

As confidentially submitted to the Securities and Exchange Commission on August 9, 2023

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM F-1**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933****NIP Group Inc.**

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Cayman Islands(State or other jurisdiction of
incorporation or organization)**7389**(Primary Standard Industrial
Classification Code Number)**Not Applicable**(I.R.S. Employer
Identification Number)**Rosenlundsgatan 31****11 863 Stockholm****Sweden****+46 705775564**

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**Approximate date of commencement of proposed sale to the public:
as soon as practicable after the effective date of this registration statement.**

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933.

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 7(a)(2)(B) of the Securities Act.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

[†] The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

PRELIMINARY PROSPECTUS (Subject to Completion)
Dated , 2023.

American Depositary Shares



NIP Group Inc.

Representing Ordinary Shares

We are selling American depositary shares, or ADSs. Each ADS represents of our ordinary shares, par value US\$0.0001 per share.

This is an initial public offering of ADSs of NIP Group Inc. Prior to this offering, there has been no public market for the ADSs or our ordinary shares. We anticipate that the initial public offering price will be between US\$ and US\$ per ADS. [The selling shareholders identified in this prospectus are offering an aggregate of additional ADSs. We will not receive any proceeds from the ADSs sold by the selling shareholders.]

We intend to apply for the listing of the ADSs on the Nasdaq [Stock/Global Select] Market (“Nasdaq”) under the symbol “[NIPG].”

NIP Group Inc. is not an operating company but a Cayman Islands holding company with operations primarily conducted through its wholly-owned subsidiaries in Sweden and China. Investors are purchasing beneficial equity interests in NIP Group Inc., the Cayman Islands holding company, and are not purchasing beneficial equity interests in any operating company. This holding company structure involves unique risks to investors. As a holding company, NIP Group Inc. may rely on dividends from its subsidiaries for cash requirements, including any payment of dividends to its shareholders. The ability of our subsidiaries to pay dividends or make distributions to NIP Group Inc. may be restricted by laws and regulations applicable to them or the debt they incur on their own behalf or the instruments governing their debt. In addition, if any regulatory authorities disallow this holding company structure and limit or hinder our ability to conduct our business through, receive dividends or distributions from, or transfer funds to, the operating companies or list on a U.S. or other foreign exchange, the value of our securities could decline significantly or become worthless. See “Prospectus Summary — Our Corporate Structure.” Unless otherwise stated or the context otherwise requires, references in this prospectus to (i) “NIP Group” are to NIP Group Inc., and (ii) “we,” “us,” “our,” “the Company” and “our company” are to NIP Group and its subsidiaries (and, in the context of describing our operations and consolidated financial information for the periods ended prior to the Restructuring, also to the VIE and its subsidiaries).

Historically, we conducted our operations in China through Wuhan Muyecun Network Technology Co., Ltd. (“Wuhan Muyecun” or “the WFOE”) and through Wuhan Xingjingweiwu Culture & Sports Development Co., Ltd. (“Wuhan ESVF” or “the former VIE”), with which we, the WFOE, and the nominee shareholders of Wuhan ESVF entered into certain contractual arrangements. We did not own an equity interest in the VIE or its subsidiaries and relied on the contractual arrangements to direct the business operations of the VIE. Such structure enables investors to invest in China-based companies in sectors where foreign direct investment is prohibited or restricted under PRC laws and regulations. Following a restructuring in June 2023 (the “Restructuring”), the contractual arrangements were terminated and currently we do not have any VIE in China.

Cash may be transferred within our organization in the following manners:

Under PRC laws, NIP Group Inc. may, via its intermediary Hong Kong holding company, provide funding to our WFOE through capital contributions, loans, and inter-company advances. In addition, cash may be transferred among our subsidiaries, through capital contributions, loans and settlement of transactions, subject to satisfaction of applicable government registration and approval requirements.

Our WFOE and the WFOE’s subsidiaries are required to make appropriations to certain statutory reserve funds or may make appropriations to certain discretionary funds, which are not distributable as cash

The information in this preliminary prospectus is not complete and may be changed. We [and the selling shareholders] may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

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dividends except in the event of a solvent liquidation of the companies. The PRC government established specific laws and regulations on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of foreign currencies out of China. If we are prevented from obtaining sufficient foreign currencies to satisfy our foreign currency demands, or if our access to foreign currencies for current account transactions is subject to oversight, we may not be able to pay dividends in foreign currencies to our shareholders.

As of the date of this prospectus, our WFOE has not made any dividends or other distributions to our intermediary Hong Kong holding company or NIP Group Inc., and we have not declared or paid any dividends on our shares.

For 2021, there was a capital investment of US\$1.24 million from NIP Group Inc. to our WFOE through the intermediary Hong Kong holding company. In January 2022, there was an entrusted loan of US\$0.86 million from our WFOE to Wuhan ESVF. In September 2022, there was a loan of US\$5.0 million provided by NIP Group Inc. to Wuhan ESVF. In January 2023, there was a loan of US\$4.5 million provided by NIP Group Inc. to Wuhan ESVF. In February 2023, there was a loan of US\$1.75 million provided by NIP Group Inc. to Wuhan ESVF. In July 2023, there was a capital investment of US\$2.85 million from NIP Group Inc. to our WFOE through the intermediary Hong Kong holding company. In July 2023, there was a capital investment of US\$3.05 million from our WFOE to Wuhan ESVF. As of the date of this prospectus, no subsidiaries paid any dividends or made any distributions to their respective shareholders.

We currently do not have cash management policies in place that dictate how funds are transferred between NIP Group Inc., our subsidiaries, and the investors, including potential U.S. investors. Rather, the funds can be transferred in accordance with the applicable PRC laws and regulations. If we are considered a PRC tax resident enterprise for tax purposes, any dividends we pay to our overseas shareholders may be regarded as China-sourced income and as a result may be subject to PRC withholding tax. In addition, relevant PRC laws and regulations permit the PRC companies to pay dividends only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The Company's WFOE may pay dividends only out of its accumulated after-tax profits upon satisfaction of relevant statutory conditions and procedures, if any, determined in accordance with Chinese accounting standards and regulations; and the WFOE is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its registered capital. Additionally, the WFOE and the WFOE's subsidiaries can only distribute dividends upon approval of the shareholders after they have met the PRC requirements for appropriation to the statutory reserves. Such laws and regulations would limit our ability to transfer cash between NIP Group Inc., our WFOE, or investors. For a detailed description of how cash is transferred through our organization, see "Prospectus Summary — Cash and Asset Flows Through Our Organization," "Prospectus Summary — Summary of Risk Factors," and "Risk Factors — Risks Related to Doing Business in China — We may rely on dividends and other distributions on equity paid by our PRC subsidiary to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiary to make payments to us could have a material and adverse effect on our ability to conduct our business."

Operating in PRC, we are subject to the complexity and changes in PRC regulations, and any lack of requisite approvals, licenses or permits applicable to our business and our proposed listing may have material adverse effect on our business and results of operations. For example, we face risks associated with regulatory approvals on offerings conducted overseas by and foreign investment in China-based issuers, anti-monopoly regulatory actions, oversight on cybersecurity, data privacy and personal information. These risks could result in a material adverse change in our operations and the value of our ADSs, significantly limit or completely hinder our ability to continue to offer securities to investors, or cause the value of such securities to significantly decline or be of little or no value. Recently, the PRC government initiated a series of regulatory actions and made a number of public statements on the regulation of business operations in China with little advance notice, including cracking down on illegal activities in the securities market, enhancing supervision over China-based companies listed overseas using a variable interest entity structure, adopting new measures to extend the scope of cybersecurity reviews, and expanding efforts in anti-monopoly enforcement. On December 28, 2021, the Cyberspace Administration of China, or the CAC, together with certain other PRC governmental authorities, jointly released the Revised Cybersecurity Review Measures, which took effect on February 15, 2022. Pursuant to the Revised Cybersecurity Review Measures, (i) operators of critical information infrastructure that intend to purchase network products and services and online platform operators that conduct data processing activities, in each case that affect or may affect national security, and (ii) operators of network platforms seeking listing abroad that are in possession of more than one million users' personal information must apply for a cybersecurity review. On March 6, 2023, we

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received a confirmation from relevant authority that we would not be required to apply for a cybersecurity review in connection with this offering and our proposed listing because we do not possess over one million users' personal information. On February 17, 2023, the China Securities Regulatory Commission, or the CSRC, issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, or the Trial Measures, together with five supporting guidelines, which took effect on March 31, 2023. According to the Trial Measures, Chinese domestic companies that seek to offer or list securities overseas, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. Pursuant to the Trial Measures, we are required to complete the filing procedures with the CSRC in connection with this offering. We cannot assure you that we will be able to complete such filing in a timely manner, to conduct this offering, or to maintain the listing status of our ADSs and/or other securities, or to conduct any overseas securities offerings in the future. Furthermore, the Anti-Monopoly Law promulgated by the Standing Committee of the National People's Congress, which became effective in 2008, and the latest amendment of which took effect from August 1, 2022, requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by the Anti-Monopoly Law-Enforcement Agency under the State Council before they can be completed. As of the date of this prospectus, we do not believe that we are subject to merger control review by the Anti-Monopoly Law-Enforcement Agency in China because we do not engage in monopolistic behaviors that are subject to these statements or regulatory actions. For a detailed description of risks related to doing business in China, please refer to risks disclosed under "Risk Factors — Risks Related to Doing Business in China."

On December 16, 2021, the Public Company Accounting Oversight Board (United States), or the PCAOB, issued a report to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong. Our auditor, Marcum Asia CPAs LLP, the independent registered public accounting firm that issues the audit report included elsewhere in this prospectus, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess our auditor's compliance with the applicable professional standards. Our auditor is headquartered in Manhattan, New York, and is subject to inspection by the PCAOB on a regular basis with the latest inspection in 2020. As of the date of this prospectus, our auditor is not among the firms listed on the PCAOB Determination List issued in December 2021. The Holding Foreign Companies Accountable Act, or the HFCAA, was enacted on December 18, 2020. In accordance with the HFCAA, trading in our ADSs on a national securities exchange or in the over-the-counter trading market in the United States may be prohibited if the PCAOB determines that it cannot inspect or fully investigate our auditor for three consecutive years beginning in 2021, and, as a result, an exchange may determine to delist our ADSs. On December 15, 2022, the PCAOB removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. Accordingly, until such time as the PCAOB issues any new determination, there are no issuers at risk of having their securities subject to a trading prohibition under the HFCAA. Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions. If the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in certain jurisdictions and we use an accounting firm headquartered in one of such jurisdictions to issue an audit report on our financial statements filed with the SEC, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. On December 29, 2022, the Consolidated Appropriations Act, 2023 was signed into law, which, among others, amended the HFCAA to reduce the number of consecutive years an issuer can be identified a Commission-Identified Issuer before the SEC must impose an initial trading prohibition on the issuer's securities from three years to two. There can be no assurance that we would not be identified as a Commission-Identified Issuer for any future fiscal year, and if we were so identified for two consecutive years, we would become subject to the prohibition on trading under the HFCAA. See "Risk Factors — Risks Related to Doing Business in China — The Holding Foreign Companies Accountable Act, or the HFCAA, and the related regulations continue to evolve. Further implementations and interpretations of or amendments to the HFCAA or the related regulations, or a PCAOB determination of its lack of sufficient access to inspect our auditor, might pose regulatory risks to and impose restrictions on us because of our operations in mainland China."

Upon the completion of this offering, _____, our _____, will beneficially own _____ of the ordinary shares issued and outstanding and voting power, assuming the underwriters do not exercise their option to purchase additional ADSs. As a result, _____ will have the ability to control or exert significant influence over important corporate matters.

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We are an “emerging growth company” under applicable U.S. federal securities laws and are eligible for reduced public company reporting requirements.

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Investing in the ADSs involves risks. See “Risk Factors” beginning on page 20 for factors you should consider before buying the ADSs.

PRICE US\$ PER ADS

Neither the United States Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per ADS	Total
Initial public offering price	US\$	US\$
Underwriting discounts and commissions ⁽¹⁾	US\$	US\$
Proceeds, before expenses, to us	US\$	US\$
[Proceeds, before expenses, to the selling shareholders	US\$	US\$]

(1) See “Underwriting” for additional information regarding compensation payable by us to the underwriters.

We [and the selling shareholders] have granted the underwriters a 30-day option to purchase up to an additional ADSs.

The underwriters expect to deliver the ADSs to purchasers on or about _____, 2023.

US Tiger Securities, Inc.

GF Securities (Hong Kong) Brokerage Limited

The date of this prospectus is _____, 2023.

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Until _____, 2023 (the 25th day after the date of this prospectus), all dealers that effect transactions in these ADSs, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer’s obligation to deliver a prospectus when acting as an underwriter and with respect to their unsold allotments or subscriptions.

You should rely only on the information contained in this prospectus or in any free writing prospectus that we authorize to be distributed to you. We and the underwriters have not authorized anyone to provide you with any information other than that contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you, and neither we, nor the underwriters take responsibility for any other information others may give you. We [and the selling shareholders] are offering to sell, and seeking offers to buy the ADSs, only in jurisdictions where such offers and sales are permitted. The information in this prospectus or any free writing prospectus is accurate only as of its date, regardless of its time of delivery or the time of any sale of the ADSs. Our business, financial condition, results of operations and prospectus may have changed since that date.

Neither we nor any of the underwriters has taken any action to permit a public offering of the ADSs outside the United States or to permit the possession or distribution of this prospectus or any filed free

writing prospectus outside the United States. Persons outside the United States who come into possession of this prospectus or any filed free writing prospectus must inform themselves about and observe any restrictions relating to the offering of the ADSs and the distribution of the prospectus or any filed free writing prospectus outside the United States.

LETTER FROM OUR CO-FOUNDERS

Dear potential investors,

Sport (traditional and esports) is the great equalizer — bringing people from different backgrounds and cultures together, the camaraderie, the passion for their team, the collective grind at the competitive professional level. It is an unshakable desire for us to entertain, inspire and connect fans by creating transformative experiences. This is our company mission, our purpose, our originality and what keeps us going.

NIP Group is rooted in the love and passion of esports and competition. We have different backgrounds, but we came to a mutual appreciation along almost the same path. (On a personal note, the fact that we are both major Manchester United fans only strengthens our alignment and common business mindset.) Today, growing esports into a generational audience worldwide is what we are busy doing. In January 2023, we completed the largest merger in the history of the esports industry. We are pleased to introduce you to NIP Group, the joint forces of Ninjas in Pyjamas, the legendary Swedish esports brand, and ESV5, one of the largest digital sports groups in China. This is a new era in the esports industry and we are excited to share our vision with you.

Sometimes a plant can remarkably take root and grow from a fissure in a rock. Even under extraordinary conditions, determination and a strong vision, the plant can even flourish and become a tree of resilience. Like the remarkable plant, we have had obstacles to overcome. In spite of where we are now — a leading esports organization with a global footprint in the world — the conditions to create a thriving company were not always optimal. NIP Group Co-CEO Mario arrived on the esports scene just two years before the recent global pandemic. Just a few years earlier, Co-CEO Hicham had taken over the helm of Ninjas in Pyjamas and embarked on the mission to resuscitate the organization. Our actions have proven that the esports industry is indeed resilient when nurtured.

Esports have the power to change the world, and we at NIP Group have a responsibility to continue to develop the industry in a sustainable way. We are committed to being pioneers and encouraging the younger generation of entrepreneurs to join in and experience the excitement. Through the example of our own high standards, we want to influence the mainstream to continue to embrace this rapidly growing industry and recognize the potential it holds for the future and for youth. We are confident in our ability to create a blueprint, paving the way for a positive career path for younger generations, whether they choose to be players, staff, or stakeholders.

In conclusion, NIP Group is a company with a rich history, creating future champions. We welcome you to join forces with us, to generate and enjoy the same passion with hundreds of millions of fans worldwide.

Sincerely,

The NIP Group Team

Co-founders Mario Ho and Hicham Chahine

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements and related notes appearing elsewhere in this prospectus. In addition to this summary, we urge you to read the entire prospectus carefully, especially the risks of investing in the ADSs discussed under “Risk Factors,” before deciding whether to invest in the ADSs. This prospectus contains information from an industry report commissioned by us in February 2023 and prepared by Frost & Sullivan, an independent research firm, to provide information regarding our industry and our market position in China. We refer to this report as the “Frost & Sullivan Report.”

Our Mission

Our mission is to create transformative esports experiences that entertain, inspire and connect fans across the globe.

Our Vision

Our vision is to become the premier esports organization in the world.

Overview

We are a leading esports organization with the most expansive global footprint by virtue of our operations across Asia, Europe and South America, according to the Frost & Sullivan Report. Among the top ten esports titles in the world in terms of prize pool, our wins in tier-1 world tournaments in CS:GO, Honor of Kings, Rainbow Six and FIFA represent more unique game titles with top-tier wins than any other esports organization as of January 31, 2023, according to the Frost & Sullivan Report. We were founded based on a passion for esports and belief that esports can create the same types of historical and legendary experiences and memories as traditional sports have for the past century.

We operate two esports brands: Ninjas in Pyjamas and eStar Gaming. Ninjas in Pyjamas, our PC/console esports brand, was founded in 2000 in Sweden. Competing at the highest levels in multiple esports titles over two decades, NiP has earned recognition as one of the most storied, recognized and iconic brands in the esports world. At the same time, eStar Gaming, our mobile esports brand, is the top team in the Honor of Kings King Pro League (KPL), the most successful team in KPL history in terms of titles and widely considered to be the most successful mobile esports team in the world, according to the Frost & Sullivan Report. We have a comprehensive portfolio of esports teams, competing at the highest level in video game titles such as League of Legends, CS: GO, Honor of Kings, Rainbow Six, Valorant, Rocket League, Fortnite and Call of Duty Mobile.

We believe that there is tremendous potential in what we refer to as the “esports+” model, with the first phase being competitive esports itself — building championship-caliber teams across the most popular esports titles. NIP Group is currently at the second phase of esports+, supplementing our competitive esports business with our talent management, event production, creative studios, and burgeoning advertising businesses to create a diverse and sustainable revenue stream driving our continued growth. Going forward, we believe that we are only limited by our imagination for the third phase of esports+, and are actively exploring opportunities in areas such as esports education and training, fan universe (B2C monetization and metaverse), NFTs, esports real estate and IP licensing. As of December 31, 2022, we have provided esports education related services to more than ten educational institutions in cities including Shenzhen, Xi’an, Guangzhou and Guizhou, and we are aiming to bring our contents and services to 50 educational institutions across China by the end of 2025. We anticipate costs associated with our undertaking of esports education business to include staff costs as well as costs related to content development, professional training and brand building. We plan to finance our esports education business through capital contribution or shareholder loans. In addition, we have also collaborated with digital collection platforms in China, and have launched our NFT collection in November 2022. Aiming to create a global benchmark for esports+, we are also actively creating our proprietary IPs in the fields of fashion, art and metaverse.

Currently, we are focused on developing talent for both our esports teams and greater roster of online entertainers. On the esports side, we have combined Ninjas in Pyjamas’s 20-plus years of development

experience as well as eStar Gaming's demonstrated success in the burgeoning competitive mobile games market in the past five years. Our talent management business also focuses on developing esports athletes to become successful online entertainers, extending their success in the esports world further to the entertainment world. In 2020, Jackson Wang, one of the world's most famous pop idols and one of the most followed male artists on Instagram, with over 31 million followers as of February 15, 2023, joined us as a partner and beneficial shareholder.

We experienced robust growth in our net revenues, which increased from US\$31.8 million in 2021 to US\$65.8 million in 2022. We recorded gross loss of US\$0.6 million in 2021 and gross profit of US\$3.7 million in 2022, representing gross loss margin of 1.9% and gross profit margin of 5.7% for the same years, respectively.

Our Strengths

We believe the following strengths contribute to our success:

- leading esports organization with most expansive global footprint;
- largest portfolio of video game titles competed at highest level of competition;
- strong and loyal fan base;
- proven talent development system across esports and entertainment;
- diversified revenue streams driving sustainable growth;
- demonstrated success in acquisition and integration; and
- passionate management team supported by marquee shareholders.

Our Strategies

We intend to pursue the following strategies to achieve our mission and vision:

- expand esports presence across geographies and titles;
- leverage talent management capabilities to expand roster and influence;
- develop specialized content creation and advertising offerings into esports world;
- increase fan engagement and monetization;
- explore strategic acquisition and investment opportunities;
- remain cutting edge for new esports mediums; and
- continue growth along esports+ model.

Our Industry

Esports refers to a competitive and organized video gameplay in either online or offline and multi-player or single-player format, with a specific goal or prize, such as winning a championship title or prize money. According to the Frost & Sullivan Report, the market size of esports gaming industry has experienced significant increase at a CAGR of 15.2% from US\$29.8 billion in 2017 to US\$52.6 billion in 2021, and is expected to further increase at a CAGR of 12.1% from US\$57.9 billion in 2022 to US\$102.4 billion in 2027. This demonstrates the growing popularity of the esports industry as well as its vast commercialization opportunities, among which China, Europe and South America where we have operations in possess particular growth potential.

The global esports market is driven by rising popularity of video games, global policies encouraging esports development, increasing numbers of brands and sponsors engaged in the esports industry, growing revenue streams from broadcasting and media rights, and the expansion of esports into new areas such as esports education and training. These factors contribute to a dynamic and iterative esports industry, which fosters the growth and evolution of the esports business model.

According to the Frost & Sullivan Report, driven by increased tournament viewership and continuous government support, the global esports club market in terms of revenue grew at a CAGR of 26.6% from US\$0.5 billion in 2017 to US\$1.4 billion in 2021, and is expected to continue to grow at a CAGR of 18.8% from 2022 to 2027 to US\$3.9 billion. Similarly, the global esports talent management market has grown at a CAGR of 63.2% from US\$0.3 billion in 2017 to US\$2.3 billion in 2021, and is expected to continue to grow at a CAGR of 23.4% from 2022 to 2027, to US\$8.2 billion. The global esports event production market has grown at a CAGR of 23.4% from US\$0.3 billion in 2017 to US\$0.6 billion in 2021, and is expected to continue to grow at a CAGR of 27.3% from 2022 to 2027 to US\$2.7 billion.

Summary of Risk Factors

Investing in our ADSs involves a high degree of risk. You should carefully consider the risks and uncertainties summarized below, the risks described under the “Risk Factors” section and the other information contained in this prospectus before you decide whether to purchase our ADSs.

Risks Related to Our Business and Industry

- The success of our business depends on the market perception and strength of our brand. If we are unable to maintain and enhance our brand, the fan base and sponsorship we attract as well as our prospective consumer engagement may decline.
- As an esports brand spanning Asia, Europe and South America and continuing to expand our global footprint, we are subject to a number of risks regarding our international operations.
- Our business in Asia is in the early stage of development with a relatively limited operating history. We are also subject to risks associated with operating in a rapidly developing industry and a relatively new market.
- We have a relatively limited history of operating as an integrated business. We may face challenges integrating our operations, services and personnel and may be unable to achieve the anticipated synergies from the combination. Our historical operating and financial results may not be indicative of future performance, which makes it difficult to predict our future business prospects and financial performance.
- Past and future investments in and acquisitions of complementary assets and businesses may expose us to potential risks, and may result in earnings dilution and significant diversion of management attention.
- The markets in which we operate are highly competitive. If we are unable to compete effectively, our business and operating results may be materially and adversely affected.
- We have incurred losses in the past and we may continue to experience losses in the future.
- Our business and financial results may be materially and adversely affected if we are unable to maintain our cooperative relationships with financing service providers.
- We may not be able to successfully execute our strategies, sustain our growth, or deal with the increasing complexity of our business.
- If we fail to anticipate the evolving game popularity or viewership preferences, we may not be able to remain competitive in the respective business segments, and our business and prospects may be materially and adversely affected.
- Misalignment with public and consumer tastes and preferences for entertainment could negatively impact demand for our entertainment offerings, which could have an adverse effect on our business, financial condition, results of operations and prospects.
- In the event that our existing and potential customers are attracted to other alternatives available within the broader esports and entertainment industry, we would be materially and adversely impacted.
- The uncertainties brought about by the prolonged COVID-19 pandemic has impacted and could in the future have a material adverse impact on our business, financial condition, results of operations and cash flow positions.

Risks Related to Doing Business in China

- The PRC government has significant authority in regulating our operations and may influence or intervene in our operations at any time. Actions by the PRC government to exert more control over offerings conducted overseas by, and foreign investment in, China-based issuers could result in a material change in our operations, and significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless. Implementation of industry-wide regulations in this nature may also cause the value of such securities to significantly decline or become worthless. For details, see “Risk Factors — Risks Related to Doing Business in China — The PRC government has significant oversight and discretion over the conduct of our business, and it may intervene or influence our operations at any time, which could result in a material adverse change in our operations and/or the value of our ADSs.”
- A large portion of our operations are located in China. Accordingly, our business, prospects, financial condition and results of operations may be affected to a significant degree by political, economic and social conditions in China generally. For details, see “Risk Factors — Risks Related to Doing Business in China — Changes in China’s economic, political or social conditions or government policies could have a material adverse effect on our business, financial conditions and results of operations.”
- The approval of PRC government authorities may be required in connection with this offering under PRC law, and if required, we cannot predict whether or for how long we will be able to obtain such approval.
- Risks and uncertainties arising from the legal system in China, including risks and uncertainties regarding the enforcement of laws and the fact that rules and regulations in China may evolve quickly with any public consultation and advanced notice period being relatively short in terms of the time that we may need to fully adapt to such changes, all of which could result in a material adverse change in our operations and the value of our ADSs. For details, see “Risk Factors — Risks Related to Doing Business in China — Any failure by us to meet with the continue developing PRC legal system could adversely affect us.”
- We are subject to the complexity and changes in the esports industry and relevant corporate regulations in China, and any lack of requisite approvals, licenses or permits applicable to our business may have material adverse effect on our business and results of operations.
- To the extent our cash or assets in the business are in mainland China or Hong Kong or a mainland China or Hong Kong entity, the funds or assets may not be available to fund operations or for other use outside of mainland China or Hong Kong due to the imposition of restrictions and limitations on the ability of NIP Group Inc. or our subsidiaries to transfer cash or assets. While there are currently no such restrictions on foreign exchange and our ability to transfer cash or assets between NIP Group Inc. and our Hong Kong subsidiary, if certain PRC laws and regulations, including existing laws and regulations and those enacted or promulgated in the future were to become applicable to our Hong Kong subsidiary in the future, and to the extent our cash or assets are in Hong Kong or a Hong Kong entity, such funds or assets may not be available due to the imposition of restrictions and limitations on our ability to transfer funds or assets by the PRC government. Furthermore, we cannot assure you that the PRC government will not impose restrictions on NIP Group Inc. or our subsidiaries to transfer or distribute cash within the organization, which could result in an inability of or prohibition on making transfers or distributions to entities outside of mainland China and Hong Kong. For details, see “Risk Factors — Risks Related to Doing Business in China — We may rely on dividends and other distributions on equity paid by our PRC subsidiary to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiary to make payments to us could have a material and adverse effect on our ability to conduct our business.”
- On December 2, 2021, the SEC adopted final amendments implementing the disclosure and submission requirements under the HFCA Act. Under such rules, an issuer that has filed an annual report containing an audit report issued by a registered public accounting firm that the PCAOB has

determined it is unable to inspect or investigate completely because of a position taken by an authority in the foreign jurisdiction will be identified by the SEC as a “Commission-Identified Issuer.” The SEC will impose a trading prohibition on an issuer after it is identified as a Commission- Identified Issuer for three consecutive years. If we are identified as a Commission-Identified Issuer and has a “non-inspection” year, there is no assurance that it will be able to take remedial measures in a timely manner. Our auditor, Marcum Asia CPAs LLP, an independent registered public accounting firm headquartered in Manhattan, New York, was not included in the determinations made by the Public Company Accounting Oversight Board (United States), or the PCAOB, on December 16, 2021. Our auditor is currently subject to PCAOB inspections and has been inspected by the PCAOB on a regular basis with the latest inspection in 2020. Although we believe that the Holding Foreign Companies Accountable Act and the related regulations do not currently affect us, we cannot assure you that there will not be any further implementations and interpretations of the Holding Foreign Companies Accountable Act or the related regulations, which might pose regulatory risks to and impose restrictions on us because of our operations in mainland China. Recent developments with respect to audits of China-based companies, create uncertainty about the ability of their auditor to fully cooperate with the PCAOB’s request for audit workpapers without the approval of the Chinese authorities. As a result, our investors may be deprived of the benefits of PCAOB’s oversight of our auditor of through such inspections. For more details, see “Risk Factors — Risks Related to Doing Business in China — The Holding Foreign Companies Accountable Act, or the HFCAA, and the related regulations continue to evolve. Further implementations and interpretations of or amendments to the HFCAA or the related regulations, or a PCAOB determination of its lack of sufficient access to inspect our auditor, might pose regulatory risks to and impose restrictions on us because of our operations in mainland China.”

Risks Related to Our ADSs and This Offering

- An active trading market for our ADSs may not develop and the trading price for our ADSs may fluctuate significantly.
- The trading price of our ADSs is likely to be volatile, which could result in substantial losses to investors.
- If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our ADSs, the market price for our ADSs and trading volume could decline.
- Substantial future sales or perceived potential sales of the ADSs in the public market could cause the price of the ADSs to decline.
- The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to vote your ordinary shares.
- We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to United States domestic public companies.
- Certain judgments obtained against us in the United States by our shareholders may not be enforceable in other jurisdictions.

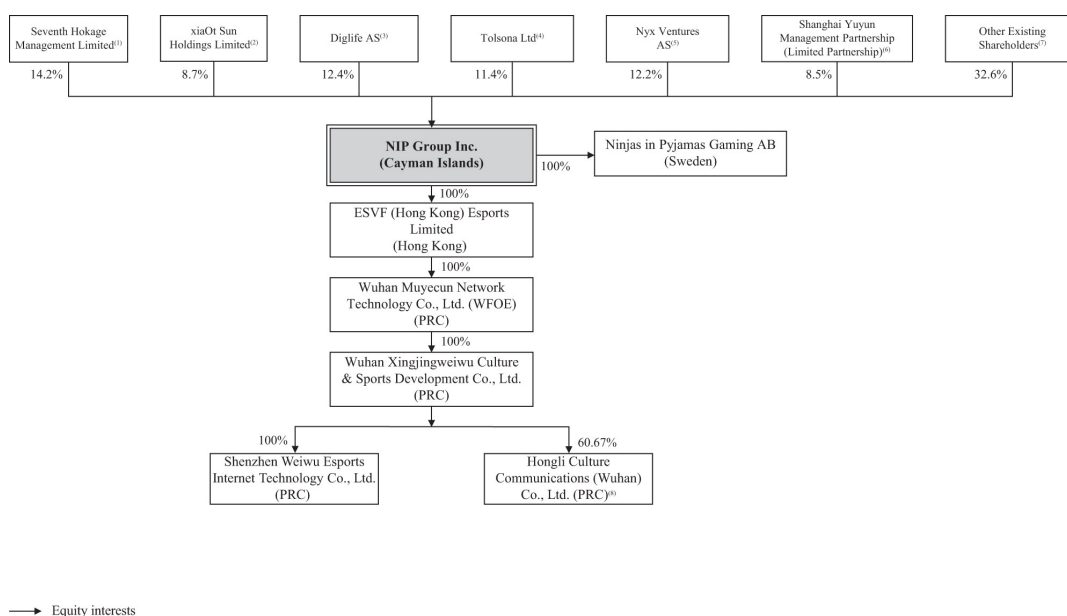
Our Corporate Structure

NIP Group Inc. is not an operating company but a Cayman Islands holding company with operations primarily conducted through its wholly-owned subsidiaries in Sweden and China. Investors are purchasing beneficial equity interests in NIP Group Inc., the Cayman Islands holding company, and are not purchasing beneficial equity interests in any operating company. This holding company structure involves unique risks to investors. As a holding company, NIP Group Inc. may rely on dividends from its subsidiaries for cash requirements, including any payment of dividends to its shareholders. The ability of our subsidiaries to pay dividends or make distributions to NIP Group Inc. may be restricted by laws and regulations applicable to them or the debt they incur on their own behalf or the instruments governing their debt. In addition, PRC regulatory authorities could disallow this holding company structure and limit or hinder our ability to conduct our business through, receive dividends or distributions from, or transfer funds to, the operating

companies or list on a U.S. or other foreign exchange, which could cause the value of our securities to significantly decline or become worthless. Unless otherwise stated or unless the context otherwise requires, references in this prospectus to (i) “NIP Group” are to NIP Group Inc., and (ii) “we,” “us,” “our,” “the Company” and “our company” are to NIP Group and its subsidiaries (and, in the context of describing our operations and consolidated financial information for the periods ended prior to the Restructuring, also to the VIE and its subsidiaries).

Historically, we conducted our operations in China through our WFOE and through Wuhan ESVF, with which we, our WFOE, and the nominee shareholders of Wuhan ESVF entered into certain contractual arrangements. We did not own an equity interest in the VIE or its subsidiaries and relied on the contractual arrangements to direct the business operations of the VIE. Such structure enables investors to invest in China-based companies in sectors where foreign direct investment is prohibited or restricted under PRC laws and regulations. Following a restructuring in June 2023 (the “Restructuring”), the contractual arrangements were terminated and currently we do not have any VIE in China.

The following diagram illustrates our corporate structure, including the names, places of incorporation and the proportion of ownership interests in our significant subsidiaries as of the date of this prospectus.



Notes:

- (1) Seventh Hokage Management Limited (formerly known as Mario Ho Holdings Limited), a limited liability company established in the British Virgin Islands, which is wholly owned by Mr. Mario Yau Kwan Ho.
- (2) xiaOt Sun Holdings Limited, a limited liability company established in the British Virgin Islands, which is wholly owned by Mr. Liwei “xiaOt” Sun.
- (3) Diglife AS, a company registered under the laws of Norway, which is 95.61% owned by Mr. Hicham Chahine.
- (4) Tolsona Ltd., a company incorporated in the Republic of Cyprus, which is wholly owned by Mr. Felix Granander.
- (5) Nyx Ventures AS, a company registered under the laws of Norway, which is wholly owned by Mr. Thomas Neslein.
- (6) Shanghai Yuyun Management Partnership (Limited Partnership) is a PRC limited partnership. The general partner of Shanghai Yuyun Management Partnership (Limited Partnership) is Wuhan Donghu Lvxin Garden Co. Ltd., a company wholly owned by Wuhan Jinlv Construction Investment (Group) Co. Ltd., which is directly wholly owned by Wuhan Tourism and Sports Group. Wuhan Tourism and Sports Group is indirectly wholly owned by the Wuhan State-owned Assets Supervision and Administration Commission, or Wuhan SASAC, a sub-department of Wuhan municipal government.
- (7) Consisting of 21 shareholders including the Company’s share incentive platform. None of the 21 shareholders is known to us to beneficially own 5% or more of our shares.

