This summary aims to give you an overview of the information contained in this Document. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to **[REDACTED]** ***in the*** **[REDACTED]**. ***There are risks associated with any*** **[REDACTED]**. ***Some of the particular risks in investing in the*** **[REDACTED]** ***are set out in the section headed "Risk Factors". You should read that section carefully before you decide to*** **[REDACTED]** ***in the*** **[REDACTED]**.

OVERVIEW

What We Do

We are a leading interest-driven mobile social platform in China. Based on interests, we endeavor to engage, link and connect Generation Z users and address their feelings of loneliness. With our diversified product features and functions, we encourage relationship building and social interactions among our users who are primarily game lovers, by offering services and functions that improve gameplay experience. Through our voice-based and other real-time interactions and entertainment offerings, we further facilitate the creation of social relationships.

We built our platform to be interest-driven, decentralized and voice-based to foster social relationships. Our platform attracts users who share similar interests, such as enthusiasm for games and music. The shared interests offer a universal language that helps establish and deepen interpersonal relationships. We promote a decentralized community, where we provide social entertainment scenarios that facilitate multi-way interactions among multiple users. On traditional live streaming platforms, chatrooms are centered around the live streamed performance of a professional host with massive participants simply being viewers, whereas on our platform, multiple users can interact with each other in chatrooms with more close-knit environment through voice, text, virtual gifts, and a variety of other social and entertainment functions offered in our chatrooms, fostering a "decentralized" community. This user community fosters an open environment that gives users a personal cyberspace to express themselves, encouraging them to form relationships built on their shared interests and passion in games and other topics. Our voice-based platform is appearance-agnostic and is suitable to express varied emotions and establish real-time companionship, bringing strangers closer and fostering interpersonal connections. We are the largest mobile voice-based social network platform in China in terms of revenue in 2022, according to Frost & Sullivan. Our deep understanding of Generation Z and their broader social needs allows us to create a highly interactive social environment that encourages our users to explore new areas of interest through voice-based social interactions.

We operate the *TT Chat* platform, with 13.8 million average MAUs in 2022. Through its interactive functions, *TT Chat* encourages communications and promotes interactions among users. Our matching algorithm encourages users of different locations and hobbies to team up and socialize with each other based on relevant data points such as their gaming experiences and common interests. Its core function matches users who may be initially unknown to each other based on their individual profiles and entertainment and social needs in a voice chat room setting, creating a socially engaging and fun experience with rich interactive features and entertainment scenarios. Among these scenarios, gaming is one attractive entry point given its popularity and cohesiveness among users. We are the largest mobile gamer-based social network platform in China in terms of revenues in 2022, according to Frost & Sullivan. *TT Chat* strives to improve the game co-experience for our users, through finding each interested user the most suitable game buddies with the right levels of skills, playing styles and preferences, and other relevant game facilitation attributes. Leveraging our advanced voice-based platform, we also offer an increasing number of voice-based social entertainment scenarios to promote post-game social interactions among users. In addition to gaming, we are expanding into other areas of social interests, such as role-play dubbing and music.

Who We Serve

We have a large and engaged user base. Our users are constantly exploring new social connections with others with similar interests and passions. As of December 31, 2022, over 90% of our users were aged 30 or below based on information available to us. In 2022, our users spent an average of approximately 180 minutes every day in our voice chatrooms. In addition to voice chatrooms tailored for popular games, we offer in-app mini casual social games and other social entertainment scenarios on our platform for users to relax and socialize after gameplay to further increase user time spent. We have a balanced gender distribution among our paying users, approximately 47.5% of which were female as of December 31, 2022.

How We Generate Revenue

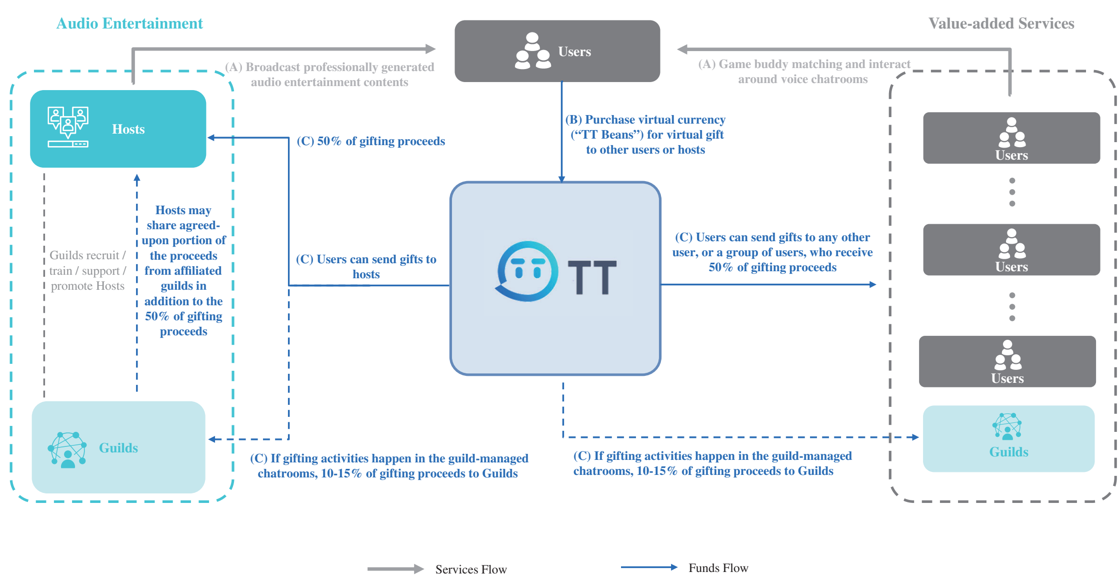
We primarily monetize our services through users' consumption of virtual items sold on *TT Chat* as they interact with other users and hosts. In 2022, the value-added services and audio entertainment services accounted for 74.8% and 23.6% of our revenue, respectively. Purchase and consumption scenarios are seamlessly integrated into the diversified social networking and entertainment features and functions on our platform, where users can purchase a wide range of selection of virtual items and send them as gifts to others, to express themselves and deepen their social relationships with friends made on our platform. Such virtual items mainly include consumable virtual gifts to be presented to other users and privileges that allow the users to showcase their virtual identities in a voice chat room.

