.0* 莽荒戰紀遊戲軟件V1.0	PRC	2018SR070216	Easou Shenzhen	2018-01-29
29.	Easou Fate of the Spiritual Sword Game Software V1.0* 宜搜靈劍奇緣手機遊戲軟件V1.0	PRC	2018SR046563	Easou Shenzhen	2018-01-19
30.	Easou Novel Client System V3.5.0* 宜搜小說客戶端系統 V3.5.0	PRC	2018SR040388	Easou Shenzhen	2018-01-17
31.	Greatness of Three Kingdoms Mobile Game Software V1.0* 三國大業手機遊戲軟件V1.0	PRC	2017SR684921	Easou Shenzhen	2017-12-13
32.	The Lords of Beacon Mobile Game Software V1.0* 烽火諸侯手機遊戲軟件V1.0	PRC	2017SR642488	Easou Shenzhen	2017-11-22
33.	OH Comic Mobile Software V1.0* OH漫畫手機軟件V1.0	PRC	2017SR605084	Easou Shenzhen	2017-11-06
34.	Glory and Mission Mobile Game Software V1.0* 榮耀與使命手機遊戲軟件V1.0	PRC	2017SR560384	Easou Shenzhen	2017-10-10
35.	Sunshine Music Mobile Software V1.0* Sunshine Music手機軟件V1.0	PRC	2017SR274898	Easou Shenzhen	2017-06-16
36.	Easou Empire Renaissance Mobile Game Software V1.0* 宜搜帝國復興手機遊戲軟件V1.0	PRC	2017SR048934	Easou Shenzhen	2017-02-20
37.	Chicken Cross Blast Mobile Game Software V1.0* 小雞十字爆手機遊戲軟件V1.0	PRC	2017SR039469	Easou Shenzhen	2017-02-10
38.	Easou King of Empires Mobile Game Software V1.0* 宜搜帝國王者手機遊戲軟件V1.0	PRC	2016SR284082	Easou Shenzhen	2016-10-08
39.	Easou Mobile Internet Gaming User Services Platform Software V1.0* 宜搜移動互聯網遊戲用戶服務平台軟件V1.0	PRC	2016SR280261	Easou Shenzhen	2016-09-29
40.	Easou Android Client Reading Software V1.0* 宜閱讀安卓客戶端軟件V1.0	PRC	2016SR165986	Easou Shenzhen	2016-07-04
41.	Easou Battle of Shushan Mobile Game Software V1.0* 宜搜蜀山戰記手機遊戲軟件V1.0	PRC	2016SR134116	Easou Shenzhen	2016-06-06
42.	Easou Transformation of Fairies and Demons Online Game Software V1.0* 宜搜《仙魔變》網絡遊戲軟件V1.0	PRC	2016SR132557	Easou Shenzhen	2016-06-06

No.	Name of Software	Place of Registration	Registration Number	Registered Owner	Registration Date
43.	The Wrath of the Blood Game Software V1.0* 熱血之怒遊戲軟件V1.0	PRC	2016SR084660	Easou Shenzhen	2016-04-22
44.	Easou Novel Android Client System V2.2.0* 宜搜小說android客戶端系統V2.2.0	PRC	2015SR165999	Easou Shenzhen	2015-08-26
45.	Easou Novel IOS Platform Client System V2.3.0* 宜搜小說IOS平台客戶端系統V2.3.0	PRC	2015SR164786	Easou Shenzhen	2015-08-25
46.	Invincible Lock Screen Software V1.1.2* 無敵鎖屏軟件V1.1.2	PRC	2014SR184508	Easou Shenzhen	2014-11-29
47.	Internet Assistant Software V4.0.0* 上網助手軟件V4.0.0	PRC	2014SR166406	Easou Shenzhen	2014-11-02
48.	Easou Search Android Client Software V3.1.0* 宜搜搜索Android客戶端軟件V3.1.0	PRC	2014SR143400	Easou Shenzhen	2014-09-24
49.	Extraordinary News Software V1.1.0* 非常新聞軟件V1.1.0	PRC	2014SR119838	Easou Shenzhen	2014-08-14
50.	Love Couple Social NetWorking Software* 為愛情侶社交軟件V1.0	PRC	2014SR118037	Easou Shenzhen	2014-08-12
51.	Easou E-travel User Service Platform V1.0* 宜搜e遊用戶服務平台V1.0	PRC	2014SR025715	Easou Shenzhen	2014-03-04
52.	Easou App Advertisement Aggregation Platform V1.0* 宜搜APP廣告聚合平台V1.0	PRC	2014SR022448	Easou Shenzhen	2014-02-25
53.	Video Viewer Client System V1.0* 看片神器客戶端系統V1.0	PRC	2013SR156713	Easou Shenzhen	2013-12-25
54.	Easou Simple Life Platform System V1.0.0* 宜搜簡生活平台系統V1.0.0	PRC	2013SR155873	Easou Shenzhen	2013-12-24
55.	Location-based Merchant Retrieval Service System V1.0.0* 基于位置的商家檢索服務系統V1.0.0	PRC	2013SR155155	Easou Shenzhen	2013-12-24
56.	Three Kingdoms Partner Game Software V1.0* 三國合夥人遊戲軟件V1.0	PRC	2013SR119964	Easou Shenzhen and Shenzhen Ledou Network Technology Co., Ltd.* (深圳樂門網絡科技有限公司), an Independent Third Party	2013-11-06

No.	Name of Software	Place of Registration	Registration Number	Registered Owner	Registration Date
57.	Easou Novel IOS Platform Client System V0.9.0* 宜搜小說IOS平台客戶端系統V0.9.0	PRC	2013SR119777	Easou Shenzhen	2013-11-05
58.	Easou Novel Client System V0.915* 宜搜小說客戶端系統V0.915	PRC	2013SR113544	Easou Shenzhen	2013-10-25
59.	My E-game Mobile Game Platform V1.0.0* 我的e遊戲手機遊戲平台V1.0.0	PRC	2013SR031276	Easou Shenzhen	2013-04-03
60.	Easou Digital Mobile Application* 宜搜手機數字應用系統V1.0	PRC	2012SR133419	Easou Shenzhen	2012-12-25
61.	Easou Mobile Internet Personalised Recommendation Engine System V1.0* 宜搜移動互聯網個性化推薦引擎系統V1.0	PRC	2012SR132586	Easou Shenzhen	2012-12-24
62.	Easou Mobile Internet Access Acceleration System V1.0* 宜搜移動互聯網訪問加速系統V1.0	PRC	2012SR110665	Easou Shenzhen	2012-11-19
63.	Easou King of Fighters Mobile Online Game Software V1.0* 宜搜王者爭鋒移動網絡遊戲軟件V1.0	PRC	2012SR026743	Easou Shenzhen	2012-04-09
64.	Easou Android Novel Search Platform Client Software V1.0.8* 宜搜小說搜索Android平台客戶端軟件1.0.8	PRC	2011SR014493	Easou Shenzhen	2011-03-22
65.	Easou Android Search Platform Client Software 1.0.1* 宜搜搜索Android平台客戶端軟件1.0.1	PRC	2011SR014484	Easou Shenzhen	2011-03-22
66.	Easou Mobile Internet Content Conversion Software System 1.0* 宜搜移動互聯網內容轉換軟件系統1.0	PRC	2011SR014208	Easou Shenzhen	2011-03-22
67.	Easou Mobile Digital Information Platform System 1.0* 宜搜手機數字信息平台系統1.0	PRC	2010SR063753	Easou Shenzhen	2010-11-27
68.	Easou Mobile App Store System V1.0* 宜搜手機應用商店系統V1.0	PRC	2010SR058357	Easou Shenzhen	2010-11-03
69.	Easou Practical Search Engine Software 2.0* 宜搜實用搜索引擎軟件2.0	PRC	2010SR016072	Easou Shenzhen	2010-04-12