- (8) Mr. Lei Zhang, our director, holds 32.67% of the equity interest in Hongli Culture Communications (Wuhan) Co., Ltd.; Wuhan Optics Valley Talent Venture Capital Partnership (limited partnership) holds 6.66% of the equity interest in Hongli Culture Communications (Wuhan) Co., Ltd.

Permissions Required from the PRC Authorities for Our Operations and Securities Offering

As of the date of this prospectus, as advised by our PRC counsel, CM Law Firm, we believe that the permissions and approvals our subsidiaries are required to obtain from Chinese authorities to operate their business include, but are not limited to, the business license, and the commercial performance license. As of the date of this prospectus, our subsidiaries have obtained requisite permissions and licenses for our operations in the PRC, and we have not received any formal inquiry, notice, warning, sanction, or any regulatory objection by any governmental authorities of any requirement to obtain necessary permissions and approvals for our business operation, nor have we been denied of any permissions or approvals. However, we cannot assure you that relevant government agencies will not impose further requirements in the future. Further, we have developed and may in the future initiate new businesses, for which we may be required to obtain new licenses and permits, which could be time-consuming and complex. If we do not receive, complete or maintain necessary permissions or approvals, or we inadvertently conclude that such permissions or approvals are not required, or there is a change in the applicable laws, regulations, or interpretations such that we need to obtain permissions or approvals in the future, we may be subject to (i) investigations by competent regulatory authorities, (ii) fines or penalties, (iii) orders to suspend our operations and to rectify any non-compliance, or (iv) prohibitions from engaging in relevant businesses. For details, see “Risk Factors — Risks Related to Our Business and Industry — If we fail to obtain and maintain the requisite licenses, permits and approvals applicable to our business, or fail to obtain additional licenses that become necessary due to new enactment or promulgation of laws and regulations or our expansion, our business, results of operations and growth prospects may be materially and adversely affected.”

On December 28, 2021, the Cyberspace Administration of China, or the CAC, together with certain other PRC governmental authorities, jointly released the Revised Cybersecurity Review Measures, which took effect on February 15, 2022. Pursuant to the Revised Cybersecurity Review Measures, (i) operators of critical information infrastructure that intend to purchase network products and services and online platform operators that conduct data processing activities, in each case that affect or may affect national security, and (ii) operators of network platforms seeking listing abroad that are in possession of more than one million users’ personal information must apply for a cybersecurity review. The Revised Cybersecurity Review Measures set out certain general factors which would be the focus in assessing the national security risk during a cybersecurity review, including without limitation, risks of influence, control or malicious use of critical information infrastructure, core data, important data or large amounts of personal information by foreign governments in relation to listing abroad.

On March 6, 2023, we received a confirmation from relevant authority that we would not be required to apply for a cybersecurity review in connection with this offering and our proposed listing because we do not possess over one million users’ personal information. As a result, based on the fact that we are not in possession of more than one million users’ personal information, we are not subject to cybersecurity review by the CAC for this offering and our proposed listing. Further, we have not been subject to any penalties, fines, suspensions, investigations from any competent authorities for violation of the regulations or policies that have been issued by the CAC to date.

If it is determined that we are required to undergo a cybersecurity review by the CAC or obtain permissions or approvals from the CAC for this offering for any reasons, including due to changes in applicable laws, regulations, or interpretations, we will take any and all necessary actions to be compliant with the then effective rules and regulations. In that case, if we are unable to clear the review, obtain permission or approval from the CAC, as then applicable, in a timely manner, or at all, we may be subject to government enforcement actions and investigations, fines, penalties, or suspension of our noncompliant operations, among other sanctions, which could materially and adversely affect our business and results of operations, and our ordinary shares and ADSs may decline in value or become worthless.

On February 17, 2023, the CSRC released several regulations regarding the filing requirements for overseas offerings and listings by domestic companies, including the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the “Trial Measures”) together with five

supporting guidelines (together with the Trial Measures, the “New Regulations on Filing”) and the New Regulations on Filing took effect on March 31, 2023. Pursuant to the New Regulations on Filing, we are required to complete the filing procedures with the CSRC in connection with this offering. For detailed information, see “Regulation — Regulations on M&A and Overseas Listings.” Domestic companies that have submitted a valid application for an overseas offering and listing but have not received consent from the overseas regulator or overseas stock exchange before March 31, 2023, like us, is required to complete such filing with CSRC before completion of the overseas offering and listing.

Based on the foregoing and as advised by our PRC counsel, CM Law Firm, since our registration statement on Form F-1 was not declared to be effective by the SEC prior to March 31, 2023, we believe we are required to complete the filing procedures with the CSRC for this offering prior to the completion of this offering pursuant to the New Regulations on Filing. We are preparing the documents for the filing under the Trial Measures, and we will reasonably arrange the timing of filing applications in order to comply with the Trial Measures.

As the Trial Measures are newly issued, there remains uncertainty as to how it will be interpreted or implemented. If it is determined that any other approval, filing or other administrative procedures from the CSRC or other PRC governmental authorities is required for this offering, or any future offering, listing or any other capital raising activities, which are subject to the filings under the New Regulations on Filing, we cannot assure you that we can obtain the required approval or accomplish the required filings or other regulatory procedures in a timely manner, or at all. If we fail to timely complete the relevant filing procedures, we may face penalties by the CSRC or other PRC regulatory agencies, which could have a material and adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs. The CSRC or other PRC regulatory authorities also may take actions requiring us, or circumstances may become advisable for us, to halt our offerings before settlement and delivery of the shares offered. Consequently, if investors engage in market trading or other activities in anticipation of and prior to settlement and delivery, they do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that, other than the filing to CSRC, we need to complete other regulatory procedures for this offering, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval requirement could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of our ADSs.

For detailed information, see “Risk Factors — Risks Related to Our Business and Industry — Our business is subject to a variety of laws and regulations of the PRC, the European Union member states, the Cayman Islands and other international jurisdictions, including those regarding cybersecurity, economic substance, data protection and data privacy. Any failure to comply with such current or future laws and regulations, could adversely affect our business and reputation.” “Risk Factors — Risks Related to Our Business and Industry — If we fail to obtain and maintain the requisite licenses, permits and approvals applicable to our business, or fail to obtain additional licenses that become necessary due to new enactment or promulgation of laws and regulations or our expansion, our business, results of operations and growth prospects may be materially and adversely affected.” and “Risk Factors — Risks Related to Doing Business in China — The approval of PRC government authorities may be required in connection with this offering under PRC law, and if required, we cannot predict whether or for how long we will be able to obtain such approval.”

Cash and Asset Flows Through Our Organization

NIP Group Inc. is not an operating company but a Cayman Islands holding company with operations primarily conducted through its wholly-owned subsidiaries in Sweden and China. As a result, although other means are available for us to obtain financing at the holding company level, NIP Group Inc.’s ability to pay dividends to the shareholders and to service any debt it may incur depends upon dividends paid by our Sweden and PRC subsidiaries. If any of our subsidiaries incurs debt on its own behalf in the future, the instruments governing such debt may restrict its ability to pay dividends to NIP Group Inc. In addition, to the extent cash or assets in our business is in the PRC or Hong Kong or a PRC or Hong Kong entity, such cash or assets may not be available to fund operations or for other use outside of the PRC or Hong Kong due

to interventions in, or the imposition of restrictions and limitations on, the ability of our holding company, our WFOE, or the WFOE's subsidiaries by the PRC government to transfer cash or assets. Cash may be transferred within our organization in the following manners:

Under PRC laws, NIP Group Inc. may, via its intermediary Hong Kong holding company, provide funding to our WFOE only through capital contributions or loans. Similarly, our WFOE, may provide funding to Wuhan ESVF only through capital contributions or loans, subject to satisfaction of applicable government registration and approval requirements.

Our WFOE and the WFOE's subsidiaries are required to make appropriations to certain statutory reserve funds or may make appropriations to certain discretionary funds, which are not distributable as cash dividends except in the event of a solvent liquidation of the companies. The PRC government established specific laws and regulations on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of foreign currencies out of China. If we are prevented from obtaining sufficient foreign currencies to satisfy our foreign currency demands, or if our access to foreign currencies for current account transactions is subject to oversight, we may not be able to pay dividends in foreign currencies to our shareholders.

As of the date of this prospectus, our WFOE has not made any dividends or other distributions to our intermediary Hong Kong holding company or NIP Group Inc., and we have not declared or paid any dividends on our shares.

For 2021, there was a capital investment of US\$1.24 million from NIP Group Inc. to our WFOE through the intermediary Hong Kong holding company. In January 2022, there was an entrusted loan of US\$0.86 million from our WFOE to Wuhan ESVF. In September 2022, there was a loan of US\$5.0 million provided by NIP Group Inc. to Wuhan ESVF. In January 2023, there was a loan of US\$4.5 million provided by NIP Group Inc. to Wuhan ESVF. In February 2023, there was a loan of US\$1.75 million provided by NIP Group Inc. to Wuhan ESVF. In July 2023, there was a capital investment of US\$2.85 million from NIP Group Inc. to our WFOE through the intermediary Hong Kong holding company. In July 2023, there was a capital investment of US\$3.05 million from our WFOE to Wuhan ESVF. As of the date of this prospectus, no subsidiaries paid any dividends or made any distributions to their respective shareholders.

We currently do not have cash management policies in place that dictate how funds are transferred between NIP Group Inc., our subsidiaries and the investors, including potential U.S. investors. Rather, the funds can be transferred in accordance with the applicable PRC laws and regulations. Under PRC laws and regulations, we are subject to restrictions on foreign exchange and cross-border cash transfers, including to NIP Group Inc. and U.S. investors. Our ability to distribute earnings to NIP Group Inc., our Cayman holding company, and U.S. investors is also limited. We are a Cayman Islands holding company and rely on dividends and other distributions on equity from our PRC subsidiary for our cash requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur outside of PRC. Current PRC regulations permit our PRC subsidiary to pay dividends to us only out of their accumulated after-tax profits upon satisfaction of relevant statutory conditions and procedures, if any, determined in accordance with Chinese accounting standards and regulations. In addition, our PRC subsidiary is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its registered capital. These reserves, together with the registered capital, are not distributable as cash dividends. Additionally, if our PRC subsidiary incurs debt on its own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends or make other distributions to us. In addition, the revenue and assets of our PRC subsidiary is denominated in Renminbi, which is not freely convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of our PRC subsidiary to pay dividends to us. For more details, see "Risk Factors — Risks Related to Doing Business in China — We may rely on dividends and other distributions on equity paid by our PRC subsidiary to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiary to make payments to us could have a material and adverse effect on our ability to conduct our business."

VIE Consolidation Schedule

Historically, we conducted our operation in mainland China through our WFOE in mainland China as well as through Wuhan ESVF, the former VIE based in mainland China. We have completed the Restructuring

in June 2023, and in connection therewith, our WFOE, Wuhan ESVF and shareholders of Wuhan ESVF entered into a VIE Termination Agreement, pursuant to which, the VIE Agreements were terminated with immediate effect.

The following tables set forth the summary consolidated balance sheets data as of December 31, 2021 and 2022 of (i) NIP Group Inc., our Cayman parent holding company, (ii) Wuhan Muyecun Network Technology Co., Ltd., the WFOE, and (iii) Wuhan Xingjingweiwu Culture & Sports Development Co., Ltd., or the former VIE, and its subsidiaries, and the summary of the consolidated statement of income and cash flows for the years ended December 31, 2021 and 2022. You should read the following tables together with our consolidated financial statements and the related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this prospectus.

As of December 31, 2022						
	Parent	WFOE	HK holding company	VIE and its subsidiaries	Eliminations	Consolidated total
	(US\$ in thousands)					
Assets						
Cash and cash equivalents	7,059	284	12	2,233	—	9,588
Inter-Group balances due from the VIE and its subsidiaries/non-VIE	5,322	855	—	475	(6,652)	—
Other current assets	3,273	—	86	20,236	—	23,595
Investment in subsidiaries	1,240	—	1,240	—	(2,480)	—
Investment equity in the VIE and its subsidiaries and non-VIE	68,427	—	—	—	(68,427)	—
Other non-current assets	—	—	9	100,744	—	100,753
Total Assets	85,321	1,139	1,347	123,688	(77,559)	133,936
Liabilities						
Inter-Group balances due to the VIE and its subsidiaries/non-VIE	—	—	405	6,247	(6,652)	—
Other current liabilities	864	—	—	27,651	—	28,515
Non-current liabilities	—	—	—	15,964	—	15,964
Total liabilities	864	—	405	49,862	(6,652)	44,479
Mezzanine equity	113,463	—	—	—	—	113,463
Total (deficit) equity	(29,006)	1,139	942	73,826	(70,907)	(24,006)

	As of December 31, 2021					
	Parent	WFOE	HK holding company	VIE and its subsidiaries	Eliminations	Consolidated total
	(US\$ in thousands)					
Assets						
Cash and cash equivalents	323	1,240	11	9,835	—	11,409
Inter-Group balances due from the VIE and its subsidiaries/non-VIE	—	—	—	88	(88)	—
Other current assets	—	—	17	17,568	—	17,585
Investment in subsidiaries	1,240	—	1,240	—	(2,480)	—
Investment equity in the VIE and its subsidiaries and non-VIE	80,678	—	—	—	(80,678)	—
Other non-current assets	—	—	14	111,781	—	111,795
Total Assets	82,241	1,240	1,282	139,272	(83,246)	140,789
Liabilities						
Inter-Group balances due to the VIE and its subsidiaries/non-VIE	—	—	88	—	(88)	—
Other current liabilities	25	—	—	33,333	—	33,358
Non-current liabilities	—	—	—	18,868	—	18,868
Total liabilities	25	—	88	52,201	(88)	52,226
Mezzanine equity	80,053	—	—	—	—	80,053
Total (deficit) equity	2,163	1,240	1,194	87,071	(83,158)	8,510
For the Year Ended December 31, 2022						
	Parent	WFOE	HK holding company	VIE and its subsidiaries	Eliminations	Consolidated total
	(US\$ in thousands)					
Net Revenue	—	—	—	65,835	—	65,835
Cost of revenue	—	—	—	62,093	—	62,093
Net loss	(6,216)	(30)	(257)	(5,740)	5,937	(6,306)
For the Year Ended December 31, 2021						
	Parent	WFOE	HK holding company	VIE and its subsidiaries	Eliminations	Consolidated total
	(US\$ in thousands)					
Net Revenue	—	—	—	31,802	—	31,802
Cost of revenue	—	—	—	32,395	—	32,395
Net Loss	(8,000)	—	(46)	(8,068)	7,975	(8,139)
For the Year Ended December 31, 2022						
	Parent	WFOE	HK holding company	VIE and its subsidiaries	Eliminations	Consolidated total
	(US\$ in thousands)					
Net cash provided by operating activities	(5,271)	(956)	1	(3,408)	—	(9,634)
Net cash used in investing activities	—	—	—	(1,719)	—	(1,719)
Net cash provided by financing activities	12,008	—	—	(2,224)	—	9,784

	For the Year Ended December 31, 2021					Consolidated total
	Parent	WFOE	HK holding company	VIE and its subsidiaries	Eliminations	
	(US\$ in thousands)					
Net cash provided by operating activities	—	—	(3)	(1,216)	—	(1,219)
Net cash used in investing activities	(1,240)	—	(1,255)	6,994	2,480	6,979
Net cash provided by financing activities	1,563	1,240	1,240	(990)	(2,480)	(573)

The Holding Foreign Companies Accountable Act

Pursuant to the HFCAA, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspections by the PCAOB for two consecutive years, the SEC will prohibit our shares or ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States.

On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong. Our auditor, Marcum Asia CPAs LLP, the independent registered public accounting firm that issues the audit report included elsewhere in this prospectus, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess our auditor's compliance with the applicable professional standards. Our auditor is headquartered in Manhattan, New York, and is subject to inspection by the PCAOB on a regular basis with the latest inspection in 2020. As of the date of this prospectus, our auditor is not among the firms listed on the PCAOB Determination List issued in December 2021. On December 15, 2022, the PCAOB removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. Accordingly, until such time as the PCAOB issues any new determination, there are no issuers at risk of having their securities subject to a trading prohibition under the HFCAA.

Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions. If the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in certain jurisdictions and we use an accounting firm headquartered in one of such jurisdictions to issue an audit report on our financial statements filed with the SEC, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. There can be no assurance that we would not be identified as a Commission-Identified Issuer for any future fiscal year, and if we were so identified for two consecutive years, we would become subject to the prohibition on trading under the HFCAA. See "Risk Factors — Risks Related to Doing Business in China — The Holding Foreign Companies Accountable Act, or the HFCAA, and the related regulations continue to evolve. Further implementations and interpretations of or amendments to the HFCAA or the related regulations, or a PCAOB determination of its lack of sufficient access to inspect our auditor, might pose regulatory risks to and impose restrictions on us because of our operations in mainland China."

Corporate History

In June 2016, Mr. Liwei "xiaOt" Sun, our director and president, founded Wuhan Xingjingweiwu Culture & Sports Development Co., Ltd. (formerly known as Shanghai Xingao Culture Communications Co., Ltd.), or Wuhan ESVF, and commenced our esports team operations in China. In December 2018, Shenzhen Weiwu Esports Internet Technology Co., Ltd., or Shenzhen VF, was established by Mr. Mario Yau Kwan Ho, our co-chief executive officer, and was later merged with Wuhan ESVF in March 2021 with Shenzhen VF becoming a wholly-owned subsidiary of Wuhan ESVF.

NIP Group Inc., formerly known as ESVF Esports Group Inc., was incorporated as an exempted company with limited liability in the Cayman Islands as our holding company on February 5, 2021. We changed our name from ESVF Esports Group Inc. to our current name, NIP Group Inc., in March 2023.

In March 2021, we established a wholly-owned subsidiary in Hong Kong, namely, ESVF (Hong Kong) Esports Limited, or Hong Kong ESVF, which is our intermediary holding company in Hong Kong. In July 2021, Hong Kong ESVF established a wholly-owned subsidiary, Wuhan Muyecun Network Technology Co., Ltd., or Wuhan Muyecun, as the holding company of our business in China. Wuhan Muyecun then gained control over Wuhan ESVF by entering into a series of contractual arrangements with Wuhan ESVF and its shareholders. We have completed the Restructuring in June 2023, and in connection therewith, our WFOE, Wuhan ESVF and shareholders of Wuhan ESVF entered into a VIE Termination Agreement, pursuant to which, the VIE Agreements were terminated with immediate effect. See “— Our Corporate Structure.”

In January 2023, we completed the merger between NIP Group Inc. and Ninjas in Pyjamas Gaming AB, a Swedish esports company with more than 20 years of operating history in the esports industry, through a series of share swap transactions, with Ninjas in Pyjamas Gaming AB becoming a wholly-owned subsidiary of NIP Group Inc. upon completion of the transactions, marking our global operation under the name of NIP Group.

Implication of Being an Emerging Growth Company

As a company with less than US\$1.235 billion in revenue for our last fiscal year, we qualify as an “emerging growth company” pursuant to the Jumpstart Our Business Startups Act of 2012, as amended, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements compared to those that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002 or Section 404 in the assessment of the emerging growth company’s internal control over financial reporting. The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. We have elected to take advantage of such exemptions. As a result, our operating results and financial statements may not be comparable to the operating results and financial statements of other companies who have adopted the new or revised accounting standards.

We will remain an emerging growth company until the earliest of (a) the last day of the fiscal year during which we have total annual gross revenues of at least US\$1.235 billion; (b) the last day of our fiscal year following the fifth anniversary of the completion of this offering; (c) the date on which we have, during the preceding three-year period, issued more than US\$1.0 billion in non-convertible debt; or (d) the date on which we are deemed to be a “large accelerated filer” under the Securities Exchange Act of 1934, as amended, or the Exchange Act, which would occur if the market value of our shares that are held by non-affiliates exceeds US\$700 million as of the last business day of our most recently completed second fiscal quarter. Once we cease to be an emerging growth company, we will not be entitled to the exemptions provided in the JOBS Act discussed above.

Implication of Being a Foreign Private Issuer

We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers. Moreover, the information we are required to file with or furnish to the SEC will be less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers. In addition, as an exempted company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the Nasdaq [Stock/Global Select] Market corporate governance listing standards. These practices may afford less protection to shareholders than they would enjoy if we complied fully with the Nasdaq [Stock/Global Select] Market corporate governance listing standards. Currently, we do not plan to rely on home country practices with respect to our corporate governance after we complete this offering.

Corporate Information

Our principal executive offices are located at Rosenlundsgatan 31, 11 863, Stockholm, Sweden. Our telephone number at this address is +46 705775564. Our registered office in the Cayman Islands is located

at the offices of Osiris International Cayman Limited, Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman KY1-1209, Cayman Islands.

Investors should submit any inquiries to the address and telephone number of our principal executive offices. Our main websites are <https://esv5.com> and <https://nip.gl>. The information contained on our website is not a part of this prospectus. Our agent for service of process in the United States is _____, located at _____.

Conventions that Apply to This Prospectus

Unless otherwise indicated or the context otherwise requires, references in this prospectus to:

- “ADRs” are to the American depositary receipts that may evidence the ADSs;
- “ADSs” are to the American depositary shares, each of which represents _____ ordinary shares;
- “CAGR” are to compound annual growth rate;
- “China” or the “PRC” are to the People’s Republic of China, excluding, for the purposes of this prospectus only, Hong Kong, Macau and Taiwan;
- “Ninjas in Pyjamas” are to Ninjas in Pyjamas Gaming AB;
- “our WFOE” are to Wuhan Muyecun Network Technology Co., Ltd.;
- “Restructuring” are to a series of restructuring transactions in June 2023 to terminate the historical contractual arrangements with the former VIE, which have become our wholly-owned subsidiary.
- “RMB” and “Renminbi” are to the legal currency of China;
- “shares” or “ordinary shares” are to our ordinary shares, par value US\$0.0001 per share;
- “the VIE” or “the former VIE” are to the former variable interest entity, namely Wuhan Xingjingweiwu Culture & Sports Development Co., Ltd., or “Wuhan ESVF”; and
- “US\$,” “U.S. dollars,” “\$,” and “dollars” are to the legal currency of the United States;
- “we,” “us,” “our company” or “our” are to NIP Group Inc., formerly known as ESVF Esports Group Inc., a Cayman Islands exempted company, and its subsidiaries and their respective subsidiaries, as the context requires (and, in the context of describing NIP Group’s operations and consolidated financial information, also the VIE and the VIE’s subsidiaries for the periods ended prior to the Restructuring);

Unless the context indicates otherwise, all information in this prospectus assumes no exercise by the underwriters of their option to purchase up to _____ additional ADSs representing _____ ordinary shares.

Unless otherwise noted, all translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this prospectus are made at a rate of RMB6.8972 to US\$1.00, the exchange rate in effect as of December 30, 2022 as set forth in the H.10 statistical release of The Board of Governors of the Federal Reserve System. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, or at all. On February 17, 2023, the noon buying rate for Renminbi was RMB6.8661 to US\$1.00.

	The Offering
Offering price	We currently estimate that the initial public offering price will be between US\$ and US\$ per ADS.
ADSs offered by us	ADSs (or ADSs if the underwriters exercise their option to purchase additional ADSs in full).
[ADSs offered by the selling shareholders	ADSs (or ADSs if the underwriters exercise their option to purchase additional ADSs in full).]
ADSs [issued and] outstanding immediately after this offering	ADSs (or ADSs if the underwriters exercise their option to purchase additional ADSs in full).
Ordinary shares issued and outstanding immediately after this offering	ordinary shares (or ordinary shares if the underwriters exercise their option to purchase additional ADSs in full).
The ADSs	<p>Each ADS represents ordinary shares, par value US\$0.0001 per share.</p> <p>The depositary will hold ordinary shares underlying your ADSs. You will have rights as provided in the deposit agreement among us, the depositary and holders and beneficial owners of ADSs from time to time.</p> <p>We do not expect to pay dividends in the foreseeable future. If, however, we declare dividends on our ordinary shares, the depositary will pay you the cash dividends and other distributions it receives on our ordinary shares after deducting its fees and expenses in accordance with the terms set forth in the deposit agreement.</p> <p>You may surrender your ADSs to the depositary for cancellation in exchange for the underlying ordinary shares. The depositary will charge you fees for any cancellation.</p> <p>We may amend or terminate the deposit agreement without your consent. If you continue to hold your ADSs after an amendment to the deposit agreement, you agree to be bound by the deposit agreement as amended.</p> <p>To better understand the terms of the ADSs, you should carefully read the “Description of American Depositary Shares” section of this prospectus. You should also read the deposit agreement, which is filed as an exhibit to the registration statement that includes this prospectus.</p>
Option to purchase additional ADSs	We [and the selling shareholders] have granted to the underwriters an option, exercisable within 30 days from the date of this prospectus, to purchase up to an aggregate of additional ADSs.
Use of proceeds	We estimate that we will receive net proceeds of approximately US\$ million from this offering, assuming an initial public offering price of US\$ per ADS, which is the

	<p>midpoint of the estimated range of the initial public offering price, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.</p> <p>We intend to use the net proceeds from this offering for (i) expanding the presence of our esports teams and our talent management and event production capabilities, (ii) the marketing and growth of our fan base, potential strategic acquisition and investment opportunities, including marketing and promotional campaigns and events to enhance our brand gravity, grow our fan base and enhance fan engagement, (iii) potential strategic acquisition and investment opportunities to supplement our organic growth, as well as working capital and other general corporate purposes. See “Use of Proceeds” for more information.</p> <p>[We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.]</p>
Lock-up	<p>We [and each of our officers, directors and existing shareholders, and holders of our outstanding share incentive awards] have agreed with the underwriters, subject to certain exceptions, not to sell, transfer or otherwise dispose of any ADSs, ordinary shares or similar securities for a period of [180] days after the date of this prospectus. See “Shares Eligible for Future Sale” and “Underwriting” for more information.</p>
[Directed Share Program	<p>At our request, the underwriters have reserved for sale, at the initial public offering price, up to an aggregate of ADSs offered in this offering to some of our directors, officers, employees, business associates and related persons through a directed share program.]</p>
Listing	<p>We intend to apply to have the ADSs listed on the Nasdaq under the symbol “[NIPG].” The ADSs and our ordinary shares will not be listed on any other stock exchange or traded on any automated quotation system.</p>
Payment and settlement	<p>The underwriters expect to deliver the ADSs against payment therefor through the facilities of the Depository Trust Company on _____, 2023.</p>
Depository	<p>Unless otherwise indicated, all information contained in this prospectus assumes no exercise of the option granted to the underwriters to purchase up to additional _____ ADSs, if any, in connection with the offering.</p>

Summary Consolidated Financial Data

The following summary consolidated statement of operations for the years ended December 31, 2021 and 2022, summary consolidated balance sheet data as of December 31, 2021 and 2022, and summary consolidated cash flow data for the years ended December 31, 2021 and 2022 have been derived from our consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. Our historical results do not necessarily indicate results expected for any future periods. You should read this Summary Consolidated Financial Data section together with our consolidated financial statements and the related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this prospectus.

The following table sets forth a summary of our consolidated results of operations for 2021 and 2022, both in absolute amount and as a percentage of the total revenues.

	For the year ended December 31,							
	2021				2022			
	Actual		Pro Forma ⁽¹⁾ (Unaudited)		Actual		Pro Forma ⁽¹⁾ (Unaudited)	
	US\$	%	US\$	%	US\$	%	US\$	%
Net revenue	31,802	100.0	41,200	100.0	65,835	100.0	73,208	100.0
Cost of revenue	(32,395)	(101.9)	(36,358)	(88.2)	(62,093)	(94.3)	(65,750)	(89.8)
Gross profit (loss)	(593)	(1.9)	4,842	11.8	3,742	5.7	7,458	10.2
Operating expenses:								
Selling and marketing expenses	(2,640)	(8.3)	(4,462)	(10.8)	(5,495)	(8.4)	(7,208)	(9.8)
General and administrative expenses	(5,218)	(16.4)	(6,759)	(16.4)	(6,328)	(9.6)	(7,823)	(10.7)
Total operating expenses	(7,858)	(24.7)	(11,221)	(27.2)	(11,823)	(18.0)	(15,031)	(20.5)
Operating loss	(8,451)	(26.6)	(6,379)	(15.4)	(8,081)	(12.3)	(7,573)	(10.3)
Other (expense)/income:								
Other income, net	898	2.8	920	2.2	2,001	3.0	1,989	2.7
Interest expense, net	(520)	(1.6)	(472)	(1.1)	(365)	(0.5)	(460)	(0.6)
Total other (loss) income	378	1.2	448	1.1	1,636	2.5	1,529	2.1
Loss before income tax expenses	(8,073)	(25.4)	(5,931)	(14.3)	(6,445)	(9.8)	(6,044)	(8.2)
Income tax expenses (benefit)	(66)	(0.2)	(532)	(1.3)	139	0.2	(6)	—
Net loss	(8,139)	(25.6)	(6,463)	(15.6)	(6,306)	(9.6)	(6,050)	(8.2)
Net loss attributable to non-controlling interests	(139)	(0.4)	(139)	(0.3)	(90)	(0.1)	(90)	(0.1)
Net loss attributable to NIP Group Inc.	(8,000)	(25.2)	(6,324)	(15.3)	(6,216)	(9.5)	(5,960)	(8.1)
Deemed dividend on modification on preferred shares	(861)	(2.7)	(861)	(2.1)	—	—	—	—
Preferred shares redemption value accretion	(17,618)	(55.4)	(17,618)	(42.8)	(25,297)	(38.4)	(25,297)	(34.6)
Net loss attributable to NIP Group Inc.’s shareholders	(26,479)	(83.3)	(24,803)	(60.2)	(31,513)	(47.9)	(31,257)	(42.7)
Other comprehensive (loss) income:								
Foreign currency translation income attributable to non-controlling interest, net of nil tax	283	0.9	283	0.7	2	—	2	—
Foreign currency translation loss attributable to ordinary shareholders, net of nil tax	273	0.9	25	0.1	178	0.3	(242)	(0.3)
Total comprehensive loss	(7,583)	(23.8)	(6,155)	(14.8)	(6,126)	(9.3)	(6,290)	(8.5)

Note:

The consolidated statements of comprehensive loss data for 2021 and 2022 are adjusted on an unaudited pro forma basis to present the combined historical results of operations of us and Ninjas in Pyjamas as if the combination had occurred as of January 1, 2021.

The following table presents our summary consolidated balance sheets data as of December 31, 2021 and 2022:

	<u>As of December 31,</u>	
	<u>2021</u>	<u>2022</u>
	(US\$ in thousands)	
Cash and cash equivalents	11,409	9,588
Accounts receivable	11,377	14,448
Advance to suppliers	626	427
Receivables related to disposal of league tournaments rights	2,719	2,627
Amounts due from related parties	1,859	1,136
Prepaid expenses and other current assets, net	1,004	4,957
Total current assets	28,994	33,183
Property and equipment, net	(3,560)	2,895
Intangible assets, net	75,416	65,383
Right-of-use assets	—	1,802
Goodwill	32,282	29,827
Deferred tax assets	537	6
Other non-current assets	—	840
Total assets	140,789	133,936
Total current liabilities	33,358	28,515
Total liabilities	52,226	44,479
Total mezzanine equity	80,053	113,463
Total (deficit) equity	8,511	(24,006)

The following table presents our summary consolidated cash flow data for the years ended December 31, 2021 and 2022:

	<u>For the year ended December 31,</u>	
	<u>2021</u>	<u>2022</u>
	(US\$ in thousands)	
Net cash used in operating activities	(1,219)	(9,634)
Net cash (used in) provided by investing activities	6,979	(1,719)
Net cash provided by financing activities	573	9,784
Effect of exchange rate changes	22	(252)
Net (decrease) increase in cash and cash equivalents	6,356	(1,821)
Cash and cash equivalents at the beginning of the year	5,053	11,409
Cash and cash equivalents at the end of the year	11,409	9,588

Non-GAAP Financial Measure

To supplement our consolidated financial statements, which are prepared and presented in accordance with U.S. GAAP, we use the following non-GAAP financial measure to understand and evaluate our core operating performance: adjusted EBITDA, which is calculated as net loss excluding interest expense, net,

income tax expenses, depreciation and amortization and share-based compensation expense. The non-GAAP financial measure is presented to enhance investors' overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with U.S. GAAP. Investors are encouraged to review the reconciliation of the historical non-GAAP financial measure to the most directly comparable GAAP financial measure. As the non-GAAP financial measure has material limitations as an analytical metric and may not be calculated in the same manner by all companies, it may not be comparable to other similarly titled measure used by other companies. In light of the foregoing limitations, you should not consider the non-GAAP financial measure as a substitute for, or superior to, such metrics prepared in accordance with GAAP. We encourage investors and others to review our financial information in its entirety and not rely on any single financial measure.

	For the year ended December 31,			
	2021		2022	
	Actual	Pro Forma (unaudited)	Actual	Pro Forma (unaudited)
	(US\$ in thousands)			
Net loss	(8,139)	(6,463)	(6,306)	(6,050)
Add:				
Interest expense, net	520	520	365	460
Income tax expenses (benefit)	66	532	(139)	6
Depreciation and amortization ⁽¹⁾	3,477	3,724	5,266	5,694
Share-based compensation expense	456	456	166	166
Adjusted EBITDA	(3,620)	(1,231)	(648)	276
Adjusted EBITDA margin⁽²⁾	(11.4)	(3.0)	(1.0)	0.4

Notes:

- (1) Primarily consists of depreciation related to property and equipment, as well as amortization related to intangible assets.
- (2) Adjusted EBITDA as a percentage of revenues.

RISK FACTORS

An investment in our ADSs involves significant risks. You should consider carefully all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our ADSs. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our ADSs could decline, and you may lose all or part of your investment.