We take a portion of the virtual items' value when users consume their virtual items on our platform. For details of how we generate revenues under different scenarios, see "Business – Our Monetization."

- We design certain types of our voice chatrooms with features and functions that encourage multi-way interactions among multiple users as well as between users and hosts, such as matching features, functions tailored to specific voice-based social entertainment activities, and interactive features and functions such as chatting and virtual gifting between users. Our users can team up in popular games operated outside of our platform, chat with other users who share common interests, play casual social games together and participate in social entertainment activities at their choice, such as online dating, online karaoke and roleplay dubbing. In this process, our users can send virtual gifts to each other and to the hosts to show their appreciation. Functions and features offered in such multi-way interaction scenarios are part of our value-added services.

- We also contract with hosts who broadcast entertainment contents mainly in audio streaming rooms to a large audience of users who can send virtual gifts to hosts to show their appreciation and support. Functions and features offered in such audio streaming scenarios are part of our audio entertainment services.

The diagram below sets forth the roles of, the transactions and fund flows among the *TT Chat* platform, hosts and guilds and users. For details of our arrangement with hosts and guilds, see "Business – Our Platforms – The *TT Chat* Social Experience – Hosts and guilds on our platform."



Note:

(1) For the value-added services, we contract with guilds which are involved in the management of some voice chatrooms, and we usually do not directly contract with and manage the hosts affiliated with these guilds.

(A) Users come to our *TT Chat* platform to enjoy multi-way interactions among users and with hosts.

(B) Users purchase virtual currency TT beans (recorded as contract liability when unconsumed), which can be exchanged for virtual gifts.

(C) As users send virtual gifts to each other or to hosts, revenue are recognized in accordance with our revenue recognition policy. For details, see "Business – Our Monetization" and "Financial Information – Critical Accounting Policies, Estimates and Judgments – Revenue Recognition." Upon receipt of virtual gifts, users can elect to convert them into virtual currency TT beans or cash (which are recorded as accounts payable).

To elevate our brand and enhance our value propositions to our users, we also engage in other businesses, such as Esports team operations, which also provide us with attractive monetization and marketing opportunities.

OUR STRENGTHS

We believe that the following competitive strengths differentiate us from our competitors and enable us to fulfill our mission and achieve long-term success.

- Leading Interest-driven Mobile Social Platform
- Large and Engaged User Community
- Diversified Product Features Bringing about Captivating User Experience
- Solid Technological Infrastructure
- Shared Community Value Resulting in Strong Monetization Potential
- Professional and Experienced Leadership

OUR STRATEGIES

We intend to achieve our mission and further solidify our leadership position by focusing on the following growth strategies:

- Drive Healthy and High-quality User Base Expansion
- Engage User Community with Diversified Offerings
- Enhance Technology Capabilities
- Explore Overseas Expansion Opportunities

OUR CUSTOMERS AND SUPPLIERS

Our customers primarily consist of (i) paying users on our platform who buy and consume virtual items and other services we offer, and to a much lesser extent (ii) Esports operators and third-party game developers. We do not have any concentration in our top customers. Our top five customers only accounted for 1%, 2% and 1% of our total revenues in 2020, 2021 and 2022, respectively. For details, see "Business – Customers and Customer Support."

Our suppliers mainly include advertisement agencies, hosts and guilds, game content developers and other distributors, payment channels and service providers for cloud computing and bandwidth consumption. Our top five suppliers accounted for 35%, 25% and 14% of our total purchases in 2020, 2021 and 2022, respectively. Our largest supplier accounted for 16%, 9% and 4% of our total purchases in 2020, 2021 and 2022, respectively. For details, see "Business – Suppliers and Procurement."

COMPETITION

We are a leading interest-driven mobile social platform in China. We are the largest mobile voice-based social network platform and the largest mobile gamer-based social network platform in China in terms of revenues in 2022, according to Frost & Sullivan. We achieved a market share of 13.4% and 20.2% among all mobile voice-based social network platforms and mobile gamer-based social network platforms, respectively, in China in terms of revenues in 2022. To a much lesser extent, we also compete with other platforms offering online entertainment services such as online video platforms, social media platforms and online music platforms for user time spent in general. For details, see "Business – Competition."

