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 who 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 document.

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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 document.

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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 （宜搜小説 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 document. 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-level 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 also 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 with vision 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,

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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;

● 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\$**[REDACTED]**, or **[REDACTED]**% of the net **[REDACTED]** of the **[REDACTED]**, 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 **[REDACTED]**" in this document.

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,

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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.

● *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 oversea 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$**[REDACTED]**, or **[REDACTED]**% of the net **[REDACTED]** of the **[REDACTED]**, to the expansion of our online reading platform services. For further details, please see "Future Plans and Use of **[REDACTED]**" in this document.

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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$**[REDACTED]**, or **[REDACTED]**% of the net **[REDACTED]** of the **[REDACTED]**, to develop our digital marketing service. For further details, please see "Future Plans and Use of **[REDACTED]**" in this document.

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$**[REDACTED]**, or **[REDACTED]**% of the net **[REDACTED]** of the **[REDACTED]**, to expand our online games publishing services in overseas markets. For further details, please see "Future Plans and Use of **[REDACTED]**" in this document.

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 these content data, their user behavior data are 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:
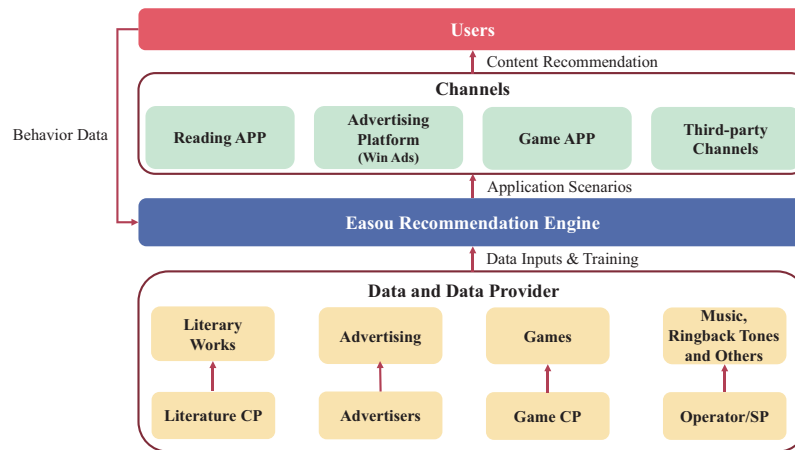
With respect to our online reading platform services, we use our Easou Recommendation Engine to analyze user behaviors and their willingness to pay for online literature. Specifically, we mainly capture users' willingness to pay by using our intelligent recommendation engine to analyze their content 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 (*million*)	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**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
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 (*million*)	329.3	349.7	393.1
Number of displays per year (*million*).	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 and 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 document.

(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.

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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 (*million*)	331.5	327.9	415.8
Number of displays per year (*million*).	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.

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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 platforms 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 appplictions 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 platforms 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 document.

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 document 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)]			
Age of Empires（帝王世紀）			
– Number of newly registered users *(thousand)*	23.7	–	–
– ARPPU per year *(RMB)*	714.5	–	–
– Average DAU *(thousand)*	1.0	–	–
Civilization（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 participates to efficiently interact with each other and achieve mutually beneficial synergy among our various business lines. The following diagram illustrates our online platform:
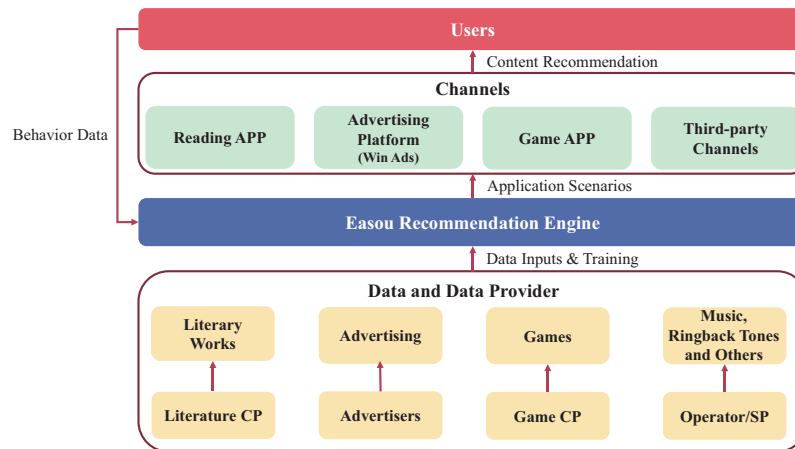
We have the following major elements in our online platform:

- *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.