Risks Related to Our Business and Industry

The success of our business depends on the market perception and strength of our brand. If we are unable to maintain and enhance our brand, the fan base and sponsorship we attract as well as our prospective consumer engagement may decline.

We believe that our brand, identity and reputation contribute significantly to our success. Maintaining and enhancing the NIP brand and reputation is critical to retaining and growing our consumer and sponsor bases. Maintaining and enhancing our brand and reputation hinges largely on our continued ability to provide high-quality and entertaining content, as well as competitive esports competition results, which may require substantial investment by us and may not be successful. Further, sponsorships and advertisements and actions of sponsors and brand owners may affect our brand and reputation if our consumers respond negatively to them. Additionally, our brand, identity and reputation may be adversely affected by perceptions of our industry in general, including perceptions resulting from factors unrelated to our actions or our content.

To be successful in the future, we believe we must preserve, grow and leverage the value of our brand across all of our revenue streams. We have in the past experienced, and expect that in the future we will continue to receive, a high degree of media coverage. Any unfavorable publicity regarding the actions or professional performance of any of our esports teams, athletes, content creators, online entertainers or brand partners, or regarding our ability to attract and retain qualified professional athletes and coaching staff, could negatively affect our brand and reputation. Failure to respond effectively to negative publicity could also further erode our brand and reputation.

In addition, events in our industry, even if unrelated to us, may negatively affect our brand and reputation. As a result, the size and engagement of our fan base may decline. Damage to our brand or reputation or loss of our fans' commitment for any of these reasons could impair our ability to expand our fan base, sponsors and commercial affiliates, which could result in decreased revenue across our revenue streams and have a material adverse effect on our business, results of operations and financial condition, as well as require additional resources to rebuild our brand and reputation.

Moreover, maintaining and enhancing our brand and reputation may require us to make substantial investments, some or all of which may be unsuccessful. Failure to successfully maintain and enhance the NIP brand and reputation or excessive or unsuccessful expenses in connection with this effort could have a material adverse effect on our business, results of operations and financial condition.

As an esports brand spanning Asia, Europe and South America and continuing to expand our global footprint, we are subject to a number of risks regarding our international operations.

We currently operate esports teams in Asia and Europe with world-class rankings and performances. We also field teams in Brazil and will be expanding teams to North America and the MENA region in 2023. We plan to continue to expand our operations into different countries or regions to enhance our global presence. Our international operations and expansion efforts have resulted, and may continue to result, in increased costs, and are subject to a variety of risks, including but not limited to:

- more restrictive or unfavorable governmental laws, regulations, policies toward esports gaming, live events and content streaming, or generally toward the entertainment industry;
- political instability, economical uncertainties, unfavorable treatment within certain of the emerging markets, exchange risks and inflations;

- violations of anti-bribery and anti-corruption laws, such as the United States Foreign Corrupt Practices Act and the United Kingdom Bribery Act of 2010;
- limitation of our enforcement of intellectual property rights as well limitations on our ability to enforce legal rights and remedies with third parties or partners;
- adverse tax consequences due to the complexity of local tax laws or the interpretation of international tax treaties, or incremental tax liabilities that are difficult to predict as a result from our acquisition of businesses;
- limitation on the ability of foreign subsidiaries to repatriate profits or otherwise remit earnings; and
- expropriation of investment in foreign countries and unfair and inequitable treatment of the host countries, such as favoring domestic companies or arbitrary termination of cooperation contract with governmental authorities.

As we expand into new markets, it is difficult for us to manage and coordinate across the subsidiaries of our company, and certain business practices and customer may vary from markets to markets. We may have to adapt our business models to local markets due to various legal requirements and market conditions. Moreover, future growth and expansion to new markets, as well as growth and expansion within existing markets, may expose our group and executive management, administration, IT systems, internal control functions and operational and financial infrastructure to several challenges. Future growth and expansion will likely lead to an increased pressure on these functions within our group, which could adversely affect our ability to effectively operate and expand our business. Our failure to successfully maintain and grow our business on a global scale could be intensified with the speed of our expansion, and impose more strain on our business, results of operations, and financial conditions.

Our business in Asia is in the early stage of development with a relatively limited operating history. We are also subject to risks associated with operating in a rapidly developing industry and a relatively new market.

We have a relatively limited operating history with our business in Asia. While our western brand was established in 2000, we only started our business in Asia in 2016. Our limited history of operating in Asia may not serve as an adequate basis for evaluating our prospects and operating results, and our past revenues and historical growth may not be indicative of our future performance. In addition, we plan to continue to grow our Asia business through strategies rooted in both organic growth opportunities and acquisition of qualified targets. The expansion increases the complexity of our business and has placed, and will continue to place, strain on our management, personnel, operations, systems, financial resources and internal control and report functions.

Further, many elements of our business are unique, evolving and relatively unproven. Our business and prospects depend on the continuing development of competitive esports, gaming and lifestyle content. The market for competitive esports, gaming and lifestyle content is relatively new and rapidly developing and is subject to significant challenges. Our business relies upon our ability to cultivate and grow an active community, and our ability to successfully monetize such community through sponsorship, retail and advertising opportunities. In addition, our continued growth depends, in part, on our ability to respond to the constant changes in our industry, including rapid technological evolution, continued shifts in gamer trends and demands, the introduction of new competitors into the market, and the emergence of new industry standards and practices. Developing and integrating new content, services and products could be expensive and time-consuming, and these efforts may not yield the benefits we expect to achieve at all. Further, if the esports sponsorship and advertising market does not continue to grow, or if we are unable to capture and retain a sufficient share of that market, our results may be materially and adversely affected. We cannot assure you that we will succeed in any of these aspects or that our industry will continue to grow as rapidly as it has in the past.

We have a relatively limited history of operating as an integrated business. We may face challenges integrating our operations, services and personnel and may be unable to achieve the anticipated synergies from the combination. Our historical operating and financial results may not be indicative of future performance, which makes it difficult to predict our future business prospects and financial performance.

The combination of our eStar Gaming and Victory 5 operations was completed in early 2021. More recently, the combination with Ninjas in Pyjamas was completed in early 2023. As a result, we have a limited

operating history and experience in our business operation as a combined company, which makes it difficult to evaluate our future prospects and ability to make profit. Our ability to realize the anticipated benefits of the combination depends, to a large extent, on our ability to integrate independent businesses, which can be a complex, costly and time-consuming process, and thus requires significant time and focus from our management team and may divert their attention from the day-to-day operations of our business. In addition, even if the operations of us and Ninjas in Pyjamas are integrated successfully, we may not realize the full benefits of the combination, including the synergies, operating efficiencies, or sales or growth opportunities as expected.

In addition, the overall integration of the businesses may result in material unanticipated problems, expenses, liabilities, competitive responses and loss of client relationships, among other potential adverse consequences. If we cannot integrate and operate acquired properties or businesses to meet our financial expectations, our financial condition, results of operations and cash flow could be materially adversely affected.

Past and future investments in and acquisitions of complementary assets and businesses may expose us to potential risks, and may result in earnings dilution and significant diversion of management attention.

We may invest in or acquire assets and businesses that are complementary to our existing business. This may include opportunities to acquire additional businesses, services, resources, or assets that are complementary to our core esports business. Our investments or acquisitions may not yield the results we expect. In addition, investments and acquisitions could result in the use of substantial amounts of cash, significant amortization expenses related to intangible assets, significant diversion of management attention and exposure to potential unknown liabilities of the acquired business. Moreover, the costs of identifying and consummating investments and acquisitions, and integrating the acquired businesses into ours, may be significant, and the integration of acquired businesses may be difficult or even disruptive to our existing business operations. In the event that our investments and acquisitions are not successful, our results of operations and financial condition may be materially and adversely affected.

To the extent we pursue further strategic acquisitions or other investment opportunities to extend or complement our operations, we may be exposed to additional risks, including:

- an acquisition may involve the entry into geographic or business markets in which we have little or no prior experience or where competitors have stronger market positions;
- an acquisition may require us to incur charges or assume substantial debt or other liabilities, may cause adverse tax consequences or unfavorable accounting treatments, may expose us to claims and disputes by third parties, including intellectual property claims and disputes, or may not generate sufficient financial return to offset additional costs and expenses related to the acquisition;
- if we incur debt ahead of an acquisition, lenders may require that such loans are repaid either in full or in part or that financial covenants are complied with before any distributions of dividends to our shareholders may be made;
- we may encounter difficulties or unforeseen expenditures in integrating the business, technologies, products, personnel or operations of any company that we acquire, particularly if key personnel of the acquired company decide not to work for us;
- an acquisition, whether or not consummated, may disrupt our ongoing business, divert resources, increase our expenses and distract our management;
- we may not be able to successfully integrate our business and we may not be able to fully realize the anticipated strategic benefits of the acquisition;
- we may face challenges inherent to effectively managing an increased number of employees in diverse locations;
- we may be affected by potential strains on our financial and managerial controls and reporting systems and procedures;
- we may be subject to potential known and unknown liabilities associated with an acquired business;

- use of cash to pay for acquisitions could limit other potential uses for our cash;
- we may need to record impairment losses related to potential write-downs of acquired assets or goodwill in future acquisitions; and
- to the extent that we issue a significant amount of equity or convertible debt securities relating to future acquisitions, existing stockholders may be diluted.

We may not succeed in addressing these or other risks or any other problems encountered relating to the integration of any acquired business. The inability to integrate successfully the business, technologies, products, personnel or operations of any acquired business, or any significant delay in achieving integration, could have a material adverse effect on our business, results of operations, financial condition or prospects.

The markets in which we operate are highly competitive. If we are unable to compete effectively, our business and operating results may be materially and adversely affected.

While there are a limited number of competitors that cover the entire value chain of the esports ecosystem as we currently do, including the operation of esports teams, talent management agency and event production, each component of the esports industry is highly competitive.

We naturally face competitions from other esports teams. If our teams fail to achieve satisfactory results and maintain their positions in the periods to come, we may lose fans, viewership, and our brand and sponsorship resources, as well as star athletes and staff to our competitors, and our business and results of operations may be materially and adversely affected.

For our talent management business, we face competition both in engaging popular online entertainers and collaborating with distribution channels to host our online entertainers. If we are unable to do so, our ability to grow our talent management business will be limited. In addition, magnifying our influence in the industry may require us to make substantial investments or acquisitions, some or all of which may not be successful. Moreover, the popularity of our online entertainers can change rapidly and for reasons beyond our direct control.

In the case of event production business, we face direct competition from other event producers and service providers. We are a relatively new enterer in the market as compared to our competitors who are more experienced in the organization of professional esports tournaments and events. Our competitors may leverage longer history with game developers, publishers and other event sponsors, and may have more established presences in regions and games titles beyond our reach. In the event that we are not able to effectively compete and overtake businesses from other competitors, we may not be able to establish a significant presence in the event production industry.

We also face potential competition from our business partners who may expand their internal capabilities or otherwise integrate themselves vertically to operate services that we currently offer, which could result in a reduction in opportunities available to us or otherwise lead to potential new competitors.

We have incurred losses in the past and we may continue to experience losses in the future.

We have incurred loss from operations of US\$8.5 million and US\$8.1 million, and net losses of US\$8.1 million and US\$6.3 million in 2021 and 2022, respectively. The historical losses reflect the substantial investments we made to grow our business. We cannot assure you that we will be able to continue generating net profits in the foreseeable future.

We expect to continue to invest in the development and expansion of our business in areas including sales and marketing, and incurring costs associated with general administration, including legal, accounting and other expenses upon completion of this offering. As a result of these increased expenses, we will have to generate and sustain increased revenue to be profitable in future periods. Further, in future periods, we may not be able to generate sufficient revenue growth to offset higher costs and sustain profitability. If we fail to sustain or increase profitability, our business and operating results could be adversely affected and we may be required to raise additional equity or debt to finance our operations, which may come with dilution effects for our shareholders.

Our business and financial results may be materially and adversely affected if we are unable to maintain our cooperative relationships with financing service providers.

We rely partially on loans provided by commercial banks including China Everbright Bank, Bank of China, China Merchants Bank, and China CITIC Bank to fund our general operations. We entered into credit facilities and loan agreement with these commercial banks, pursuant to which we are subject to a number of restrictive covenants. Failure to meet the payment and other obligations, including financial covenants, security coverage requirement and requirements on notifying to or getting approval from banks in case of certain matters, such as restructuring, share transfer or listing, etc., could lead to defaults under these loan agreements. If we default under the loan agreement, we may have to cash the deposit of our working capital, which could have material impact on business and results of operation.

These credit facilities and loan agreements normally become mature in one to three years, and we may not be able to renew the agreement on commercially reasonable terms or at all. These commercial banks have full discretion in deciding whether or not to extend the loans to us. Furthermore, these financing service providers may decrease or eliminate the amount of credit available for us due to various reasons. In addition, if the default rates on the loans provided or arranged by these two financing service providers were to increase, they may raise the interest rates on the loans, making such financing options less attractive to us. If our cooperative relationships with the financing service providers are damaged or lost, or if the financing service providers significantly increase their interest rates, our business and financial results would be adversely affected.

We will need capital to, among other things, expand to other geographic regions and titles through acquiring league seats. As we expand to additional game titles, we may also require capital to train, attract and retain our athletes and online entertainers, and such costs may be greater than what we currently anticipate. The fact that we have a limited operating history means we have limited historical financial data. As a result, our future capital requirements may be uncertain and actual capital requirements may be different from what we currently anticipate. We may seek equity or debt financing to finance a portion of our capital expenditures. Such financing might not be available to us in a timely manner or on terms that are acceptable to us, or at all. If we cannot obtain sufficient capital on acceptable terms, our business, financial condition, and prospects may be materially and adversely affected.

We may not be able to successfully execute our strategies, sustain our growth, or deal with the increasing complexity of our business.

Since our inception, we have experienced rapid growth internationally. This growth has included development in our fan base, esports performance, content pipeline, our talent, and our brand sponsorships, among other things. We have also been actively exploring new monetization opportunities. Even if our historical growth may not necessarily be indicative of future growth, we expect future growth in our international presence, mergers and acquisitions, and emerging monetization areas. This expansion increases the complexity of our business and has placed, and will continue to place, strain on our management, personnel, operations, systems, financial resources and internal financial control and reporting functions. The industries in which we operate are rapidly evolving and may not develop as we expect. Even if our revenue continues to increase, our net revenue growth rates may vary in the future as a result of macroeconomic factors, increased competition, the maturation of our business, and other factors.

In addition, as we expand our business segments and geographic coverage, we will need to work with a larger number of partners, brands and sponsors, as well as suppliers efficiently, and will need to maintain and expand mutually beneficial relationships with the existing ones. We also need to continuously enhance and upgrade our technology, improve control over our operational, financial and management aspects, refine our reporting systems and procedures, and cultivate, attract, retain and integrate qualified esports talents. All these efforts will require significant managerial and financial resources. We cannot assure you that we will be able to effectively manage our growth, that our current infrastructure, systems, procedures and controls or any new measures to enhance them will be adequate and successful to support our expanding operations or that our strategies and new business initiatives will be executed successfully. If we are not able to manage our growth or execute our strategies effectively, our expansion may not be successful, and our business and prospects may be materially and adversely affected.

If we fail to anticipate the evolving game popularity or viewership preferences, we may not be able to remain competitive in the respective business segments, and our business and prospects may be materially and adversely affected.

The esports industry is characterized by its ever-changing and fast evolving nature, where every year different digital games are released by game developers, and various leagues and tournaments are assembled, creating vast opportunity for participants like us to extend our brand influence and generate popularity, and for brands and sponsors to invest in teams, athletes, and benefit from screen time and name placements. The continued popularity of the general esports industry affects the longevity and vibrance of our brand. We participate in popular esports titles including *League of Legends*, *Counter-Strike: Global Offensive (CS:GO)*, *Valorant*, *Honor of Kings*, *Call of Duty Mobile*, *FIFA*, *Rainbow Six*, *Crossfire* and *QQ Speed*. If the large viewership and prospective fan base shifts focus to different esports categories or titles, we cannot assure you that our market perceptions can continue to be upheld. Our failure to effectively cater to the constantly changing and unpredictable needs of the players and viewers could result in a failure to obtain desirable league seats and to achieve satisfactory competition results, which could have a material and adverse effect on our business and prospects.

Misalignment with public and consumer tastes and preferences for entertainment could negatively impact demand for our entertainment offerings, which could have an adverse effect on our business, financial condition, results of operations and prospects.

We create entertainment content, the success of which depends substantially on consumer interests and preferences that frequently change in unpredictable ways. The success of our business depends on our ability to consistently create digital content, and to have popular talent, that meets the changing preferences of the broad consumer market and respond to competition from an expanding array of entertainment choices facilitated by technological developments in the availability and delivery of digital content. When anticipating public and consumer tastes and preferences and other developments in our industry, and how to develop our businesses in relation thereto, our executive management teams have to make several assessments based on various facts and assumptions prevailing at the time such assessments are made, which could prove to be incorrect or incomplete. Misalignment of our content, talent and products and our failure in responding to rapidly changing public and consumer tastes and preferences could impact the demand for our offerings, and our business, financial condition, results of operations and prospects could be materially affected.

In the event that our existing and potential customers are attracted to other alternatives available within the broader esports and entertainment industry, we would be materially and adversely impacted.

The specific industries in which we operate, including esports team, content creation, as well as esports-related event production, all fall within the broader entertainment industry. Other forms of entertainment, such as television, movies and sport events, as well as other forms of digital entertainment, are more well established and may be perceived by the users to offer greater variety, affordability, interactivity, and enjoyment. We compete with these other forms of entertainment for the discretionary time and income of consumers, and competition within the industries we operate and the broader entertainment industry is intense. If we are unable to sustain sufficient interest in our platform in comparison to other forms of entertainment, including new forms of entertainment, we could experience reduced demand for our content, live events and overall popularity, which could have an adverse effect on our business financial condition and results of operations. While esports remains unique and possesses its distinctiveness apart from the aforementioned alternatives, we cannot assure you that the esports consumers are as engaged in other entertainment categories, or would not alter their preferences to other entertainment categories that may be perceived to offer consumers with more interactivity, affordability, and variety. If the consumers in fact choose to spend their discretionary time and money into other platforms and means of entertainment, we would lose fan base that is the source of our monetization powers, and our business, financial conditions and results of operations would be negatively affected.

If we fail to obtain and maintain the requisite licenses, permits and approvals applicable to our business, or fail to obtain additional licenses that become necessary due to new enactment or promulgation of laws and regulations or our expansion, our business, results of operations and growth prospects may be materially and adversely affected.

We are required to maintain various approvals, licenses, permits and filings to operate our business. Whether such approvals, licenses, permits and filings are obtained is subject to satisfactory compliance with, among other things, the applicable laws and regulations. If we are unable to obtain any of such licenses and permits or extend, alter or renew any of its current licenses or permits upon their expirations, or if it is required to incur significant additional costs to obtain, extend, alter or renew these licenses, permits and approvals, our daily operations could be materially and adversely affected.

For instance, in accordance with the Administrative Regulations on the Commercial Performance issued by the State Council of China and last amended on November 29, 2020, a company engages in the business of organizing, producing and/or promoting on-site commercial performance in China, including commercial performance activities held by us under our esports team operations business, is required to obtain the Commercial Performance License. In addition, the Measures for the Administration of the Internet Performance Brokerage Entities issued by Ministry of Culture and Tourism further provides that Internet performance brokerage entities, which refers to entities that engage in the operation business of organizing, producing and marketing the internet performances and/or the brokerage business of the agency, like the talent management agencies operated by us, shall, before expiration of the rectification period by February 29, 2024 (“Rectification Period”), (i) obtain the Commercial Performance License before conducting the Internet performance brokerage business, and (ii) be staffed with sufficient qualified online performance brokers that meet its business needs. Moreover, any online performance broker who engages in performance brokerage activities shall obtain the performance brokerage qualification in accordance with the law. For details, see “Regulation — Regulations on Commercial Performance.”

Our talent management agency has obtained the Commercial Performance License for conducting our business according to the applicable laws and regulations and we will continue to establish our talent management agencies team so that our team can meet the required proportion of talent brokers to the number of contracted talents before the expiration of the rectification period by February 29, 2024. Certain of our subsidiaries have historically engaged in commercial performance activities operation before obtaining the Commercial Performance License and all such entities have obtained such required license as of the date of this prospectus. Further, another two subsidiaries of us are in the process of applying for the Commercial Performance License based on the requirement of cooperation with esports leagues and also their potential business that may be operated in the future which requires corresponding entities to have such license. As of the date of this prospectus, we have not been the subject of any review, enquiry, punishment or investigation by any PRC regulatory authorities in relation to such action. However, we cannot assure you that relevant government agencies will not impose relevant requirements on us in the future. Further, we have developed and may in the future initiate new businesses, for which we may be required to obtain new licenses and permits, which could be time consuming and complex. Any failure in obtaining any requisite license, permit or approval, or otherwise to comply with applicable regulatory requirements may subject us to administrative actions and penalties, including fines, confiscation of our incomes, revocation of our licenses or permits, or, in severe cases, cessation of certain business. Any of these actions may have a material and adverse effect on our business, financial condition and results of operations.

Our business is subject to a variety of laws and regulations of the PRC, the European Union member states, the Cayman Islands and other international jurisdictions, including those regarding cybersecurity, economic substance, data protection and data privacy. Any failure to comply with such current or future laws and regulations, could adversely affect our business and reputation.

We have access to and store certain data of our esports professionals, brands and sponsors, business and employees in the ordinary course of business operations. We also occasionally have limited access to data concerning viewers of our content streaming and creation, whose data is collected, compiled and shared by streaming and other social media platforms. We cannot verify or assure you that such third parties have obtained sufficient authorization from viewers to share the data with us. Although we have in place systems and processes that are designed to protect the data we have access to, prevent data loss or detect security

breaches, such measures may not be sufficient, particularly as techniques to gain unauthorized access to data and system, disable or degrade services, or sabotage systems are constantly evolving. In addition, we may be subject to PRC laws and laws of the EU or other jurisdictions relating to the collection, use, sharing, retention, security, and transfer of confidential and private information, such as personal information and other data. Legal requirements relating to data processing continue to evolve and may result in ever-increasing public scrutiny and escalating levels of enforcement, sanctions and increased costs of compliance. An actual or perceived failure to comply with laws and regulations governing personal information could result in government investigations and enforcement actions against us, fines, claims for damages by affected third parties, damage to our reputation and loss of goodwill, any of which could have a material adverse effect on our business, financial condition, results of operations or prospects.

The Cybersecurity Law of China, which was adopted by the National People's Congress on November 7, 2016 and came into force on June 1, 2017, and the Cybersecurity Review Measures (2020 Version), which were promulgated on April 13, 2020, provide that personal information and important data collected and generated by a critical information infrastructure operator in the course of its operations in China must be stored in China, and if a critical information infrastructure operator, or the CIIO, purchases internet products and services that affect or may affect national security, it should be subject to cybersecurity review by the Cyberspace Administrative of China ("CAC"). On December 28, 2021, the Cybersecurity Review Measures (2021 Version) was promulgated and became effective on February 15, 2022 and the Cybersecurity Review Measures (2020 Version) was repealed at the same time. The Cybersecurity Review Measures (2021 Version) iterates that the procurement of any network product or service by CIIOs or the conducting of data processing activities by online platform operators, that affects or may affect national security, shall be subject to a cybersecurity review and any online platform operators handling personal information of more than one million users which seeks to list in a foreign stock exchange should also be subject to cybersecurity review.

On June 10, 2021, the Standing Committee of the National People's Congress of the PRC promulgated the PRC Data Security Law which took effect on September 1, 2021. The Data Security Law requires that data shall not be collected by theft or other illegal means, and it also presents that a data classification and hierarchical protection system. The data classification and hierarchical protection system protects data according to its importance in economic and social development, and the damages it may cause to national security, public interests, or the legitimate rights and interests of individuals and organizations if the data is falsified, damaged, disclosed, illegally obtained or illegally used, which protection system is expected to be built by the state for data security in the near future. On November 14, 2021, the CAC published the Administrative Regulations on the Administration of Network Data Security (Draft for Comments) ("Administrative Regulations Draft"), which provides that data processing operators engaging in data processing activities that affect or may affect national security must be subject to the cybersecurity review. According to the Cybersecurity Review Measures (2021 Version) and the Administrative Regulations Draft, a cybersecurity review should be conducted by the CAC to assess potential national security risks that may be brought about certain any procurement, data processing, or overseas listing. According to the impact and importance of data on national security, public interests or the legitimate rights and interests of individuals and organizations, data are divided into general data, important data and core data, and different protection measures are taken for different levels of data. The state focuses on the protection of personal information and important data, and strictly protects core data. The Cybersecurity Review Measures (2021 Version) and the Administrative Regulations Draft further require that online platform operators and data processing operators that process personal data of at least one million individual users must apply for a cybersecurity review, if they plan to conduct listings in foreign countries.

While the Cybersecurity Review Measures (2021 Version) was recently adopted, the Administrative Regulations Draft is still under public comment and its anticipated effective date remains uncertain. As a result, the provisions, such as the exact scope of what constitute a "CIIO," "online platform operators," "data processors," or "data handlers" may be subject to changes. Further, the lawmakers have discretion in the interpretation and enforcement of laws. It also remains uncertain whether any future regulatory changes would impose additional restrictions on companies like us.

We believe that neither we nor any of our PRC subsidiaries is subject to the cybersecurity review, reporting or other permission requirements by the CAC under the applicable PRC cybersecurity laws and

regulations with respect to this offering or the business operations of our PRC subsidiaries, because as of the date of this prospectus, neither we nor our PRC subsidiaries has received any notice from any authorities identifying us as a CIIO or has conducted any data processing activities that affect or may affect national security or handles personal information of more than one million users; further, as of the date of this prospectus, neither we or our PRC subsidiaries has conducted business as an online platform operator or requiring us to undertake a cybersecurity review by the CAC.

On March 6, 2023, we received a confirmation from relevant authority that we would not be required to apply for a cybersecurity review in connection with this offering and our proposed listing because we do not possess over one million users' personal information. As a result, based on the fact that we are not in possession of more than one million users' personal information, we are not subject to cybersecurity review by the CAC for this offering and our proposed listing. Further, we are not subject to any penalties, fines, suspensions, investigations from any competent authorities for violation of the regulations or policies that have been issued by the CAC to date.

However, as the interpretation or implementation of those rules and whether the regulatory agencies, including the CAC, may adopt new laws, regulations, rules in the future, or detailed implementation and interpretation related to the Cybersecurity Review Measures (2021 Version) and the Administrative Regulations Draft, there is no assurance that we would not be subject to the cybersecurity review or other governmental procedures under those rules. If any such new laws, regulations, rules, or implementation and interpretation come into effect, we expect to take all reasonable measures and actions to comply. We cannot assure you that we can fully or timely comply with such laws should they be deemed applicable to its operations. There is no certainty as to how such review or prescribed actions would impact our operations and we cannot assure you that any clearance can be obtained or any actions that may be required for our listing on the Nasdaq [Stock/Global Select] Market and the offering as well can be taken in a timely manner, or at all.

EU data protection laws including the General Data Protection Regulation 2016/679 ("GDPR") which became effective in May 2018, greatly increases the European Union's jurisdictional reach of its laws and adds a broad array of requirements for handling personal data (including online identifiers and location data). EU member states are tasked under the GDPR to regulate and enforce the strict and all-encompassing data privacy rules that emanate from the GDPR, which also include additional national legislation that adds to and/or further interpret GDPR requirements and potentially extend our obligations and potential liability for failing to meet such obligations. The GDPR, together with national legislation, regulations and guidelines of the EU member states and the United Kingdom (under the UK GDPR) governing the processing of personal data, imposes strict obligations and restrictions on the ability to collect, use, retain, protect, disclose, transfer and otherwise process personal data, as well as provides information to the individuals whose personal data the processing concerns, and facilitates the exercise of these individuals' rights under, e.g., the GDPR. In particular, the GDPR generally prohibits any transfers of personal data to locations outside the EU/EEA, for instance, from the EU to China, the United States and most other foreign jurisdictions unless the parties to the transfer have implemented specific safeguards to protect the transferred personal information, or if the jurisdiction in question has been granted an adequacy decision by the European Commission. There is uncertainty regarding how to ensure that transfers of personal information from the EU comply with the GDPR. As such, any transfers of personal information by us or our business partners from the EU may not comply with EU data protection laws. In addition, this may increase our exposure to the GDPR's heightened sanctions for violations of its cross-border data transfer restrictions and may reduce demand for our services from companies subject to EU data protection laws. In our endeavor to comply with the cross-border data transfer restrictions under the GDPR and any other applicable data privacy laws, we may experience restrictions in our ability to transfer personal information from the EU and this may also require us to increase our data processing capabilities in those relevant jurisdictions at significant expense. While we strive to publish and prominently display privacy policies that are accurate, comprehensive, and compliant with applicable laws, regulations, rules and industry standards, we cannot ensure that our privacy policies and other statements regarding our practices will be sufficient to protect us from claims, proceedings, liability or adverse publicity relating to data privacy or cybersecurity. Although we endeavor to comply with our privacy policies, we may at times fail to do so or be alleged to have failed to do so. The publication of our privacy policies and other documentation that provide promises and assurances about privacy and

cybersecurity can subject us to potential actions if they are found to be deceptive, unfair, or misrepresentative of our actual practices.

The Cayman Islands has enacted the International Tax Co-operation (Economic Substance) Act (As Revised), or the “Cayman Economic Substance Act,” which we are required to comply with as a Cayman Islands exempted company. Our obligations under the Cayman Economic Substance Act include filing annual notifications, which need to state whether we are carrying out any relevant activities and if so, whether we have satisfied economic substance tests to the extent required under the Cayman Economic Substance Act. The Cayman Economic Substance Act was introduced by the Cayman Islands to ensure that it meets its commitments to the European Union, as well as its obligations under the OECD’s global Base Erosion and Profit Shifting initiatives. As it is a new regime, it is anticipated that the Cayman Economic Substance Act will evolve and be subject to further clarification and amendments. We may need to allocate additional resources to keep updated with these developments, and may have to make changes to our operations in order to comply with all requirements under the Cayman Economic Substance Act. Failure to satisfy these requirements may subject us to penalties under the Cayman Economic Substance Act.

The regulatory requirements with respect to economic substance, cybersecurity and data privacy are constantly evolving and can be subject to varying interpretations, and significant changes, resulting in uncertainties. Failure to comply with the economic substance, cybersecurity and data privacy requirements in a timely manner, or at all, may subject us to government enforcement actions and investigations, fines, penalties, suspension or disruption of our operations, among other things.

If we fail to retain existing brands and sponsors or attract new ones, or if we are unable to collect accounts receivable from the brands and sponsors in a timely manner, our financial condition, results of operations and prospects may be materially and adversely affected.

We derive a considerable amount of revenue from sponsorship and advertising under our businesses leveraging the extensive global fan base of our esports teams, online entertainers, as well as our event production capabilities with proprietary intellectual properties. We enter into contracts with both brands and sponsors, and the financial soundness of these customers may affect our collection of accounts receivable. We cannot assure you that we are or will be able to accurately assess the creditworthiness of each brand and sponsor, and any inability of brands and sponsors to pay us in a timely manner may adversely affect our liquidity and cash flows.

In addition, for 2021 and 2022, the top five clients in terms of overall income contribution aggregately accounted for 68.9% and 75.5% of our total revenues, respectively. Specifically, income generated from Douyu accounted for 38.2% and 51.1% of our net revenues, in 2021 and 2022, respectively. Although we plan to continue to expand our customer base to generate income from a wider range of customers, we cannot assure you that we will be able to succeed, and that such client concentration will decrease. If we fail to retain our top customers, our overall income may decrease and our financial condition and results of operations may be materially and adversely affected.

Our ability to generate and maintain our sponsorship revenue depends on a number of factors including the maintenance and enhancement of our brand as well as the scale, engagement and loyalty of our fan base. We cannot assure you that we will be able to retain existing brands and sponsors or attract new ones. If we fail to retain and enhance our relationships with brands and sponsors, our business, results of operations and prospects may be adversely affected.

Our business could be harmed if our business relationships and arrangements with third parties were to change adversely or terminate. If our suppliers, shareholders, employees, customers or any business partner engage in, or are subject to, criminal, fraudulent, inappropriate or dangerous activities, our reputation, business, financial condition, and operating results may be adversely impacted.

We rely on relationships with a variety of parties in the esports ecosystem to conduct our businesses, such as game developers and publishers, league owners, athletes, online entertainers, distribution platforms, as well as brands and sponsors. If we fail to retain and enhance our business relationships, including any failure to sign or renew or maintain any material cooperation agreements with these parties, or if these parties choose to terminate or change the terms of our cooperation arrangements for strategic, financial or other

reasons, we may suffer content loss, service interruptions, reduced revenues, which could have a material adverse effect on our business, results of operations, financial condition or prospects. For example, we are currently negotiating on the respective renewal of cooperation agreements with one of our business partners and a governmental entity.

Further, we also cannot assure you that we will not be found to be in breach of any provisions with our existing or future business partners if any of our business partners brings claims against us for breach of such provisions. For example, as we have not settled certain payments for tournament rights to a third-party pursuant to the payment provision in the relevant contract, if a claim is brought against us and we are found to be in breach of any provision, we may be subject to potential liabilities and penalties for breach of contracts, such as termination of agreements, liquidated damages etc., which may cause us to lose revenue. As a result of such potential breach, our reputation, financial condition and results of operations may be materially and adversely affected.

The success of our business is also driven in part by the commercial success and adequate supply of other third parties, including mass media channels through which we may promote our brands and attract more audiences. We also have a close relationship with local authorities and government-backed business partners, who have historically provided us with funding and supports that are integral to the success of our event production. If we are unable to rely on service providers in the tournaments that we operate, it could cause disruptions to our events or otherwise adversely impact our relationships with the esports community. Any adverse changes in or termination of any of these relationships could have a material adverse effect on our business, results of operations, financial condition or prospects.

The actions of the various esports leagues and tournaments we participated in may have a material negative effect on our business and results of operations.