RISK FACTORS

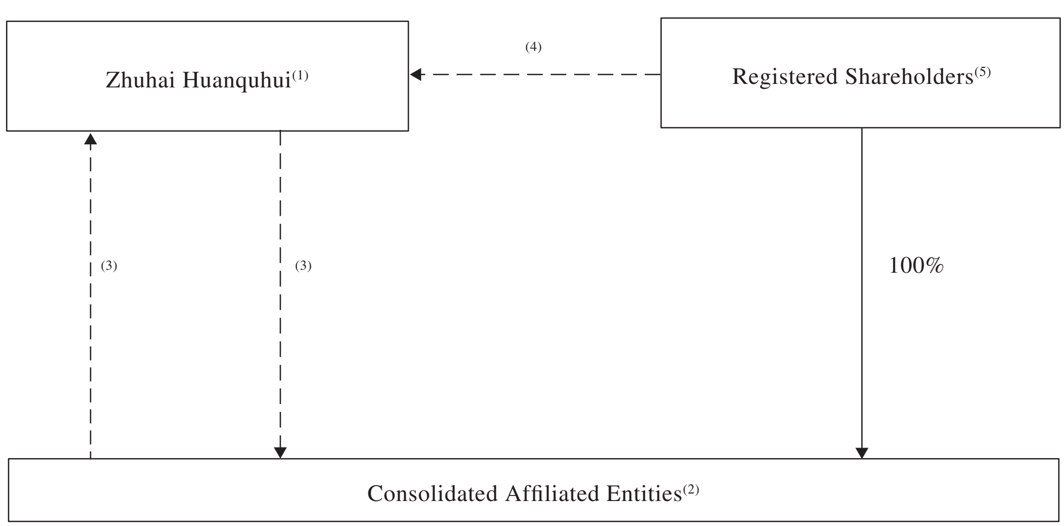
An [**REDACTED**] in the [**REDACTED**] involves significant risks. You should carefully consider all of the information in this Document, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the "Financial Information" section, before deciding to [**REDACTED**] in the [**REDACTED**]. Some of the major risks we face relate to:

- our ability to maintain and increase our user base and user engagement;
- the effectiveness of our monetization strategies and the sustainability of our revenue and profit;
- our ability to develop and provide our users with new features and services;
- the growth of our industry and the market acceptance of our platform and services;
- our ability to attract and foster a vibrant community of hosts;
- our ability to keep up with technological developments and evolving user expectations;
- our ability to cope with changes in popularities of games and adapt to regulatory developments that affect the mobile game industry;
- our ability to compete effectively against our current or potential competitors;
- the fact that the laws, regulations and official guidance relating to our business are complex, evolving rapidly and may be subject to further changes;
- our ability to obtain and maintain the required regulatory licenses and approvals;
- the effectiveness of our content monitoring system in preventing misconduct on our platform; and
- the impairment risks in connection with our goodwill and other intangible assets.

CONTRACTUAL ARRANGEMENTS

We are or intend to be engaged in (i) the provision of online audio content, online music and entertainment and online performance, which falls within the scope of internet cultural activities, and hold the ICB License; (ii) the provision of online audio-visual programs, which falls within the scope of internet audio-visual program services, and are applying for the registration in the National Internet Audio-visual Platform Information Management System; and (iii) the provision of online information services, which falls within the scope of value-added telecommunication services, and hold or intend to apply for the ICP License. However, foreign investors are prohibited from holding equity interests in an entity conducting internet cultural activities (except for music) and internet audio-visual program services, and are, subject to China's WTO commitments, restricted to hold equity interests in an entity conducting value-added telecommunication services (except for e-commerce, domestic multiparty communication, storage-and-forward and call center services) according to the currently effective PRC laws and regulations. In order to comply with the PRC laws and regulations, maintain effective control over the business currently operated by Guangzhou Quwan and its subsidiaries that is subject to the foreign investment restriction and prohibition and receive all of the economic interest of Guangzhou Quwan, Zhuhai Huanquhui entered into the Contractual Arrangement with Guangzhou Quwan, the Registered Shareholders and the general partners of the limited partnership Registered Shareholders. The Contractual Arrangements allow the results of operations, assets and liabilities, and cash flows of our Consolidated Affiliated Entities to be consolidated into our Company's financial information. See "Contractual Arrangements" for further information.

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



"_________" Denotes legal and beneficial ownership in the equity interest

"_ _ _ _ _ _ _" Denotes the Contractual Arrangements

Notes:

(1) As of the Latest Practicable Date, Zhuhai Huanquhui is wholly owned by Quwan HK, which is in turn wholly owned by our Company.

(2) As of the Latest Practicable Date, our Consolidated Affiliated Entities include Guangzhou Quwan and its subsidiaries, Guangzhou Shabake, Guangzhou Huancheng, Hainan Yuyue, Beijing Quyue, Guangzhou Qudian, Chongqing Qudu, Guangzhou Quchuang, Guangzhou Qujing, Xiamen Saimailei, Guangzhou Jingwan, Zhuhai Huitou, Shanghai Xiaojianbing, Shanghai Chenlong, Chengdu Spherical World, Guangzhou Quzhu, Huayu Shiji, Yitian Lianxun and Huayu Tianxia. As of the Latest Practicable Date, Guangzhou Qudian and Guangzhou Jingwan are in the process of deregistration as they are not engaged in any business operation.

For further details of the subsidiaries of Guangzhou Quwan, see the section headed "History, Reorganization and Corporate Structure."

(i) Guangzhou Shabake, Guangzhou Huancheng, Hainan Yuyue, Beijing Quyue, Guangzhou Qudian, Chongqing Qudu, Guangzhou Quchuang, Guangzhou Qujing, Zhuhai Huitou and Huayu Shiji are directly wholly owned by Guangzhou Quwan.

(ii) Shanghai Xiaojianbing, Shanghai Chenlong and Chengdu Spherical World are wholly owned by Zhuhai Huitou; Guangzhou Quzhu is wholly owned by Shanghai Xiaojianbing.