No.	Name of Software	Place of Registration	Registration Number	Registered Owner	Registration Date
70.	Easou Community Service System Software 1.4* 宜搜社區服務系統軟件1.4	PRC	2010SR016070	Easou Shenzhen	2010-04-12
71.	Easou Product Search Engine Software 1.3* 宜搜商品搜索引擎軟件1.3	PRC	2010SR016068	Easou Shenzhen	2010-04-12
72.	Easou Knowledge Search Software 1.3* 宜搜知識搜索引擎軟件1.3	PRC	2010SR015983	Easou Shenzhen	2010-04-12
73.	Easou Advertising Placement System Software 1.7* 宜搜廣告投放系統軟件1.7	PRC	2010SR015790	Easou Shenzhen	2010-04-10
74.	Easou Video Search Engine Software 1.0* 宜搜視頻搜索引擎軟件1.0	PRC	2010SR015776	Easou Shenzhen	2010-04-10
75.	Easou Advertising Marketing Management System Software 1.7* 宜搜廣告營銷管理系統軟件1.7	PRC	2010SR015674	Easou Shenzhen	2010-04-10
76.	Easou Local Search Engine Software 2.0* 宜搜本地搜索引擎軟件2.0	PRC	2010SR015673	Easou Shenzhen	2010-04-10
77.	Easou Advertising Alliance Software 1.0* 宜搜廣告聯盟軟件1.0	PRC	2010SR015672	Easou Shenzhen	2010-04-10
78.	Easou Ringtone Search Engine Software 2.0* 宜搜鈴聲搜索引擎軟件2.0	PRC	2010SR015671	Easou Shenzhen	2010-04-10
79.	Easou Software Search Engine Software 2.0* 宜搜軟件搜索引擎軟件2.0	PRC	2010SR015667	Easou Shenzhen	2010-04-10
80.	Easou WAP Website Builder Software 2.2* 宜搜WAP建站系統軟件2.2	PRC	2010SR015665	Easou Shenzhen	2010-04-10
81.	Easou Theme Search Engine Software 1.0* 宜搜主題搜索引擎軟件1.0	PRC	2010SR015663	Easou Shenzhen	2010-04-10
82.	Image Search Engine Software 1.0* 圖片搜索引擎軟件1.0	PRC	2009SR013798	Easou Shenzhen	2009-04-01
83.	Easou Novel Search Software 1.0* 宜搜小說搜索軟件 1.0	PRC	2009SR013797	Easou Shenzhen	2009-04-01
84.	Website Search Engine Software 1.0* 網頁搜索引擎軟件 1.0	PRC	2009SR013796	Easou Shenzhen	2009-04-01

No.	Name of Software	Place of Registration	Registration Number	Registered Owner	Registration Date
85.	Easou News Search Software 1.0* 宜搜新聞搜索軟件1.0	PRC	2009SR013790	Easou Shenzhen	2009-04-01
86.	Easou Music Search Software 1.0* Easou音樂搜索軟件1.0	PRC	2009SR013789	Easou Shenzhen	2009-04-01
87.	Game Search Engine Software 1.0* 遊戲搜索引擎軟件1.0	PRC	2009SR013788	Easou Shenzhen	2009-04-01
88.	Personalised Scheduling System for Advertising V1.0* 廣告個性化調度系統V1.0	PRC	2021SR1578213	Easou Beijing	2021-10-28
89.	Easou Novel APP Software V4.0* 宜搜小說APP軟件V4.0	PRC	2021SR1578223	Easou Beijing	2021-10-28
90.	Content Review System V2.0* 內容審核系統V2.0	PRC	2021SR1578212	Easou Beijing	2021-10-28
91.	Text Semantic Idea Recognition System V1.0* 文本語義意圖識別系統 V1.0	PRC	2020SR1239832	Easou Beijing	2020-10-22
92.	Directed Graph-based Chinese Phrases System V1.0* 基於有向圖的中文分詞系統V1.0	PRC	2020SR1239823	Easou Beijing	2020-10-22
93.	Recommendation System in New Cyber Literature Books V1.0* 網絡文學新書推薦系統 V1.0	PRC	2020SR1239777	Easou Beijing	2020-10-22
94.	Lightweight Distributed Service Registration Centre System V1.0* 輕量級分布式服務註冊中心系統V1.0	PRC	2019SR0072299	Easou Beijing	2019-01-22
95.	Game Video Crawler System V1.0* 遊戲視頻爬蟲系統V1.0	PRC	2019SR0067479	Easou Beijing	2019-01-21
96.	Front-end Novel Search System V1.0* 小說搜索前端系統 V1.0	PRC	2019SR0067381	Easou Beijing	2019-01-21
97.	Unified Management Platform for Asynchronous Messaging Services V1.0* 異步消息服務統一管理平台V1.0	PRC	2018SR414281	Easou Beijing	2018-06-04
98.	Customizable Modular Operating Platform V1.0* 可定制模塊化運營平台V1.0	PRC	2018SR414278	Easou Beijing	2018-06-04
99.	Easou Mobile Advertisement Retrieval System V1.0* 宜搜移動廣告檢索系統V1.0	PRC	2018SR414098	Easou Beijing	2018-06-04

No.	Name of Software	Place of Registration	Registration Number	Registered Owner	Registration Date
100.	Easou Novel Reading Recommendation Engine System V1.0* 宜搜小說閱讀推薦引擎系統V1.0	PRC	2017SR404415	Easou Beijing	2017-07-27
101.	Distributed Real-time Conversion System V1.0* 分布式實時轉換系統V1.0	PRC	2017SR404222	Easou Beijing	2017-07-27
102.	Vertical Search System V1.0* 垂直搜索系統V1.0	PRC	2017SR404197	Easou Beijing	2017-07-27
103.	Web Search Retrieval System V1.0* 網頁搜索檢索系統V1.0	PRC	2016SR058684	Easou Beijing	2016-03-21
104.	Distributed Storage Systems V1.0* 分布式存儲系統V1.0	PRC	2016SR056159	Easou Beijing	2016-03-17
105.	Novel Online Distribution System V1.0* 小說在綫分發系統V1.0	PRC	2016SR056155	Easou Beijing	2016-03-17
106.	News Recommendation System V1.0* 新聞推薦系統V1.0	PRC	2016SR054916	Easou Beijing	2016-03-16
107.	Novel Online Download System V1.0* 小說在綫下載系統V1.0	PRC	2016SR055182	Easou Beijing	2016-03-16
108.	Novel Online Inventory System V1.0* 小說在綫入庫系統V1.0	PRC	2016SR053467	Easou Beijing	2016-03-15
109.	Easou Android Lock Screen Engine System V1.0* 宜搜鎖屏引擎系統(android端) V1.0	PRC	2016SR053628	Easou Beijing	2016-03-15
110.	Easou+ Client Software V1.0* 宜搜+客戶端軟件V1.0	PRC	2012SR131323	Easou Beijing	2012-12-22
111.	Easou Mobile Community Software V1.0* 宜搜手機社區軟件V1.0	PRC	2011SR076066	Easou Beijing	2011-10-22
112.	Automated video synthesis platform system V1.0* 自動化視頻合成平台系統V1.0	PRC	2022SR1421856	Easou Beijing	2022-10-26
113.	Automated advertisement delivery control system based on Tiktok V1.0* 基於抖音的自動化廣告投放控制系統V1.0	PRC	2022SR1421832	Easou Beijing	2022-10-26
114.	Easou novel users activity monitoring system V1.0* 宜搜小說用戶實時活躍性監控系統V1.0	PRC	2022SR1421828	Easou Beijing	2022-10-26