The operational bodies of various esports leagues and tournaments, under certain circumstances, can take actions that they deem to be in the best interests of their respective leagues or tournaments, which may not necessarily be consistent with maximizing our results of operations and which could affect our esports teams in ways that are different than the impact on other esports teams. For example, esports leagues may rate each participating esports team using discretionary metrics that are irrelevant to our performance. If we fail to meet their standards, we might be disqualified from the leagues, which may result in significantly reduced exposures and loss of fans and sponsors, which could have a material negative effect on our results of operations. From time to time, we may disagree with or challenge actions that the leagues or tournaments take or the power and authority they assert. However, we cannot assure you that our challenge will be accepted, and they will change their final decisions they have made on us.

If we fail to keep up with industry and technology developments or implement new technologies into our offerings in a timely and cost-effective manner, we may be unable to compete effectively, and our business and prospects could suffer.

The esports industry is subject to rapid technological changes and also evolving quickly in terms of technology innovation. We need to anticipate the emergence of new technologies and assess their market acceptance. Our ability to correctly anticipate the emergence and development of new technologies, including decisions regarding which any such new technologies that should be implemented into our offerings, will be subject to our management teams' assessments and discretion. Our anticipations and decisions relating thereto will be based on the prevailing facts and circumstances at that time, and we cannot assure you that these will be correct or that we have taken every relevant aspect into consideration in making such decisions. We also need to invest significant resources, including financial resources in research and development, to keep pace with technological advances in order to make our development capabilities and our services competitive in the market. Moreover, we are required to upgrade from time to time our internal IT systems to provide support smooth integration of these future advanced functions. However, development activities are inherently uncertain, and we might encounter practical difficulties in commercializing our development results. Our expenditures on research and development may not generate corresponding benefits. If we are unable to develop, adapt, and support the emerging and popular technologies, our revenues and market share will decline.

Our business operations could suffer if we fail to protect adequately our intellectual property rights, and unauthorized parties may infringe upon or misappropriate our intellectual property.

We regard our intellectual property, including trademarks, service marks, patents, domain names, trade secrets, proprietary technologies and similar intellectual property, as critical to our success. We rely on trademark and patent law, trade secret protection and confidentiality and license agreements with our employees and others to protect our proprietary rights.

We have invested significant resources to develop our own intellectual property and acquire licenses to use and distribute the intellectual property of others. Failure to maintain or protect these rights could harm our business. In addition, any unauthorized use of our intellectual property by third parties may adversely affect our current and future revenues and our reputation.

If we are unable to protect our intellectual property, our competitors could use our intellectual property to market offerings similar to ours and our ability to compete effectively would be impaired. Moreover, others may independently develop technologies that are competitive to ours or infringe on our intellectual property. The enforcement of our intellectual property rights depends on our legal actions against these infringers being successful, but we cannot be sure these actions will be successful, even when our rights have been infringed. In addition, defending our intellectual property rights might entail significant expense and diversion of management resources. Any of our intellectual property rights may be challenged by others or invalidated through administrative processes or litigations. We cannot provide assurance that we will prevail in such litigations, and, even if we do prevail, we may not obtain a meaningful relief. Accordingly, despite our efforts, we may be unable to prevent external parties from infringing or misappropriating our intellectual property. Any intellectual property that we own may not provide us with competitive advantages or may be successfully challenged by external parties.

Assertions by third parties of infringement or other violations by us of their intellectual property rights could result in significant costs and harm our business and results of operations.

The validity, enforceability and scope of protection of intellectual property rights in esports industry is uncertain and still evolving. We may in the future be subject to intellectual property infringement claims or other allegations by third parties for services we provide or for information or content displayed on, retrieved from or linked to, recorded, stored or make accessible through our content, or otherwise distributed to viewers, including in connection with the music, movies, video and games played, recorded, stored or make accessible through our content offerings, which may materially and adversely affect our business, financial condition and prospects. Defending these claims is costly and can impose a significant burden on our management and employees, and there can be no assurances that favorable final outcomes will be obtained in all cases. If we fail to defend these claims, we may be subject to payment of substantial damage penalties and fines, or removal of relevant content from our distribution channels. We cannot assure you that any insurance policies of ours will, wholly or partly, cover any such damage penalties or fines. Such claims, even if they do not result in liability, may harm our reputation and brand image. Any resulting liability or expenses, or changes required to reduce the risk of future liability, may have a material adverse effect on our business, financial condition and prospects.

We are subject to laws and regulations worldwide, many of which are still developing which could increase our costs or adversely affect our business.

The global nature of our business requires us to comply with a wide variety of laws and regulations in each of the jurisdictions in which we operate. Such laws and regulations vary significantly from jurisdiction to jurisdiction and accordingly, it is difficult to produce and implement cost-efficient and group uniform systems, policies and practices for our compliance with the various law and regulations that apply to our businesses across the jurisdictions in which we operate or may come to operate. Moreover, the emerging nature of our industry may lead to that laws and regulations to which we must adhere change with short notice, and accordingly, activities historically undertaken by us may become restricted or banned. Our efforts to comply with a wide array of laws and regulations across several jurisdictions may come with significant costs for e.g., seeking appropriate professional advice in relation to the activities we wish to undertake. If we fail to comply with the laws and regulations of a particular jurisdiction, we may be prohibited from or restricted in conducting our business in that jurisdiction or suffer other adverse consequences

which, over an extended period of time or in a number of jurisdictions, could lead to a decline in the revenue streams. In particular, our talent management business can be adversely affected by laws and regulations in certain jurisdictions that restrict the advertising of specified products and services. In China, for example, governmental authorities promulgate and enforce laws and regulations that cover many aspects of our operations, including the organization of events, the scope of permitted business activities, licenses and permits for various activities, and foreign investments. Operators are required to obtain requisite government approvals, licenses and permits to conduct business. If we fail to obtain and maintain approvals, licenses or permits required for our business, we could be subject to liabilities, penalties and operational disruption and our business could be materially adversely affected. Such failures could adversely affect our ability to grow our business in jurisdictions in which we operate. For details, see “— If we fail to obtain and maintain the requisite licenses, permits and approvals applicable to our business, or fail to obtain additional licenses that become necessary due to new enactment or promulgation of laws and regulations or our expansion, our business, results of operations and growth prospects may be materially and adversely affected.”

Local government’s oversight and discretion over our business operation could result in a material adverse change in our operations and the value of our ADSs.

Government actions in the future could significantly affect economic conditions in the jurisdictions where we operate, and could require us to materially change our operating activities or divest ourselves of any interests we hold. We may incur increased costs necessary to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. Our operations could be adversely affected, directly or indirectly, by existing or future laws and regulations relating to our business or industry.

Our content monitoring system may not be effective in preventing misconduct by athletes and online entertainers, and such misconduct may materially and adversely impact our brand image, business and operating results.

We produce livestreaming and other esports-centric content, however as it is difficult to control all content in real time, our content monitor measures may not be adequate and our content may involve individuals or groups of individuals to engage in, among other things, immoral, inappropriate, disrespectful, fraudulent or illegal activities. We have implemented control procedures to detect and block illegal or inappropriate content and illegal or fraudulent activities that may appear in our livestream content, but such procedures may not prevent all such content from being streamed or posted or activities from being carried out. Moreover, as we have limited control over real-time and offline behavior of athletes, online entertainers, to the extent such behavior is associated with us, although we have indemnity clauses in most of our contracts with our athletes and online entertainers, our ability to protect our brand image and reputation may be limited and our reputation may be adversely affected. Our business and the public perception of our brand may therefore be materially and adversely affected.

In addition, if any of our viewers suffers or alleges to have suffered physical, financial or emotional harm following contact initiated through our content or after watching unsettling or inappropriate content that our content monitoring system failed to filter out, we may face civil lawsuits or other liabilities initiated by the affected viewer, live streaming platforms or governmental or regulatory actions against us. We endeavor to ensure that all livestream content displayed by athletes and online entertainers is in compliance with relevant regulations, but we cannot assure you that individuals involved in such livestream content will comply with all the laws and regulations. Therefore, our talent management, event production and other business may be subject to investigations or subsequent penalties if content live broadcasted through our services is deemed to be illegal or inappropriate under applicable laws and regulations. As a result, our business may suffer, and our revenues and profitability may be materially and adversely affected.

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

As part of its anti-addiction online game policy, the PRC regulators have been implementing regulations designed to reduce the amount of time that youth under the age of 18 spend playing online games.

On October 25, 2019, the National Administration of Press and Publication, or the NAPP, issued the Notice on Preventing Minor’s Addiction to Online Games, or the Anti-Addiction Notice, which requires all online gamers to register accounts with their valid identity information and all game companies to stop providing game services to users who fail to do so. Furthermore, minors are prohibited from playing games exceeding a certain period of time per day or putting money into their accounts exceeding a certain amount. Online game operators are required to explore the manner to notify users of different ages about the online games based on various criteria, such as the games’ content and the amount of money anticipated to be used in the games, on download, registration and log-in pages in a prominent way.

On August 30, 2021, the NAPP issued Notice on Furthering Tightening Management on Preventing Minor’s Addiction to Online Games, or the Anti-Addiction Further Notice, which further provides that online game operators are only allowed to offer online game services to minors under the age of 18 from 8 pm to 9 pm on Fridays, Saturdays, Sundays and holidays and stresses that all online game users shall register accounts with their valid identity information and online game operators are prohibited from providing online game services to users who have not done so.

The implementation of the Anti-Addiction Notice and the Anti-Addiction Further Notice may lead to a decrease in the number of minors in our viewer base and in general the popularity of the game industry and esports industry among minors, which may materially and adversely affect our results of operations and prospects.

Regulatory developments on virtual gifting in the live streaming industry may adversely impact our talent incubation and management business.

The regulatory environment of virtual gifting in live streaming service is tightening. The Online Performance Brokerage Agencies Measures set forth restrictions on conducts of inducing users to consume by means of such as false consumption, taking the lead in virtual gifting, or promoting their online performers by encouraging virtual gifting with rankings and fake advertising, or inducing minor’s tipping with fake identity information. In the past, certain of our subsidiaries engaged in marketing activities to enhance the exposure of our online entertainers on live streaming platforms and to encourage users to spend on virtual gifting during live streaming sessions. We required all our subsidiaries to scrutinize their related business and enhance their internal control procedures to comply with the above regulation requirement. Since the promulgation of the Online Performance Brokerage Agencies Measures, we have taken steps to monitor and refrain from any business practices that may be subject to it. The Online Performance Brokerage Agencies Measures are relatively new, and the interpretation and enforcement of these regulations may be subject to further developments and changes. As a result, we cannot assure you that we will not be penalized because of our future business practices in this regard. In addition, on March 25, 2022, the CAC and other PRC regulatory agencies issued Opinions on Further Standardizing the Profit Behavior of Online Live Streaming to Promote the Healthy Development of the Industry, which regulates that the online live streaming publishers and online live streaming service institutions shall not attract traffic and hype through rumors, false marketing propaganda, self-reward and other means to induce consumers to reward and buy goods. We cannot assure you that new rules or regulations promulgated in the future will not impose any additional restrictions on virtual gifting. Any limits or restrictions on the spending on virtual gifting ultimately imposed may negatively impact activities of virtual gifting conducted by viewers of our online entertainers as well as certain of our marketing activities, which may in turn negatively impact our revenues from community engagement. Our business, financial conditions and results of operations may be adversely affected.

We could be adversely affected by negative publicity of misconduct of participants in the esports ecosystem or other negative developments affecting individual esports or individual events.

We could be subject to, or otherwise affected by, negative publicity about us or our business, shareholders, affiliates, managements, athletes, online entertainers, or other employees, as well as our partners, including governing bodies that oversee esports or athletes in esports with which we are involved or, more broadly, home cities, our competitors or other participants in the esports ecosystem. For example, negative publicity regarding the celebrities we are associated with, such as our co-founder Mario Yau Kwan Ho and his family, or our partner Jackson Wang, regardless of merits, could create corresponding negative publicity for us, harm our brand image and, as a result, adversely impact our results of operations.

The impact of negative publicity can be exacerbated by the increasing popularity of instant messaging applications and social media platforms, which provide individuals with access to a broad audience. The availability of information through these applications and platforms is virtually immediate as is its impact, without affording us an opportunity for redress or correction. The opportunity for dissemination of information, including inaccurate information, is seemingly limitless and readily available. The effect of instant communications on social media can be exacerbated by the increasing prevalence on social media. Such publicity, even if unfounded, expose us to reputational risk not only in relation to our brand, shareholders, affiliates, managements or other employees, but also in relation to our partners and the governmental bodies with whom we interact, and we may be required to spend significant time and money to address such allegations. Negative publicity of the types described above, even in circumstances where the connection with us is remote, could have a material adverse effect on our reputation, business, results of operations, financial condition or prospects.

We rely on certain key operating metrics to estimate and assess our performance, and the inaccuracies of which may cause deviations in our business focuses and in turn negatively affect our business, results of operations, and financial conditions.

As a newly developed industry, the esports industry lacks unified metrics to accurately measure its popularity, engagement, and potential investment opportunities. For instance, while certain of the distribution platforms employ viewership count to calculate the number of people watching such livestream at , it cannot be used to compare livestreams on different platforms, as the metrics and measurement are completely different. The discrepancies in the metrics used by esports participants make it difficult to compare events and estimate the value of broadcast in terms of interest returns or investment.

We keep track on certain key operating metrics, such as views and subscriptions using our internal data, based on certain assumptions and methodologies that might differ from those deployed by other esports companies. In addition, we also receive data from our partners, including streaming and other social media platforms on which our online entertainers have an active presence. However, our ability to verify the authenticity and accuracy of such data is limited. Fraudulent activities on the streaming platforms including automated streaming and robots might cause the underlying data to deviate from what is presented to us. If we underestimate or overestimate performance due to the data we collected or presented, or we miscomprehend the industry trend reflected in those data, our business strategies might differ from the normal course of conducts. If brands or sponsors make decisions based on the data we presented to them and incur losses, we might be considered of less value to them and result in unexpected impacts in our financial conditions and results of operations.

Our failure to successfully cultivate, attract, manage or retain qualified esports talents would cause our business and growth prospect to suffer.

Our ability to attract, retain and motivate esports talents, particularly professional athletes, online entertainers, are critical to the success of our business. We face significant competition for both fans, athletes and online entertainers. Our competitors may offer equally or more lucrative compensation programs, greater exposures in the media sphere, and more diverse promotional channels. If any of our key professional athletes, or any of our star online entertainers becomes unable or unwilling to contribute their services to us, we may not be able to replace them easily or at all, and their departure may impact our existing corporate culture. Furthermore, we cannot assure you that our athletes or online entertainers will not breach the contracts with us or other live streaming or social media platforms we partner with or will continue to cooperate with us once the term of their respective contracts expires. If we, our professional athletes, or any of our online entertainers is found to be in breach of any contract with the platforms, we may be subject to claims and liabilities arising out of such breaches, including material damages and termination of our existing contracts.

Our professional athletes and online entertainers are considered valuable assets and are critical to the success of our business. In the event that our top performing professional athletes and online entertainers select to cooperate with our competitors, we may experience a significant decline in viewer traffic and viewer engagement, which may jeopardize our perceived commercial value toward brand owners, sponsors and end consumers, and may also deter our platform partners from collaborating with us, any of which may

have material and adverse impact on our results of operations and financial conditions. In addition, injuries to, and illness of our athletes and online entertainers may limit or undermine their performance in competition or live performances, which may also lead to dissatisfactions from leagues, fans and sponsors. Chronical diseases may shorten the career span of our professional athletes and online entertainers, which may impede our investment returns in attracting, cultivating and retaining these talents.

In order to attract and retain professional athletes and online entertainers, we may need to offer higher compensation, better trainings, more attractive career trajectory and other benefits to our employees, which may be costly and burdensome. If we are unable to generate sufficient revenues to outpace the increase in compensation, we may lose opportunities to retain these professional esports athletes, online entertainers and thus incur more losses. In addition, the compensation we pay to these talents could significantly increase our cost of revenues and materially and adversely affect our margins, financial condition and results of operations. We cannot assure you that we will be able to attract or retain qualified professional athletes, influencers or personnel necessary to support our future growth. We may fail to manage our relationship with our professional athletes, online entertainers or employees, and any disputes between us and our professional athletes, influencers or employees, or any labor-related regulatory or legal proceedings may divert managerial and financial resources, negatively impact staff morale, harm our reputation and future recruiting efforts. Furthermore, as our business has grown rapidly, our ability to train and integrate new employees into our operations may not meet the increasing demands of our business. Any of the above issues related to our personnel may materially and adversely affect our results of operations and future growth.

The success of our business depends partially on the insights, skills and experience of our senior management team and key personnel, the loss of which could have a material adverse impact on our business, financial conditions, and results of operations.

We believe that our future success depends significantly on our continuing ability to attract, develop, motivate and retain our senior management and a sufficient number of esports specialists and other experienced and skilled employees. We benefit from the track record of our senior management team in successfully growing our operations. Our combined team offers deep industry experience throughout the esports ecosystem, as well as in-depth knowledge of the global esports market.

Qualified individuals are in high demand, particularly in the esports ecosystem, and we may have to incur significant costs to attract and retain them. The loss of any member of the senior management team or such specialists could be highly disruptive and adversely affect our business or more broadly impact our future growth. Moreover, if any of these individuals joins a competitor or undertakes a competing business, we may lose crucial business secrets, technological know-how and other valuable resources, notwithstanding our contractual arrangements designed to mitigate this loss.

Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter during the ordinary course of operation.

We do not maintain business liability or disruption insurance coverage for our operations, except for certain tournaments in which we purchase insurance for our esports professional athletes, or where the game developer or publisher or event sponsor so requires. Any material or extended business disruption may result in substantial costs and expenses and the diversion of our resources, financial, managerial, or otherwise, which could have an adverse effect on our business, results of operations, financial condition, and prospects.

We have granted, and expect to continue to grant, options and other types of awards under our share incentive plan, which may result in increased share-based compensation expenses.

We have adopted a share option plan in July 2021, or the 2021 Plan, to provide additional incentives to employees. As of the date of this prospectus, the maximum aggregate number of shares which may be issued under the 2021 Plan is 4,360,799. See “Management — Share Incentive Plan.” As of the date of this prospectus, options to purchase a total of 4,360,799 ordinary shares of the Company have been granted under the 2021 Plan, excluding awards that were forfeited or cancelled after the relevant grant dates. We

recognized substantial share-based compensation expenses in our consolidated financial statements in connection with these grants, and may continue to incur such expenses in the future.

We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations. We may re-evaluate the vesting schedules, lock-up period, exercise price or other key terms applicable to the grants under our currently effective share incentive plans from time to time. If we choose to do so, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

Pending or future litigations, arbitrations, governmental investigations and other legal proceedings could have a material and adverse impact on our financial condition and operating results.

We have been, and may continue to be, subject to lawsuits, arbitrations and other legal proceedings brought by our competitors, individuals, or other entities against us. In addition, we may institute legal actions from time to time which may not lead to successful or favorable outcome to us. For any pending or future litigation or arbitration where we can make a reasonable estimate of the liability relating to pending litigation or arbitration against us and can determine that an adverse liability resulting from such litigation or arbitration is probable, we will record a related contingent liability. As additional information becomes available, we will assess the potential liability and revise estimates as appropriate. However, due to the inherent uncertainties relating to litigation and arbitration, the amount of our estimates may be inaccurate, in which case our financial condition and results of operations may be adversely affected.

Lawsuits involving us may also generate negative publicity that significantly harms our reputation, which in turn may adversely affect our user base and advertising customer base. In addition to the related cost, managing and defending litigation and related indemnity obligations can significantly divert our management's attention from operating our daily business. We may also need to pay damages or settle lawsuits with substantial amounts of cash, which may adversely affect our cash flow and financial conditions. In addition, any insurance or indemnification rights that we may have with respect to such matters may be insufficient or unavailable to protect us against potential loss exposures. While we do not believe that any currently pending proceedings are likely to have a material adverse effect on our business, financial condition, and results of operations, if there were adverse determinations in legal proceedings against us, we could be required to pay substantial monetary damages or to materially alter our business practices, which could have an adverse effect on our financial condition and results of operations, and business prospects.

We may become subject to formal and informal inquiries, investigations and inspections from government authorities and regulators regarding our compliance with laws and regulations, many of which are evolving and subject to interpretation. Most of these administrative actions may be routine in nature and carried out as part of the market monitoring and supervision functions of the regulatory authorities, but some of them may be triggered by our industry position or by complaints from third parties or customers.

The inquiries, inspections, investigations, claims and complaints can be initiated or asserted under or on the basis of a variety of laws in different jurisdictions, including esports-related laws, commercial performance laws, intellectual property laws, unfair competition laws, anti-monopoly laws, data protection and privacy laws, labor and employment laws, securities laws, cybersecurity laws, finance services laws, tort laws, contract laws and property laws. There is no guarantee that we will be successful in defending ourselves in legal and administrative actions or in asserting our rights under various laws. If we fail to defend ourselves in these actions, we may be subject to restrictions, fines or penalties that will materially and adversely affect our operations. Even if we are successful in our attempt to defend ourselves in legal and regulatory actions or to assert our rights under various laws and regulations, the process of communicating with relevant regulators, defending ourselves and enforcing our rights against the various parties involved may be expensive, time-consuming and ultimately futile. These actions could expose us to negative publicity, substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, including but not limited to suspension or revocation of licenses to conduct business. Upon completion of this offering, we may face additional exposure to claims and lawsuits. These claims could divert management time and attention away from our business and result in significant costs to investigate and defend, regardless of the merits of the claims. In some instances, we may elect or be forced to pay substantial damages if we

are unsuccessful in our efforts to defend against these claims, which could harm our business, financial condition and results of operations.

If we fail to develop and maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud, and investor confidence and the market price of our ADSs may be adversely impacted.

Prior to this offering, we were a private company with limited accounting personnel and other resources with which to address our internal controls and procedures. Our management has not completed an assessment of the effectiveness of our internal control over financial reporting, and our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting. In the course of management's preparation and our independent registered public accounting firm's auditing our consolidated financial statements for the fiscal years ended December 31, 2021 and 2022, we identified one material weakness in our internal control over financial reporting as of December 31, 2021 and 2022, in accordance with the standards established by the Public Company Accounting Oversight Board of the United States (PCAOB).

The material weakness identified related to our lack of sufficient and competent accounting and financial reporting personnel with appropriate knowledge of U.S. GAAP and financial reporting requirements set forth by the SEC to design and implement period-end financial reporting policies and procedures for the preparation of our consolidated financial statements and related disclosures in accordance with U.S. GAAP and the SEC reporting requirements. The material weakness resulted in a number of significant management adjustments and amendments to our consolidated financial statements and related disclosures under U.S. GAAP. The material weakness, if not timely remedied, may lead to material misstatements in our consolidated financial statements in the future.

Neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal control for purposes of identifying and reporting material weakness in our internal control over financial reporting. Had we performed an assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional material weaknesses may have been identified.

Following the identification of the material weakness, we have taken measures and plan to continue to take measures to remedy the material weakness. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Internal Control Over Financial Reporting." However, the implementation of these measures may not fully address the material weakness in our internal control over financial reporting, and we cannot conclude that they have been fully remediated. Our failure to remediate the material weakness or our failure to discover and address any other material weakness could result in inaccuracies in our consolidated financial statements and impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. Moreover, ineffective internal control over financial reporting could significantly hinder our ability to prevent fraud.

Upon completion of this offering, we will become a public company in the United States subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, will require that we include a report from management on the effectiveness of our internal control over financial reporting in our annual report on Form 20-F beginning with our annual report for the fiscal year ending December 31, 2024. In addition, once we cease to be an "emerging growth company" as such term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report with adverse opinion if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. In addition, after we become a public company, our reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation.

During the course of documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404, we may identify other material weakness in our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our consolidated financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our ADSs. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions. We may also be required to restate our consolidated financial statements for prior periods.

Our operations may be adversely impacted by the effects of natural disasters such as blizzard, forest fires and earthquakes, public health emergencies and health pandemics, acts of terrorism and other criminal activities.

Natural disasters, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the countries or regions where we conduct our business. We have operations and management presence primarily in Wuhan and Shenzhen, China and Stockholm, Sweden. Consequently, we are highly susceptible to factors adversely affecting such places. Serious natural disasters may result in loss of lives, injury, destruction of assets and disruption of our business and operations. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the countries or regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial conditions and results of operations.

The uncertainties brought about by the prolonged COVID-19 pandemic has impacted and could in the future have a material adverse impact on our business, financial condition, results of operations and cash flow positions.

The COVID-19 pandemic has negatively impacted the global economy, disrupted consumer spending and global supply chains, and created significant volatility and disruption of financial markets. The extent of the impact of the COVID-19 pandemic on our business and financial performance, including our ability to execute our near-term and long-term business strategies and initiatives in the expected time frame, will depend on future developments, including the duration and severity of the pandemic, which brings uncertainty to our business operations.

The unpredictability in the COVID-19 situation would cast shadows over our business operations, in particular to the event production segment. As a result of the COVID-19 pandemic and the corresponding policies imposed by many countries' government authorities, including remote work arrangements, travel restrictions, mandatory quarantining requirements or strict lockdowns, many esports tournaments and relevant event originally scheduled had to be cancelled.

Although recently, countries around the world have substantially lifted COVID-19 restrictions, the resurgence of virus remains strong. We expect that our operations will continue to be adversely impacted by COVID-19 and its repercussions, including but not limited to governmental regulations on capacity limitations of certain enclosed venues, suggested quarantining or social distancing policies, as well as temporary lockdowns in certain areas due to COVID-19 outbreak. In addition, the difficulty in international travels, and the reduced number of international dialogues between companies or markets across the world due to imposed travel restrictions, lockdowns, quarantines might temporarily slow us in the speed of global expansion and commercialization. The economy downturn partially induced by COVID-19 may also substantially reduce the will of spending of our viewers and consumer, and thereby restrict our monetization abilities, and therefore result in unsatisfactory performance of our business, financial conditions and results of operations.

Our management of the impact of the COVID-19 pandemic has required, and may continue to require, significant investment of time by our management and employees. The rapid development and

fluidity of this situation precludes any prediction as to the ultimate adverse impact of the COVID-19 pandemic and the resulting governmental and other measures. The foregoing and other impacts of the COVID-19 pandemic could have the effect of heightening many of the other risks described in this prospectus, and any of these impacts could materially adversely affect our business, financial condition and results of operations.

We are subject to risks relating to the Restructuring.

Historically, we conducted our operation in mainland China through our WFOE in mainland China as well as through Wuhan ESVF, the former VIE based in mainland China. We have completed the Restructuring in June 2023, and in connection therewith, our WFOE, Wuhan ESVF and shareholders of Wuhan ESVF entered into a VIE Termination Agreement, pursuant to which, the VIE Agreements were terminated with immediate effect. As of the date of this prospectus, we do not have any VIE in China. See “Prospectus Summary — Our Corporate Structure.”

We are subject to risks associated with the Restructuring. We may further experience a loss of continuity, loss of accumulated knowledge or loss of efficiency in connection with the Restructuring.

Our business is sensitive to economic conditions. Negative global economic conditions and other macroeconomic challenges could materially and adversely affect our business, financial condition and results of operations.

Our business is subject to global economic conditions and their impact on consumer spending. Some of the factors that may negatively influence consumer spending include high levels of unemployment, higher consumer debt levels, reductions in net worth, declines in asset values and related market uncertainty, home foreclosures and reductions in home values, fluctuating interest rates and credit availability, fluctuating fuel and other energy costs, fluctuating commodity prices and general uncertainty regarding the overall future political and economic environment. Consumer spending on discretionary items, including esports game tickets and purchases of the merchandise that we offer, generally decline during periods of economic uncertainty or downturn, when disposable income is reduced or when there is a reduction in consumer confidence. Adverse economic changes could reduce consumer confidence, and thereby could negatively affect our business. These economic difficulties and other macroeconomic challenges change rapidly and are difficult to predict, and if we are unable to adequately address them, our business may be harmed.

Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.

Changes in the value of Renminbi, Euro, Swedish Krona and other foreign currencies against U.S. dollars are affected by, among other things, changes in local political and economic conditions. Any significant revaluation of the Renminbi, Euro or Swedish Krona may have a material adverse effect on our revenues and financial condition, and the value of, and any dividends payable on our shares in U.S. dollar terms. For example, to the extent that we need to convert U.S. dollars we receive from our initial public offering into Renminbi, Euro or Swedish Krona for our operations, appreciation of these currencies against the U.S. dollar would have an adverse effect on the amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi, Euro or Swedish Krona into U.S. dollars for the purpose of paying dividends or for other business purposes, appreciation of the U.S. dollar against these currencies would have a negative effect on the U.S. dollar amount available to us. In addition, fluctuations of the Renminbi, Euro or Swedish Krona against other currencies may increase or decrease the cost of imports and exports, and thus affect the price-competitiveness of our products against products of foreign manufacturers or products relying on foreign inputs. Very limited hedging options are available to reduce our exposure to exchange rate fluctuations. Although from time to time, we may use hedging transactions in an effort to reduce our exposure to foreign currency exchange risk, these hedges may not be effective.

Risks Related to Doing Business in China

The PRC government has significant oversight and discretion over the conduct of our business, and it may intervene or influence our operations at any time, which could result in a material adverse change in our operations and/or the value of our ADSs.

We conduct our business primarily in China. Our operations in China are governed by PRC laws and regulations. The PRC government has significant oversight and discretion over the conduct of our business,

and may intervene or influence our operations at any time, which could result in a material adverse change in our operations and/or the value of our ADSs. The PRC government has recently published new policies that significantly affected certain industries and we cannot rule out the possibility that it will in the future release regulations or policies that directly or indirectly affect our industry or require us to seek additional permission to continue our operations. Therefore, investors of our company and our business face potential uncertainty from actions taken by the PRC government affecting our business. In addition, the Chinese government has exerted more oversight and control over offerings that are conducted overseas and foreign investment in China-based issuers. Such actions could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of our ADSs to significantly decline or be worthless. For more details, see “— The approval of PRC government authorities may be required in connection with this offering under PRC law, and if required, we cannot predict whether or for how long we will be able to obtain such approval.” and “— Any failure by us to meet with the continue developing PRC legal system could adversely affect us.”

Changes in China’s economic, political or social conditions or government policies could have a material adverse effect on our business, financial conditions and results of operations.

A large portion of our operations are located in China. Accordingly, our business, prospects, financial condition and results of operations may be affected to a significant degree by political, economic and social conditions in China generally.

Measures implemented by the PRC government emphasize the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, and such measures and policies relating to such measures are evolving and subject to change. The PRC government has authority in regulating the ability of a China-based company, such as us, to conduct its business. Therefore, investors of our company and our business may be negatively impacted by the changes of regulatory measures in the future.

The Chinese economy has experienced significant growth over the past decades. However, the growth has still been uneven, both geographically and among various sectors of the economy. If there is any adverse change in economic conditions in China, in the policies of the PRC government or in the laws and regulations in China, the overall economic growth of China could be materially and adversely affected. Such developments could adversely affect our business and operating results, lead to reduction in demand for our services and adversely affect our competitive position.

The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy but may not benefit us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the PRC government has implemented certain measures, including interest rate adjustment, to control the pace of economic growth, and the growth rate of the Chinese economy has gradually slowed since 2010, and since 2020, the impact of COVID-19 on the global economy, including the Chinese economy, is severe. Any prolonged slowdown in the Chinese economy may reduce the demand for our offerings of products and services and materially and adversely affect our business and results of operations. Furthermore, the increased global focus on social, ethical and environmental issues may lead to China’s adoption of more stringent standards in these areas, which may adversely impact the operations of China-based companies including us.

The approval of PRC government authorities may be required in connection with this offering under PRC law, and if required, we cannot predict whether or for how long we will be able to obtain such approval.

Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, requires overseas special purpose vehicles that are controlled by PRC companies or individuals formed for the purpose of seeking a public listing on an overseas stock exchange through acquisitions of PRC domestic companies using shares of such special purpose vehicles or held by its shareholders as considerations to obtain the approval of the CSRC, prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange. However, the M&A Rules may be subject to further interpretation and application. If CSRC approval is required, it is uncertain whether it would be possible for us or how long it will take us to obtain the

approval, or whether such approval could be lawfully rescinded. Any failure to obtain or delay in obtaining CSRC approval for this offering, or a lawful rescission of such approval, would subject us to penalties imposed by the CSRC and other PRC regulatory agencies, which could include fines and penalties on our operations in China, restrictions or limitations on our ability to pay dividends outside of China, and other forms of sanctions that may materially and adversely affect our business, financial condition and results of operations.

Our PRC counsel has advised us that based on their understanding of the current PRC laws, rules and regulations that we will not be required to submit an application to the CSRC for the approval under the M&A Rules for this offering or the listing and trading of the ADSs on the Nasdaq [Stock/Global Select] Market, primarily because (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like ours under this prospectus are subject to this regulation; and (ii) we did not acquire any equity interests or assets of a “PRC domestic company” as such terms are defined under the M&A Rules.

However, our PRC counsel has further advised us that the M&A Rules may be subject to further interpretation and implementation in the context of an overseas offering and its opinions summarized above are subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules. We cannot assure you that relevant PRC government agencies, including the CSRC, would reach the same conclusion as we do. If it is determined that CSRC approval is required for this offering, we may face penalties by the CSRC or other PRC regulatory agencies for failure to seek CSRC approval for this offering.

Any failure by us to meet with the continue developing PRC legal system could adversely affect us.

The PRC legal system is a civil law system based on written statutes, where prior court decisions have limited precedential value. The PRC legal system is evolving rapidly, and the interpretations of many laws, regulations and rules may contain inevitable inconsistencies, and enforcement of these laws, regulations and rules may be subject to further developments and changes.

In particular, PRC laws and regulations concerning the internet-related industries are developing and evolving. Although we have taken measures to comply with the laws and regulations applicable to our business operations and to avoid conducting any non-compliant activities under these laws and regulations, new laws and regulations regulating internet-related industries may be promulgated from time to time. We cannot assure you that our business operations will meet the requirements of laws and regulations in a timely manner, or that our business operations would not be deemed to violate any such new PRC laws or regulations. Moreover, developments in the internet-related industries may lead to changes in laws, regulations and policies or in the interpretation and application of existing laws, regulations and policies, which in turn may limit or restrict us, and could materially and adversely affect our business and operations.