(iii) Xiamen Saimailei and Guangzhou Jingwan are wholly owned by Guangzhou Qujing.

(iv) Yitian Lianxun is wholly owned by Huayu Shiji; Huayu Tianxia is wholly owned by Yitian Lianxun. Subsequent to the Track Record Period, the AVSP license expired and was not renewed by Huayu Shiji, giving rise to a termination event under the underlying contract of AVSP Acquisition Arrangement. We therefore exercised our right to terminate the AVSP Acquisition Arrangement accordingly. We expect to transfer the equity interest in Huayu Shiji (and the associated AVSP license) back to its original shareholders, who will return the consideration paid by us. For details, please refer to the section headed "Financial Information".

(3) Zhuhai Huanquhui provides consultancy, technology and other services in exchange for service fees from Guangzhou Quwan. See "Contractual Arrangements – Exclusive Technical Service Agreement."

The Registered Shareholders and the general partners of the Partnership Shareholders executed the Exclusive Call Option Agreement (as defined below) in favor of Zhuhai Huanquhui for the acquisition of 100% equity interests and/or assets in Guangzhou Quwan. See "Contractual Arrangements – Exclusive Call Option Agreement."

(4) The Registered Shareholders pledged all of their respective equity interests in Guangzhou Quwan to Zhuhai Huanquhui as security for their respective performance and the performance of Guangzhou Quwan under the Exclusive Technical Service Agreement, the Exclusive Call Option Agreement, the Equity Pledge Agreements and the Shareholder Voting Rights Proxy Agreement, as applicable. See "Contractual Arrangements – Equity Pledge Agreements."

The Registered Shareholders executed the Powers of Attorney in favor of Zhuhai Huanquhui in respect of their respective rights as shareholders of Guangzhou Quwan.

(5) Guangzhou Quwan is in turn owned by the Registered Shareholders, namely as to: (i) 35.40% by Mr. Song, our founder, chairman of our board of directors and Chief Executive Officer; (ii) 22.87% by Huai'An Shouqu, a limited partnership organized in the PRC and an affiliate of Galaxy Nebula Limited, which is a holder of our ordinary shares, and the general partner of which is Mr. Song; (iii) 15.62% by Xiamen Quji, a limited partnership organized in the PRC, the general partner of which is Mr. Song; (iv) 9.82% by Wenzhou Huanqu, a limited partnership organized in the PRC majority owned by Mr. Song, the general partner of which is Mr. Song; (v) 5.00% by Guangzhou Quyi, a limited partnership organized in the PRC and an affiliate of Dream League Limited, which is a holder of our Series Angel preferred shares, and the general partner of which is Mr. Song Guowen, who is the brother of Mr. Song; (vi) 4.01% by Zhangshu Weiqu, a limited partnership organized in the PRC majority owned by Mr. Song and in which he is the general partner; (vii) 3.97% by Mr. Qiu Zhizhao; and (viii) 3.31% by Mr. Chen Guangyao, our executive Director (The limited partnership Registered Shareholders as referred to in aforementioned items (ii) to (vi), collectively as "**Partnership Shareholders**").

For the risks relating to the Contractual Arrangements, see "Risk Factors – Risks Related to our Corporate Structure."

On March 15, 2019, the NPC approved the PRC Foreign Investment Law (《中華人民共和國外商投資法》) which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Regulations on the Implementation of the Foreign Investment Law (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020. The Foreign Investment Law replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Ventures Enterprise Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign Invested Enterprises Law (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements. As advised by our PRC Legal Advisor, contractual arrangements are not specified as foreign investment under the PRC Foreign Investment Law, and if future laws, regulations and provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements do not contravene the PRC Foreign Investment Law in any material aspect, and will not be affected and will continue to be legal, valid and binding on the parties with an exception, for which, see "Contractual Arrangements – Legality of the Contractual Arrangements" for details.

Notwithstanding the above, the PRC Foreign Investment Law stipulates that foreign investment includes "foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council" without elaboration on the meaning of "other methods". There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled by relevant PRC authorities. Therefore, there is no guarantee that the Contractual Arrangements and the business of the Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. See "Risk Factors – Risks Relating to our Contractual Arrangements – Substantial uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and its enactment could adversely affect our business, operating results and financial condition."

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Song, through SK Family Trust, Future Exploration, Funplus and Vanker and by virtue of the Voting Proxy Agreements, controlled the voting rights of 75,489,822 Shares of the Company, representing approximately 51.92% of the total issued share capital of our Company. Funplus and Vanker held approximately 24.23% and 12.19% of the total issued shares of our Company, respectively. Both of Funplus and Vanker are wholly owned by Future Exploration, which is in turn wholly owned by Cantrust (Far East) Limited as the trustee of the SK Family Trust, of which Mr. Song is the founder and settlor and the beneficiaries of which are Mr. Song and his family members. On September 23, 2021, Mr. Song entered into Voting Proxy Agreements, pursuant to which Mr. Song is entrusted to exercise, in his sole discretion, all voting rights attached to the 10,006,722 Shares, 7,549,852 Shares and 4,990,370 Shares held by Peerless Hero, Yun Qu and Fiery Dragon, respectively. Therefore, as of the Latest Practicable Date, Mr. Song, Future Exploration, Funplus and Vanker are regarded as our Controlling Shareholders.