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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 宜 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 宜 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**
	(RMB)	*(RMB)*	*(RMB)*
Easou Reading App:			
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
Easou Reading App Light Version:			
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
Easou H5 Pages:			
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. Demand-side platform 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 document.

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.

TECHNOLOGY

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:
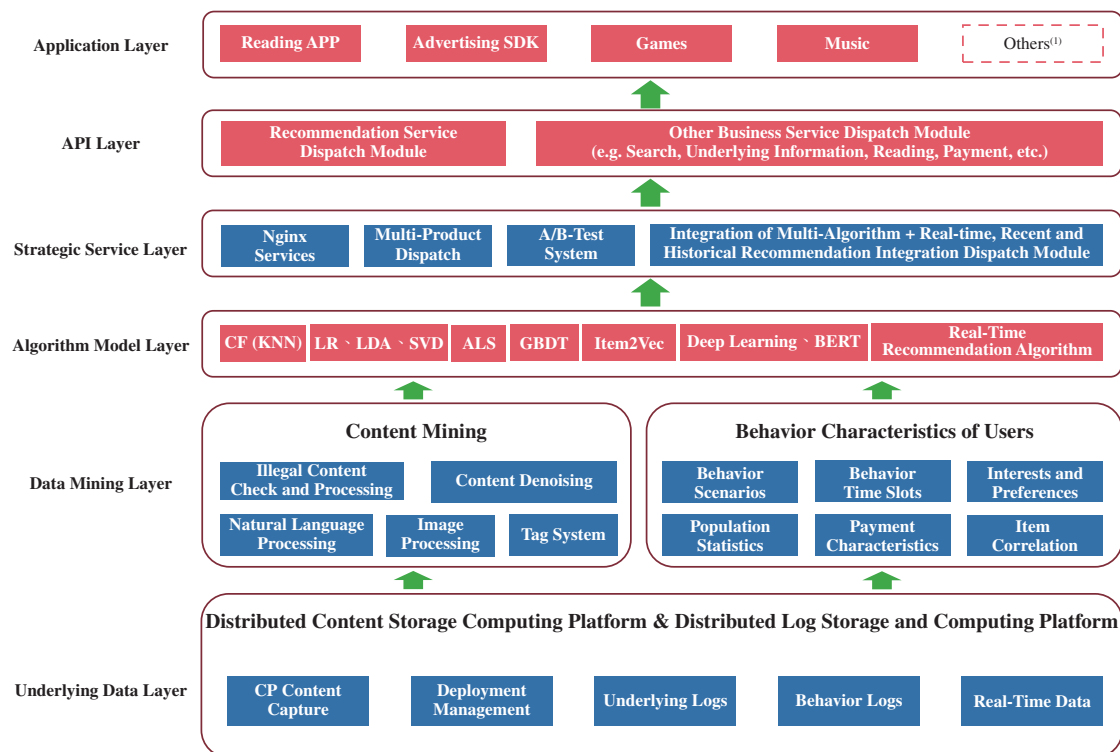
Note:

(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.

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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%

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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.

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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 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
Online Reading Platform Services		
Reading with advertising	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.	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.
	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.	Establish stable relationship with advertising customers, and satisfy their needs for precise delivery of advertisements, which will enable us to achieve monetization efficiently.
Reading with paid services	We recommend paid reading resources to users with willingness to pay.	Recommend literary content that meets the users' willingness to use and their potential needs and improves their reading experience.
	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.	