No.	Name of Software	Place of Registration	Registration Number	Registered Owner	Registration Date
115.	User Behavior-Based Unusual User Monitoring System V1.0* 基於用戶行為的異常用戶監控系統V1.0	PRC	2023SR1001895	Easou Beijing	2023-09-04
116.	User Subscription-Based Online Computing Model System V1.0* 基於用戶訂閱的在線計算模型系統V1.0	PRC	2023SR0998938	Easou Beijing	2023-09-01
117.	Easou Novel Express Application Software V1.7.0* 宜搜小說快應用軟件V1.7.0	PRC	2023SR1328807	Easou Beijing	2023-10-30
118.	Eayou Doomsday Survival Game Software V1.0* 宜遊末日生存遊戲軟件V1.0	PRC	2022SR0943492	Shenzhen Eayou	2022-07-18
119.	Eayou Imperial Consorts Simulation Mobile Game Software V1.0* 宜遊後宮養成記手機遊戲軟件V1.0	PRC	2019SR0963423	Shenzhen Eayou	2019-09-17
120.	Fingertip Stars Mobile Game Software V1.0* 指尖星星手機遊戲軟件V1.0	PRC	2017SR039479	Shenzhen Eayou	2017-02-10
121.	Gemu Little Eliminator Single Player Game Software V1.0* 格穆小消除單機遊戲軟件V1.0	PRC	2016SR121820	Shenzhen Eayou	2016-05-27
122.	My Campus Belle Girlfriend Game Software V1.0* 我的校花女友遊戲軟件V1.0	PRC	2019SR1455973	Shenzhen Eayou	2019-12-31
123.	The Legend of the Flower Demon Mobile Game Software V1.0* 花妖傳手機遊戲軟件V1.0	PRC	2020SR0339214	Shenzhen Eayou	2020-04-16
124.	The Princess is Here Mobile Game Software V1.0* 貴妃來了手機遊戲軟件V1.0	PRC	2020SR0361789	Shenzhen Eayou	2020-04-22

No.	Name of Software	Place of Registration	Registration Number	Registered Owner	Registration Date
125.	Hundred Loves for Fairy Mobile Game Software V1.0* 百戀為仙手機遊戲軟件V1.0	PRC	2020SR0414947	Shenzhen Eayou	2020-05-07
126.	Falling in Love Mobile Game Software V1.0* 戀戀不捨手機遊戲軟件V1.0	PRC	2020SR0450321	Shenzhen Eayou	2020-05-14
127.	Radiant Goddess Mobile Game Software V1.0* 璀璨女神手機遊戲軟件V1.0	PRC	2020SR0799738	Shenzhen Eayou	2020-07-20
128.	Eayou Tank War Game Software V1.0* 宜遊坦克戰爭遊戲軟件V1.0	PRC	2022SR0355033	Shenzhen Eayou	2022-03-16
129.	Paperslip Pawnshop App V1.0* 紙條當舖APP V1.0	PRC	2021SRE034193	Guangzhou Ledian	2021-12-20
130.	Funny Car Owner APP V1.0* 趣車主APP V1.0	PRC	2021SR1322183	Guangzhou Ledian	2021-09-06
131.	Happy Advertisement Promotion Platform V1.0* 快樂推廣廣告平台V1.0	PRC	2021SR1206086	Guangzhou Ledian	2021-08-16
132.	Ledian Smart Business Returns Management System V1.0* 樂點業務回款智能化申請管理系統V1.0	PRC	2020SR1699435	Guangzhou Ledian	2020-12-01
133.	Ledian Efficient Advertisement Promotion Transaction System V1.0* 樂點廣告易推高效交易系統V1.0	PRC	2020SR1695505	Guangzhou Ledian	2020-12-01
134.	Ledian Mobile Phone Processing System for Removing Duplicate Data V1.0* 樂點手機號排重數據處理系統V1.0	PRC	2020SR1695520	Guangzhou Ledian	2020-12-01

No.	Name of Software	Place of Registration	Registration Number	Registered Owner	Registration Date
135.	Ledian Push Task Intelligence Management System V1.0* 樂點推送任務智能管理系統V1.0	PRC	2020SR1691435	Guangzhou Ledian	2020-11-30
136.	Ledian Promotional Media Accuracy Management System V1.0* 樂點推廣媒介精確管理系統V1.0	PRC	2020SR1690737	Guangzhou Ledian	2020-11-30
137.	Ledian Media Advertising Message Distribution System V1.0* 樂點媒體廣告信息發布系統V1.0	PRC	2020SR1512953	Guangzhou Ledian	2020-10-19
138.	Ledian Advertising Channel Management System V1.0* 樂點廣告投放渠道管理系統V1.0	PRC	2020SR1512954	Guangzhou Ledian	2020-10-19
139.	Ledian Automated Advertisement Placement Optimization Management System V1.0* 樂點自動化廣告投放優化管理系統V1.0	PRC	2020SR1512955	Guangzhou Ledian	2020-10-19
140.	Ledian Intelligent Management System for Settlement Data V1.0* 樂點結算數據智能化管理系統V1.0	PRC	2020SR1512945	Guangzhou Ledian	2020-10-19
141.	Ledian Income Data Management System V1.0* 樂點收入數據管理系統V1.0	PRC	2020SR1512909	Guangzhou Ledian	2020-10-19

No.	Name of Software	Place of Registration	Registration Number	Registered Owner	Registration Date
142.	Ledian Statistical Analysis Platform for Advertising Revenue V1.0* 樂點廣告推廣收益統計分析平台V1.0	PRC	2020SR1512908	Guangzhou Ledian	2020-10-19
143.	Hitchhike Provider Recruiting System V1.0* 順風車主招募系統V1.0	PRC	2020SR1111935	Guangzhou Ledian	2020-09-17
144.	Hello Car Owner Recruiting Management System V1.0* 哈囉車主招募管理系統V1.0	PRC	2020SR0312552	Guangzhou Ledian	2020-04-07
145.	Ledian Yitui System Bank Card Management Software V1.0* 樂點易推系統銀行卡管理軟件V1.0	PRC	2017SR171514	Guangzhou Ledian	2017-05-10
146.	Ledian Yitui Sun & Moon Statement Software V1.0* 樂點易推系日月報表軟件V1.0	PRC	2017SR171354	Guangzhou Ledian	2017-05-10
147.	Ledian Yitui System Agency Settlement Management Software V1.0* 樂點易推系統代理結算管理軟件V1.0	PRC	2017SR171336	Guangzhou Ledian	2017-05-10
148.	Ledian Yitui IOS System Advertiser Data Management Software V1.0* 樂點易推系統IOS廣告主數據管理軟件V1.0	PRC	2017SR171314	Guangzhou Ledian	2017-05-10

No.	Name of Software	Place of Registration	Registration Number	Registered Owner	Registration Date
149.	Ledian Yitui System Income Management Software V1.0* 樂點易推系統收入管理軟件V1.0	PRC	2017SR171275	Guangzhou Ledian	2017-05-10
150.	Ledian Yitui System Data Import Software V1.0* 樂點易推系統數據導入軟件V1.0	PRC	2017SR171268	Guangzhou Ledian	2017-05-10
151.	Ledian Yitui System Submit Settlement Management Software V1.0* 樂點易推系統提交結算管理軟件V1.0	PRC	2017SR171263	Guangzhou Ledian	2017-05-10
152.	Ledian Yitui System IOS Advertisement Management Software V1.0* 樂點易推系統IOS廣告管理軟件V1.0	PRC	2017SR171201	Guangzhou Ledian	2017-05-10
153.	Ledian Yitui System Settlement Management Software V1.0* 樂點易推系統結算管理軟件V1.0	PRC	2017SR171095	Guangzhou Ledian	2017-05-10
154.	Ledian Yitui System Channel Number Management Software V1.0* 樂點易推系統渠道號管理軟件V1.0	PRC	2017SR171082	Guangzhou Ledian	2017-05-10
155.	Ledian Yitui System Master Advertising Management Software for Advertisers V1.0* 樂點易推系統廣告主廣告管理軟件V1.0	PRC	2017SR171072	Guangzhou Ledian	2017-05-10