Immediately upon the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and without taking into account any Shares to be issued under the 2020 Global Employee Incentive Plan), our Controlling Shareholders will control approximately [**REDACTED**] of the issued share capital of our Company and will remain as our Controlling Shareholders. See "Relationship with the Controlling Shareholders" for further details.

[REDACTED] INVESTORS

Since the establishment of our Company, we have received multiple rounds of equity financing. Our broad and diverse base of [**REDACTED**] Investors consist of, among others, private equity funds and investment corporations focusing in various industries, including Matrix Partners, Skycus China Fund, L.P., Duckling Fund, L.P., Image Frame Investment (HK) Limited, 3W Global Fund, Vision Pro Capital Limited and Wisdom Pro Capital Limited. Iridescent Rainbow Limited became a [**REDACTED**] investor of the Company as a result of our acquisition of Uki Group in April 2021. Please refer to the subsection headed "Major Acquisitions, Disposals, Mergers and Minority Investments – 2. Acquisition of Uki Group" for details. For further details of the identity and background of the [**REDACTED**] Investors, and the principal terms of the [**REDACTED**] Investments, see "History, Reorganization and Corporate Structure – [**REDACTED**] Investments"

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, derived from the Accountant's Report set out in Appendix I of this Document. The summary consolidated financial data set forth below should be read together with, the consolidated financial statements in this Document, including the related notes. Our consolidated financial information was prepared in accordance with IFRS.

Selected Consolidated Income Statements

The table below sets forth our consolidated income statements for the years indicated derived from our consolidated income statements set out in the Accountant's Report included in Appendix I to this Document:

	For the year ended December 31,		
	2020	2021	2022
	(RMB in thousands)		
Revenues	1,493,420	2,630,592	3,401,990
Cost of revenues[(1)]	(522,201)	(1,124,798)	(1,559,517)
Gross profit	971,219	1,505,794	1,842,473
Selling and marketing expenses[(1)]	(600,361)	(1,022,880)	(547,847)
Administrative expenses[(1)]	(215,845)	(426,737)	(189,634)
Research and development expenses[(1)]	(143,403)	(298,505)	(508,986)
Net impairment (losses)/reversal of impairment losses on financial assets	(6,587)	(5,284)	5,114
Other gains, net	13,099	34,225	46,958
Operating profit/(loss)	18,122	(213,387)	648,078
Finance income	8,520	6,917	15,984
Finance costs	(4,217)	(5,218)	(5,434)
Finance income, net	4,303	1,699	10,550
Share of net losses of associates accounted for using equity method	(831)	(7,464)	(3,887)
Fair value changes on convertible redeemable preferred shares	(53,075)	(1,326,311)	(64,129)
Fair value changes on convertible preferred shares	(109,649)	(939,441)	(12,664)
(Loss)/profit before income tax	(141,130)	(2,484,904)	577,948
Income tax expenses	(12,879)	(10,641)	(68,695)
(Loss)/profit for the year	(154,009)	(2,495,545)	509,253
(Loss)/profit for the year attributable to:			
Owners of the Company	(152,247)	(2,492,162)	511,906
Non-controlling interests	(1,762)	(3,383)	(2,653)

Notes:

(1) Total share-based compensation expenses recognized for the years ended December 31, 2020, 2021 and 2022 are allocated as follows:

	For the year ended December 31,		
	2020	2021	2022
	(RMB in thousands)		
Share-based compensation expenses			
Cost of revenues	45	3,452	4,007
Selling and marketing expenses	172	5,411	5,705
Administrative expenses	107,533	130,019	41,740
Research and development expenses	472	28,330	15,701
Total	**108,222**	**167,212**	**67,153**

Our overall revenue increases were primarily driven by the growth and monetization of our value-added services and audio entertainment services, reflected by the continuous increases of our MPUs and paying ratio.

Our cost of revenues consists primarily of revenue sharing fees, salary and welfare benefits, and other costs related to the operation of our platform. Revenue sharing fees mainly represent our payments to recipients of virtual gifts for what they do to drive more active interactions in relation to our value-added services and audio entertainment services, in accordance with our revenue-sharing arrangement with them. In 2020, 2021 and 2022, our revenue sharing fees represent 82.8%, 82.0% and 83.1% of our cost of revenues, respectively. The increase in cost of revenues was primarily due to the increase in revenue sharing fees, which constitute the vast majority of our cost of revenues, as a result of the increased consumption of our services, driven by our business growth and monetization.

Our gross profit margin decreased from 65.0% in 2020 to 57.2% in 2021 and further to 54.2% in 2022, mainly due to the growth of our audio entertainment services, which have a higher proportion of revenues shared to hosts and guilds than that of value-added services.

Our losses for 2020 and 2021 were primarily because we recorded fair value changes on convertible redeemable preferred shares of RMB53.1 million and RMB1,326.3 million in 2020 and 2021, respectively, as well as fair value changes on convertible preferred shares of RMB109.6 million and RMB939.4 million in 2020 and 2021, respectively, primarily because valuation of our Company measured by third party. We turned a profit of RMB509.3 million in 2022 primarily because (i) the fair value changes on convertible redeemable preferred shares decreased to RMB64.1 million, and the fair value changes on convertible preferred shares decreased to RMB12.7 million, as we engaged in much less financing activities in 2022 than previous years, and (ii) our selling and marketing expenses decreased from RMB1,022.9 million to RMB547.8 million, primarily because of our optimization of sales and marketing activities by focusing on cost-effective and diversified user acquisition channels and utilizing innovative digital marketing tools. We do not expect to record any further fair value changes of the convertible redeemable preferred shares as such preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the completion of the [**REDACTED**]. To a lesser extent, such losses were also attributable to increases in the share-based compensation and expenses related to group reorganization. For details, see "Financial Information – Discussion of Results of Operations."