Further, we are also subject to a variety of laws and regulations in the PRC regarding our capital raising activities, which may be continuously evolving and under development. For instance, on February 17, 2023, the CSRC released the New Regulations on Filing, which was formally implemented on March 31, 2023. Under New Regulations on Filing, a filing-based regulatory system will also be applied to “indirect overseas offering and listing” of PRC domestic companies, and those PRC domestic companies that have submitted a valid application for an overseas offering and listing but have not received consent from the overseas regulator or overseas stock exchange before March 31, 2023, such as shall complete the filing with CSRC before the completion of this Offering. If we fail to timely complete the relevant filing procedures, we may face penalties by the CSRC or other PRC regulatory agencies, which could have a material and adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since judicial and administrative authorities have certain discretion in interpreting and implementing statutory and contractual terms, it may be difficult to predict the outcome of a judicial or administrative proceeding. As a result, our ability to enforce the contracts we have entered into may be affected, which could materially and adversely affect our business and results of operations.

We may not always be aware of any potential violation of government policies and rules that may not be made available to us in a timely manner. Such unpredictability towards our contractual, property

(including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations.

We are subject to the complexity and changes in the esports industry and relevant corporate regulations in China, and any lack of requisite approvals, licenses or permits applicable to our business may have material adverse effect on our business and results of operations.

Our business is subject to a variety of laws and regulations in the PRC governing the esports related service industry. The application and interpretation as to certain of these laws and regulations may be subject to further developments and changes, as well as the interpretation and administration by different governmental authorities and local bureaus. As a result, in certain circumstances some of our actions or omissions may be in violation of applicable laws and regulations. We have obtained commercial performance permits, and other relevant permits required for operating our business.

However, we cannot assure you that we have obtained all the permits or licenses required for conducting our business in China or will be able to maintain our existing licenses or obtain new ones. If the PRC government considers that we were operating without the proper approvals, licenses or permits or promulgates new laws and regulations that require additional approvals or licenses or imposes further restrictions on the operation of any part of our business based on the laws and regulations, the results may include, without limitation, levying fines, confiscating our income, revoking our business licenses, and discontinuing or restricting certain parts of our business. Any of these results may have a material adverse effect on our business and results of operations. For details on PRC regulations which may affect our business, see “Regulation.”

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions against us or our management named in the prospectus based on foreign laws.

We are an exempted company incorporated under the laws of the Cayman Islands. However, we conduct a large portion of our operations in China and a large portion of our assets are located in China. In addition, most of our senior executive officers reside within China for a significant portion of the time and many of them are PRC nationals. As a result, you may not be able to directly effect service of process upon us or our management named in the prospectus inside mainland China. It may also be difficult for you to enforce in U.S. courts of the judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors as none of them currently resides in the United States or has substantial assets located in the United States. In addition, there is uncertainty as to whether the courts of the Cayman Islands or the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law and other applicable laws, regulations and interpretations based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States in the future. Furthermore, class action lawsuits, which are available in the United States for investors, are generally uncommon in China.

There may be a lack of mechanism of international cooperation for overseas regulators to conduct cross-border investigations or collect evidence.

Shareholder claims or regulatory investigation are common in the United States. However, it may be difficult for cross-border and direct claims or regulatory investigation to be conducted in lack of international cooperation mechanisms. For example, although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities

in the United States may not achieve the same result in the absence of a mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. In addition, entities or individuals are prohibited from providing documents and information in connection with any securities business activities to any organizations and/or persons abroad without the prior consent of the securities regulatory authority of the State Council and the competent departments of the State Council. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase costs of protecting your interests. See also “— Risks Related to Our ADSs and This Offering — You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law” for risks associated with investing in us as a Cayman Islands company.

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with “de facto management body” within China is considered a “resident enterprise” and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. The Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, which was amended by the State Administration of Taxation on December 29, 2017, or Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the State Administration of Taxation’s general position on how the “de facto management body” text should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities. If the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we could be subject to PRC tax at a rate of 25% on our worldwide income, which could materially reduce our net income, and we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders (including our ADS holders) that are non-resident enterprises, subject to any reduction set forth in applicable tax treaties. In addition, non-resident enterprise shareholders (including our ADS holders) may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within the PRC. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to our non-PRC individual shareholders (including our ADS holders) and any gain realized on the transfer of ADSs or ordinary shares by such shareholders may be subject to PRC tax at a rate of 10% in the case of non-PRC enterprises or a rate of 20% in the case of non-PRC individuals unless a reduced rate is available under an applicable tax treaty. It is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country or area of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in the ADSs or ordinary shares.

We face uncertainties with respect to indirect transfer of equity interests in PRC resident enterprises by their non-PRC holding companies.

We face uncertainties regarding the reporting on and consequences of previous private equity financing transactions involving the transfer and exchange of shares in our company by non-resident investors. In February 2015, the State Administration of Taxation issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises or Bulletin 7. Pursuant to Bulletin 7, an “indirect transfer” of PRC assets, including a transfer of equity interests in an unlisted non-PRC holding company of a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of the underlying PRC assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise.

On October 17, 2017, the State Administration of Taxation issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or Bulletin 37, which came into effect on December 1, 2017. Bulletin 37 further clarifies the practice and procedure of the withholding of nonresident enterprise income tax.

We face uncertainties on the reporting and consequences of past or future private equity financing transactions, share exchanges or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises. The PRC tax authorities may, based on relevant laws and regulations, pursue such non-resident enterprises with respect to a filing or the transferees with respect to withholding obligation, and request our PRC subsidiaries to assist in the filing. As a result, we and non-resident enterprises in such transactions may become at risk of being subject to filing obligations or being taxed under Bulletin 7 and Bulletin 37, and may be required to expend relevant costs to comply with them or to establish that we and our non-resident enterprises should not be taxed under these regulations, which may have a material adverse effect on our financial condition and results of operations.

The PRC tax authorities have the lawful discretion under Bulletin 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under Bulletin 7, our income tax costs associated with such transactions will be increased, which may have an adverse effect on our financial condition and results of operations. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance to them for the investigation of any transactions we were involved in. Heightened scrutiny based on relevant laws and regulations over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

If our preferential tax treatments and government subsidies are revoked or become unavailable or if the calculation of our tax liability is successfully challenged by the tax authorities, we may be required to pay tax, interest and penalties in excess of our tax provisions. Discontinuation of any preferential tax treatments or imposition of any additional taxes could adversely affect our financial condition and results of operations.

The Chinese government has provided tax incentives to our PRC subsidiaries, primarily in the form of reduced enterprise income tax rates. For example, under the Enterprise Income Tax Law and its implementation rules, the statutory enterprise income tax rate is 25%. However, the income tax of an enterprise that has been determined to be a high and new technology enterprise can be reduced to a preferential rate of 15%. In addition, certain of our PRC subsidiaries enjoy local government subsidies. Any increase in the enterprise income tax rate applicable to our PRC subsidiaries in China, or any discontinuation, retroactive or future reduction or refund of any of the preferential tax treatments and local government subsidies currently enjoyed by our PRC subsidiaries in China, could adversely affect our business, financial condition and results of operations.

Further, in the ordinary course of our business, we are subject to complex income tax and other tax regulations, and significant judgment is required in the determination of a provision for income taxes. Although we believe our tax provisions are reasonable, including in the agreements we sign with online

entertainers, influencers or distribution platforms, under which the parties thereto shall respectively bear the tax obligations, we cannot guarantee whether these third parties strictly comply with these provisions or relevant tax laws. If our online entertainers, influencers or distribution platforms fail to fully comply with applicable tax laws and other related laws and regulations, it may lead to negative news, investigation, administrative penalties or legal disputes or proceedings, which may affect their cooperation with us, and thus may adversely affect our reputation. And if our position or our cooperate manner with these online entertainers, influencers or distribution platforms cannot be admitted by the PRC tax authorities and we are required to pay tax, interest and penalties in excess of our tax provisions, our financial condition and results of operations would be materially and adversely affected. In addition, as certain of our cooperation agreements with live streaming or other distribution platforms prescribe our obligations to supervise the tax compliance of our online entertainers and influencers, failure of our online entertainers and influencers to comply with PRC tax laws may lead to disputes between the distribution platforms and us, which may adversely affect our business and reputation.

Government subsidies and preferential tax treatments are subject to discretions of the relevant governmental authorities and our eligibility for them are therefore out of our control. Discontinuation of any preferential tax treatments or imposition of any additional taxes could adversely affect our financial condition and results of operations.

Failure to make adequate contributions to various employee benefit plans and withhold individual income tax on employees' salaries as required by PRC regulations or comply with laws and regulations on other employment practices may subject us to penalties.

Companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of our employees up to a maximum amount specified by the local government from time to time at locations where we operate our businesses. The local governments in China have not fully implemented mandatory requirements on employee benefit plans given the different levels of economic development in different locations. Companies operating in China are also required to withhold individual income tax on employees' salaries based on the actual salary of each employee upon payment. With respect to the underpaid employee benefits, we may be required to complete registrations, make up the contributions for these plans as well as to pay late fees and fines. With respect to the under-withheld individual income tax, we may be required to make up sufficient withholding and pay late fees and fines. If we are subject to late fees or fines in relation to the underpaid employee benefits and under-withheld individual income tax, our financial condition and results of operations may be adversely affected. We may also be subject to regulatory investigations and other penalties if our other employment practices (e.g., engaging third-party human resource service providers to pay social insurance and housing funds for our employees on our behalf) are deemed to be in violation of relevant PRC laws and regulations.

The enforcement of the PRC Labor Contract Law and other labor-related regulations in China may subject us to penalties or liabilities.

The PRC Labor Contract Law, which was amended in 2012, introduced specific provisions related to fixed-term employment contracts, part-time employment, probationary periods, consultation with labor unions and employee assemblies, employment without a written contract, dismissal of employees, severance, and collective bargaining to enhance previous PRC labor laws. Under the Labor Contract Law, an employer is obligated to sign a non-fixed term labor contract with any employee who has worked for the employer for ten consecutive years. Further, if an employee requests or agrees to renew a fixed-term labor contract that has already been entered into twice consecutively, the resulting contract, with certain exceptions, must have a non-fixed term, subject to certain exceptions. With certain exceptions, an employer must pay severance to an employee where a labor contract is terminated or expires. In addition, the PRC governmental authorities have continued to introduce various new labor-related regulations since the effectiveness of the Labor Contract Law.

These laws and regulations designed to enhance labor protection tend to increase our labor costs. In addition, as the interpretation and implementation of these regulations are still evolving, our employment

practices may not be at all times deemed to be in compliance with the regulations. As a result, we could be subject to penalties or incur significant liabilities in connection with labor disputes or investigations.

Failure to comply with PRC property laws and relevant regulations regarding certain of our leased properties may adversely affect our business, results of operations and financial condition.

Under the applicable PRC laws and regulations, the parties to a lease agreement are required to register and file such lease agreement with the relevant government authorities. As of the date of this prospectus, none of our leased properties had been registered or filed. While as confirmed by our PRC legal counsel, the lack of registration will not affect the validity of the lease agreements nor our rights to use or occupy the leased properties under PRC laws and regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which may subject us to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. However, we cannot assure you that our lessors will cooperate with us to register such leases due to factors beyond our control or our use of the relevant properties will not be further challenged in the future. Any of these may have an adverse effect on our business, financial condition, results of operation and prospects. As of the date of this prospectus, lessors of some of our leased properties had not provided us with their authorization from the legal owners of the relevant properties to sublease such properties to us. If any of the lessors is not the legal owner or has not been duly authorized by the legal owner, the relevant lease agreements may be deemed invalid and, as a result, we may be challenged by the legal owners of the properties or other third parties and may be forced to vacate the relevant properties and relocate our offices. Additionally, we may face administration penalties because the registered addresses of some of our PRC subsidiaries are not consistent with their actual operating offices.

The M&A Rules and certain other applicable regulations may make it more difficult for us to pursue growth through acquisitions, and failure to comply with anti-monopoly and competition laws and relevant regulations that may come into effect from time to time in the future could adversely affect our business, financial condition, or operating result.

The M&A Rules and some other regulations and rules concerning mergers and acquisitions established procedures for acquisition of Chinese companies by foreign investors, including requirements in some instances that the PRC Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law promulgated by the Standing Committee of the National People's Congress, which became effective in 2008, and the latest amendment of which took effect from August 1, 2022, requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by the Anti-Monopoly Law-Enforcement Agency under the State Council before they can be completed. Pursuant to the latest Anti-Monopoly Law, the State Council's anti-monopoly enforcement agency may order business operators to cease illegal concentration, to dispose of shares, assets or businesses within a defined period of time, or to take other necessary measures to restore to the state before the concentration. For details, see "Regulation — Regulations on Anti-Monopoly." Furthermore, if we failed to report to or get approved by the anti-monopoly law enforcement agency in China on any of our future acquisitions (whether by ourselves or our subsidiaries) or financings that meet the thresholds for clearance in a timely manner or at all, or any of our historical transactions or financings were investigated for failure to make filings in connection with concentration of undertakings by regulatory, we may be subject to penalty including but not limited to a fine of no more than RMB500,000 if we fail to comply with such requirement. In addition, the security review rules issued by the Ministry of Commerce which became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the Ministry of Commerce, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. On December 19, 2020, the Measures for the Security Review for Foreign Investment was jointly issued by the NDRC and the Ministry of Commerce and took effect from January 18, 2021. The Measures for the Security Review for Foreign Investment specified provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others.

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

Our PRC subsidiary's ability to change their registered capital or distribute profits to us is subject to PRC regulations relating to offshore investment activities by PRC residents, and any failure to comply with relevant laws and regulations may expose us or our PRC resident beneficial owners to liability and penalties. In addition, any failure to comply with PRC regulations with respect to registration requirements for offshore financing may subject us to legal or administrative sanctions.

In July 2014, the State Administration of Foreign Exchange, or SAFE, promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles, or SAFE Circular 37. SAFE Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities as well as foreign individuals that are deemed as PRC residents for foreign exchange administration purpose) to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 further requires amendment to the SAFE registrations in the event of any changes with respect to the basic information of the offshore special purpose vehicle, such as change of a PRC individual shareholder, name and operation term, or any significant changes with respect to the offshore special purpose vehicle, such as increase or decrease of capital contribution, share transfer or exchange, or mergers or divisions. SAFE Circular 37 is applicable to our shareholders who are PRC residents.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update its previously filed SAFE registration, to reflect any material change involving its round-trip investment. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under the PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by SAFE to return the foreign exchange remitted overseas or into the PRC within a period of time specified by SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into the PRC and deemed to have been evasive or illegal and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

We are committed to complying with and to ensuring that our shareholders who are subject to these regulations will comply with the SAFE rules and regulations. However, we may not always be able to compel them to comply with SAFE Circular 37 or other related regulations or regulatory requirements. We cannot assure you that SAFE or its local branches will not release new laws and regulations in the future. We may not be fully informed of the identities of all of our shareholders or beneficial owners who are PRC residents, and we cannot provide any assurance that all of our shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain or update any applicable registrations or comply with other requirements under SAFE Circular 37 or other related rules in a timely manner.

We cannot predict how these regulations related to foreign exchange will affect our business operations or future strategy. For example, if more stringent review and approval process is implemented in the future, we may be subject to such process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our results of operations and financial condition. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

In addition, our offshore financing activities, such as the issuance of foreign debt, are also subject to PRC laws and regulations. In accordance with such laws and regulations, we may be required to complete

filing and registration with the NDRC prior to such activities. Failure to comply with the requirements may result in administrative meeting, warning, notification and other regulatory penalties and sanctions.

We may be materially adversely affected if our shareholders and beneficial owners who are PRC entities fail to comply with the PRC overseas investment regulations.

On December 26, 2017, the NDRC promulgated the Administrative Measures on Overseas Investments, which took effect as of March 1, 2018. According to this regulation, non-sensitive overseas investment projects are subject to record-filing requirements with the local branch of the NDRC. On September 6, 2014, the Ministry of Commerce promulgated the Administrative Measures on Overseas Investments, which took effect as of October 6, 2014. According to this regulation, overseas investments of PRC enterprises that involve non-sensitive countries and regions and non-sensitive industries are subject to record-filing requirements with a local branch of Ministry of Commerce. According to the Circular of the State Administration of Foreign Exchange on Issuing the Regulations on Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions, which was promulgated by SAFE on July 13, 2009, and took effect on August 1, 2009, PRC enterprises must register for overseas direct investment with a local SAFE branch.

We may not be fully informed of the identities of all of our shareholders or beneficial owners who are PRC entities, and we cannot provide any assurance that all of our shareholders and beneficial owners who are PRC entities will comply with our request to complete the overseas direct investment procedures under the aforementioned regulations or other related rules in a timely manner, or at all. If they fail to complete the filings or registrations required by the overseas direct investment regulations, the authorities may order them to suspend or cease the implementation of such investment and make corrections within a specified time, which may adversely affect our business, financial condition and results of operations.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject our plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year and participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or who reside in China for a continuous period of not less than one year and who have been granted options will be subject to these regulations when our company becomes an overseas-listed company upon the completion of this offering. Failure to complete SAFE registrations may subject them to fines and legal sanctions, and may also limit our ability to contribute additional capital into our PRC subsidiary and limit our PRC subsidiary's ability to distribute dividends to us. It may also affect our future ability to adopt additional incentive plans for our directors, executive officers and employees.

In addition, the State Administration of Taxation has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options and/or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options and/or restricted shares with tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to laws and regulations, we may face sanctions imposed by the tax authorities or other PRC government authorities.

We may rely on dividends and other distributions on equity paid by our PRC subsidiary to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiary to make payments to us could have a material and adverse effect on our ability to conduct our business.

NIP Group Inc. is a Cayman Islands holding company with no Chinese operations. We rely on dividends and other distributions on equity paid by our WFOE for our cash and financing requirements,

including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. To the extent our cash or assets in the business are in mainland China or Hong Kong or a mainland China or Hong Kong entity, the funds or assets may not be available to fund operations or for other use outside of mainland China or Hong Kong due to the imposition of restrictions and limitations on the ability of NIP Group Inc. or its subsidiaries to transfer cash or assets. Current PRC regulations permit our WFOE to pay dividends to us only out of their accumulated after-tax profits upon satisfaction of relevant statutory conditions and procedures, if any, determined in accordance with Chinese accounting standards and regulations. In addition, our WFOE is required to set aside at least 10% of its accumulated profits each year, after making up previous years' accumulated losses, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its registered capital. As a result of these laws, rules and regulations, our WFOE is restricted in their ability to transfer a portion of their respective net assets to their shareholders as dividends.

While there are currently no such restrictions on foreign exchange and our ability to transfer cash or assets between NIP Group Inc. and our Hong Kong subsidiary, if certain PRC laws and regulations, including existing laws and regulations and those enacted or promulgated in the future were to become applicable to our Hong Kong subsidiary in the future, and to the extent our cash or assets are in Hong Kong or a Hong Kong entity, such funds or assets may not be available due to the imposition of restrictions and limitations on our ability to transfer funds or assets by the PRC government. Furthermore, we cannot assure you that the PRC government will not impose restrictions on NIP Group Inc. or its subsidiaries to transfer or distribute cash within the organization, which could result in an inability of or prohibition on making transfers or distributions to entities outside of mainland China and Hong Kong.

Furthermore, if our WFOE incurs debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends or make other distributions to us. Any limitation on the ability of our WFOE to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

The Enterprise Income Tax Law enacted by the National People's Congress, which became effective on January 1, 2008, and its implementation rules provide that a withholding tax at a rate of 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless reduced under treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC resident enterprises are tax resident. See "— If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders."

Any restriction on currency exchange may limit the ability of our WFOE to use their Renminbi revenues to pay dividends to us, and our WFOE's dividends and other distributions may be subject to tightened scrutiny in the future. Any limitation on the ability of our WFOE to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our ADSs.

Under the Enterprise Income Tax Law and its implementation rules, PRC withholding tax at a rate of 10% is generally applicable to dividends from PRC sources paid to investors that are resident enterprises outside of China and that do not have an establishment or place of business in China, or that have an establishment or place of business in China if the income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% PRC income tax if this gain is regarded as income derived from sources within China. Under the PRC Individual Income Tax Law and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by these investors on the transfer of shares are generally subject to 20% PRC income tax. Any such PRC tax liability may be reduced by the provisions of an applicable tax treaty.

Although a large portion of our business operations are in China, it is unclear whether the dividends NIP Group Inc. pays with respect to the shares or ADSs of NIP Group Inc., or the gains realized from the transfer of the shares or ADSs of NIP Group Inc., would be treated as income derived from sources within China and as a result be subject to PRC income tax. If PRC income tax is imposed on gains realized through the transfer of the ADSs of NIP Group Inc. or on dividends paid to our non-resident investors, the value of your investment in the ADSs of NIP Group Inc. may be materially and adversely affected. Furthermore, NIP Group Inc.'s shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under these tax treaties or arrangements.

In addition, pursuant to the Double Tax Avoidance Arrangement between Hong Kong and China, if a Hong Kong resident enterprise owns more than 25% of the equity interest of a PRC company at all times during the twelve-month period immediately prior to obtaining a dividend from such company, the 10% withholding tax on the dividend is reduced to 5%, provided that certain other conditions and requirements are satisfied at the discretion of the PRC tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, issued in 2009 by the State Administration of Taxation, if the competent tax authorities determine, in their discretion, that a company benefits from the reduced income tax rate due to a structure or arrangement that is primarily tax-driven, the competent tax authorities may adjust the preferential tax treatment. If our Hong Kong subsidiary is determined by competent government authorities as receiving benefits from reduced income tax rates due to a structure or arrangement that is primarily tax-driven, the dividends paid by our PRC subsidiary to our Hong Kong subsidiary will be taxed at a higher rate, which will have a material adverse effect on our financial performance.

Our ability to use the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiary in China is subject to PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and relevant laws and regulations relating to currency conversion, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

NIP Group Inc. is an offshore holding company conducting its operations in China through our PRC subsidiaries. NIP Group Inc. may make loans to our PRC subsidiaries, it may make additional capital contributions to our PRC subsidiary, it may establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, or it may acquire offshore entities with business operations in China in an offshore transaction.

Most of these ways are subject to PRC regulations and approvals or registration. For example, loans by us to our wholly-owned PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE. If we decide to finance our wholly-owned PRC subsidiary by means of capital contributions, these capital contributions are subject to registration with the State Administration for Market Regulation (the "SAMR") or its local branch, reporting of foreign investment information with the PRC Ministry of Commerce, or registration with other governmental authorities in China. As it is required that loans in foreign currencies extended to PRC domestic companies should be made in compliance with relevant laws and regulations, we are not likely to make such loans to our PRC domestic subsidiaries. Further, we are not likely to finance the activities of our PRC domestic subsidiaries by means of capital contributions due to relevant regulations relating to foreign investment in PRC domestic enterprises engaged in certain businesses.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, or SAFE Circular 19, effective June 2015, in replacement of the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, the Notice from the State Administration of Foreign Exchange on Relevant Issues Concerning Strengthening the Administration of Foreign Exchange Businesses, and the Circular on Further Clarification and Regulation of the Issues Concerning the Administration of Certain Capital Account Foreign Exchange Businesses. According to SAFE Circular 19, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of banks loans that have been transferred to a third party. SAFE Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within China, while reiterating the principle that RMB

converted from the foreign currency- denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, SAFE may not permit such capital to be used for equity investments in China in actual practice. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or SAFE Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and SAFE Circular 16 could result in administrative penalties. Our ability to transfer any foreign currency we hold, including the net proceeds from this offering, to our PRC subsidiaries is subject to the requirements of SAFE Circular 19 and SAFE Circular 16, which may adversely affect our liquidity and our ability to fund and expand our business in China. On October 25, 2019, SAFE promulgated the Notice for Further Advancing the Facilitation of Cross-border Trade and Investment, or SAFE Circular 28, which, among other things, allows all foreign-invested companies to use Renminbi converted from foreign currency-denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment. However, since SAFE Circular 28 is newly promulgated, it is subject to further implementation in practice.

In light of the various requirements imposed by the PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to future loans to our PRC subsidiaries or future capital contributions by us to our PRC subsidiaries. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries when needed. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we expect to receive from this offering and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Governmental control of currency conversion may limit our ability to utilize our income in foreign currencies effectively, and fluctuations in exchange rates may affect the value of your investment.

The PRC government established specific laws and regulations on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of foreign currencies out of China. We receive a large portion of our income in Renminbi. Under our current corporate structure, our Cayman Islands holding company may rely on dividend payments from our PRC subsidiary to fund any cash and financing requirements payable outside of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of SAFE by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, cash generated from the operations of our PRC subsidiaries in China may be used to pay dividends to our company without prior approval of SAFE. However, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain SAFE approval to use cash generated from the operations of our PRC subsidiaries to pay any debts they may incur in a currency other than Renminbi owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than Renminbi. If we are prevented from obtaining sufficient foreign currencies to satisfy our foreign currency demands, or if our access to foreign currencies for current account transactions is subject to oversight, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of the ADSs.

Recent litigation and negative publicity surrounding China-based companies listed in the United States may negatively impact the trading price of our ADSs.

We believe that recent litigation and negative publicity surrounding companies with operations in China that are listed in the United States have negatively impacted the stock prices of these companies. Certain politicians in the United States have publicly warned investors to avoid China-based companies listed in the United States. The SEC and the PCAOB also issued a joint statement on April 21, 2020, reiterating

the disclosure, financial reporting and other risks involved in the investments in companies that are based in emerging markets as well as the limited remedies available to investors who might take legal action against such companies. Furthermore, various equity-based research organizations have recently published reports on China-based companies after examining their corporate governance practices, related party transactions, sales practices and financial statements, and these reports have led to special investigations and listing suspensions on U.S. national exchanges. Any similar scrutiny on us, regardless of its lack of merit, could cause the market price of our ADSs to fall, divert management resources and energy, cause us to incur expenses in defending ourselves against rumors, and increase the premiums we pay for director and officer insurance.

The Holding Foreign Companies Accountable Act, or the HFCAA, and the related regulations continue to evolve. Further implementations and interpretations of or amendments to the HFCAA or the related regulations, or a PCAOB determination of its lack of sufficient access to inspect our auditor, might pose regulatory risks to and impose restrictions on us because of our operations in mainland China.

On December 18, 2020, the HFCAA was signed into law. The HFCAA has since then been subject to amendments by the U.S. Congress and interpretations and rulemaking by the SEC. On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act (the “AHFCAA”), which proposes to reduce the period of time for foreign companies to comply with PCAOB audits from three to two consecutive years, thus reducing the time period before the securities of such foreign companies may be prohibited from trading or delisted. On December 29, 2022, the AHFCAA was signed into law.

On December 16, 2021, PCAOB announced the PCAOB HFCAA determinations relating to the PCAOB’s inability to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong. The inability of the PCAOB to conduct inspections of auditors in China at that time faltered certain international investors in China-based issuers’ procedures and reported financial information and the quality of financial statements.

Our auditor, Marcum Asia CPAs LLP, the independent registered public accounting firm that issues the audit report included elsewhere in this prospectus, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess our auditor’s compliance with the applicable professional standards. Our auditor is headquartered in Manhattan, New York, and is subject to inspection by the PCAOB on a regular basis with the latest inspection in 2020. As of the date of this prospectus, our auditor is not among the firms listed on the PCAOB Determination List issued in December 2021.

On August 26, 2022, the PCAOB announced and signed a Statement of Protocol (the “Protocol”) with the China Securities Regulatory Commission and the Ministry of Finance of the People’s Republic of China (together, the “PRC Authorities”). The Protocol provides the PCAOB with: (1) sole discretion to select the firms, audit engagements and potential violations it inspects and investigates, without any involvement of Chinese authorities; (2) procedures for PCAOB inspectors and investigators to view complete audit work papers with all information included and for the PCAOB to retain information as needed; (3) direct access to interview and take testimony from all personnel associated with the audits the PCAOB inspects or investigates.

On December 15, 2022, the PCAOB announced in its 2022 HFCAA Determination Report (the “2022 Report”) its determination that the PCAOB was able to secure complete access to inspect and investigate audit firms headquartered in mainland China and Hong Kong in 2022, and the PCAOB Board voted to vacate previous determinations to the contrary. According to the 2022 Report, this determination was reached after the PCAOB had thoroughly tested compliance with every aspect of the Protocol necessary to determine complete access, including on-site inspections and investigations in a manner fully consistent with the PCAOB’s methodology and approach in the U.S. and globally. According to the 2022 Report, the PRC authorities had fully assisted and cooperated with the PCAOB in carrying out the inspections and investigations according to the Protocol, and have agreed to continue to assist the PCAOB’s investigations and inspections in the future. The PCAOB may reassess its determinations and issue new determinations consistent with the HFCAA at any time.

Further developments related to the HFCAA could add uncertainties to our offering. We cannot assure you what further actions the SEC, the PCAOB or the stock exchanges will take to address these issues and what impact such actions will have on U.S. companies that have significant operations in the PRC and have securities listed on a U.S. stock exchange (including a national securities exchange or over-the-counter stock market). In addition, any additional actions, proceedings, or new rules resulting from these efforts to increase U.S. regulatory access to audit information could create uncertainty for investors, the market price of our ordinary shares could be adversely affected, and we could be delisted if we and our auditor are unable to meet the PCAOB inspection requirement. Such a delisting would substantially impair your ability to sell or purchase our ordinary shares when you wish to do so, and would have a negative impact on the price of our shares and ADSs.

Risks Related to Our ADSs and This Offering

An active trading market for our ADSs may not develop and the trading price for our ADSs may fluctuate significantly.

We intend to apply to list the ADSs on the Nasdaq [Stock/Global Select] Market. We have no current intention to seek a listing for our ordinary shares on any stock exchange. Prior to the completion of this offering, there has been no public market for our ADSs or our ordinary shares, and we cannot assure you that a liquid public market for our ADSs will develop or remain sustainable over time. If an active public market for our ADSs does not develop following the completion of this offering, the market price and liquidity of our ADSs may be materially and adversely affected. The initial public offering price for our ADSs is determined by negotiation between us and the underwriters based upon several factors, and we can provide no assurance that the trading price of our ADSs after this offering will not decline below the initial public offering price. As a result, investors in our securities may experience a significant decrease in the value of their ADSs.

The trading price of our ADSs is likely to be volatile, which could result in substantial losses to investors.

The trading price of our ADSs is likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, like the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in the United States. A number of Chinese companies have listed or are in the process of listing their securities on U.S. stock markets. The securities of some of these companies have experienced significant volatility, including price declines in connection with their initial public offerings. The trading performances of these Chinese companies' securities after their offerings may affect the attitudes of investors toward Chinese companies listed in the United States in general and consequently may impact the trading performance of our ADSs, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our ADSs may be highly volatile for factors specific to our own operations, including the following:

- variations in our revenues, earnings and cash flow;
- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;
- announcements of new services and expansions by us or our competitors;
- changes in financial estimates by securities analysts;
- detrimental adverse publicity about us, our services or our industry;
- additions or departures of key personnel;
- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities; and
- potential litigation or regulatory investigations.

Any of these factors may result in large and sudden changes in the volume and price at which our ADSs will trade.

In the past, shareholders of public companies have often brought securities class action suits against those companies following periods of instability in the market price of their securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our ADSs, the market price for our ADSs and trading volume could decline.

The trading market for the ADSs will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade the ADSs, the market price for the ADSs would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for the ADSs to decline.

Substantial future sales or perceived potential sales of the ADSs in the public market could cause the price of the ADSs to decline.

Sales of the ADSs in the public market after this offering, or the perception that these sales could occur, could cause the market price of the ADSs to decline. All ADSs sold in this offering will be freely transferable without restriction or additional registration under the Securities Act. The remaining ordinary shares issued and outstanding after this offering will be available for sale, upon the expiration of the [180-day lock-up period beginning from the date of the final prospectus], subject to volume and other restrictions as applicable provided in Rules 144 and 701 under the Securities Act. Any or all of these shares may be released prior to the expiration of the lock-up period at the discretion of [the representatives of the underwriters] of this offering. To the extent shares are released before the expiration of the lock-up period and sold into the market, the market price of our ADSs could decline.

After completion of this offering, certain holders of our ordinary shares may cause us to register the sale of their shares under the Securities Act, subject to the [180-day lock-up period in connection with this offering]. Registration of these shares under the Securities Act would result in ADSs representing these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of such registration. Sales of these registered shares in the form of ADSs in the public market could cause the price of our ADSs to decline.

There can be no assurance that we will not be a passive foreign investment company, or PFIC, for United States federal income tax purposes for any taxable year, which could subject United States investors in our ADSs or ordinary shares to significant adverse United States income tax consequences.

In connection with this offering, we are evaluating whether we will be classified as a "passive foreign investment company" ("PFIC") for U.S. federal income tax purposes.

A non-U.S. corporation, such as our company, will be classified as a PFIC for U.S. federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of "passive" income (the "income test") or (ii) 50% or more of the value of its assets (generally determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held to produce passive income (the "asset test"). For purposes of the asset test, any cash and assets readily convertible into cash are categorized as passive assets, and the company's goodwill and other unbooked intangibles should be treated as an active asset to the extent associated with activities that produce or intended to produce active income. In determining the average percentage value of our gross assets, the aggregate value of our assets will generally be deemed to be equal to our market capitalization (determined by the sum of the aggregate value of our outstanding equity) plus our liabilities. [Based on our historical, current and projected income and assets, including the expected cash proceeds from this offering, and projections as to the value of our assets, taking into account the projected market value of our ADSs following this offering, we

do not expect to be a PFIC for the current taxable year or in the foreseeable future. However, while we do not expect to be or become a PFIC, no assurance can be given in this regard because the determination of whether we will be or become a PFIC for any taxable year is a fact intensive determination made annually after the close of each taxable year that depends, in part, upon the composition and classification of our income and assets.]

If we were treated as a PFIC for any taxable year, then U.S. investors could be subject to adverse U.S. federal income tax consequences (regardless of whether we continue to be a PFIC), including increased tax liability on disposition gains and certain “excess distributions” and additional reporting requirements. See “Taxation — United States Federal Income Tax Considerations — Passive Foreign Investment Company Rules” for further information. U.S. investors should consult their tax advisers regarding our PFIC status for any taxable year and the potential application of the PFIC rules to an investment in our ADSs or ordinary shares including the availability and the advisability of making certain elections under the PFIC rules.