No.	Name of Software	Place of Registration	Registration Number	Registered Owner	Registration Date
156.	Ledian Yitui System Role Authority Management Software V1.0* 樂點易推系統角色權限管理軟件V1.0	PRC	2017SR171069	Guangzhou Ledian	2017-05-10
157.	Ledian Yitui System Account Management Software V1.0* 樂點易推系統賬號管理軟件V1.0	PRC	2017SR170975	Guangzhou Ledian	2017-05-10
158.	Ledian Yitui System New Platform Advertising Software V1.0* 樂點易推系統新建平台廣告軟件V1.0	PRC	2017SR170896	Guangzhou Ledian	2017-05-10
159.	Ledian Points Redemption Software V1.0* 樂點積分兌換軟件V1.0	PRC	2014SR155690	Guangzhou Ledian	2014-10-18
160.	Yinggao Mobile Advertising Platform V1.0* 贏告手機廣告平台V1.0	PRC	2013SR015349	Guangzhou Ledian	2013-02-21
161.	Mobile Phone Pre-installation Statistics System V1.0* 手機預裝統計系統V1.0	PRC	2013SR015337	Guangzhou Ledian	2013-02-21
162.	Apotheosis Mobile Phone Software V1.0* 百煉成神手機遊戲軟件V1.0	PRC	2020SR0710789	Guangzhou Tianshitong	2020-07-02

No.	Name of Software	Place of Registration	Registration Number	Registered Owner	Registration Date
163.	Love and Cultivation Mobile Phone Game Software V1.0* 戀與修真手機遊戲軟件V1.0	PRC	2020SR0352884	Guangzhou Tianshitong	2020-04-21
164.	Ancient Immortals Mobile Phone Game Software V1.0* 太古仙尊手機遊戲軟件V1.0	PRC	2020SR0278109	Guangzhou Tianshitong	2020-03-19
165.	The Ancient Seal of Immortality Mobile Phone Game Software V1.0* 太古封仙 手機遊戲軟件V1.0	PRC	2020SR0278088	Guangzhou Tianshitong	2020-03-19
166.	The Ancient Legend Mobile Phone Game Software V1.0* 上古傳世手機遊戲軟件V1.0	PRC	2020SR0278081	Guangzhou Tianshitong	2020-03-19
167.	The Apocalypse Mobile Phone Game Software V1.0* 天劫手 機遊戲軟件V1.0	PRC	2020SR0136127	Guangzhou Tianshitong	2020-02-13
168.	Xuanzong Flying Fairy Mobile Phone Game Software V1.0* 玄宗飛仙手機遊戲軟件V1.0	PRC	2020SR0135959	Guangzhou Tianshitong	2020-02-13
169.	The Ultimate Campus Belle Game Software V1.0* 極品校 花遊戲軟件V1.0	PRC	2019SR1230072	Guangzhou Tianshitong	2019-11-28

No.	Name of Software	Place of Registration	Registration Number	Registered Owner	Registration Date
170.	Thoughts of the Fallen City Mobile Phone Game Software V1.0* 一念傾城遊戲軟件V1.0	PRC	2019SR1097974	Guangzhou Tianshitong	2019-10-30
171.	Rooftop Music Mobile Phone Software V1.0* 天台音樂手機軟件V1.0	PRC	2017SR275134	Guangzhou Tianshitong	2017-06-16
172.	Love at Every Step Game Software V1.0* 步步情深遊戲軟件V1.0	PRC	2019SR0963480	Shenzhen Chuangtu	2019-09-17
173.	Android Assistant Client Software V1.3.0* 安卓助手客戶端軟件V1.3.0	PRC	2016SR180245	Shenzhen Chuangtu	2016-07-13
174.	Cute Rabbit Having Fun Single Player Game Software V1.0* 萌兔樂翻天單機遊戲軟件V1.0	PRC	2016SR121864	Shenzhen Chuangtu	2016-05-27
175.	Video Viewer IOS Client Software V1.35.1* 看片神器 IOS客戶端軟件V1.35.1	PRC	2015SR169002	Shenzhen Chuangtu	2015-08-31
176.	Video Viewer Android Client Software V1.27.3* 看片神器 Android客戶端軟件V1.27.3	PRC	2015SR169034	Shenzhen Chuangtu	2015-08-31
177.	The Flower Demon's Handbook of Love Game Software V1.0* 花妖修戀手冊遊戲軟件V1.0	PRC	2020SR0382257	Shenzhen Dahuatong	2020-04-27

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178.	Txt Free Full Book Reading Software V1.0* txt免費全本追書軟件V1.0	PRC	2020SR0324787	Shenzhen Dahuatong	2020-04-10
179.	League of Tanks Mobile Phone Game Software V1.0* 坦克聯盟手機遊戲軟件V1.0	PRC	2020SR0212161	Shenzhen Dahuatong	2020-03-04
180.	Easou Novel Reading Software V1.2.1* 宜搜小說暢讀版軟件V1.2.1	PRC	2019SR0696751	Shenzhen Dahuatong	2019-07-05
181.	Weijuan Free Reading Software V1.2.0* 微卷免費閱讀軟件V1.2.0	PRC	2018SR083356	Shenzhen Dahuatong	2018-02-01
182.	Bouncing Robot Mobile Game Software V1.0* 彈跳機器人手機遊戲軟件V1.0	PRC	2017SR039492	Shenzhen Dahuatong	2017-02-10
183.	Age of Emperors Mobile Game Software V1.0* 帝王世紀手機遊戲軟件V1.0	PRC	2016SR129574	Shenzhen Dahuatong	2016-06-02

As of the Latest Practicable Date, we also have the following registered artwork copyrights which we consider to be material to our business, all of which were applied for in the PRC:

No.	Name of artwork	Place of registration	Registration number	Category	Registered owner	Registration date
1.	蓋斯兔	PRC	國作登字-2016-F-00333145	Artwork	Easou Shenzhen	2016-11-03
2.	e遊戲卡通小熊	PRC	國作登字-2013-F-00094154	Artwork	Easou Shenzhen	2013-06-09
3.	天天	PRC	國作登字-2016-F-00331625	Artwork	Shenzhen Taite	2016-10-31
4.	黃小鳥	PRC	國作登字-2017-F-00369277	Artwork	Shenzhen New Drive	2017-03-08
5.	大眼蛙	PRC	國作登字-2017-F-00369276	Artwork	Shenzhen Chuangtu	2017-03-08

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Interests of our Directors in dealing with our Group

Save for the Contractual Arrangements, the service contracts and letters of appointment entered into between our Directors and our Company, none of our Directors or their close associates has engaged in any dealings with our Group during the Track Record Period.

2. Interests and/or short positions of our Directors in the Shares, underlying Shares and debentures of our Company or any associated corporation

Immediately following completion of the Global Offering (assuming full conversion of the Pre-IPO Preferred Shares and without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), the interests and short positions of each Director and the chief executive of our Company in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) once the Shares are listed on the Stock Exchange, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, once the Shares are listed on the Stock Exchange, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 to the Listing Rules, to be notified to our Company and the Stock Exchange once the Shares are listed on the Stock Exchange will be as follows:

(a) Interests and/or short positions in our Company

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of interest in our Company
Mr. Wang	Founder of a discretionary trust/ Interest in controlled corporation ^(Note 2)	106,855,884 (L)	32.49%
Mr. Zhao	Interest in controlled corporation ^(Note 3)	8,245,284 (L)	2.51%
Mr. Chen	Interest in controlled corporation ^(Note 4)	2,059,860 (L)	0.63%

Notes:

- The letter “L” denotes a long position in the Share held.
- Growth Value is an investment holding company incorporated in the BVI and, upon the establishment of The Hope Trust, is owned as to (i) 99% by Gather Forever, which is in turn wholly-owned by CMB Wing Lung (Trustee) Ltd. (the trustee of The Hope Trust); and (ii) 1% by Fase Ltd, which in turn is wholly-owned by Mr. Wang. The Hope Trust is an irrevocable reserved power trust established by Mr. Wang, as the settlor and protector, with CMB Wing Lung (Trustee) Ltd., an independent trustee, as trustee, for the benefit of Mr. Wang and his

family members. Mr. Wang (as the founder of The Hope Trust), CMB Wing Lung (Trustee) Ltd., Gather Forever and Fase Ltd are deemed to be interested in all the Shares held by Growth Value under the SFO.

3. The 8,245,284 Shares are held by Full Ocean, which in turn is directly wholly-owned by Mr. Zhao. As such, Mr. Zhao is deemed to be interested in the 8,245,284 Shares held by Full Ocean under the SFO.
4. The 2,059,860 Shares are held by Skymobi, which in turn is directly wholly-owned by Mr. Chen. As such, Mr. Chen is deemed to be interested in the 2,059,860 Shares held by Skymobi under the SFO.