Non-IFRS Measure

To supplement our consolidated financial statements presented in accordance with IFRSs, we use adjusted net income and adjusted net margin (non-IFRS measures) as additional financial measures, which are not required by, or presented in accordance with IFRSs. We believe that adjusted net income and adjusted net margin (non-IFRS measures) provide useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, presentation of adjusted net income and adjusted net margin (non-IFRS measures) may not be comparable to similarly titled measures presented by other companies. The use of adjusted net income and adjusted net margin (non-IFRS measures) has limitations as an analytical tool, and investors should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial conditions as reported under IFRSs.

Adjusted Net Income and Adjusted Net Margin (non-IFRS measures)

We define adjusted net income as (loss)/profit (a non-IFRS measure) for the year by adding back certain items, including (i) share-based compensation expenses, (ii) fair value changes on convertible redeemable preferred shares, (iii) fair value changes on convertible preferred shares, (iv) [**REDACTED**] expenses, and (v) one-off expenses related to group reorganization. We exclude these items because they are not expected to result in future cash payments that are recurring in nature. The following table reconciles our adjusted net income (a non-IFRS measure) presented to the most directly comparable financial measures calculated and presented in accordance with IFRS, namely (loss)/profit for the years. We define adjusted net margin (a non-IFRS measure) as adjusted net income (a non-IFRS measure) as a percentage of revenue for the same year.

	For the year ended December 31,		
	2020	**2021**	**2022**
	(RMB in thousands, except for percentages)		
Reconciliation of (loss)/profit for the year and adjusted net income (a non-IFRS measure)			
(Loss)/profit for the year	(154,009)	(2,495,545)	509,253
Add:			
Share-based compensation expenses	108,222	167,212	67,153
Fair value changes on convertible redeemable preferred shares	53,075	1,326,311	64,129
Fair value changes on convertible preferred shares	109,649	939,441	12,664
[**REDACTED**] expenses	–	33,636	12,692
Expenses related to group reorganization*	34,365	138,546	–
Adjusted net income (a non-IFRS measure)	**151,302**	**109,601**	**665,891**
Adjusted net margin (a non-IFRS measure)	10.1%	4.2%	19.6%

Note:

* Represent one-off expenses for the deemed compensation in the form of dividends paid to Mr. Song Ke and other management of the Company, who used a portion of such dividends to repay the outstanding debt in connection with our corporate reorganization. For details, see Note 26 to the Accountant's Report set out in Appendix I to this Document

Our management considers that (i) share-based compensation expenses is mostly a non-cash item, (ii) fair value change of convertible redeemable preferred share and fair value change of convertible preferred shares are non-cash items that are not directly related to or indicative of our operating performance, and (iii) [**REDACTED**] expenses and expenses related to group reorganization are non-recurring and non-operational items.

Selected Consolidated Balance Sheet Items

The following table sets forth selected information from our consolidated balance sheets as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	(RMB in thousands)		
ASSETS			
Non-current assets			
Property and equipment	32,041	54,914	50,835
Investment properties	15,300	16,010	14,620
Right-of-use assets	18,489	124,159	95,155
Intangible assets	243,376	355,889	342,261
Financial assets at fair value through profit or loss	6,136	10,525	69,795
Fixed bank deposits	–	–	199,646
Prepayments and deposit	8,043	888	1,000
Amounts due from related parties	89,717	–	–
Investments in associates	8,724	46,734	42,847
Deferred tax assets	4,224	9,551	7,804
	426,050	618,670	823,963
Current assets			
Trade receivables	46,797	84,820	99,084
Prepayments and other current assets	79,732	110,379	126,342
Amounts due from related parties	182,430	–	–
Financial assets at fair value through profit or loss	–	201,224	358,097
Cash and cash equivalents	629,319	718,187	934,926
Restricted cash	–	638	696
	938,278	1,115,248	1,519,145
Assets of disposal group classified as held-for-sale	–	–	53,146
	938,278	1,115,248	1,572,291
Total assets	1,364,328	1,733,918	2,396,254

	As of December 31,		
	2020	2021	2022
	(RMB in thousands)		
DEFICIT AND LIABILITIES			
Deficit attributable to equity holders of the Company			
Share capital	47	47	47
Other reserves	36,620	293,930	60,260
Accumulated losses	(283,059)	(3,005,874)	(2,502,348)
Deficit attributable to equity holders of the Company	(246,392)	(2,711,897)	(2,442,041)
Non-controlling interests	723	10,483	7,172
Total deficit	(245,669)	(2,701,414)	(2,434,869)
Liabilities			
Non-current liabilities			
Lease liabilities	13,145	103,659	76,849
Deferred tax liabilities	–	5,029	4,736
Convertible redeemable preferred shares	746,193	2,448,645	2,730,121
Convertible preferred shares	314,726	1,234,924	1,362,112
	1,074,064	3,792,257	4,173,818
Current liabilities			
Borrowings	126,500	–	–
Amounts due to related parties	35,234	–	–
Accounts payable	116,543	190,694	200,639
Other payables and accruals	184,920	343,235	301,156
Contract liabilities	57,957	80,530	115,049
Income tax payable	6,731	2,658	13,650
Lease liabilities	8,048	25,958	26,811
Total current liabilities	**535,933**	**643,075**	**657,305**
Total liabilities	**1,609,997**	**4,435,332**	**4,831,123**
Total deficit and liabilities	**1,364,328**	**1,733,918**	**2,396,254**
Net current assets	**402,345**	**472,173**	**914,986**