You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by, among other things, our memorandum and articles of association, the Companies Act (as revised) of the Cayman Islands (the “Companies Act”) and the common law of the Cayman Islands. The rights of shareholders to take action against our directors, actions by our minority shareholders and the fiduciary duties of our directors to us under the Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, the Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

Shareholders of Cayman Islands exempted companies like us have no general rights under the Cayman Islands laws to inspect corporate records (other than the memorandum and articles of association and any special resolutions passed by such companies, and the registers of mortgages and charges of such companies) or to obtain copies of lists of shareholders of these companies. Under Cayman Islands law, the names of our current directors (without any other information on their directorships) can be obtained from a search conducted at the Registrar of Companies. Our directors have discretion under our post-offering memorandum and articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from requirements for companies incorporated in other jurisdictions such as the United States. We may in the future rely on home country practice with respect to our corporate governance after we complete this offering. If we choose to follow home country practice in the future, our shareholders may be afforded less protection than they otherwise would under rules and regulations applicable to U.S. domestic issuers.

As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by our management, members of our board of directors or our controlling shareholders than they would as public shareholders of a company incorporated in the United States. For a discussion of significant differences between the provisions of the Companies Act and the laws applicable to companies incorporated in the United States and their shareholders, see “Description of Share Capital — Differences in Corporate Law.”

Certain judgments obtained against us in the United States by our shareholders may not be enforceable in other jurisdictions.

We are a Cayman Islands exempted company and substantially all of our assets are located outside of the United States. A large portion of our current operations are conducted through our PRC subsidiaries in China. In addition, our current directors and officers are nationals and residents of countries other than the United States. Substantially all of the assets of these persons are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands, Sweden and China may render you unable to enforce a judgment against our assets or the assets of our directors and officers. For more information regarding the relevant laws of the Cayman Islands, China and Sweden, see “Enforceability of Civil Liabilities.”

We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to United States domestic public companies.

Because we are a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

- the rules under the Exchange Act requiring the filing of quarterly reports on Form 10-Q or current reports on Form 8-K with the SEC;
- the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We will be required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis through press releases, distributed pursuant to the rules and regulations of the Nasdaq [Stock/Global Select] Market. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely than that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information that would be made available to you were you investing in a U.S. domestic issuer.

We may face securities class action lawsuits.

Class actions are not recognized in the Cayman Islands, but groups of shareholders with identical interests may bring representative proceedings, which are similar. However, a class action suit could nonetheless be brought in a U.S. court pursuant to an alleged violation of U.S. securities laws and regulations. In the past, shareholders of public companies have often brought securities class action suits against those companies following periods of instability in the market price of their securities. If we were involved in a class action suit, it could divert a significant amount of our management’s attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

We will incur increased costs as a result of being public.

After consummation of this offering, we expect to incur significant legal, accounting and other expenses that we would not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and the Nasdaq [Stock/Global Select] Market, impose various

requirements on the corporate governance practices of public companies. As a company with less than US\$1.235 billion in revenues for our last fiscal year, we qualify as an “emerging growth company” pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002 in the assessment of the emerging growth company’s internal control over financial reporting and permission to delay adopting new or revised accounting standards until such time as those standards apply to private companies.

We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly. After we become no longer an “emerging growth company,” we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC. For example, as a result of becoming a public company [in the United States], we need to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. We also expect that operating as a public company [in the United States] will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we will incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the Nasdaq corporate governance listing standards; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the Nasdaq corporate governance listing standards.

As a Cayman Islands exempted company listed on the Nasdaq [Stock/Global Select] Market, we are subject to the Nasdaq corporate governance listing standards. However, the Nasdaq rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the Nasdaq corporate governance listing standards.

We are permitted to elect to rely on home country practice to be exempted from the corporate governance requirements. Currently, we do not plan to rely on home country practices with respect to our corporate governance after we complete this offering. However, if we choose to follow home country practices in the future, our shareholders may be afforded less protection than they would otherwise enjoy under the Nasdaq corporate governance listing standards applicable to U.S. domestic issuers.

We currently do not expect to pay dividends in the foreseeable future after this offering and you must rely on price appreciation of our ADSs for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings after this offering to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our ADSs as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed

relevant by our board of directors. Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value after this offering or even maintain the price at which you purchased. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

Because our initial public offering price is substantially higher than our net tangible book value per share, you will experience immediate and substantial dilution.

If you purchase the ADSs in this offering, you will pay more on the underlying ordinary shares than the amount paid by our existing shareholders for their ordinary shares on a per share basis. As a result, you will experience immediate and substantial dilution, representing the difference between the initial public offering price of per underlying ordinary share, and our adjusted net tangible book value per ordinary share, after giving effect to our sale of the ADSs and the underlying ordinary shares offered in this offering. In addition, you may experience further dilution to the extent that our underlying ordinary shares are issued upon the exercise of share options. See “Dilution” for a more complete description of how the value of your investment in the underlying ordinary shares will be diluted upon completion of this offering.

We have not determined a specific use for a portion of the net proceeds from this offering and we may use these proceeds in ways with which you may not agree.

We have not determined a specific use for a portion of the net proceeds of this offering, and our management will have considerable discretion in deciding how to apply these proceeds. You will not have the opportunity to assess whether the proceeds are being used appropriately before you make your investment decision. You must rely on the judgment of our management regarding the application of the net proceeds of this offering. Our management has discretion over the use of proceeds we receive from this offering, and we could spend the proceeds we receive from this offering in ways that do not yield a favorable return, or no return at all. Our actual use of these proceeds may differ substantially from our plans, if any, in the future. We cannot assure you that the net proceeds will be used in a manner that would improve our results of operations or increase our share price, nor that these net proceeds will be placed only in investments that generate income or appreciate in value.

The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to vote the underlying ordinary shares.

Except as described in this prospectus and in the deposit agreement, holders of our ADSs are not able to exercise voting rights attaching to the ordinary shares evidenced by our ADSs on an individual basis.

Holders of our ADSs will appoint the depositary or its nominee as their representative to exercise the voting rights attaching to the underlying ordinary shares represented by the ADSs. Otherwise, you will not be able to exercise your right to vote unless you withdraw the underlying ordinary shares represented by the ADSs. However, you may not know of the meeting sufficiently in advance to withdraw the ordinary shares. If we ask for instructions from ADS holders, the depositary will notify you of the upcoming vote and arrange to deliver our voting materials to you. We cannot assure you that you will receive voting materials in time to instruct the depositary to vote, and it is possible that you, including persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote. The deposit agreement provides that if the depositary does not timely receive valid voting instructions from the ADS holders, then the depositary will, with certain limited exceptions, give a discretionary proxy to a person designated by us to vote such shares.

In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to vote and you may have no legal remedy if the shares underlying your ADSs are not voted as you requested. Furthermore, as a Cayman Islands exempted company, we are not obliged by the Companies Act (As Revised) of the Cayman Islands to call shareholders’ annual general meetings, and in your capacity as an ADS holder, you will not have any rights to call or requisition a shareholders’ meeting.

We are an emerging growth company within the meaning of the Securities Act and may take advantage of certain reduced reporting requirements.

As a company with less than US\$1.235 billion in revenues for our last fiscal year, we qualify as an “emerging growth company” pursuant to the JOBS Act. Therefore, we have elected to take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies and acknowledge such election is irrevocable pursuant to Section 107 of the JOBS Act. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, in the assessment of the emerging growth company’s internal control over financial reporting and permission to delay adopting new or revised accounting standards until such time as those standards apply to private companies. As a result, if we elect not to comply with such reporting and other requirements, in particular the auditor attestation requirements, our investors may not have access to certain information they may deem important.

The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. We have elected to take advantage of the extended transition period for complying with new or revised accounting standards until those standards would otherwise apply to private companies. As a result, our results of operations and financial statements may not be comparable to the results of operations and financial statements of other companies that have adopted the new or revised accounting standards. If we cease to be an emerging growth company, we will no longer be able to take advantage of these exemptions or the extended transition period for complying with new or revised accounting standards.

The depositary for our ADSs will give us a discretionary proxy to vote our ordinary shares underlying your ADSs if you do not timely provide voting instructions to the depositary in accordance with the deposit agreement, except in limited circumstances, which could adversely affect your interests.

Under the deposit agreement for our ADSs, the depositary will give us (or our nominee) a discretionary proxy to vote the underlying ordinary shares represented by the ADSs at shareholders’ meetings if the holders of ADSs do not give voting instructions to the depositary as to how to vote the underlying ordinary shares represented by their ADSs at a meeting and as to a matter, if:

- we gave the depositary timely notice of the meeting and related voting materials;
- we confirmed to the depositary that we wish a discretionary proxy to be given;
- we confirmed to the depositary that we reasonably do not know of any substantial opposition as to a matter to be voted on at the meeting; and
- we have confirmed to the depositary that the matter voted will not have material adverse impact on shareholders.

The effect of this discretionary proxy is that, if the holders of ADSs fail to give voting instructions to the depositary as to how to vote the underlying ordinary shares represented by their ADSs at any particular shareholders’ meeting, they cannot prevent such underlying ordinary shares represented by their ADSs from being voted at that meeting, provided the other conditions described above are satisfied, and it may make it more difficult for shareholders to influence our management. Holders of our ordinary shares are not subject to this discretionary proxy.

ADS holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiff(s) in any such action.

The deposit agreement governing the ADSs representing our ordinary shares provides that, to the fullest extent permitted by law, ADS holders waive the right to a jury trial of any claim they may have against us or the depositary arising out of or relating to our shares, the ADSs or the deposit agreement, including any claim under the U.S. federal securities laws.

If we or the depositary opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable based on the facts and circumstances of that case in accordance with

the applicable state and federal law. To our knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by the United States Supreme Court. However, we believe that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of New York, which govern the deposit agreement, by a federal or state court in the City of New York, which has nonexclusive jurisdiction over matters arising under the deposit agreement. In determining whether to enforce a contractual pre-dispute jury trial waiver provision, courts will generally consider whether a party knowingly, intelligently and voluntarily waived the right to a jury trial. We believe that this is the case with respect to the deposit agreement and the ADSs. It is advisable that holders of ADSs consult legal counsel regarding the jury waiver provision before entering into the deposit agreement.

If any holders or beneficial owners of ADSs bring a claim against us or the depositary in connection with matters arising under the deposit agreement or the ADSs, including claims under federal securities laws, such holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us or the depositary. If a lawsuit is brought against us or the depositary under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have had, including results that could be less favorable to the plaintiff(s) in any such action.

Nevertheless, if this jury trial waiver provision is not permitted by applicable law, an action could proceed under the terms of the deposit agreement with a jury trial. No condition, stipulation or provision of the deposit agreement or ADSs serves as a waiver by any holder or beneficial owner of ADSs or by us or the depositary of compliance with any substantive provision of the U.S. federal securities laws and the rules and regulations promulgated thereunder.

You may not receive dividends or other distributions on our ordinary shares and you may not receive any value for them, if it is illegal or impractical to make them available to you.

The depositary has agreed to pay to ADS holders the cash dividends or other distributions it or the custodian receives on our ordinary shares or other deposited securities underlying our ADSs, after deducting its fees and expenses. ADS holders will receive these distributions in proportion to the number of ordinary shares the ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed under an applicable exemption from registration. The depositary may also determine that it is not feasible to distribute certain property. Additionally, the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may determine not to distribute such property. We have no obligation to register under U.S. securities laws any ADSs, ordinary shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, ordinary shares, rights or anything else to holders of ADSs. This means that ADS holders may not receive distributions we make on our ordinary shares or any value for them if it is illegal or impractical for us to make them available to them. These restrictions may cause a material decline in the value of our ADSs.

[The post-offering memorandum and articles of association that will become effective immediately prior to the completion of this offering will contain anti-takeover provisions that could discourage a third party from acquiring us and adversely affect the rights of holders of our ordinary shares and the ADSs.]

We will adopt a sixth amended and restated memorandum and articles of association that will become effective immediately prior to the completion of this offering, which we refer to as the post-offering memorandum and articles of association. Our post-offering memorandum and articles of association will contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change of control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. Our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more

series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares, in the form of ADS or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of the ADSs may fall and the voting and other rights of the holders of our ordinary shares and ADSs may be materially and adversely affected.]

You may experience dilution of your holdings due to inability to participate in rights offerings.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depositary will not distribute rights to holders of ADSs unless we indicate that we wish such rights to be made available to holders of ADSs and the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs or are registered under the provisions of the Securities Act. The depositary may, but is not required to, attempt to sell these undistributed rights to third parties, and may allow the rights to lapse. We may be unable to establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

You may be subject to limitations on transfer of your ADSs.

Our ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that reflect our current expectations and views of future events. The forward-looking statements are contained principally in the sections entitled “Prospectus Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.” Known and unknown risks, uncertainties and other factors, including those listed under “Risk Factors,” may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify some of these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “is/are likely to,” “potential,” “continue” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include statements relating to:

- our mission, goals and strategies;
- our future business development, financial condition and results of operations;
- the expected growth of the esports industry in China;
- our expectations regarding the prospects of our business model and the demand for and market acceptance of our products and services;
- our expectations regarding maintaining and strengthening our relationships with game developers and publishers, esports viewers, esports athletes, brands and sponsors, online entertainers, live streaming and other distribution platforms as well as other stakeholders;
- competition in our industry;
- our proposed use of proceeds from this offering;
- relevant government policies and regulations relating to our industry;
- general economic and business conditions in the regions where we operate, and globally; and
- assumptions underlying or related to any of the foregoing.

These forward-looking statements involve various risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results could be materially different from our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in “Prospectus Summary — Our Strategies,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business,” “Regulation” and other sections in this prospectus. You should read thoroughly this prospectus and the documents that we refer to with the understanding that our actual future results may be materially different from and worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements.

This prospectus contains certain data and information that we obtained from various government and private publications. Statistical data in these publications also include projections based on a number of assumptions. Our industry may not grow at the rate projected by market data, or at all. Failure of this market to grow at the projected rate may have a material and adverse effect on our business and the market price of the ADSs. In addition, the rapidly evolving nature of this industry results in significant uncertainties for any projections or estimates relating to the growth prospects or future condition of our market. Furthermore, if any one or more of the assumptions underlying the market data are later found to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this prospectus and the documents that we refer to in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect.

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately US\$, or approximately US\$ if the underwriters exercise their option to purchase additional ADSs in full, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us. These estimates are based upon an assumed initial public offering price of US\$ per ADS, which is the midpoint of the price range shown on the front page of this prospectus. A US\$1.00 increase (decrease) in the assumed initial public offering price of US\$ per ADS would increase (decrease) the net proceeds to us from this offering by US\$, assuming the number of ADSs offered by us, as set forth on the front cover of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us.

The primary purposes of this offering are to create a public market for our shares for the benefit of all shareholders, retain talented employees by providing them with equity incentives, and obtain additional capital. We plan to use the net proceeds of this offering as follows:

- approximately for expanding the presence of our esports teams and our talent management and event production capabilities;
- approximately for the marketing and growth of our fan base, including marketing and promotional campaigns and events to enhance our brand gravity, grow our fan base and enhance fan engagement;
- approximately for potential strategic acquisition and investment opportunities to supplement our organic growth; and
- the balance for working capital and other general corporate purposes.

The foregoing represents our current intentions based upon our present plans and business conditions to use and allocate the net proceeds of this offering. Our management, however, will have significant flexibility and discretion to apply the net proceeds of this offering. If an unforeseen event occurs or business conditions change, we may use the proceeds of this offering differently than as described in this prospectus. See “Risk Factors — Risks Related to Our ADSs and This Offering — We have not determined a specific use for a portion of the net proceeds from this offering and we may use these proceeds in ways with which you may not agree.”

Pending any use described above, we plan to invest the net proceeds in short-term, interest-bearing, debt instruments or demand deposits.

In using the proceeds of this offering, we are permitted under applicable laws and regulations as an offshore holding company to provide funding to our PRC subsidiaries only through loans or capital contributions, subject to satisfaction of applicable government registration and approval requirements. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, or at all. See “Risk Factors — Risks Related to Doing Business in China — Our ability to use the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiary in China is subject to PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and relevant laws and regulations relating to currency conversion, which could materially and adversely affect our liquidity and our ability to fund and expand our business.”

[We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.]

DIVIDEND POLICY

Our board of directors has discretion on whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. In either case, all dividends are subject to certain restrictions under Cayman Islands law, namely that our company may only pay dividends out of profits or share premium, and provided always that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business. Even if we decide to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

We do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future after this offering. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We may rely on dividends from our subsidiaries in China for our cash requirements, including any payment of dividends to our shareholders. Applicable regulations may restrict the ability of our PRC subsidiary to pay dividends to us.

If we pay any dividends on our ordinary shares, we will pay those dividends which are payable in respect of the underlying ordinary shares represented by the ADSs to the depository, as the registered holder of such ordinary shares, and the depository then will pay such amounts to the ADS holders in proportion to the underlying ordinary shares represented by the ADSs held by such ADS holders, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See “Description of American Depositary Shares.” Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2022:

- on an actual basis; and
- on a as adjusted basis to reflect the issuance and sale of ordinary shares in the form of ADSs by us in this offering at an assumed initial public offering price of US\$ per ADS, the midpoint of the estimated range of the initial public offering price shown on the front cover of this prospectus, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, assuming the underwriters do not exercise their option to purchase additional ADSs.

You should read this table together with our consolidated financial statements and the related notes included elsewhere in this prospectus and the information under “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

	As of December 31, 2022	
	Actual	As Adjusted ⁽¹⁾
	(unaudited)	
	(in thousands, except for share and per share data)	
	US\$	US\$
Short-term borrowings:	6,423	
Mezzanine equity:		
Class A redeemable preferred shares (US\$ 0.0001 par value; 23,366,775 and 23,366,775 shares authorized as of December 31, 2021 and 2022, respectively, 23,366,775 and 23,366,775 shares issued and outstanding as of December 31, 2021 and 2022, respectively)	97,400	
Class B redeemable preferred shares (US\$0.0001 par value; nil and 8,126,477 shares authorized as of December 31, 2021 and 2022, respectively, nil and 2,547,488 issued and outstanding as of December 31, 2021 and 2022, respectively)	16,063	
Shareholders’ (deficit) equity:		
Ordinary shares (US\$0.0001 par value; 476,633,225 and 468,506,748 shares authorized as of December 31, 2021 and 2022, respectively, 28,334,164 and 31,844,802 shares issued and outstanding as of December 31, 2021 and 2022, respectively)	3	
Subscription receivable	(1)	
Additional paid-in capital ⁽²⁾	—	
Statutory reserve	72	
Accumulated other comprehensive income	172	
Accumulated deficit	(29,253)	
Total shareholders’ equity⁽²⁾	(29,006)	
Total capitalization⁽²⁾	90,880	

(1) The as adjusted information discussed above is illustrative only. Our additional paid-in capital, accumulative deficit, accumulative other comprehensive income, total shareholder’s deficit and total capitalization following the completion of this offering are subject to adjustment based on the actual initial public offering price and other terms of this offering determined at pricing.

(2) Total capitalization equals the sum of short-term borrowings, mezzanine equity and shareholders’ (deficit) equity.

DILUTION

If you invest in the ADSs, your interest will be diluted to the extent of the difference between the initial public offering price per ADS and our net tangible book value per ADS after this offering. Dilution results from the fact that the initial public offering price per ordinary share is substantially in excess of the book value per ordinary share attributable to the existing shareholders for our presently outstanding ordinary shares.

Our net tangible book value as of December 31, 2022 was approximately negative US\$5.8 million, or negative US\$0.18 per ordinary share as of that date and US\$ per ADS. Net tangible book value represents the amount of our total consolidated tangible assets, less the amount of our total consolidated liabilities. Dilution is determined by subtracting net tangible book value per ordinary share, after giving effect to the additional proceeds we will receive from this offering, from the assumed initial public offering price of US\$ per ordinary share, which is the midpoint of the estimated initial public offering price range set forth on the front cover of this prospectus adjusted to reflect the ADS-to-ordinary share ratio, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

Without taking into account any other changes in pro forma net tangible book value after December 31, 2022, other than to give effect to our sale of the ADSs offered in this offering at the assumed initial public offering price of US\$ per ADS, which is the midpoint of the estimated initial public offering price range, after deduction of the underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of December 31, 2022 would have been US\$, or US\$ per ordinary share and US\$ per ADS. This represents an immediate increase in net tangible book value of US\$ per ordinary share and US\$ per ADS to the existing shareholders and an immediate dilution in net tangible book value of US\$ per ordinary share and US\$ per ADS to investors purchasing ADSs in this offering. The following table illustrates such dilution:

	Per Ordinary Share	Per ADS
Assumed initial public offering price	US\$	US\$
Net tangible book value as of December 31, 2022	US\$(0.18)	US\$
Pro forma net tangible book value after giving effect to the conversion of our preferred shares	US\$	US\$
Pro forma as adjusted net tangible book value after giving effect to the conversion of our preferred shares and this offering	US\$	US\$
Amount of dilution in net tangible book value to new investors in this offering	US\$	US\$

A US\$1.00 increase (decrease) in the assumed initial public offering price of US\$ per ADS would increase (decrease) our pro forma as adjusted net tangible book value after giving effect to this offering by US\$, the pro forma as adjusted net tangible book value per ordinary share and per ADS after giving effect to this offering by US\$ per ordinary share and US\$ per ADS, and the dilution in pro forma as adjusted net tangible book value per ordinary share and per ADS to new investors in this offering by US\$ per ordinary share and US\$ per ADS, assuming no change to the number of ADSs offered by us as set forth on the front cover of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The following table summarizes, on a pro forma as adjusted basis as of December 31, 2022, the differences between existing shareholders and the new investors with respect to the number of ordinary shares (in the form of ADSs or shares) purchased from us, the total consideration paid and the average price per ordinary share and per ADS paid before deducting the underwriting discounts and commissions and estimated offering expenses payable by us. The total number of ordinary shares does not include ordinary shares underlying the ADSs issuable upon the exercise of the option to purchase additional ADSs granted to the underwriters.

	Ordinary Shares Purchased		Total Consideration		Average Price Per Ordinary Share	Average Price Per ADS
	Number	Percent	Amount (in US\$ thousands)	Percent		
Existing shareholders			US\$	%	US\$	US\$
New investors			US\$	%	US\$	US\$
Total			US\$	100.0%		

The pro forma as adjusted information discussed above is illustrative only. Our net tangible book value following the completion of this offering is subject to adjustment based on the actual initial public offering price of the ADSs and other terms of this offering determined at pricing.

The discussion and tables above assume no exercise of options outstanding as of the date of this prospectus. As of the date of this prospectus, we do not have any outstanding options.

ENFORCEABILITY OF CIVIL LIABILITIES

We are incorporated under the laws of the Cayman Islands as an exempted company with limited liability. We are incorporated in the Cayman Islands to take advantage of certain benefits associated with being a Cayman Islands exempted company, such as:

- political and economic stability;
- an effective judicial system;
- a favorable tax system;
- the absence of exchange control or currency restrictions; and
- the availability of professional and support services.

However, certain disadvantages accompany incorporation in the Cayman Islands. These disadvantages include but are not limited to:

- the Cayman Islands has a less developed body of securities laws as compared to the United States and these securities laws provide significantly less protection to investors as compared to the United States; and
- Cayman Islands companies may not have standing to sue before the federal courts of the United States.

Our constituent documents do not contain provisions requiring that disputes, including those arising under the securities laws of the United States, between us, our officers, directors and shareholders, be arbitrated.

Most of our operations are conducted in Sweden and China, and substantially all of our assets are located in Sweden and China. Most of our directors and executive officers are nationals or residents of jurisdictions other than the United States and most of their assets are located outside the United States. As a result, it may be difficult for a shareholder to effect service of process within the United States upon these individuals, or to bring an action against us or these individuals in the United States, or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States.

We have appointed _____, _____, as our agent upon whom process may be served in any action brought against us under the securities laws of the United States.

We have been informed by Carey Olsen Singapore LLP, our counsel as to Cayman Islands law, that there is uncertainty as to whether the courts of the Cayman Islands would (i) recognize or enforce judgments of U.S. courts obtained against us or our directors or officers that are predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States, or (ii) entertain original actions brought in the Cayman Islands against us or our directors or officers that are predicated upon the securities laws of the United States or any state in the United States. We have also been advised by Carey Olsen Singapore LLP that although there is no statutory enforcement in the Cayman Islands of judgments obtained in a U.S. court (and the Cayman Islands are not a party to any treaties for the reciprocal enforcement or recognition of such judgments), the courts of the Cayman Islands will, at common law, recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without any re-examination of the merits of the underlying dispute based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the liquidated sum for which such judgment has been given, provided such judgment (i) is given by a foreign court of competent jurisdiction, (ii) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given, (iii) is final and conclusive, (iv) is not in respect of taxes, a fine or a penalty, and (v) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

However, the Cayman Islands courts are unlikely to enforce a judgment obtained from the United States courts under the civil liability provisions of the securities laws if such judgment is determined by the courts

of the Cayman Islands to give rise to obligations to make payments that are penal or punitive in nature. A Cayman Islands court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

CM Law Firm, our counsel as to PRC law, has advised us that there is uncertainty as to whether the courts of China would:

- recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or
- entertain original actions brought in each respective jurisdiction against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

CM Law Firm has further advised us that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law and other applicable laws and regulations based either on treaties between China and the country where the judgment is made or on principles of reciprocity arrangement between jurisdictions. China does not have any treaties or other form of reciprocity with the United States or the Cayman Islands that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States or in the Cayman Islands. Under the PRC Civil Procedures Law, foreign shareholders may originate actions based on PRC law against a company in China for disputes if they can establish sufficient nexus to the PRC for a PRC court to have jurisdiction, and meet other procedural requirements, including, among others, the plaintiff must have a direct interest in the case, and there must be a concrete claim, a factual basis and a cause for the suit. It will be, however, difficult for U.S. shareholders to originate actions against us in the PRC in accordance with PRC laws because we are incorporated under the laws of the Cayman Islands and it will be difficult for U.S. shareholders, by virtue only of holding the ADSs or ordinary shares, to establish a connection to the PRC for a PRC court to have jurisdiction as required under the PRC Civil Procedures Law.

We have been informed by Baker & McKenzie Advokatbyrå KB, our counsel as to Swedish law, that the issue of enforcement and recognition of foreign judgments is exhaustively governed in statutory law and that Swedish courts and judicial agencies may not enforce a foreign judgment without statutory provisions allowing them to. As of the date of this prospectus, judgments of courts in the United States cannot be recognized or enforced in Sweden. This means that the obligations concerned in any such judgments would have to be re-litigated before a Swedish court, which includes the Swedish court ruling on the merits. In such case the judgment from the United States is based on a choice of law agreement, Swedish courts will generally give deference to it, as per Swedish case law. Such deference is contingent on the judgment being the result of proceedings that meet minimum legal certainty and due process requirements.

Baker & McKenzie Advokatbyrå KB has further informed us that Sweden is a contracting state to, and has incorporated, the Convention of June 30, 2005 on Choice of Court Agreements. The convention allows Swedish courts to recognize and enforce foreign judgments where the foreign court was designated as the proper venue by virtue of a choice of court agreement between the parties and also is a court of another contracting state. In such case the United States, that is a signatory to the aforementioned convention, would ratify it, Swedish courts would recognize and enforce judgments from courts in the United States that have been chosen as proper venue by the parties. The same applies for the Convention of July 2, 2019 on the Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters, which Sweden has acceded to and adopted through the European Union. Under said convention, money judgments are generally eligible for recognition and enforcement, but with some exceptions such as judgments concerning intellectual property.

Judgment of United States courts will not be directly enforced in Hong Kong. There are currently no treaties or other arrangements providing for reciprocal enforcement of foreign judgments between Hong Kong and the United States. However, subject to certain conditions, including but not limited to when the

judgment is for a liquidated amount in a civil matter and not in respect of taxes, fines, penalties or similar charges, the judgment is final and conclusive and has not been stayed or satisfied in full, the proceedings in which the judgment was obtained were not contrary to natural justice and the enforcement of the judgment is not contrary to public policy of Hong Kong, Hong Kong courts may accept such judgment obtained from a United States court as a debt due under the rules of common law enforcement. However, a separate legal action for debt must be commenced in Hong Kong in order to recover such debt from the judgment debtor.

CORPORATE HISTORY AND STRUCTURE

Corporate History

In June 2016, Mr. Liwei “xiaOt” Sun, our director and president, founded Wuhan Xingjingweiwu Culture & Sports Development Co., Ltd. (formerly known as Shanghai Xingao Culture Communications Co., Ltd.), or Wuhan ESVF, and commenced our esports team operations in China. In December 2018, Shenzhen Weiwu Esports Internet Technology Co., Ltd., or Shenzhen VF, was established by Mr. Mario Yau Kwan Ho, our co-chief executive officer, and was later merged with Wuhan ESVF in March 2021 with Shenzhen VF becoming a wholly-owned subsidiary of Wuhan ESVF.

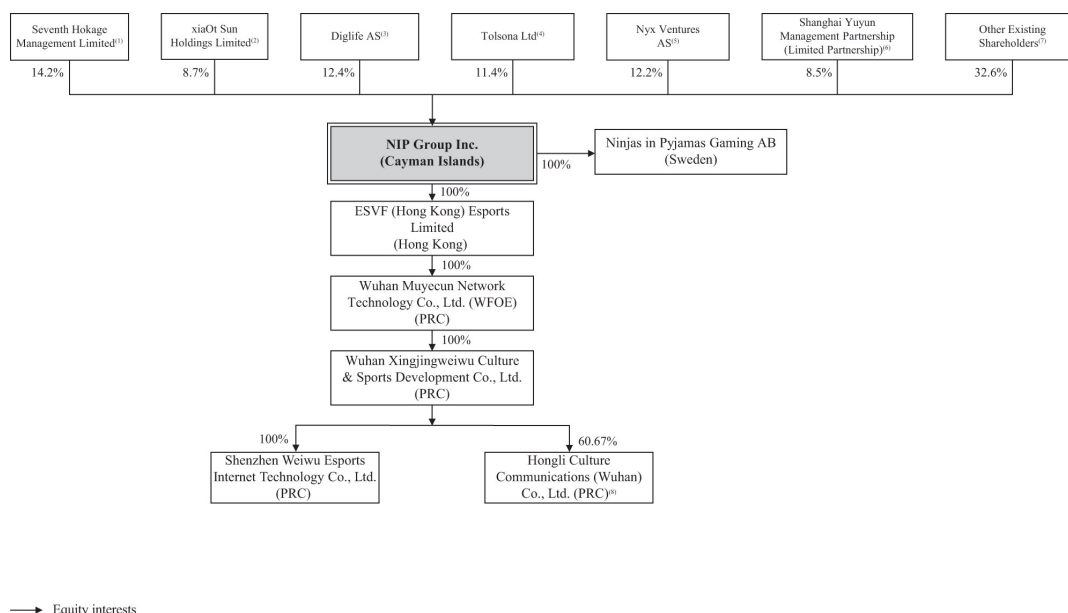
NIP Group Inc., formerly known as ESVF Esports Group Inc., was incorporated as an exempted company with limited liability in the Cayman Islands as our holding company on February 5, 2021. We changed our name from ESVF Esports Inc. to our current name, NIP Group Inc., in March 2023.

In March 2021, we established a wholly-owned subsidiary in Hong Kong, namely, ESVF (Hong Kong) Esports Limited, or Hong Kong ESVF, which is our intermediary holding company in Hong Kong. In July 2021, Hong Kong ESVF established a wholly-owned subsidiary, Wuhan Muyecun Network Technology Co., Ltd., or Wuhan Muyecun, as the holding company of our business in China. Wuhan Muyecun then gained control over Wuhan ESVF by entering into a series of contractual arrangements with Wuhan ESVF and its shareholders. We have completed the Restructuring in June 2023, and in connection therewith, our WFOE, Wuhan ESVF and shareholders of Wuhan ESVF entered into a VIE Termination Agreement, pursuant to which, the VIE Agreements were terminated with immediate effect. See “Prospectus Summary — Our Corporate Structure.”

In January 2023, we completed the merger between NIP Group Inc. and Ninjas in Pyjamas Gaming AB, a Swedish public limited liability company incorporated in January 2014 with a brand history of more than 20 years since 2000 in the esports industry. The merger was completed through a series of share swap transactions, with Ninjas in Pyjamas Gaming AB becoming a wholly-owned subsidiary of NIP Group Inc. upon completion of the transactions, marking our global operation under the name of NIP Group Inc.

Our Corporate Structure

The following diagram illustrates our corporate structure, including the names, places of incorporation and the proportion of ownership interests in our subsidiary and VIE as of the date of this prospectus.



Notes:

- (1) Seventh Hokage Management Limited (formerly known as Mario Ho Holdings Limited), a limited liability company established in the British Virgin Islands, which is wholly owned by Mr. Mario Yau Kwan Ho.
- (2) xiaOt Sun Holdings Limited, a limited liability company established in the British Virgin Islands, which is wholly owned by Mr. Liwei “xiaOt” Sun.
- (3) Diglife AS, a company registered under the laws of Norway, which is 95.61% owned by Mr. Hicham Chahine.
- (4) Tolsona Ltd., a company incorporated in the Republic of Cyprus, which is wholly owned by Mr. Felix Granander.
- (5) Nyx Ventures AS, a company registered under the laws of Norway, which is wholly owned by Mr. Thomas Neslein.
- (6) Shanghai Yuyun Management Partnership (Limited Partnership) is a PRC limited partnership. The general partner of Shanghai Yuyun Management Partnership (Limited Partnership) is Wuhan Donghu Lvxin Garden Co. Ltd., a company wholly owned by Wuhan Jinlv Construction Investment (Group) Co. Ltd., which is directly wholly owned by Wuhan Tourism and Sports Group. Wuhan Tourism and Sports Group is indirectly wholly owned by the Wuhan State-owned Assets Supervision and Administration Commission, or Wuhan SASAC, a sub-department of Wuhan municipal government.
- (7) Consisting of 21 shareholders including the Company’s share incentive platform. None of the 21 shareholders is known to us to beneficially own 5% or more of our shares.
- (8) Mr. Lei Zhang, our director, holds 32.67% of the equity interest in Hongli Culture Communications (Wuhan) Co., Ltd.; Wuhan Optics Valley Talent Venture Capital Partnership (limited partnership) holds 6.66% of the equity interest in Hongli Culture Communications (Wuhan) Co., Ltd.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**Introduction**

The following unaudited pro forma condensed combined statement of comprehensive profit or loss for the years ended December 31, 2021 and 2022 is based on the Company's historical consolidated statement of comprehensive loss and Ninjas in Pyjamas' historical statement of comprehensive income as adjusted to give effect to the completion of the acquisition of Ninjas in Pyjamas on January 10, 2023. The unaudited pro forma condensed combined statement of comprehensive loss for the years ended December 31, 2021 and 2022 gives effect to the acquisition of Ninjas in Pyjamas as if it had occurred on January 1, 2021.