(b) Interests and/or short positions in associated corporations

Name of Director	Company concerned	Nature of interest	Number of shares held	Approximate percentage of interest in associated corporation of our Company
Mr. Wang . . .	Easou Shenzhen ^(Note 2)	Beneficial owner	26,713,971 (L)	33.39%
		Interest in controlled corporation ^(Note 3)	49,677,580 (L)	62.10%
Mr. Zhao . . .	Easou Shenzhen ^(Note 2)	Beneficial owner	2,061,321 (L)	2.58%
Mr. Chen . . .	Easou Shenzhen ^(Note 2)	Beneficial owner	514,965 (L)	0.64%

Notes:

1. The letter “L” denotes long position in the Share(s) held.
2. The entire equity interest in Easou Shenzhen is pledged by the Registered Shareholders of Easou Shenzhen (including, among others, Wang PRC SPV and Mr. Wang) in favour of the WFOE as part of the Contractual Arrangements. Please refer to “Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — Equity Pledge Agreement” of this prospectus for details.
3. Mr. Wang is the sole shareholder of Wang PRC SPV, thus, Mr. Wang is deemed to be interested in all the shares in Easou Shenzhen held by Wang PRC SPV.

3. Interests and/or short positions discloseable under the SFO and our substantial shareholders

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, our Directors are not aware of any person who will, immediately following completion of the Global Offering (assuming full conversion of the Pre-IPO Preferred Shares and without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group.

4. Particulars of service contracts and appointment letters

Each of our executive Directors entered into a service contract with our Company on May 17, 2024. Each service contract is for an initial term of three years commencing from the Listing Date. The service contracts may be renewed in accordance with our Articles and the applicable laws, rules and regulations.

Each of our non-executive Directors and our independent non-executive Directors entered into a letter of appointment with our Company on May 17, 2024. Each letter of appointment is for an initial term of three years commencing from the Listing Date. The letters of appointment may be renewed in accordance with our Articles and the applicable laws, rules and regulations.

Save as disclosed above, none of our Directors has or is proposed to have a service contract with any member of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(a) Remuneration of our Directors

- (i) For each of the three years ended December 31, 2021, 2022 and 2023, the total remuneration (including fees, salaries, allowances and benefits in kind, performance-related bonuses, pension scheme contributions and social welfare) paid by us to our Directors amounted to approximately RMB1.5 million, RMB1.4 million and RMB1.5 million, respectively.
- (ii) Under the arrangements currently in force, the aggregate remuneration (including fees, salaries, allowances and benefits in kind, performance-related bonuses, pension scheme contributions and social welfare) payable to our Directors in respect of the year ending December 31, 2024 is estimated to be approximately RMB1.8 million.
- (iii) During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.
- (iv) None of our Directors had waived or agreed to waive any remuneration during the Track Record Period.
- (v) Save as disclosed in “Directors and Senior Management – Remuneration of Directors and Senior Management” in this prospectus, no other payments had been made, or are payable, by any member of our Group to our Directors during the Track Record Period.

5. Competing interest of Directors

For further details, please refer to the section headed “Relationship with our Controlling Shareholders” in this prospectus.

6. Agency fees or commissions received

Save as disclosed in the section headed “Underwriting – Underwriting Arrangements and Expenses” in this prospectus, within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

7. Related party transactions

Save as disclosed in Note 29 to the Accountants’ Report set out in Appendix I to this prospectus, for the Track Record Period, our Group has not engaged in any other material related party transactions.

8. Disclaimers

- (a) Save as disclosed in the paragraph headed “C. Further information about our Directors and substantial shareholders” in this Appendix, our Directors are not aware of any person (other than our Directors or the chief executive of our Company) who will, immediately following completion of the Global Offering (without taking into account of any Share which may be issued upon exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme), have an interest and/or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are deemed to have under such provisions of the SFO) or who will, either directly or indirectly, be expected to be interested in 10% or more of nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.
- (b) Save as disclosed in the paragraph headed “C. Further information about our Directors and substantial shareholders” in this Appendix, none of our Directors or the chief executive of our Company had any interests and short positions in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) once the Shares are listed on the Stock Exchange, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, once the Shares are listed on the Stock Exchange, or which will be required, pursuant to the Model Code for

Securities Transactions by Directors of Listed Issuers in Appendix C3 to the Listing Rules, to be notified to our Company and the Stock Exchange once the Shares are listed on the Stock Exchange.

- (c) None of our Directors nor any of the persons whose names are listed in the section headed “E. Other information – 10. Qualifications of experts” in this Appendix was directly or indirectly interested in the promotion of our Company, or has any direct or indirect interest in any assets which have been acquired or disposed of by or leased to our Company or any of its subsidiaries, within the two years immediately preceding the date of this prospectus, or were proposed to be acquired or disposed of by or leased to our Company or any of its subsidiaries nor will any Director apply for Offer Shares either in his own name or in the name of a nominee.
- (d) None of the persons whose names are listed in the section headed “E. Other information – 10. Qualifications of experts” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which was significant in relation to the business of our Group.
- (e) None of our Directors nor any of the persons whose names are listed in the section headed “E. Other information – 10. Qualifications of experts” in this Appendix has received any agency fee, commissions, discounts, brokerage or other special terms from our Group within the two years immediately preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.
- (f) None of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken.
- (g) None of the parties listed in the section headed “E. Other information – 10. Qualifications of experts” of this Appendix:
 - (i) are interested legally or beneficially in any securities of any member of our Group; and
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of our Group.

D. SHARE OPTION SCHEME**1. Summary of the terms of the Share Option Scheme****(a) Purpose of the Share Option Scheme**

The purpose of the Share Option Scheme is:

- (i) to attract and retain the best quality personnel for the development of our Group's businesses;
- (ii) to provide additional incentives or rewards to selected Eligible Participants (as defined below) for their contribution to the creation of our Company's value; and
- (iii) to promote the long term financial success of our Group by aligning the interest of any Eligible Participant who accepts an offer of the grant of an option in accordance with the terms of the Share Option Scheme ("Grantee(s)") to those of our Shareholders.

(b) Who may join

On and subject to the terms of the Share Option Scheme the requirements of the Listing Rules, our Board shall be entitled at any time during the term of the Share Option Scheme to make an offer for the grant of option to any person belonging to the following classes as our Board may in its absolute discretion select (an "Eligible Participant"):

- (i) any person employed by any member of our Group who has successfully passed their probation period and any person who is a director (whether executive or non-executive) of any member of our Group, which shall include any person who is granted option(s) as an inducement to enter into employment contract with any member of our Group (an "Eligible Employee"). For the avoidance of doubt, a Grantee shall not cease to be an Eligible Employee only by reason of (a) any leave of absence approved by his/her employing or engaging company; or (b) transfers between our Group or any successor;
- (ii) any person who is employed by or is a director (whether executive or non-executive) of any of the holding companies, fellow subsidiaries or associated companies of our Company (an "Eligible Related Entity Participant"); or
- (iii) any person who provides services to any member of our Group on a continuing or recurring basis in its ordinary and usual course of business which, in the opinion of our Board, are in the interests of the long term growth of our Group, including: (a) suppliers of services to any member of

our Group; and (b) advisors (professional or others) or consultants to any area of business or business development of any member of our Group, provided that any placing agents or financial advisers providing advisory services to our Group for fundraising, mergers or acquisitions and professional services providers such as auditors or valuers who provide assurance or are required to perform their services with impartiality and objectivity should not be Eligible Service Providers for the purpose of the Share Option Scheme (an “Eligible Service Provider”).