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| Business Line	Application	Specific Role Played
Digital Marketing Services	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.	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.
Online Games Publishing Services	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.	Select the games with high commercial value, improve users' gaming experience, and improve refined operations.
Other Digital Content Services	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.	Recommend music and ringback tones and other digital content that meet users' interests, and increase their willingness to pay.

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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:
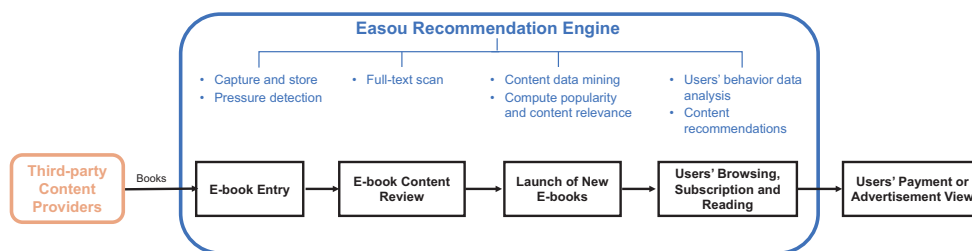
In terms of the business process of our online reading platform services, our Easou Recommendation Engine mainly covers e-book entry, e-book content review, launch of new e-books, users' browsing, subscription and reading activities, as well as users' payment or advertisement view. The main technological 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.

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● *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 platforms, 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 document.

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:
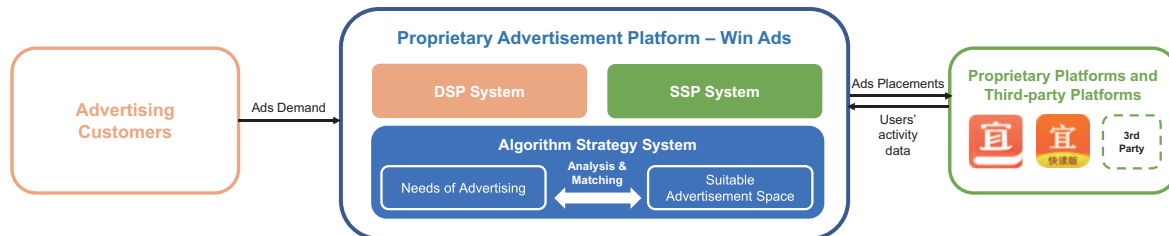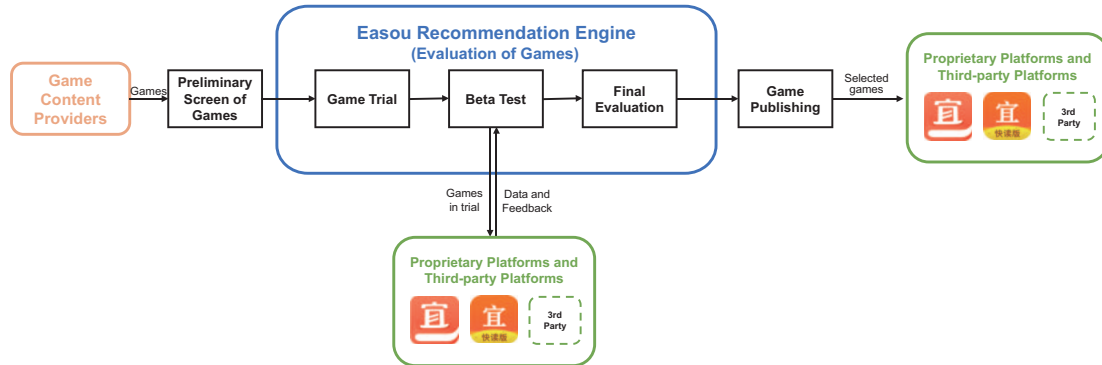

Online Games Publishing Services

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.