The unaudited pro forma condensed combined financial statements present the combination of certain financial information of NIP Group Inc. and Ninjas in Pyjamas, adjusted to give effect to the Business Combination. The following unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X as amended by the final rule, Release No. 33-10786 "Amendments to Financial Disclosures about Acquired and Disposed Businesses."

The unaudited pro forma condensed combined statement of financial position as of December 31, 2021 and 2022 combines the consolidated historical statements of financial position of Ninjas in Pyjamas and the historical balance sheet of NIP Group Inc. on a pro forma basis as if the Business Combination had been consummated on December 31, 2021.

The unaudited pro forma condensed combined statement of operations for the years ended December 31, 2021 and 2022 combines the consolidated historical statement of operations of Ninjas in Pyjamas and NIP Group Inc. for such periods on a pro forma basis as if the Business Combination had been consummated on January 1, 2021.

The unaudited pro forma condensed combined financial information does not necessarily reflect what the combined company's results of operations would have been had the acquisition occurred on the date indicated. It also may not be useful in predicting the future financial condition and results of operations of the combined company. The actual results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors.

The unaudited pro forma adjustments represent the Company's management's estimates based on information available as of the date of the unaudited pro forma condensed combined financial information and is subject to, and may differ materially from, the information presented as additional information becomes available and analyses are performed. The Company's management believes that its assumptions and methodologies provide a reasonable basis for presenting all of the significant effects of the Business Combination based on information available to our management at this time and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma condensed combined financial information. Our historical financial statements and the historical financial statements of Ninjas in Pyjamas are included elsewhere in this prospectus and the unaudited pro forma condensed combined statement of comprehensive loss should be read in conjunction with those financial statements and notes.

Unaudited Pro Forma Combined Statements of Comprehensive Loss

	For the year ended December 31,			
	2022			
	NIP Group Inc. Historical	Ninjas in Pyjamas Historical	Pro Forma Adjustments	Pro Forma Combined
	(US\$ in thousands)			
Net revenue	65,835	7,373	—	73,208
Cost of revenue	(62,093)	(3,657)	—	(65,750)
Gross profit	3,742	3,716	—	7,458
Operating expenses:			—	
Selling and marketing expenses	(5,495)	(1,713)	—	(7,208)
General and administrative expenses	(6,328)	(1,495)	—	(7,823)
Total operating expenses	(11,823)	(3,208)	—	(15,031)
Operating (loss) income	(8,081)	508	—	(7,573)
Other income (loss):				
Other income, net	2,001	(12)	—	1,989
Financial expense, net	(365)	(95)	—	(460)
Total other income (loss), net	1,636	(107)	—	1,529
Income (loss) before income tax benefit	(6,445)	401	—	(6,044)
Income tax benefit (expenses)	139	(145)	—	(6)
Net (loss) income	(6,306)	256	—	(6,050)
Net loss attributable to non-controlling interests	(90)	—	—	(90)
Net (loss) income attributable to NIP Group Inc.'s shareholders	(6,216)	256	—	(5,960)
Preferred shares redemption value accretion	(25,297)	—	—	(25,297)
Net (loss) income attributable to NIP Group Inc.'s shareholders	(31,513)	256	—	(31,257)
Other comprehensive income (loss):				
Foreign currency translation income attributable to non-controlling interest, net of nil tax	2	—	—	2
Foreign currency translation income (loss) attributable to ordinary shareholders, net of nil tax	178	(420)	—	(242)
Total comprehensive loss	(6,126)	(164)	—	(6,290)
Net income per share-basic and diluted	(0.95)	—	—	(0.94)
Net income per share-basic and diluted	33,086	—	—	33,086

	For the year ended December 31,			
	2021			
	NIP Group Inc. Historical	Ninjas in Pyjamas Historical	Pro Forma Adjustments	Pro Forma Combined
	(US\$ in thousands)			
Net revenue	31,802	9,398	—	41,200
Cost of revenue	(32,395)	(3,963)	—	(36,358)
Gross (loss) profit	(593)	5,435	—	4,842
Operating expenses:			—	
Selling and marketing expenses	(2,640)	(1,822)	—	(4,462)
General and administrative expenses	(5,218)	(1,541)	—	(6,759)
Total operating expenses	(7,858)	(3,363)	—	(11,221)
Operating (loss) income	(8,451)	2,072	—	(6,379)
Other income (loss):			—	
Other income, net	898	22	—	920
Financial (expense) income, net	(520)	48	—	(472)
Total other income, net	378	70	—	448
(Loss) income before income tax benefit	(8,073)	2,142	—	(5,931)
Income tax expenses	(66)	(466)	—	(532)
Net (loss) income	(8,139)	1,676	—	(6,463)
Net loss attributable to non-controlling interests	(139)	—	—	(139)
Net (loss) income attributable to NIP Group Inc.'s shareholders	(8,000)	1,676	—	(6,324)
Deemed dividend on modification on preferred shares	(861)	—	—	(861)
Preferred shares redemption value accretion	(17,618)	—	—	(17,618)
Net (loss) income attributable to NIP Group Inc.'s shareholders	(26,479)	1,676	—	(24,803)
Other comprehensive income (loss):				
Foreign currency translation income attributable to non-controlling interest, net of nil tax	283	—	—	283
Foreign currency translation income (loss) attributable to ordinary shareholders, net of nil tax	273	(248)	—	25
Total comprehensive income (loss)	(2,083)	1,428	—	(6,155)
Net income per share-basic and diluted	(0.97)	—	—	(0.91)
Weighted average shares outstanding-basic and diluted	27,195	—	—	27,195

Unaudited Pro Forma Combined Balance Sheet

	As of December 31, 2022			
	NIP Group Inc. Historical	Ninjas in Pyjamas Historical	Pro Forma Adjustments	Pro Forma Combined
	(US\$ in thousands)			
ASSETS				
Current assets:				
Cash and cash equivalents	9,588	1,721	—	11,309
Accounts receivable	14,448	1,879	—	16,327
Advance to suppliers	427	—	—	427
Receivables related to disposal of league tournaments rights	2,627	—	—	2,627
Amounts due from related parties	1,136	—	—	1,136
Prepaid expenses and other current assets, net	4,957	324	—	5,281
Total current assets	33,183	3,924		37,107
Non-current assets:				
Property and equipment, net	2,895	62	—	2,957
Intangible assets, net	65,383	771	—	66,154
Right-of-use assets	1,802	549	—	2,351
Goodwill	29,827	—	—	29,827
Deferred tax assets	6	—	—	6
Other non-current assets	840	—	—	840
Total non-current assets	100,753	1,382	—	102,134
Total assets	133,936	5,306		139,242
LIABILITIES				
Current liabilities:				
Short-term borrowings	6,423	—	—	6,423
Accounts payable	9,526	655	—	10,181
Payable related to league tournaments rights-current	2,617	—	—	2,617
Accrued expenses and other liabilities	4,228	376	—	4,604
Deferred revenue	209	605	—	814
Operating lease liabilities, current	366	188	—	554
Income tax payable	—	171	—	171
Amount due to related parties-current	5,146	—	—	5,146
Total current liabilities	28,515	1,995		30,510
Non-current liabilities:				
Amount due to a related party-non-current	627	—	—	627
Payable related to league tournaments rights-non-current	2,916	—	—	2,916
Operating lease liabilities, non-current	1,575	328	—	1,903
Deferred tax liability	10,846	—	—	10,846
Total non-current liabilities:	15,964	328		16,292
Total liabilities	44,479	2,323		46,802

	As of December 31, 2022			
	<u>NIP Group Inc. Historical</u>	<u>Ninjas in Pyjamas Historical</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Combined</u>
	(US\$ in thousands)			
MEZZANINE EQUITY				
Class A redeemable preferred shares	97,400	—	—	97,400
Class B redeemable preferred shares	16,063	—	—	16,063
Class B-1 redeemable preferred shares	—	—	3,147 (A)	3,147
Total mezzanine equity	113,463	—	3,147	116,610
(DEFICIT) EQUITY:				
Ordinary Shares	3	85	(85) (A)	3
Subscription receivable	(1)	—	—	(1)
Additional paid-in capital	—	3,817	(3,817) (A)	—
Statutory reserve	72	—	—	72
Accumulated deficit	(29,253)	(203)	459 (A)	(28,997)
Accumulated other comprehensive income (loss)	173	(716)	296 (A)	(247)
Total (deficit) equity attributable to the shareholders of NIP Group Inc.	(29,006)	2,983	(3,147)	(29,170)
Non-controlling interest	5,000	—	—	5,000
Total (deficit) equity	(24,006)	2,983	(3,147)	(24,170)
Total liabilities, mezzanine equity and (deficit) equity	133,936	5,306	—	139,242
	As of December 31, 2021			
	<u>NIP Group Inc. Historical</u>	<u>Ninjas in Pyjamas Historical</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Combined</u>
	(US\$ in thousands)			
ASSETS				
Current assets:				
Cash and cash equivalents	11,409	1,631	—	13,040
Accounts receivable	11,377	2,717	—	14,094
Advance to suppliers	626	—	—	626
Receivables related to disposal of league tournaments rights	2,719	—	—	2,719
Amounts due from related parties	1,859	—	—	1,859
Prepaid expenses and other current assets, net	1,004	434	—	1,438
Total current assets	28,994	4,782	—	33,776
Non-current assets:				
Property and equipment, net	3,560	99	—	3,569
Intangible assets, net	75,416	557	—	75,973
Goodwill	32,282	—	—	32,282
Deferred tax assets	537	—	—	537
Total non-current assets	111,795	656	—	112,451
Total assets	140,789	5,438	—	146,227

	As of December 31, 2021			Pro Forma Combined
	NIP Group Inc. Historical	Ninjas in Pyjamas Historical	Pro Forma Adjustments	
	(US\$ in thousands)			
LIABILITIES				
Current liabilities:				
Short-term borrowings	2,668	—	—	2,668
Accounts payable	9,139	921	—	10,060
Payable related to league tournaments rights-current	3,373	—	—	3,373
Accrued expenses and other liabilities	3,252	749	—	4,001
Deferred revenue	3,420	586	—	4,006
Operating lease liabilities, current	—	—	—	—
Income tax payable	—	35	—	35
Amount due to related parties-current	11,506	—	—	11,506
Total current liabilities	33,358	2,291		35,649
Non-current liabilities:				
Amount due to a related party-non-current	1,419	—	—	1,419
Payable related to league tournaments rights-non-current	4,648	—	—	4,648
Operating lease liabilities, non-current	—	—	—	—
Deferred tax liability	12,801	—	—	12,801
Total non-current liabilities:	18,868	—		18,868
Total liabilities	52,226	2,291		54,517
MEZZANINE EQUITY				
Class A redeemable preferred shares	80,053	—	—	80,053
Class B redeemable preferred shares	—	—	—	—
Class B-1 redeemable preferred shares	—	—	3,147 (A)	3,147
Total mezzanine equity	80,053	—	3,147	83,200
EQUITY:				
Ordinary Shares	3	85	(85) (A)	3
Subscription receivable	(1)	—	—	(1)
Additional paid-in capital	16,765	3,817	(3,817) (A)	16,765
Statutory reserve	72	—	—	72
Accumulated deficit	(14,671)	(459)	459 (A)	(14,671)
Accumulated other comprehensive loss	(6)	(296)	296 (A)	(6)
Total equity attributable to the shareholders of NIP Group Inc.	2,162	3,147	(3,147)	2,162
Non-controlling interest	6,348	—	—	6,348
Total equity	8,510	3,147	(3,147)	8,510
Total liabilities, mezzanine equity and equity	140,789	5,438	—	146,227

Notes to Unaudited Pro Forma Condensed Combined Financial Information*Note 1 — Basis of Presentation*

The unaudited pro forma condensed combined statement of comprehensive loss for the years ended December 31, 2021 and 2022 are based on the Company's historical consolidated statement of comprehensive loss and Ninjas in Pyjamas' historical statement of comprehensive income as adjusted to give effect to the acquisition of Ninjas in Pyjamas as if it had occurred on January 1, 2021. The unaudited pro forma condensed combined balance sheet as of December 31, 2021 and 2022 as adjusted to give effect to the acquisition of Ninjas in Pyjamas as if it had occurred on December 31, 2021.

The unaudited pro forma condensed combined financial information has been prepared using the acquisition method of accounting in accordance with Accounting Standards Codification Topic 805, Business Combinations, ("ASC 805"). The purchase price allocation and related adjustments reflected in the unaudited pro forma condensed combined financial information are incomplete as acquisition-date fair value analyses are ongoing. The purchase price consideration, as well as the estimated fair values of the assets acquired and liabilities assumed, will be finalized as soon as practicable, but no later than one year from the closing of the Business Combinations.

Note 2 — Pro Forma Adjustment

The unaudited pro forma financial statements were prepared in accordance with Article 11 of Regulation S-X. Accordingly, the historical consolidated financial statements shall be adjusted in the pro forma financial statements to give effect to pro forma events that are (i) directly attributable to the Business Combination, (ii) factually supportable and (iii) with respect to the pro forma condensed combined statements of operations, expected to have a continuing impact on the Company.

- (A) Reflects the amounts of Class B-1 redeemable preferred shares would have been issued for Business Combination and the eliminations of the account balance of Ninjas in Pyjamas, assuming the consideration is equal to historical net assets of Ninjas in Pyjamas as if the Business Combination had been consummated as of December 31, 2021. The same adjustment applies to the unaudited pro forma combined balance sheet as of December 31, 2021 and 2022.

**MANAGEMENT’S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the section entitled “Selected Consolidated Financial Data” and our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties about our business and operations. Our actual results and the timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those we describe under “Risk Factors” and elsewhere in this prospectus. See “Special Note Regarding Forward-Looking Statements.”

Overview

We are a leading esports organization with the most expansive global footprint by virtue of our operations across Asia, Europe and South America, according to the Frost & Sullivan Report. Among the top ten esports titles in the world in terms of prize pool, our wins in tier-1 world tournaments in CS:GO, Honor of Kings, Rainbow Six and FIFA represent more unique game titles with top-tier wins than any other esports organization as of January 31, 2023, according to the Frost & Sullivan Report. We were founded based on a passion for esports and belief that esports can create the same types of historical and legendary experiences and memories as traditional sports have for the past century.

We operate two esports brands: Ninjas in Pyjamas and eStar Gaming. Ninjas in Pyjamas, our PC/console esports brand, was founded in 2000 in Sweden. We have an expansive portfolio of esports teams, competing at the highest level in video game titles such as League of Legends, CS: GO, Honor of Kings, Rainbow Six, Valorant, Rocket League, Fortnite and Call of Duty Mobile.

We believe that there is tremendous potential in what we refer to as the “esports+” model, with the first phase being competitive esports itself— building championship-caliber teams across the most popular esports titles. NIP Group is currently at the second phase of esports+, supplementing our competitive esports business with our talent management, event production, creative studios, and burgeoning advertising businesses to create a diverse and sustainable revenue stream driving our continued growth. Currently, we primarily generate revenues from our esports teams, talent management and event production businesses.

We experienced robust growth in our net revenues, which increased from US\$31.8 million in 2021 to US\$65.8 million in 2022. We recorded gross loss of US\$0.6 million in 2021 and gross profit of US\$3.7 million in 2022, representing gross loss margin of 1.9% and gross profit margin of 5.7% for the same years, respectively.

Key Factors Affecting Our Results of Operations

The following are the principal factors that have affected and will continue to affect our business, financial condition, results of operations and prospects.

The quality of our athletes and our competitive results, as well as our ability to obtain more league seats

For our esports teams business, we derive revenues from league revenue sharing, prize money, athlete transfer and rental fees, as well as sponsorship and advertising fees, all of which are largely dependent on the quality of our athletes, our competitive results, and the number of league seats we hold. We earn prize money based on tournament performance across various game titles and leagues, and league revenue shares based on factors such as team performance and popularity. Athlete transfer and rental fees for popular game titles can also be a significant source of revenues, especially for those with top tournament performance. As we have grown our roster of talent, we have also established a solid talent development system designed for growth, longevity and performance. At the same time, we will also continue to identify popular esports titles with a visible path to sustainability to expand into, which will also affect our revenues.

Our ability to make, attract and retain star online entertainers

We generate revenues from our talent management business from advertising fees, sponsorship fees and live streaming service fees. As such, our revenues depend significantly on our ability to make, attract and

retain online entertainers with sufficient popularity to attract advertisers and sponsorships, and live streaming views. We focus on developing our roster of esports athletes to become successful online entertainers, as well as identifying and recruiting high-potential candidates from major entertainment platforms and competitive esports games. In addition, we do not rely on star individuals, but rather to aim offer comprehensive operation and marketing services to incubate our talent to become successful online entertainers, support their career development, and empower them to grow their own audience within our ecosystem.

Our ability to produce more esports events

We operate a broad range of local and nationwide esports events and generate revenues from service fees, sponsorship and advertising fees. The number of events have been and will continue to be key drivers of our revenue growth. We are always looking to produce a more diverse range of esports events across titles, organizers and geographies to grow our revenues and expand our business.

Our ability to innovate and diversify our revenue streams

Our continued, sustainable growth is dependent on our ability to engage the growing esports community and develop new avenues for monetization. With our continuous development of talent management and event production businesses in 2022, we enhanced our ability to engage directly with our fans, and empowered upstream game developers, promoters and brands with our proprietary IPs and resources. In 2022, net revenues from our esports teams operation, talent management and events production businesses accounted for 33.0%, 58.6% and 8.4% of our net revenues, respectively. We will continue to extend revenue realization opportunities as we grow along the esports+ model, and expect to have increasing revenue contribution from new areas such as our specialized content creation and advertising offerings.

Our ability to effectively execute strategic acquisitions and investments

We will invest in mergers and acquisitions through a targeted strategy that focuses on targets that fit well with our target audience and support the strength of our brand. We anticipate that the acquisition of new companies may drive our future growth and affect our financial results. For example, acquisitions of targets will result in additional employees and associated costs and expenses, but may not increase our revenues in the short term, thereby affecting our margin profile.

In January 2023, we merged with Ninjas in Pyjamas Gaming AB, a Swedish public limited liability company incorporated in January 2014 with a brand history of more than 20 years since 2000 in the esports industry. The merger was completed through a series of share swap transactions, with Ninjas in Pyjamas becoming a wholly-owned subsidiary of NIP Group Inc. We anticipate that our merger with Ninjas in Pyjamas may enhance our ability to be profitable in the future. In 2021 and 2022, Ninjas in Pyjamas recorded gross profit margin of 57.8% and 50.4%, and our pro forma unaudited gross profit margin has therefore reached 11.8% and 10.2% for 2021 and 2022, respectfully.

Impact of COVID-19 on Our Operation

Our results of operations and financial condition have been, and will continue to be affected by the COVID-19 pandemic, including outbreaks due to any existing or new variants. The extent to which COVID-19 impacts our results of operations will depend on future developments of the pandemic, including new information concerning its global severity, actions taken to contain the pandemic and the efficacy of vaccine or treatment, all of which are highly uncertain and unpredictable. In addition, our results of operations could be adversely affected to the extent that COVID-19 impacts the global economy in general.

The unpredictability in the COVID-19 situation casted shadows over our business operations, in particular to our event production business. From 2021 to 2022, we had to cancel 11 of our esports tournaments and relevant event originally scheduled, as a result of the pandemic and the policies imposed by government authorities, including travel and gathering restrictions, mandatory quarantining requirements or strict lockdowns.

Although recently, countries around the world have substantially lifted COVID-19 restrictions, the resurgence of virus remains strong. We expect that our operations will continue to be adversely impacted by

COVID-19 and its repercussions, including but not limited to governmental regulations on capacity limitations of certain enclosed venues, suggested quarantining or social distancing policies, as well as temporary lockdowns in certain areas due to COVID-19 outbreak. In addition, the economy downturn partially induced by COVID-19 may also substantially reduce the will of spending of our viewers and sponsors, and thereby restrict our monetization abilities, and therefore result in unsatisfactory performance of our business, financial conditions and results of operations.

Key Components of Results of Operations

Net Revenues

We derive net revenues primarily from: (i) esports teams operation, (ii) talent management service, and (iii) event production. For 2021 and 2022, our net revenues were US\$31.8 million and US\$65.8 million, respectively. Net revenues of Ninjas in Pyjamas were US\$9.4 million and US\$7.4 million in 2021 and 2022, respectively, which were all derived from esports teams operation.

The following table sets forth a breakdown of net revenues of us and Ninjas in Pyjamas by business segments for the years indicated.

	NIP Group Inc.								Ninjas in Pyjamas			
	For the year ended December 31,								For the year ended December 31,			
	2021				2022				2021		2022	
	Actual		Pro Forma ⁽¹⁾ (Unaudited)		Actual		Pro Forma ⁽¹⁾ (Unaudited)		US\$	%	US\$	%
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
	(in thousands, except for %)											
Net revenues:												
Esports teams operation	15,193	47.8	24,591	59.7	21,717	33.0	29,090	39.7	9,398	100.0	7,373	100.0
Talent management service	13,445	42.3	13,445	32.6	38,556	58.6	38,556	52.7	—	—	—	—
Event production	3,164	9.9	3,164	7.7	5,562	8.4	5,562	7.6	—	—	—	—
Total	31,802	100.0	41,200	100.0	65,835	100.0	73,208	100.0	9,398	100.0	7,373	100.0

Note:

- (1) The consolidated statements of comprehensive loss data for 2021 and 2022 are adjusted on an unaudited pro forma basis to present the combined historical results of operations of us and Ninjas in Pyjamas as if the combination had occurred as of January 1, 2021.

Esports teams operation. For 2021 and 2022, the revenues we generated from our esports teams primarily consisted of: (i) tournament participation reward and league revenue shares, (ii) athlete transfer and rental fees, (iii) sponsorship and advertising fees, (iv) IP licensing for the sales of game props, skins and athlete cards, (v) sales of branded merchandise and (vi) revenues from reality show service fees.

For 2021 and 2022, the revenues of Ninjas in Pyjamas primarily consisted of: (i) tournament participation reward and league revenue shares, (ii) sponsorship and advertising fees, (iii) IP licensing fees for the sales of game props, skins and athlete cards, (iv) athlete transfer and rental fees, and (v) sales of branded merchandise.

Talent management service. We expanded into our talent management business through acquiring agency contract rights to online entertainers in August 2021, and derived revenues mainly through live streaming service fees. In 2021 and 2022, the majority of our net revenues under talent management business were generated from our services provided to a related party, namely Wuhan Ouyue, representing approximately 83.2% and 83.7% in 2021 and 2022, respectively, of our net revenues generated from talent management services.

Event production. We merged with Wuhan ESVF in March 2021, after which its event production business has been included in our consolidated results of operation. We produced a series of esports related events and receive our revenues primarily through event organization and execution fees.

Cost of Revenues

Our cost of revenues consists primarily of: (i) salaries and bonus paid to professional esports athletes, (ii) shares of live streaming service fees paid to online entertainers, (iii) depreciation of property and equipment and amortization of intangible asset related to our esports teams and talent management service, (iv) cost of merchandize sold, and (v) other costs attributable to our principal operations. For 2021 and 2022, our cost of revenues was US\$32.4 million and US\$62.1 million, respectively.

Cost of revenues of Ninjas in Pyjamas was US\$4.0 million and US\$3.7 million in 2021 and 2022, respectively, which consists primarily of: (i) salaries and bonus paid to professional esports athletes, (ii) shares of IP licensing fees paid to professional esports athletes, (iii) cost of merchandize sold, and (iv) other costs attributable to its principal operations.

The following table sets forth a breakdown of cost of revenues of us and Ninjas in Pyjamas by business segments for the years indicated.

	NIP Group Inc.								Ninjas in Pyjamas			
	For the year ended December 31,								For the year ended December 31,			
	2021				2022				2021		2022	
	Actual		Pro Forma (Unaudited)		Actual		Pro Forma (Unaudited)		US\$	%	US\$	%
US\$	%	US\$	%	US\$	%	US\$	%					
	(in thousands, except for %)											
Cost of revenues:												
Esports teams operation	15,117	46.7	19,080	52.5	17,776	28.6	21,433	32.6	3,963	100.0	3,657	100.0
Talent management service	14,171	43.7	14,171	39.0	39,457	63.5	39,457	60.0	—	—	—	—
Event production	3,107	9.6	3,107	8.5	4,860	7.8	4,860	7.4	—	—	—	—
Total	32,395	100.0	36,358	100.0	62,093	100.0	65,750	100.0	3,963	100.0	3,657	100.0

Operating Expenses

Our operating expenses consist of: (i) selling and marketing expenses and (ii) general and administrative expenses. For 2021 and 2022, our operating expenses were US\$7.9 million and US\$11.8 million, respectively.

Operating expenses of Ninjas in Pyjamas were US\$3.4 million and US\$3.2 million in 2021 and 2022, respectively.

The following table sets forth a breakdown of operating expenses of us and Ninjas in Pyjamas for the years indicated.

	NIP Group Inc.								Ninjas in Pyjamas			
	For the year ended December 31,								For the year ended December 31,			
	2021				2022				2021		2022	
	Actual		Pro Forma (Unaudited)		Actual		Pro Forma (Unaudited)		US\$	%	US\$	%
US\$	%	US\$	%	US\$	%	US\$	%					
	(in thousands, except for %)											
Operating expenses:												
Selling and marketing expenses	2,640	33.6	4,462	39.8	5,495	46.5	7,208	48.0	1,822	54.2	1,713	53.4
General and administrative expenses	5,218	66.4	6,759	60.2	6,328	53.5	7,823	52.0	1,541	45.8	1,495	46.6
Total	7,858	100.0	11,221	100.0	11,823	100.0	15,031	100.0	3,363	100.0	3,208	100.0

Selling and Marketing Expenses. Our selling and marketing expenses mainly consist of: (i) staff costs, and (ii) advertising costs and market promotion expenses.

The selling and marketing expenses of Ninjas in Pyjamas primarily consist of: (i) staff costs, (ii) advertising costs and market promotion expenses, (iii) rent and amortization expenses, and (iv) professional service fees.

General and Administrative Expenses. Our general and administrative expenses mainly consist of: (i) professional service fees, (ii) staff costs, (iii) rental and depreciation expenses related to general and administrative functions, (iv) share-based compensation for our management and administrative employees, and (v) other corporate expenses.

The general and administrative expenses of Ninjas in Pyjamas primarily consist of: (i) staff costs, (ii) professional service fees, and (iii) other corporate expenses.

Taxation

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gain. Additionally, upon payments of dividends by the Company or its subsidiaries in the Cayman Islands to their shareholders, no withholding tax in the Cayman Islands will be imposed.

Hong Kong

Our subsidiary in Hong Kong is subject to a two-tiered income tax rate for taxable income. The first HK\$2 million of profits earned by a company is subject to be taxed at an income tax rate of 8.25%, while the remaining profits will continue to be taxed at the existing tax rate, 16.5%. Under the Hong Kong tax law, our subsidiary in Hong Kong is exempted from income tax on their foreign derived income and there are no withholding taxes in Hong Kong on remittance of dividends.

China

Effective from January 1, 2008, the PRC's statutory, Enterprise Income Tax ("EIT") rate is 25%.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a "resident enterprise" under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See "Risk Factors — Risks Related to Doing Business in China — If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders."

Sweden

Swedish companies are subject to a corporate tax at a rate of 20.6% on the worldwide income, reduced by allowable deductions. All income, profits and taxable gains are treated as derived from a single source, the business of the company, and are taxed at the applicable corporate tax rate of 20.6%. Tax losses that cannot be offset during the years they are incurred are carried forward indefinitely. There are certain restrictions on tax losses carried forward in case of change of ownership. There is a general limitation of interest deduction amounting to 30% of EBITDA. In addition, there are strict limitations on interest on intra-group loans. The limitation implies that interest on intra-group loans is deductible only if the beneficial owner of the interest income is domiciled within the EEA, or in a country with which Sweden has concluded a full scope double tax treaty or if the beneficial owner is subject to a corporate tax of at least 10%. However, no tax deduction should be granted if the underlying purpose of the loan is exclusively or as good as exclusively, to obtain a substantial tax benefit. There are anti-hybrid mismatch rules in place covering situations leading to double deduction, double non-taxation or imported mismatches due to hybrid financial instruments and hybrid entities. Sweden does not levy withholding tax on interest payments or royalties.

Under the main rule, dividend distribution to a foreign shareholder is subject to Swedish withholding tax at a rate of 30%. There are several exemptions for corporate shareholders whereby withholding tax is not levied or levied at a lower rate. There is also an anti-abuse rule in place implying that the full rate of 30% applies if the recipient acts as a nominee or intermediary, and holds shares under such circumstances that the rightful (beneficial) owner unwarrantedly gains relief from withholding tax.

Dividend distributions to NIP Group Inc. would be subject to a 30% withholding tax on the dividend amount. Sweden and the Cayman Islands do not have a double tax treaty for legal persons and there are no other mechanisms to reduce the withholding tax rate.

Results of Operations of Our Group

The following table sets forth a summary of our consolidated results of operations for the years indicated, both in absolute amounts and as percentages of our total income. This information should be read together with our consolidated financial statements and related notes included elsewhere in this prospectus. The operating results in any period are not necessarily indicative of the results that may be expected for any future period. For the operating results of Ninjas in Pyjamas, see “— Results of Operations of Ninjas in Pyjamas Prior to Consolidation.”

	For the year ended December 31,							
	2021				2022			
	Actual		Pro Forma ⁽¹⁾ (Unaudited)		Actual		Pro Forma ⁽¹⁾ (Unaudited)	
	US\$	%	US\$	%	US\$	%	US\$	%
	(in thousands, except for %)							
Net revenue	31,802	100.0	41,200	100.0	65,835	100.0	73,208	100.0
Cost of revenue	(32,395)	(101.9)	(36,358)	(88.2)	(62,093)	(94.3)	(65,750)	(89.8)
Gross profit (loss)	(593)	(1.9)	4,842	11.8	3,742	5.7	7,458	10.2
Operating expenses:								
Selling and marketing expenses	(2,640)	(8.3)	(4,462)	(10.8)	(5,495)	(8.4)	(7,208)	(9.8)
General and administrative expenses	(5,218)	(16.4)	(6,759)	(16.4)	(6,328)	(9.6)	(7,823)	(10.7)
Total operating expenses	(7,858)	(24.7)	(11,221)	(27.2)	(11,823)	(18.0)	(15,031)	(20.5)
Operating loss	(8,451)	(26.6)	(6,379)	(15.4)	(8,081)	(12.3)	(7,573)	(10.3)
Other (expense)/income:								
Other income, net	898	2.8	920	2.2	2,001	3.0	1,989	2.7
Interest expense, net	(520)	(1.6)	(472)	(1.1)	(365)	(0.5)	(460)	(0.6)
Total other income	378	1.2	448	1.1	1,636	2.5	1,529	2.1
Loss before income tax expenses	(8,073)	(25.4)	(5,931)	(14.3)	(6,445)	(9.8)	(6,044)	(8.2)
Income tax expense (benefit)	(66)	(0.2)	(532)	(1.3)	139	0.2	(6)	—
Net loss	(8,139)	(25.6)	(6,463)	(15.6)	(6,306)	(9.6)	(6,050)	(8.2)
Net loss attributable to non-controlling interests	(139)	(0.4)	(139)	(0.3)	(90)	(0.1)	(90)	(0.1)
Net loss attributable to NIP Group Inc.	(8,000)	(25.2)	(6,324)	(15.3)	(6,216)	(9.5)	(5,960)	(8.1)
Deemed dividend on modification on preferred shares	(861)	(2.7)	(861)	(2.1)	—	—	—	—
Preferred shares redemption value accretion	(17,618)	(55.4)	(17,618)	(42.8)	(25,297)	(38.4)	(25,297)	(34.6)
Net loss attributable to NIP Group Inc.'s shareholders	(26,479)	(83.3)	(24,803)	(60.5)	(31,513)	(47.9)	(31,257)	(42.7)
Other comprehensive (loss) income:								
Foreign currency translation income attributable to non-controlling interest, net of nil tax	283	0.9	283	0.7	2	—	2	—
Foreign currency translation loss attributable to ordinary shareholders, net of nil tax	273	0.9	25	0.1	178	0.3	(242)	(0.3)
Total comprehensive loss	(7,583)	(23.8)	(6,155)	(14.8)	(6,126)	(9.3)	(6,290)	(8.5)

Note:

- (1) The consolidated statements of comprehensive loss data for 2021 and 2022 are adjusted on an unaudited pro forma basis to present the combined historical results of operations of us and Ninjas in Pyjamas as if the combination had occurred as of January 1, 2021.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Net Revenues

Our net revenues increased from US\$31.8 million in 2021 to US\$65.8 million in 2022, primarily as a result of the increase in all of our business segments.

- *Esports teams operations.* Net revenues from esports teams operations increased from US\$15.2 million in 2021 to US\$21.7 million in 2022, primarily due to (i) the increase in league revenue share and prize money from US\$7.0 million in 2021 to US\$11.1 million in 2022, mainly because eStar achieved its top performance in 2022 KPL tournaments, (ii) the increase in sponsorship and advertising fees from US\$2.0 million to US\$5.7 million, that were brought by the performance of eStar in 2022. The increase was partially offset by the decrease in player transfer and rental fee from US\$4.8 million in 2021 to US\$2.9 million in 2022.
- *Talent management.* Net revenues from talent management service increased from US\$13.4 million in 2021 to US\$38.6 million in 2022, primarily because we expanded into talent management business in August 2021, as compared to revenues generated from the full year 2022.
- *Event production.* Net revenues from events production increased from US\$3.2 million in 2021 to US\$5.6 million in 2022, primarily due to (i) business combination between Shenzhen VF and Wuhan ESVF in March 2021, only after which Wuhan's ESVF event production business was included in our consolidated results of operation, as compared to revenues generated from the full year 2022, (ii) our expansion into new series of large-scale esports events in 2022, and (iii) increased revenues generated from digital Ice & Snow Games series in 2022, which were negatively impacted in 2021 due to COVID-19 related restrictions.