(c) *Maximum number of Shares*

- (i) Prior to the approval of a Refreshed Mandate Limit (as defined below), the maximum aggregate number of Shares which may be allotted and issued or transferred by our Company upon exercise of all options which may be granted under the Share Option Scheme and any options or awards under any other schemes to be adopted by our Company from time to time (including, for the avoidance of doubt, such maximum aggregate number of Shares which may be allotted and issued or transferred by our Company upon exercise of the service providers’ options under the Service Provider Sublimit (as defined below)) is 32,893,724 Shares, being no more than 10% of our Shares in issue (excluding treasury Shares) as at the Listing Date (the “Initial Mandate Limit”).
- (ii) Our Company may refresh the Initial Mandate Limit or the Refreshed Mandate Limit (as the case may be) (the “Scheme Mandate Limit”) by ordinary resolution of our Shareholders after three years from the date of Shareholders’ approval for the last refreshment (or the adoption of the Scheme, as the case maybe). Any proposal for refreshing the Scheme Mandate Limit before the end of such three year period must be approved by our independent Shareholders. In no event that the maximum aggregate number of Shares which may be allotted and issued or transferred by our Company under the Scheme Mandate Limit as refreshed (the “Refreshed Mandate Limit”) may exceed 10% of our Shares in issue (excluding treasury Shares) as at the date of approval of the Refreshed Mandate Limit.
- (iii) Our Board may seek separate approval of our Shareholders in general meeting to grant options beyond the Initial Mandate Limit or the Refreshed Mandate Limit, provided that the options in excess of the Initial Mandate Limit or the Refreshed Mandate Limit shall be granted only to such Eligible Participant(s) and for such number and terms specifically identified and determined by our Company before such approval is sought.
- (iv) Subject to available Scheme Mandate Limit and prior to the approval of a Refreshed Sublimit (as defined below), the maximum aggregate number of Shares which may be allotted and issued or transferred by our Company upon exercise of all options which may be granted under the Share Option Scheme and any options or awards under any other share schemes to be adopted by

our Company from time to time to the Eligible Service Providers (the “Service Provider Sublimit”) must not exceed such number of Shares representing 10% of the Initial Mandate Limit (the “Initial Sublimit”). Our Company may, conditional upon the obtaining of the required approval for the Refreshed Mandate Limit, refresh the Initial Sublimit by a separate ordinary resolution of our Shareholders (or our independent Shareholders, as the case may be) in general meeting where approval for the Refreshed Mandate Limit is sought. In no event that the Service Provider Sublimit as refreshed (the “Refreshed Sublimit”) may exceed 10% of the Refreshed Mandate Limit.

Our Board considers that the Service Provider Sublimit is appropriate and reasonable taking into account (i) the grant of options to the Eligible Service Providers will be decided on a case-by-case basis based on his/her contributions to the development and growth of our Group from time to time; (ii) the maximum possible number of options that our Company intends to grant to the Eligible Service Providers and our Company’s future business and development plan; and (iii) the major portion of the Scheme Mandate Limit to be reserved for grants to other Eligible Participants other than the Eligible Service Providers.

- (v) For the purpose of calculating the Scheme Mandate Limit or the Service Provider Sublimit, as the case may be:
 - (A) options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, cancelled, lapsed, vested or exercised) will not be regarded as utilized for the purpose of calculating the Scheme Mandate Limit;
 - (B) options previously granted to Eligible Service Providers (including those outstanding, cancelled, lapsed, vested or exercised) will not be regarded as being utilised for the purpose of calculating the Service Provider Sublimit;
 - (C) in event our Company cancels a Grantee’s options and makes a new grant to such Grantee, the options cancelled will be regarded as utilized for the purpose of calculating the Scheme Mandate Limit (or the Service Provider Sublimit, as the case maybe); and
 - (D) Shares issued and allotted as a result of vesting or exercise of options or awards previously granted under the Share Option Scheme and any other schemes of our Company will not be counted for the purpose of determining the number of Shares in issue at the date of the relevant Shareholders’ meeting.

(d) *Maximum entitlement of each eligible participant*

- (i) The total number of Shares issued and to be issued upon exercise of options (whether exercised or outstanding) together with all other options and awards granted under the Share Option Scheme and any other schemes of the Company in any 12-month period to each Grantee must not exceed 1% of our Shares in issue (excluding treasury Shares).
- (ii) Where any further grant of options to a Grantee would result in our Shares issued and to be issued upon exercise of all options and awards granted and to be granted to such person together with all other options and awards (excluding all options and awards lapsed in accordance with the terms of the schemes) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of our Shares in issue (excluding treasury Shares), such grant shall be subject to separate approval by our Shareholders in general meeting with the relevant Grantee and his/her close associates (or associates if the Grantee is a connected person) abstaining from voting.

(e) *Grant of options to a Director, chief executive and substantial shareholder of our Company (“core connected persons”)*

- (i) Subject to (ii) and (iv) below and paragraph (d) above, where any offer of an option is proposed to be made to an Eligible Participant who is a Director, chief executive, substantial Shareholder of our Company or any of their respective associates, such offer must first be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the Grantee of the Option in question).
- (ii) Subject to (iv) below, no option may be granted to any of our substantial Shareholder or independent non-executive Director of our Company (or any of their respective associates or any person whose associate is a substantial shareholder or an independent non-executive Director of our Company) which would result in our Shares issued and to be issued upon exercise of all options and other options and awards already granted (excluding those lapsed in accordance with the terms of the scheme) to such person under the Share Option Scheme and any other scheme(s) of our Company in the 12-month period up to and including the date of the offer, representing in aggregate over 0.1% of the number of Shares in issue; unless such further grant is approved by our Shareholders in general meeting.

- (iii) Subject to (iv) below, at such general meeting, the grant of options to the substantial Shareholder or independent non-executive Director of our Company (or any of their respective associates or any person whose associate is a substantial Shareholder or an independent non-executive Director of our Company) shall be approved by our Shareholders by way of poll, with the Grantee, his/her associates and all core connected persons and such other persons as the Listing Rules may require abstaining from voting, except that any connected person may vote against such resolution provided that he or she has informed our Company of his or her intention to do so and such intention has been stated in the relevant circular to our Shareholders.
- (iv) (i), (ii) and (iii) above shall only apply for so long and insofar as the Listing Rules so require.

For the purpose of seeking the approval of our Shareholders under paragraphs (c)(iii), (d) and (e)(ii) above, our Company shall send a circular to our Shareholders containing the information required under the Listing Rules and where the Listing Rules shall so require, the vote at the Shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the Listing Rules abstaining from voting.

(f) Time of acceptance and exercise of an option

An offer under the Share Option Scheme shall remain open for acceptance by the Eligible Participant concerned for a period of 28 days from the date, which shall be a business day, on which the offer is made to the Eligible Participant.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined by our Board and specified in the letter to the Grantee ("Option Period"), provided that such period shall not exceed 10 years from the date on which the option is granted or deemed to have been granted ("Commencement Date").

An offer shall have been accepted by a Grantee when the duplicate letter comprising acceptance of the option duly signed by Grantee together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company. Such remittance shall in no circumstances be refundable.

Any offer may be accepted by an eligible participant in respect of less than the number of Shares which are offered provided that it is accepted in respect of a number of shares equal to a board lot for the purposes of trading shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the acceptance of the offer.

(g) Performance targets

Any grant of options under the Share Option Scheme may be subject to a performance target (if any) so as to achieve the purpose of the Share Option Scheme. The performance target, if any, shall be based on the performance of the Eligible Participant and/or the operating or financial performance of our Group including but not limited to the profit before tax of our Group and/or such other performance target to be determined by our Board in its absolute discretion from time to time, which shall be set out in the relevant offer letter in relation to the grant of options issued to each selected Eligible Participant.

(h) Subscription price for Shares

The subscription price in respect of any option shall be such price as our Board may in its absolute discretion determine at the time of grant, provided that it shall not be less than the higher of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Commencement Date;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Commencement Date; and
- (iii) the nominal value of a Share.

(i) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option shall be subject to all the provisions of the Articles of Association (as amended from time to time) and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which the Shares are allotted to a Grantee pursuant to the exercise of an option ("Allotment Date") or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "Allotment Date") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Allotment Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Allotment Date, or if later, before the date of registration of the allotment in the register of members of our Company. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the Shares are allotted and issued to him or her under the terms of the Share Option Scheme.