Our net current assets increased from RMB402.3 million as of December 31, 2020 to RMB472.2 million as of December 31, 2021, primarily due to an increase in financial assets at fair value through profit or loss as a result of our purchase of wealth management products and a decrease in borrowings which was primarily due to our full repayment of the outstanding borrowing amount. Our net current assets increased from RMB472.2 million as of December 31, 2021 to RMB915.0 million as of December 31, 2022, primarily due to increase in cash and cash equivalents which was primarily attributable to cash generated from our operations, and an increase in financial assets at fair value through profit or loss as a result of our purchase of unlisted debt securities.

Our net liabilities increased from RMB245.7 million as of December 31, 2020 to RMB2,701.4 million as of December 31, 2021, primarily driven by (i) an increase in convertible redeemable preferred shares of RMB1,702.5 million, and (ii) an increase in convertible preferred shares of RMB920.2 million, and partially offset by an increase in intangible assets of RMB112.5 million primarily as a result of our acquisition of Uki Group Company in April 2021.

Our net liabilities decreased from RMB2,701.4 million as of December 31, 2021 to RMB2,434.9 million as of December 31, 2022, primarily driven by (i) an increase in fixed bank deposits of RMB199.6 million as our revenue increased and we deposited more cash in bank accounts, and (ii) an increase in cash and cash equivalents of RMB216.7 million, primarily due to the increased cash generated from our operations, and partially offset by an increase of convertible redeemable preferred shares of RMB281.5 million.

Our convertible redeemable preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the [**REDACTED**], after which we do not expect to recognize any further loss or gain on fair value changes from convertible redeemable preferred shares and we will return to a net assets position from a net liabilities position.

See "Financial Information – Discussion of Selected Items from the Consolidated Balance Sheets."

Selected Consolidated Statements of Cash Flows Items

The following table sets forth our cash flows for the periods indicated:

	Year ended December 31,		
	2020	**2021**	**2022**
	(RMB in thousands)		
Net cash generated from operating activities	258,096	156,268	711,096
Net cash used in investing activities	(316,534)	(48,044)	(475,532)
Net cash generated from/(used in) financing activities	609,339	(3,828)	(34,158)

	Year ended December 31,		
	2020	2021	2022
	(RMB in thousands)		
Net increase in cash and cash equivalents	550,901	104,396	201,406
Cash and cash equivalents at the beginning of the year	78,310	629,319	718,187
Effects of exchange rate changes on cash and cash equivalents	108	(15,528)	36,050
Cash and cash equivalents at the end of the year	**629,319**	**718,187**	**955,643**

Working Capital

Our Directors are of the opinion that taking into account the estimated net [**REDACTED**] from the [**REDACTED**] and the expected cash generated from operating activities, we have sufficient working capital for our present requirements and for the next 12 months from the date of this Document.

Key Financial Ratio

We believe that total revenue growth, total gross margin and adjusted net margin (a non-IFRS measure) can provide an important measure of the efficiency of our operations over time. The following table sets forth a summary of our total revenue growth, total gross margin and adjusted net margin (a non-IFRS measure) for the periods indicated.

	For the year ended December 31,		
	2020	2021	2022
Total revenue growth (%)	78.6	76.1	29.3
Total gross margin (%)[(1)]	65.0	57.2	54.2
Adjusted net margin (a non-IFRS measure) (%)[(2)]	10.1	4.2	19.6

Notes:

(1) Total gross margin equals gross profit divided by revenues for the year.

(2) Adjusted net margin represents adjusted net income as a percentage of revenues of such year. For details of the adjusted net margin, see "Financial Information – Non-IFRS Measures – Adjusted Net Income and Adjusted Net Margin."

Our total gross margin decreased from 65.0% in 2020 to 57.2% in 2021 and further to 54.2% in 2022, mainly because of the growth of our audio entertainment services, which have a higher proportion of revenues shared to hosts and guilds than that of value-added services. For details, see "Financial Information – Description of Key Income Statements Items – Gross Profit and Gross Profit Margin."

Our adjusted net margin (a non-IFRS measure) decreased from 10.1% in 2020 to 4.2% in 2021 and increased to 19.6% in 2022. For details of the adjusted net margin, see "Financial Information – Non-IFRS Measure – Adjusted Net Income and Adjusted Net Margin."

Key Operating Metrics

We regularly review a number of key operating metrics to evaluate our business and measure our performance. The table below sets forth key operating metrics relating to our *TT Chat* platform during each period indicated.

	For the year ended December 31,		
	2020	**2021**	**2022**
Average MAUs (million)	12.3	16.8	13.8
Average MPUs (thousand)	643.9	965.6	1,000.3
Paying Ratio	5.3%	5.7%	7.2%

We monitor our average MAUs to measure the size of active user base and user engagement. Our average MAUs increased from 12.3 million in 2020 to 16.8 million in 2021, primarily as a result of our continuous investment in user experience, game buddy matching technologies, as well as other innovative social entertainment offerings. Our average MAUs decreased from 16.8 million in 2021 to 13.8 million in 2022, primarily driven by (i) the suspension of downloading of our *TT Chat* app from February 2022 to January 2023, see "Business – Content Management and Monitoring," and (ii) our shift of focus from user acquisitions through advertising and promotion to deepening user connections and enhancing user engagement.