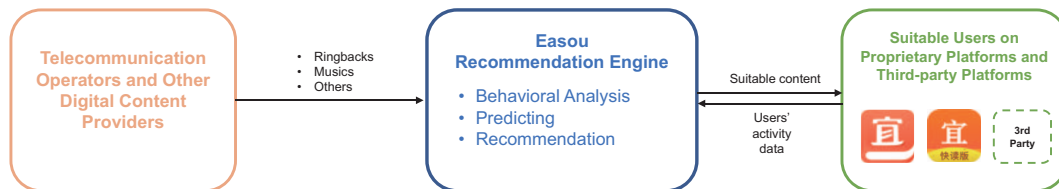We set forth a flowchart below to present the application of Easou Recommendation Engine in our other digital content services:

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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 with real-name authentication before they use our paid reading services. We take reasonable and feasible measures to avoid collecting irrelevant personal data for the services

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we provide. We store all 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 document 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 platforms 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 **[REDACTED]** in Hong

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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 **[REDACTED]** does not constitute "**[REDACTED]** 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 **[REDACTED]** 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 **[REDACTED]** 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 **[REDACTED]** does not constitute "**[REDACTED]**" 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 **[REDACTED]**. 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 document.

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 platforms, 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 platforms. 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, CPM 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 analysis of other industry players'

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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 platforms, 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 platforms.

- *Pricing:* Primarily charging on the CPC and CPM bases 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:

	Buy-out Model	**Pro-rata Sharing Model**
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 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 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
	(RMB)		(RMB)		(RMB)	
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]	0.64-21.28	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, CPC and CPM bases 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:

	Advertising Traffic Arrangement	**Channel Operation Arrangement**
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.

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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 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 platforms 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 contents from our reading platforms.

After the online literature was put on our platform, we also implement and rely 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 also implement 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 estates, 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 document.

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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 document.

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 approximately RMB143.3 million, RMB133.5 million and RMB129.6 million, respectively, accounting for approximately 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 approximately 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	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	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.* (廣州奇果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	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**

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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
									RMB'000	%
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 marking 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 approximately RMB115.6 million, RMB146.4 million and RMB167.3 million, respectively, accounting for approximately 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 approximately 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
				Days	*RMB'000*	*%*
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
				Days	*RMB'000*	*%*
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
				Days	*RMB'000*	*%*
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 *(RMB'000)*	4,666	4,696	15,454
Percentage of our total revenue *(%)*	1.1	1.0	2.8
Gross profit *(RMB'000)*	2,255	2,142	5,142
Average gross profit margin *(%)*	48.3	45.6	33.3
Purchase *(RMB'000)*	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- 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 us, except with respect to two of our leased properties with a total GFA of approximately 38.0

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sq.m., the valid property ownership certificates or other similar proofs of which had not been provided to us by the relevant lessors or was still in the process of applying for the lease registration 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 document. 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 **[REDACTED]** and the **[REDACTED]**. 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（艾媒咨詢）	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（綠色軟體聯盟）	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 document. For more information of the competitive landscape of our industries, see "Industry Overview" in this document.

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 (廣東省文化和旅遊廳)	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（深圳市福田區人民法院）, 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 **[REDACTED]** and the **[REDACTED]**. 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, **[REDACTED]** 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 **[REDACTED]**.

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 document.

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 (CO^2) 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 **[REDACTED]** 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 Xi 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 (PHEIC). 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 document.

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, which subsequently spread to several other cities, such as Beijing, Shenzhen, Shanghai, Chengdu and Guangzhou. 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, 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 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

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periods, all our employees were requested to work remotely to ensure the continuation of our business 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. Since the ease of COVID-19 restrictions in December 2022, there had been a rapid progression of the COVID-19 infections in China. 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 document.

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,

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accounts receivable and collection, procurement of copyright and internet traffic, accounts payable and payment, human resources and payroll management, cash and treasury management, general 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 **[REDACTED]**.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the **[REDACTED]**, 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 document.

- 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 **[REDACTED]** 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 **[REDACTED]** 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

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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 document for a discussion of 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.