(j) Restrictions on the time of grant of options

An offer of the grant of an option may not be made after inside information (as defined in the Listing Rules) has come to our Company's knowledge until (and including) the trading day after such inside information has been publicly disseminated in accordance with the Listing Rules. In particular, but only insofar as and for so long as the Listing Rules require (as may be amended from time to time), no option may be granted during the period commencing 30 days immediately before the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement.

The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(k) Period of the Share Option Scheme

The Share Option Scheme shall be valid and effective commencing from the date of the Share Option Scheme becoming unconditional upon fulfilment of the conditions set out in paragraph (w) below until the termination date as provided therein (which being the close of business of our Company on the date which falls 10 years from the date of the adoption of the Share Option Scheme).

(l) Rights of ceasing employment

If the Grantee is an Eligible Employee and in the event of his ceasing to be an Eligible Employee for any reason other than his death, disablement or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds specified in paragraph (n) below before exercising the option in full, the option (to the extent not already exercised) shall lapse immediately and not be exercisable by the Grantee (to the extent such option not become exercisable and not already exercised) on the date on which the Grantee ceases to be an Eligible Participant due to any of the following events:

- (i) the termination of employment of the Grantee by reason of resignation; or
- (ii) termination of employment of the Grantee on the grounds of having committed any act of bankruptcy or having become insolvent or having made any arrangements or composition with creditors generally or redundancy

(“Cause”), whereby a resolution of our Board to the effect that the Grantee or relevant Eligible Participant has or has not ceased to be an Eligible Participant for Cause shall be conclusive.

(m) Rights on death, disablement or retirement

If the Grantee is an Eligible Employee and in the event of his or her ceasing to be an Eligible Employee by reason of his death, total permanent physical or mental disablement or retirement under normal retirement conditions before exercising the option in full, such option may be exercised (to the extent not already exercised) within a period of 6 months following the date on which the Grantee ceases to be an Eligible Employee.

(n) Misconduct, Misstatement in Financial Statements of our Group and Breach of Employment Contract

In the event our Board determines that the Grantee:

- (i) has committed a Misconduct (as defined below);
- (ii) is involved in a material misstatement in our Company’s financial statements;
- (iii) has committed a breach of the employment contract or, as the case maybe, the services agreement of the Grantee;
- (iv) the employment or, as the case maybe, the services agreement of the Grantee has been terminated on the grounds of Misconduct (as defined below);
- (v) whose conduct, in the reasonable opinion of our Board, amounts to gross negligence, fraud or dishonesty which results in or reasonably likely to result in a significant reputation damage to our Group or a material adverse effect to the financial position, business, prospects, performance or profitability of our Group, our Board may at its absolute discretion forfeit all the outstanding option granted to the relevant Grantee but not yet vested and exercised without the approval of the relevant Grantee.

A misconduct (“Misconduct”) in relation to a Grantee refers to:

- (i) the Grantee being an Eligible Employee or an Eligible Related Entity Participant wilfully disobeys a lawful and reasonable order, or misconducts himself/herself, or is guilty of fraud or dishonesty, or is habitually neglectful in his/her duties, or any other events which result in a summary dismissal of his/her employment; or
- (ii) the Grantee being an Eligible Service Provider without reasonable excuse or justification wilfully neglects or fails to perform his/her duty or acts in a manner that a reasonable person would consider seriously improper.

(o) Rights on takeover

If a takeover by way of general offer is made to all the holders of our Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, the option will immediately vest or otherwise becomes immediately exercisable and the Grantee shall be entitled to exercise the option at any time until the earlier of the expiry of the term of the option as set forth in the option agreement or 14 days after the date on which the offer becomes or is declared unconditional following which the option shall lapse or such longer time as our Board may decide.

(p) Rights on winding up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all Grantees and thereupon, each Grantee shall be entitled to exercise all or part of his/her option (to the extent not already exercised, irrespective of whether the option has become exercisable or not) at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

If the option is not exercised within the time specified, the option shall lapse.

(q) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and our members or creditors is proposed for the purposes of the amalgamation of our Company with any other company or companies (including a takeover by way of a scheme of arrangement), our Company shall give notice to the Grantees on the same date as it despatches the notice to each member or creditor of our Company summoning the meeting to consider such a compromise, arrangement or scheme, and thereupon the options shall vest or otherwise becomes immediately exercisable and the Grantees may until the expiry of the period commencing on such date and ending with the earlier of the date two calendar months thereafter or the date on which such compromise, arrangement or scheme is sanctioned by the court (but in any case no later than the expiration of the term of such option as set forth in the option agreement), exercise the options (to the extent already vested but not already exercised) but in each case conditional upon such compromise, arrangement or scheme being sanctioned by the court and becoming effective, and upon such compromise, arrangement or scheme becoming effective, all options shall lapse

except insofar as previously exercised under the Share Option Scheme. Our Company may require the Grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the Grantee in the same position, as nearly as possible, as would have been the case had such Shares been subject to such compromise, arrangement or scheme.

If the option is not exercised within the time specified, the option shall lapse.

(r) *Reorganization of Capital Structure*

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend scheme), rights issue, consolidation, subdivision, reduction or similar reorganisation of the share capital of our Company, such corresponding adjustment (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the option so far as unexercised;
- (ii) the subscription price;
- (iii) the method of exercise of the option; and/or
- (iv) the maximum number of Shares under the Scheme Mandate Limit and/or the Service Provider Sublimit,

as the auditors or an independent financial adviser shall certify in writing to our Board either generally or as regard to any particular Grantee to be in their opinion fair and reasonable (except in the case of a capitalisation issue where no such certification shall be required), provided that:

- (i) any such adjustment shall be made on the basis that the aggregate subscription price payable by a Grantee on the full exercise of any option shall remain the same, or as nearly the same as possible as (but shall not be greater than) it was before such event;
- (ii) no such adjustment shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value;
- (iii) no such adjustment shall be made if the effect of which would be to increase the proportion of the issued share capital of our Company for which any Grantee is entitled to subscribe pursuant to the options held by such Grantee; and
- (iv) any such adjustment shall be made in compliance with the Listing Rules and such other guideline or supplementary guidance as may be issued by the Stock Exchange from time to time.

For the avoidance of doubt only, the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment.

(s) Cancellation of options

Subject to the provisions in the Share Option Scheme and the Listing Rules, any option granted but not exercised may be cancelled by our Company with the approval of the relevant Grantee.

Where our Company cancels any option granted to a Grantee but not exercised and issues new option(s) to the same Grantee, the grant of such new option(s) may only be made under the Share Option Scheme with available mandate. Within the limits set out at paragraphs (c) and (d) above. The cancelled options shall not be added back to replenish the Scheme Mandate Limit.

(t) Termination of the Share Option Scheme

Our Company by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered after the Share Option Scheme is terminated but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. All options granted prior to such termination and not then exercised or in respect of which Shares are not then issued shall remain valid.

(u) Personal right to the grantee

An option shall be personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option, or enter into any agreement so to do.

To the extent permissible by applicable laws and regulations (including the Listing Rules) and subject to the grant of waiver and the imposition of any conditions on the transfer by the Stock Exchange, a Grantee may transfer his/her option to a vehicle (such as a trust or to a wholly owned company) for the sole benefit of such Grantee and/or any family members of the Grantee and at the absolute discretion of the Grantee, provided that the option so assigned would continue to meet the purpose of the Share Option Scheme and will be reassigned back to the Grantee once the assignee ceased to be holding such option on the aforesaid basis.