We monitor our average MPUs and the paying ratio to measure our ability to monetize our user base. Our average MPUs increased from 643.9 thousand in 2020 to 965.6 thousand in 2021, and further to 1,000.3 thousand in 2022. Our paying ratio increased from 5.3% in 2020 to 5.7% in 2021 and further to 7.2% in 2022. These increases were primarily driven by the expansion of our user base, more interactions among our users and their increased willingness to deepen their relationships through virtual gifting, all of which was driven by the satisfactory user experience we continued to offer, as well as the increasingly diversified social entertainment scenarios offered on our platform.

DIVIDEND AND DIVIDEND POLICY

For the years ended December 31, 2020 and 2021, Guangzhou Quwan has declared special dividends of RMB112.0 million and RMB 230.0 million, respectively. No dividends have been paid or declared by the Company during the year ended December 31, 2022. All the dividends declared during the Track Record Period had been settled in cash. For details, see Note 26 to the Accountant's Report set out in Appendix I to this Document.

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year determined according to PRC accounting principles. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves until the aggregate amount of such fund reaches 50% of its registered capital, which are not available for distribution as cash dividends. Dividend distribution to our shareholders is recognized as a liability in the period in which the dividends are approved by our shareholders or Directors, where appropriate. On January 9, 2023, the Company declared interim dividends of US$29.3 million, of which US$29.2 million had been settled in cash as of the Latest Practicable Date.

Any future determination to pay dividends will be made at the discretion of our Directors and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors may deem relevant. As advised by our Cayman Islands counsel, under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be declared or paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. [**REDACTED**] should not purchase our shares with the expectation of receiving cash dividends.

[**REDACTED**]

[**REDACTED**] EXPENSES

The total [**REDACTED**] expenses (including [**REDACTED**]) payable by our Company are estimated to be approximately RMB[**REDACTED**], assuming the [**REDACTED**] is not exercised and no further Shares are issued under the 2020 Plan and based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of our [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]), of which approximately RMB[**REDACTED**] is expected to be charged to our consolidated income statements and approximately RMB[**REDACTED**] is expected to be charged against equity upon the [**REDACTED**]. These [**REDACTED**] expenses mainly include [**REDACTED**] and professional fees paid to legal advisors, Reporting Accountant and other advisors, for their services rendered in relation to the [**REDACTED**] and [**REDACTED**], comprising of (i) RMB[**REDACTED**] of [**REDACTED**] expenses (including but not limited to commissions and fees) and (ii) RMB[**REDACTED**] of [**REDACTED**] expenses, including RMB[**REDACTED**] of fees and expenses of legal advisors and Reporting Accountant and RMB[**REDACTED**] of other fees and expenses. The estimated amount of [**REDACTED**] expenses will account for approximately [**REDACTED**]% of the [**REDACTED**] of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

USE OF [**REDACTED**]

Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the stated range of the [**REDACTED**] of between HK$[**REDACTED**] and HK$[**REDACTED**] per [**REDACTED**]), we estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] from the [**REDACTED**] after deducting the [**REDACTED**] and other estimated expenses in connection with the [**REDACTED**]. We intend to use the net [**REDACTED**] from the [**REDACTED**] for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market conditions:

- approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to drive sustainable and high-quality user base expansion for our *TT Chat* platform in the next three years;

- approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to further engage user community with diversified offerings in the next three years;

- approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to enhance our technology capabilities to improve the overall user experience and strengthen our monetization ability in the next three years;

- approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used for general corporate purposes, including working capital needs over the next three years.

See "Future Plans and Use of [**REDACTED**]" for more details.

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We are applying for the [**REDACTED**] under Rule 8.05(3) of the Listing Rules and satisfy the [**REDACTED**]/revenue test, among other things, with reference to (i) our revenue for the year ended December 31, 2022, being RMB3,402.0 million, which is significantly over [**REDACTED**] as required by Rule 8.05(3) of the Listing Rules; and (ii) our expected [**REDACTED**] at the time of the [**REDACTED**], which, based on the low end of the [**REDACTED**] range, exceeds [**REDACTED**] as required by Rule 8.05(3) of the Listing Rules.

RECENT DEVELOPMENTS

Overseas Listing Regulations

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the "**Trial Measures**") and five supporting guidelines, which took effect on March 31, 2023. According to the Trial Measures, PRC domestic companies that seek to offer and list securities overseas, directly or indirectly, should fulfill the filing procedure and report relevant information to the CSRC. The Trial Measures provides that if the issuer both meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by PRC domestic companies; and (ii) the main parts of the issuer's business activities are conducted in mainland China, or its main places of operations are located in mainland China, or the senior managers in charge of its operation and management are mostly Chinese citizens or domiciled in the PRC. Where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. Given that we meet both of the conditions stated above, we are required to go through the filing procedures with the CSRC with respect to the [**REDACTED**] and [**REDACTED**] after the submission of our [**REDACTED**] to the Stock Exchange.

For details, see "Risk Factors – Risks Related to Doing Business in the PRC – The approval or filing of the China Securities Regulatory Commission, or the CSRC, or other PRC government authorities may be required in connection with this [**REDACTED**] under a PRC regulation."

No Material Adverse Change

Our Directors confirm that, as of the date of this Document, there has been no material adverse change in our business operations, financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2022, the end of the period reported on the Accountant's Report included in Appendix I to this Document, except as disclosed herein.