(v) Lapse of option

An option (or any part thereof as our Board may determine) shall lapse and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the Grantee ceasing to be an Eligible Participant;

- (ii) the expiry of the Option Period;
 - (iii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o), (p) and (q); and
 - (iv) the date on which the Board certifies that for the reason of a breach of paragraph (u).
- (w) *Others*
- (i) The Share Option Scheme shall take effect subject to and conditional upon:
 - (A) the passing of the resolutions by our Shareholders to approve and adopt the Share Option Scheme and to authorise our Board to grant options pursuant to this Scheme and to allot and issue Shares pursuant to the exercise of any options (including the passing of a separate resolution by our Shareholders approving the grant of options under the Share Option Scheme to the Eligible Service Providers and the Service Provider Sublimit);
 - (B) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares which may fall to be issued upon the exercise of subscription rights attaching to the Options to be granted under the Share Option Scheme; and
 - (C) commencement dealing of the Shares on the Main Board of the Stock Exchange.
 - (ii) The Share Option Scheme may be altered in any respect by resolution of our Board except that the provisions of the Share Option Scheme relating to matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of Grantees or proposed Grantees except with the prior sanction of a resolution of our Company in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of our Shareholders under the Articles of Association for a variation of the rights attached to the Shares.
 - (iii) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, shall be approved by our Shareholders except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
 - (iv) The amended terms of the Share Option Scheme must comply with the relevant requirements of Chapter 17 of the Listing Rules.

- (v) Any change to the authority of our Board to alter the terms of the Share Option Scheme must be approved by our Shareholders.

2. Present status of the Share Option Scheme

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Estate duty, tax and other indemnities

Estate Duty

Our Directors have been advised by Appleby, the Company's legal adviser as to Cayman Islands law, that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries in the Cayman Islands or the BVI or Hong Kong or the PRC in which the companies comprising our Group are incorporated. There is no estate duty in the Cayman Islands applicable to our Company.

Stamp Duty

Dealings in the Shares will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.13% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. A total stamp duty of 0.26% is currently payable on a typical sale and purchase transaction involving the Shares.

Deed of indemnity

Our Controlling Shareholders (together the "Indemnifiers") have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its subsidiaries) whereby conditional upon the conditions set out in the section headed "Structure of the Global Offering" in this prospectus having been fulfilled, the Indemnifiers have given indemnities in connection with, among other matters, taxation resulting from profits or gains earned, accrued or received, as well as any penalties imposed due to non-compliance with any applicable laws and regulations, all tax liabilities and actual or threatened litigation on or before the date when the Global Offering becomes unconditional.

2. Material claims or litigation

As of the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group, that would have a material adverse effect on our business, results of operations or financial condition.

3. No material adverse change

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirmed that there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since December 31, 2023, the date of the latest audited consolidated financial statements of our Group, up to the Latest Practicable Date.

4. The Sole Sponsor

Save for the fees in the amount of HK\$6 million paid or to be paid to the Sole Sponsor as the sponsor in connection with the Listing and the commission as disclosed in the section headed “Underwriting” in this prospectus to be paid to the Underwriters and the Capital Market Intermediaries for their respective obligations under the Underwriting Agreements, neither the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners and Joint Lead Managers nor any of their respective close associates has or may, as a result of the Listing, have any interest in any class of securities of our Company or any of our subsidiaries (including options or rights to subscribe for such securities).

The Sole Sponsor has confirmed that it satisfies the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules.

5. Preliminary expenses

The estimated preliminary expenses incurred or proposed to be incurred by our Company relating to the incorporation of our Company are approximately RMB25,000 and are payable by our Company.

6. Promoter

Our Company has no promoter for the purpose of the Listing Rules. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Listing and the related transactions described in this prospectus within the two years immediately preceding the date of this prospectus.

7. Agency fees or commission

Save as disclosed in the section headed “Underwriting” in this prospectus, within two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of any member of our Group.

8. Registration procedures

The principal register of members of our Company will be maintained in the Cayman Islands by Appleby Global Services (Cayman) Limited and a Hong Kong branch register of members of our Company will be maintained in Hong Kong by our Hong Kong Share Registrar. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company’s Hong Kong branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

9. Taxation of holders of Shares

Dealings in Shares will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.26% of the consideration or, if higher, the value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Potential holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares.

None of our Company, our Directors or other parties involved in the Listing can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

10. Qualifications of experts

The qualifications of the experts (as defined under the Companies (WUMP) and the Listing Rules) who have given their opinions or advice in this prospectus are as follows:

Name	Qualifications
BOCI Asia Limited	Licensed corporation permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young.	Certified Public Accountants and Registered Public Interest Entity Auditor
Global Law Office.	Legal adviser as to the laws of the PRC to our Company (including as to PRC data compliance)
Appleby	Legal adviser as to the laws of the Cayman Islands to our Company
Shanghai Deyun Network Technology Limited* (上海鐳雲網絡 科技有限公司)	Industry consultant

11. Consent of experts

Each of the experts as referred to in the paragraph headed “10. Qualifications of experts” above in this Appendix has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of statement(s) made by it and/or its report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which they respectively appear.

None of the experts as referred to in the paragraph headed “10. Qualifications of experts” has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

12. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company has appointed China Sunrise Capital Limited as our compliance adviser to provide advisory services to our Company to ensure compliance with the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, or until the compliance adviser agreement is otherwise terminated upon the terms and conditions set out therein.

13. Miscellaneous

- (a) Within two years immediately preceding the date of this prospectus:
- (i) save as disclosed in the section headed “History, Reorganization and Corporate Structure” in this prospectus, no share or loan capital or debentures of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly either for cash or for a consideration other than cash;
 - (ii) save as disclosed in the paragraph headed “D. Share Option Scheme” in this Appendix, no capital of any member of our Group is under option, or agreed conditionally or unconditionally to be put under option;
 - (iii) save as disclosed in the section headed “Underwriting” in this prospectus, no commissions, discounts, brokerages or other special terms were paid or granted in connection with the issue or sale of any capital of any member of our Group, and none of our Directors nor any of the parties listed in the paragraph “10. Qualifications of experts” in this Appendix has received any such payment or benefit; and
 - (iv) no commission (but not including commission to the Underwriters) had been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any share in or debentures of our Company;
- (b) none of our Directors nor any of the parties listed in the paragraph “10. Qualifications of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any asset which have been, acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors nor any of the parties listed in the paragraph “10. Qualifications of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;
- (d) save as disclosed in the paragraph headed “C. Further Information about our Directors and substantial shareholders – 4. Particulars of service contracts and appointment letters” in this Appendix, none of our Directors has any existing or proposed services contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than payment of statutory compensation);

- (e) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (f) there is no arrangement under which future dividends are waived or agreed to be waived;
- (g) we have no outstanding debentures or convertible debt securities;
- (h) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
- (i) no company within our Group is presently listed on any stock exchange or traded on any trading system; and
- (j) all necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

14. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

15. Bilingual prospectus

The English version and the Chinese version of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were the written consents referred to in the section headed “Statutory and General Information – E. Other information – 11. Consent of experts” in Appendix IV to this prospectus and certified copies of the material contracts referred to in the section headed “Statutory and General Information – B. Further information about our Business – 1. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at <http://www.easou.cn> during a period of 14 days from the date of this prospectus (both dates inclusive):

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report of our Company from Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the report from Ernst & Young in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the underlying financial statements of the Group for the three years ended December 31, 2023;
- (e) the letter of advice from Appleby, our Cayman Islands legal adviser, summarizing certain aspects of Cayman Islands company law referred to in “Summary of the Constitution of Our Company and the Cayman Islands Company Law” in Appendix III to this prospectus;
- (f) the Companies Act;
- (g) the legal opinions issued by Global Law Office, our PRC Legal Advisers in respect of our Group’s business operations and property interests in the PRC;
- (h) the legal opinions issued by Global Law Office, our PRC Legal Advisers in respect of data compliance in the PRC;
- (i) the material contracts referred to in the paragraph headed “Statutory and General Information – B. Further information about our Business – 1. Summary of material contracts” in Appendix IV to this prospectus;

- (j) the written consents referred to in the paragraph headed “Statutory and General Information – E. Other information – 11. Consent of experts” in Appendix IV to this prospectus;
- (k) the service agreements and letters of appointment referred to in the paragraph headed “Statutory and General Information – C. Further information about our Directors and Substantial Shareholders – 4. Particulars of service contracts and appointment letters” in Appendix IV to this prospectus;
- (l) the industry report prepared by Analysys referred to in the section headed “Industry Overview” in this prospectus; and
- (m) the rules of the Share Option Scheme.



Easou Technology Holdings Limited

宜搜科技控股有限公司