Cost of Revenues

Our cost of revenues increased from US\$32.4 million in 2021 to US\$62.1 million in 2022, primarily due to the expansion of our talent management business through the acquisition of agency contract rights to online entertainers.

- *Esports teams operation.* Cost of revenues from esports teams operation increased from US\$15.1 million in 2021 to US\$17.8 million in 2022, primarily due to (i) the increase in salaries of professional esports athletes from US\$5.8 million in 2021 to US\$9.0 million in 2022, primarily driven by salary raise of LPL athletes, and (ii) the increase in prize money paid to professional esports athletes from US\$1.7 million in 2021 to US\$4.2 million in 2022, represents primarily increased prize money paid to KPL athletes based on their performance in 2022.
- *Talent management.* Cost of revenues from talent management service increased from US\$14.2 million in 2021 to US\$39.5 million in 2022, primarily because we entered into talent management business in August 2021. In particular, (i) live streaming service fee paid to online entertainers increased from US\$12.9 million in 2021 to US\$36.1 million in 2022, and (ii) amortization of intangible asset related to our talent management service increased from US\$1.3 million in 2021 to US\$3.3 million in 2022, represents amortization of costs associated with the acquisition of certain online entertainers over the term of the talent agreement.
- *Event production.* Cost of revenues from events production increased from US\$3.1 million in 2021 to US\$4.9 million in 2022, mainly because the event production business was under Wuhan ESVF, and was not included in our consolidated results of operation until after the merger of Wuhan ESVF and Shenzhen VF in March 2021. In particular, service cost, including those related to venue establishment, salaries of employees, as well as event promotion increased from US\$2.6 million in 2021 to US\$4.7 million, which was in line with our expansion into new series of large-scale esports events.

Gross Profit/Loss and Gross Profit Margin

As a result of the foregoing, we recorded gross loss of US\$0.6 million in 2021 and gross profit of US\$3.7 million in 2022. Our gross margin increased from negative 1.9% in 2021 to 5.7% in 2022. Our gross

loss in 2021 was primarily due to the business combination between Shenzhen VF and Wuhan ESVF, which led to initial operating inefficiencies as we integrated the two businesses.

- *Esports teams operation.* Gross profit from esports teams operation increased from US\$76,000 in 2021 to US\$3.9 million in 2022, and gross margin increased from 0.5% in 2021 to 18.1% in 2022, primarily due to significant increase in (i) league revenue share and prize money, and (ii) sponsorship and advertising fees as eStar achieved its top performance in 2022 KPL tournaments, as compared to the relatively stable salaries and prize money paid to the professional esports athletes.
- *Talent management.* Gross loss from talent management service increased from US\$0.7 million in 2021 to US\$0.9 million in 2022, primarily due to an increased amortization of intangible asset related to our talent management service in 2022, represents amortization of costs associated with the acquisition of certain online entertainers over the term of the talent agreement, as we did not enter into talent management business until in August 2021. Gross profit from talent management service, calculated as cost of revenues excluding amortization of related intangible asset increased from US\$0.6 million in 2021 to US\$2.4 million in 2022, primarily due to (i) our termination of business with a customer with relatively low margin, and (ii) increase in gross profit generated from transfer of online entertainers. Gross margin of talent management service increased from negative 5.4% in 2021 to negative 2.3% in 2022. Gross profit margin of talent management service, excluding the amortization of related intangible assets from cost of revenues, increased from 4.3% in 2021 to 6.3% in 2022, primarily due to our optimization of business with customers based on their respective profit margin, to achieve higher operating efficiency.
- *Event production.* Gross profit from events production increased from US\$57,000 in 2021 to US\$702,000 in 2022, and gross margin increased from 1.8% in 2021 to 12.6% in 2022, mainly due to (i) our expansion into new series of large-scale esports events with higher margin, and (ii) the increased economies of scale and higher operating efficiency.

Operating Expenses

Our operating expenses increased from US\$7.9 million in 2021 to US\$11.8 million in 2022, with operating expenses as percentage of our net revenues decreased from 24.7% to 18.0%, as a result of the improvement of our operating efficiency.

Selling and Marketing Expenses

Our selling and marketing expenses increased from US\$2.6 million in 2021 to US\$5.5 million in 2022, primarily as a result of business combination between Shenzhen VF and Wuhan ESVF in March 2021 and the expansion of talent management business in August 2021 through the acquired agency contract rights, as compared to expenses for the full year 2022. The increase in our selling and marketing expenses consist primarily of (i) the increase in staff costs from US\$1.4 million in 2021 to US\$2.7 million in 2022, and (ii) the increase in advertising costs and marketing and promotion expenses from US\$0.8 million in 2021 to US\$1.3 million in 2022.

General and Administrative Expenses

Our general and administrative expenses increased from US\$5.2 million in 2021 to US\$6.3 million in 2022, mainly because the administrative expenses incurred by Wuhan ESVF were not included in our consolidated results of operations until after the business combination of Shenzhen VF and Wuhan ESVF in March 2021. The increase in the administrative expenses was primarily due to (i) the increase in staff costs from US\$1.7 million in 2021 to US\$2.4 million in 2022, as a result of our expansion in the talent management business, (ii) the increase in professional service fees from US\$1.2 million in 2021 to US\$1.5 million in 2022 in relation to this offering, partially offset by a decrease of US\$0.3 million in share-based compensation for our management and administrative employees.

Other Income

Our other income increased from US\$0.9 million in 2021 to US\$2.0 million in 2022, primarily due to (i) US\$0.9 million of tournament league seat fee that were waived by the league in 2022, and (ii) to an increase of US\$0.3 million in government grants.

Net Loss

As a result of the foregoing, we recorded net loss of US\$6.3 million in 2022, compared to net loss of US\$8.1 million in 2021.

Results of Operations of Ninjas in Pyjamas Prior to Consolidation

The following table sets forth a summary of the consolidated results of operations of Ninjas in Pyjamas for the years presented, both in absolute amount and as a percentage of the total revenues for the years presented. This information should be read together with the consolidated financial statements of Ninjas in Pyjamas and related notes included elsewhere in this prospectus. The results of operations in any year are not necessarily indicative of our future trends.

	For the year ended December 31,			
	2021		2022	
	US\$	%	US\$	%
	(in thousands, except for %)			
Net revenue	9,398	100.0	7,373	100.0
Cost of revenue	(3,963)	(42.2)	(3,657)	(49.6)
Gross profit	5,435	57.8	3,716	50.4
Operating expenses:				
Selling and marketing expenses	(1,822)	(19.4)	(1,713)	(23.2)
General and administrative expenses	(1,541)	(16.4)	(1,495)	(20.3)
Total operating expenses	(3,363)	(35.8)	(3,208)	(43.5)
Operating income	2,072	22.0	508	6.9
Other income/(expenses), net:				
Other income/(expenses), net	23	0.2	(12)	(0.2)
Financial income/(expenses), net	48	0.5	(95)	(1.3)
Total other income/(expenses), net	70	0.7	(107)	(1.5)
Income before income tax expense	2,142	22.7	401	5.4
Income tax expenses	(466)	(5.0)	(145)	(2.0)
Net income	1,676	17.7	256	3.4

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Net Revenues

Net revenues of Ninjas in Pyjamas decreased from US\$9.4 million in 2021 to US\$7.4 million in 2022, primarily due to the decrease in net revenues generated from IP licensing in selling digital goods such as game props, skins or stickers from US\$3.7 million in 2021 to US\$1.7 million in 2022. Sales of digital goods experienced significant growth in 2021 driven by the COVID-19 pandemic and has decreased in 2022 as COVID-19 abates.

Cost of Revenues

Cost of revenues of Ninjas in Pyjamas decreased from US\$4.0 million in 2021 to US\$3.7 million in 2022, primarily due to the decrease in salaries and prize money paid to professional esports athletes from US\$3.3 million in 2021 to US\$2.4 million in 2022 based on their performance.

Gross Profit and Gross Profit Margin

As a result of the foregoing, Ninjas in Pyjamas recorded gross profit of US\$5.4 million and US\$3.7 million in 2021 and 2022, respectively. Gross profit margin of Ninjas in Pyjamas decreased from 57.8% in 2021 to 50.4% in 2022, primarily due to the decrease in net revenues generated from IP licensing as sales of digital goods experienced significant growth in 2021 driven by the COVID-19 pandemic and has decreased in 2022 as COVID-19 abates.

Operating Expenses**Selling and Marketing Expenses**

Selling and marketing expenses of Ninjas in Pyjamas remained relatively stable at US\$1.8 million in 2021 and US\$1.7 million in 2022.

General and Administrative Expenses

General and administrative expenses of Ninjas in Pyjamas remained relatively stable at US\$1.5 million in 2021 and 2022.

Net Income and Net Income Margin

As a result of the foregoing, Ninjas in Pyjamas recorded net income of US\$0.3 million in 2022, compared to US\$1.7 million in 2021, with net income margin decreased from 17.7% in 2021 to 3.4% in 2022.

Non-GAAP Financial Measure

To supplement our consolidated financial statements, which are prepared and presented in accordance with U.S. GAAP, we use the following non-GAAP financial measure to understand and evaluate our core operating performance: adjusted EBITDA, which is calculated as net loss excluding interest expense, net, income tax expenses, depreciation and amortization and share-based compensation expense. The non-GAAP financial measure is presented to enhance investors' overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with U.S. GAAP. Investors are encouraged to review the reconciliation of the historical non-GAAP financial measure to the most directly comparable GAAP financial measure. As non-GAAP financial measure has material limitations as an analytical metric and may not be calculated in the same manner by all companies, it may not be comparable to other similarly titled measures used by other companies. In light of the foregoing limitations, you should not consider non-GAAP financial measure as a substitute for, or superior to, such metrics prepared in accordance with GAAP. We encourage investors and others to review our financial information in its entirety and not rely on any single financial measure.

	For the year ended December 31,			
	2021		2022	
	Actual	Pro Forma (unaudited)	Actual	Pro Forma (unaudited)
	US\$	US\$	US\$	US\$
	(in thousands)			
Net loss	(8,139)	(6,463)	(6,306)	(6,050)
Add:				
Interest expense, net	520	520	365	460
Income tax expenses (benefit)	66	532	(139)	6
Depreciation and amortization ⁽¹⁾	3,477	3,724	5,266	5,694
Share-based compensation expense	456	456	166	166
Adjusted EBITDA	(3,620)	(1,231)	(648)	276
Adjusted EBITDA margin⁽²⁾	(11.4)	(3.0)	(1.0)	0.4

Notes:

- (1) Primarily consists of depreciation related to property and equipment, as well as amortization related to intangible assets
(2) Adjusted EBITDA as a percentage of revenues.

Liquidity and Capital Resources**Cash Flows and Working Capital**

Our principal sources of liquidity have been cash from financing activities. As of December 31, 2021 and 2022, our cash and cash equivalents were US\$11.4 million and US\$9.6 million, respectively. Cash and

cash equivalents consisted of cash on hand placed with banks or other financial institutions and highly liquid investment which are unrestricted as to withdrawal and use and have original maturities of three months or less when purchased. Our cash and cash equivalents are primarily denominated in Renminbi.

Based on our current level of operations and available cash, we believe our available cash, committed funding from bank and credit facilities will provide sufficient liquidity to fund our current obligations, projected working capital requirements, debt service requirements and capital spending requirements at least for the next 12 months. We may, however, require additional cash resources due to changing business conditions or other future developments, including any investments or acquisitions we may decide to selectively pursue. If our existing cash resources are insufficient to meet our requirements, we may seek to sell equity or equity-linked securities, sell debt securities or borrow from banks. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. The sale of additional equity securities would result in additional dilution to our shareholders. The incurrence of indebtedness and issuance of debt securities would result in debt service obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders.

We do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future after this offering. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

As a holding company with no material operations of our own, we are a corporation separate and apart from our subsidiaries and, therefore, must provide for our own liquidity. We conduct a substantial majority of our operations in China through our PRC subsidiaries. We are permitted under applicable laws and regulations to provide funding to our PRC subsidiaries through loans or capital contributions, subject to applicable regulatory approvals. We cannot assure you that we will be able to obtain these regulatory approvals on a timely basis, if at all. The ability of our subsidiaries in China to make dividends or other cash payments to us is subject to various restrictions under PRC laws and regulations. See “Risk Factors — Risks Related to Doing Business in China — If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.”

The following table sets forth a summary of our cash flows for the years presented:

	For the year ended December 31,	
	2021	2022
	(US\$ in thousands)	
Net cash used in operating activities	(1,219)	(9,634)
Net cash provided by (used in) investing activities	6,979	(1,719)
Net cash provided by financing activities	573	9,784
Effect of exchange rate changes	22	(252)
Net increase (decrease) in cash and cash equivalents	6,356	(1,821)
Cash and cash equivalents at the beginning of the year	5,053	11,409
Cash and cash equivalents at the end of the year	11,409	9,588

Net cash used in operating activities

Net cash used in operating activities was US\$9.6 million in 2022, primarily attributable to (i) our net loss of US\$6.3 million, as adjusted by the reconciliation of net loss to net cash used in operating activities, which primarily comprised depreciation and amortization of US\$5.3 million, and (ii) changes in operating assets and liabilities, which was primarily the result of (a) an increase in accounts receivable, net of US\$7.0 million, (b) a decrease in deferred revenue of US\$3.0 million, (c) an increase in amount due from/to related parties of US\$1.3 million, and (d) an increase in prepaid expenses and other current assets of US\$1.1 million, partially offset by (a) an increase in accounts payable of US\$4.1 million.

Net cash used in operating activities was US\$1.2 million in 2021, primarily attributable to (i) our net loss of US\$8.1 million, as adjusted by the reconciliation of net loss to net cash used in operating activities,

which primarily comprised depreciation and amortization of US\$3.5 million, and (ii) changes in operating assets and liabilities, which was primarily the result of an increase in accounts receivable, net of US\$7.4 million, partially offset by (a) an increase in deferred revenue of US\$3.4 million, and (b) an increase in accounts payable of US\$2.9 million.

Net cash (used in) provided by investing activities

Net cash used in investing activities was US\$1.7 million in 2022, which was primarily attributable to (i) purchase of intangible asset of US\$5.8 million, and (ii) purchase of property and equipment of US\$0.8 million, partially offset by (i) disposal of intangible asset of US\$4.3 million, and (ii) collection of loan to related party of US\$0.5 million.

Net cash provided by investing activities was US\$7.0 million in 2021, which was primarily attributable to disposal of intangible assets of US\$16.9 million, partially offset by (i) purchase of intangible assets of US\$9.1 million, (ii) purchase of property and equipment of US\$0.6 million, and (iii) loan to related parties of US\$0.5 million.

Net cash provided by financing activities

Net cash provided by financing activities was US\$9.8 million in 2022, which primarily comprised (i) issuance of preferred shares of US\$12.0 million, (ii) loan from related party of US\$7.5 million, and (iii) proceeds from borrowings of US\$6.7 million, partially offset by (i) repayment of loan from related party of US\$11.7 million, (ii) repayment of borrowings of US\$2.6 million, and (iii) repayment of capital injection of US\$1.5 million.

Net cash provided by financing activities was US\$0.6 million in 2021, which primarily comprised (i) loans from related parties of US\$8.6 million, (ii) proceeds from borrowings of \$3.4 million, (iii) issuance of preferred shares of US\$1.6 million and (iv) capital injection to be refunded in reorganization of US\$1.6 million, partially offset by repayment of loan from related parties of US\$13.9 million.

Material Cash Requirements

Our material cash requirements as of December 31, 2022 and any subsequent period primarily include our capital expenditures.

Capital Expenditures

Our capital expenditures are incurred primarily in connection with the acquisition of professional athletes and league seats. Our capital expenditures were US\$9.6 million and US\$6.5 million in 2021 and 2022, respectively. We intend to fund our future capital expenditures with our existing cash balance. We will continue to make capital expenditures to meet the expected growth of our business.

Critical Accounting Policies, Judgments and Estimates

We prepare our consolidated financial statements in accordance with U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. We continually evaluate these judgments and estimates based on our own experience, knowledge and assessment of current business and other conditions, and our expectations regarding the future based on available information and assumptions that we believe to be reasonable. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

When reading our consolidated financial statements, you should consider our selection of critical accounting policies, the judgment and other uncertainties affecting the application of such policies and the sensitivity of reported results to changes in conditions and assumptions. Our critical accounting policies and practices include the following: (i) revenue recognition; (ii) business combination; (iii) asset acquisition; and (iv) income taxes. See “Note 2 — Summary of Significant Accounting Policies” to our consolidated

financial statements for the disclosure of these accounting policies. We believe the following accounting estimates involve the most significant judgments used in the preparation of our financial statements.

Valuation of ordinary shares and preferred shares

The fair value of our ordinary shares and preferred shares were determined with the assistance of an independent third-party valuation firm, by applying discounted cash flow method under income approach and equity allocation model based on option pricing model with probability-weighted scenario analysis using management's estimates and assumptions.

The estimation involves significant assumptions that might not be observable in the market, and a number of complex and subjective variables, revenue growth rate, discount rate, risk-free interest rate and subjective judgments regarding our projected financial and operating results, its unique business risks, the probabilities of each scenario of possible future outcomes and its operating history and prospects at each of the valuation dates.

Valuation in the purchase price allocation associated with business combination

We used the following valuation methodologies to value assets acquired, liabilities assumed and intangible assets identified:

- Esports Tournament Seats were valued using the multi-period excess earning method under income approach, which represents the excessive earnings generated by the asset that remains after a deduction for a return on other contributory assets;
- Brand names were valued using the relief from royalty method under income approach, which represents the benefits of owning the intangible asset rather than paying royalties for its right of use;
- Other assets and liabilities carrying value approximated fair value at the time of acquisition.

The estimation involves significant assumptions that might not be observable in the market, and a number of complex and subjective variables, revenue growth rate, discount rate, risk-free interest rate, royalty rates and subjective judgments regarding our projected financial and operating results, its unique business risks.

Income taxes

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance when, based upon the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities. The amounts of allowance over Deferred tax assets were US\$ 10,988 and US\$1,372,267 as of December 31, 2021 and 2022, respectively.

Internal Control Over Financial Reporting

Prior to this offering, we have been a private company with limited accounting and financial reporting personnel and other resources to address our internal controls and procedures. In connection with the audits of our consolidated financial statements as of December 31, 2021 and 2022 and for each of the two years in the period ended December 31, 2022, we identified a material weakness in our internal control over financial reporting. As defined in the standards established by the Public Company Accounting Oversight Board of the United States, a “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The material weakness identified is our company’s lack of sufficient accounting and financial reporting personnel with requisite knowledge and experience in application of U.S. GAAP and SEC rules.

We are in the process of implementing a number of measures to address this material weakness identified, including: (i) hiring additional accounting and financial reporting personnel with U.S. GAAP and SEC

reporting experience, (ii) expanding the capabilities of existing accounting and financial reporting personnel through continuous training and education in the accounting and reporting requirements under U.S. GAAP, and SEC rules and regulations, (iii) developing, communicating and implementing an accounting policy manual for our accounting and financial reporting personnel for recurring transactions and period-end closing processes, and (iv) establishing effective monitoring and oversight controls for non-recurring and complex transactions to ensure the accuracy and completeness of our company's consolidated financial statements and related disclosures.

The process of designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a financial reporting system that is adequate to satisfy our reporting obligation. See "Risk Factors — Risks Related to Our Business and Industry — If we fail to develop and maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud, and investor confidence and the market price of our ADSs may be adversely impacted."

As a company with less than US\$1.235 billion in revenue for our last fiscal year, we qualify as an "emerging growth company" pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, in the assessment of the emerging growth company's internal control over financial reporting. The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. We have elected to take advantage of such exemptions. However, pursuant to Section 404 and the related rules adopted by the SEC, we, as a public company after being listed, are required to maintain adequate internal control over financial reporting and include our management's assessment of the effectiveness of our company's internal control over financial reporting in our annual report.

Holding Company Structure

NIP Group Inc. is a holding company with no material operations of its own. We conduct our China business primarily through our PRC subsidiaries and, prior to the Restructuring, also through our former VIE, Wuhan ESVF. As a result, our ability to pay dividends depends upon dividends paid by our PRC subsidiaries. We expect that the amounts of such dividends will increase in the foreseeable future as our China business continues to grow. If our existing subsidiaries or any newly formed subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us.

In addition, our subsidiaries in China are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with the Accounting Standards for Business Enterprise as promulgated by the Ministry of Finance of the PRC, or PRC GAAP. In accordance with PRC company laws, our subsidiaries in China must make appropriations from their after-tax profit to non-distributable reserve funds including (i) statutory surplus fund and (ii) discretionary surplus fund. The appropriation to the statutory surplus fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the statutory surplus fund has reached 50% of the registered capital of our PRC subsidiaries. Appropriation to discretionary surplus fund is made at the discretion of our PRC subsidiaries.

As an offshore holding company, we are permitted under applicable laws and regulations to provide funding to our PRC subsidiaries through loans or capital contributions, subject to applicable regulatory approvals. We cannot assure you that we will be able to obtain these regulatory approvals on a timely basis, if at all. As a result, there is uncertainty with respect to our ability to provide prompt financial support to our PRC subsidiaries when needed.

Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Rate Risk

From July 21, 2005, RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. For RMB against the U.S. dollar, there was appreciation of

approximately 2.3% in 2021 and depreciation of approximately 8.2% in 2022. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between RMB and the U.S. dollar in the future. To the extent that we need to convert the U.S. dollar into RMB for capital expenditures and working capital and other business purposes, appreciation of RMB against U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert RMB into the U.S. dollar for the purpose of making payments for dividends on ordinary shares, strategic acquisitions or investments or other business purposes, appreciation of the U.S. dollar against RMB would have a negative effect on the U.S. dollar amount available to us. In addition, a significant depreciation of RMB against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings or losses.

Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits and wealth management products. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed to material risks due to changes in market interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure.

INDUSTRY

The information presented in this section has been derived from an industry report commissioned by us and prepared by Frost & Sullivan, an independent research firm, to provide information regarding our industry and our market position. Neither we nor any other party involved in this offering has independently verified such information, and neither we nor any other party involved in this offering makes any representation as to the accuracy or completeness of such information. Investors are cautioned not to place any undue reliance on the information, including statistics and estimates, set forth in this section or similar information included elsewhere in this prospectus.

Overview of the Global Gaming and Esports Market

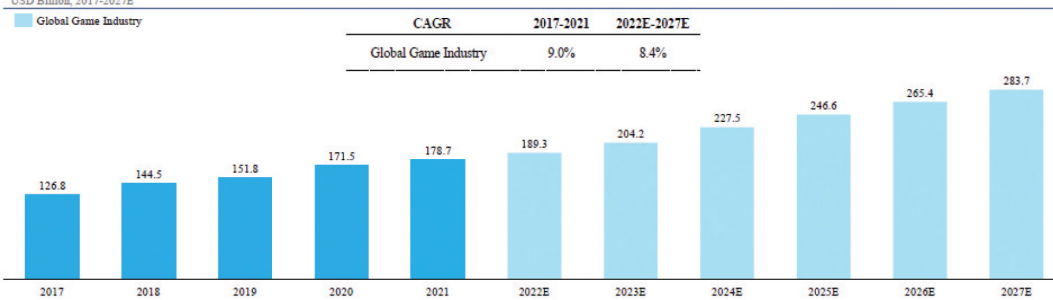
According to the Frost & Sullivan Report, the number of gamers globally has experienced significant increase at a CAGR of 7.1% from 2.3 billion in 2017 to 3.1 billion in 2021, and is expected to further increase at a CAGR of 5.5% from 3.3 billion in 2022 to 4.3 billion in 2027. In line with the growth of the gamer population and various gaming platforms, the esports industry has experienced substantial growth as well. Esports refers to competitive and organized video gameplay in either online or offline and multi-player or single-player format, with a specific goal or prize, such as winning a championship title or prize money. Esports games can be further categorized into PC/console esports games such as League of Legends, Dota 2, CS:GO and Rainbow Six, and mobile esports games such as Honor of Kings and PUBG Mobile.

Traditionally, esports has been predominantly PC/console-based. However, mobile esports games have gained popularity in recent years with the proliferation of smartphones, the development of mobile internet and the increasingly fragmented entertainment time span of contemporary life. With the same immersive experience as PC/console esports games but less niche technical requirements both in terms of skills and hardware requirements, mobile esports games have become mainstream esports titles in Asian countries. According to the Frost & Sullivan Report, in 2021, mobile gamers accounted for 92.4% of the total gamers in China, compared to 83.6% of that of the total gamer base globally.

The following diagrams illustrate market size of the overall gaming and esports industry by revenue for the periods presented.

Market Size of Game Industry, by Revenue (Global)

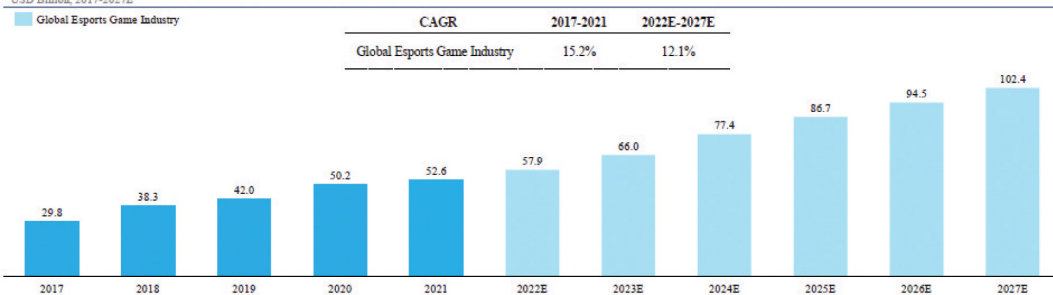
USD Billion, 2017-2027E



Source: Frost & Sullivan

Market Size of Esports Game Industry, by Revenue (Global)

USD Billion, 2017-2027E



Source: Frost & Sullivan

China

The market size of esports industry in China has grown rapidly, driven by favorable government policies combined with the large population base. The PRC government has in recent years launched a series of esports competitions and events and supporting policies in terms of funding, talent growth, taxation, visas and broadcasting, providing an ideal macro backdrop for the development of the industry. As a result, gaming is exceedingly prevalent in Chinese pop culture, young people have increasingly viewed esports as a viable career option.

Europe

The European Parliament has recognized the huge potential of gaming and esports in EU education policy and learning. Gaming has encouraged students to pursue careers in science, technology, engineering, arts and mathematics, and esports can aid in the development of digital society. The European Parliament insists that gaming and esports can be valuable pedagogical tools to keep students actively engaged in the curriculum and to develop digital literacy, soft skills and creative thinking. As a result, esports has grown into an important part of the mainstream culture in Europe as compared to the rest of the world. For example, many European cities have begun to integrate esports culture into urban development planning, actively establish esports venues and clubs, establish e-sports management-related majors on campus and support the development of esports game-related enterprises.

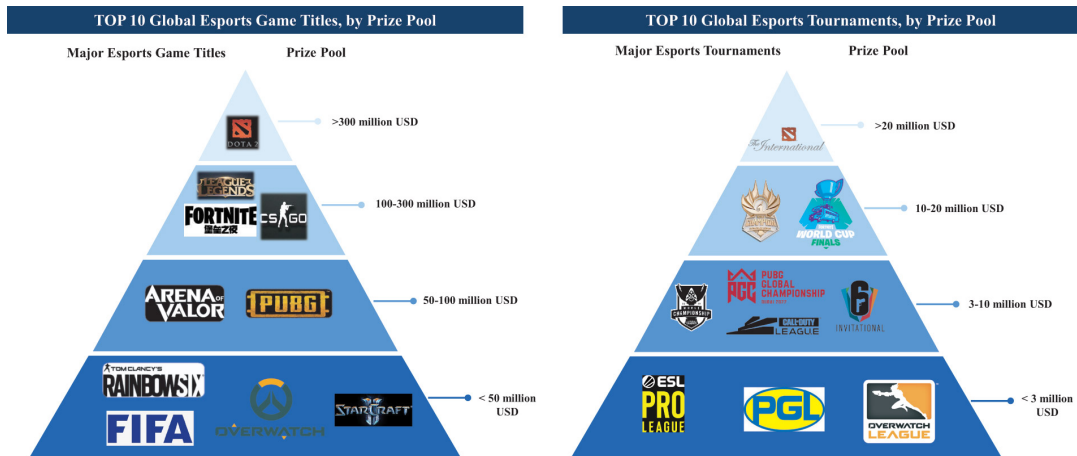
South America

According to the Frost & Sullivan Report, South America is one of the highest growth regions for esports in the world. The esports industry in South America has benefited from a relatively young population where millennials and Gen Z'ers are more in tune with digital media and technology, including gaming and esports. Investment in esports is also increasing in the region, leading to the emergence of new tournaments, leagues and teams.

Overview of Global Esports Tournament Market

Esports tournaments are generally held for one or more game titles in various formats, with incentives such as prize money or championships. Similar to the development of professional sports-based businesses, the esports industry has gradually expanded its vertical and horizontal reach and grown its revenue potential. Like traditional sports, esports is highly competitive and provides a dynamic and engaging viewing experience, attracting massive viewership and attention.

The following diagram shows the top ten global esports game titles and top ten world tournaments by prize pool in 2022.



Source: Frost & Sullivan

Esports has achieved large scale and wide reach despite its short history. As illustrated by the table following this paragraph, according to the Frost & Sullivan Report, compared with traditional sports, esports has achieved larger viewership and has a more diverse audience base. For example, as shown in the table following this paragraph, according to the Frost & Sullivan Report, in 2021 and on a peak viewership basis, 350.0 million viewers watched League of Legends Worlds, 92.4 million viewers watched the Kings Pro League (KPL) Spring Finals, and over 200.0 million viewers watched The International Dota II (Ti), whereas 16.5 million viewers watched the National Basketball Association (NBA) Finals, 120.0 million viewers watched the National Football League (NFL) Superbowl, and 11.4 million viewers watched the English Premier League (EPL) Liverpool vs Manchester United. However, as illustrated by the table following this paragraph, according to the Frost & Sullivan Report, total annual revenue generated from the top esports leagues is considerably lower than that from traditional sports leagues, indicating ample growth potential. For example, as shown in the table following this paragraph, according to the Frost & Sullivan Report, annual revenue generated through LOL, KPL, Ti, NBA, NFL and EPL in 2021 was approximately US\$0.2 billion, US\$0.1 billion, US\$0.5 billion, US\$10.0 billion, US\$15.2 billion and US\$6.9 billion, respectively. Traditional sports tournaments have been in existence developed for an extended period of time. While esports tournaments come later in time, esports fans generally spend more on in-game purchases. In addition, the average age of esports fans is significantly younger than that of traditional sports, largely consisting of millennials and Gen Z.

The following table presents viewership demographics and annual revenue for certain major esports and traditional sports leagues in the world.

	Esports Tournament			Traditional Sports Tournament		
	 LOL	 KPL	 The International Ti	 NBA	 NFL	 EPL
Annual Revenue	Approximately USD 0.2 billion	Approximately USD 0.1 billion	Approximately USD 0.5 billion	Approximately USD 10.0 billion	Approximately USD 15.2 billion	Approximately USD 6.9 billion
Average Age	24	23	25	32	40	38
Tournament Finals Viewers	350.0 Million (League of Legends Worlds 2021)	92.4 Million (2021 KPL Spring Finals)	Over 200.0 Million (The International 11)	16.5 million (NBA Finals)	120.0 Million (Superbowl)	11.4 Million (Liverpool vs Manchester United)

Source: Frost & Sullivan

Notes:

- (1) The viewership numbers are based on peak viewership during the respective tournament finals period in its own primary coverage regions as stated above. The respective tournament finals are the 2021 LOL World Championship Finals held on November 6, 2021, the 2021 King Pro League Spring Finals held on June 26, 2021, The International Dota 2 held on May 22, 2022, NBA Finals held on July 20, 2021, NFL Superbowl held on February 7, 2021, and EPL match — Liverpool vs Manchester United held on May 13, 2021.

Esports Audience

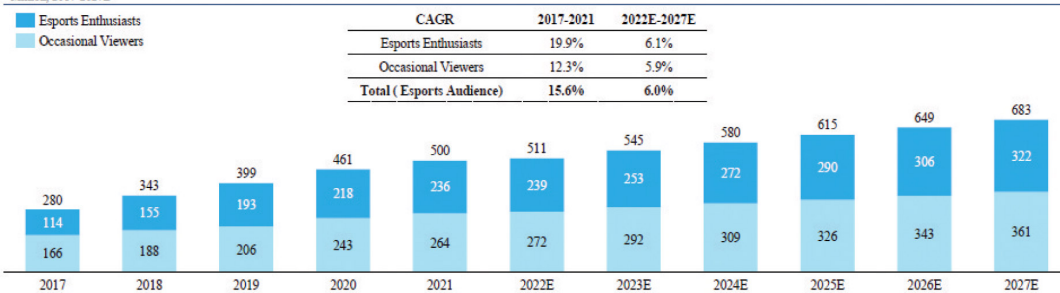
By providing a competitive and dynamic viewing experience and with strong social elements, esports represents a dominant form of entertainment globally and in particular for younger generations. According to the Frost & Sullivan Report, esports gamers aged below 34 made up 73.0% of all esports gamers globally in 2021, and will continue to drive the growth of esports and make up the largest proportion of esports gamers and audience in the foreseeable future. Driven by common interests and shifting spending habits among young generations, the esports industry is expected to have tremendous commercialization potential.

Esports tournaments are constantly innovating to make esports more entertaining and mainstream. According to the Frost & Sullivan Report, 500 million viewers tuned in to watch esports in 2021 globally, among which esports enthusiasts, which are people who watch esports content at least once a month, accounted for 236 million, or 47.2%, and occasional viewers, which are people who watch esports content

fewer than once a month, accounted for 264 million, or 52.8%. According to the Frost & Sullivan Report, the number of esports enthusiasts is expected to reach 322 million in 2027 globally at a CAGR of 6.1% from 2022 to 2027, and the number of occasional viewers is expected to reach 361 million in 2027 at a CAGR of 5.9% from 2022 to 2027.

Number of Esports Audience in Globe

Million, 2017-2027E



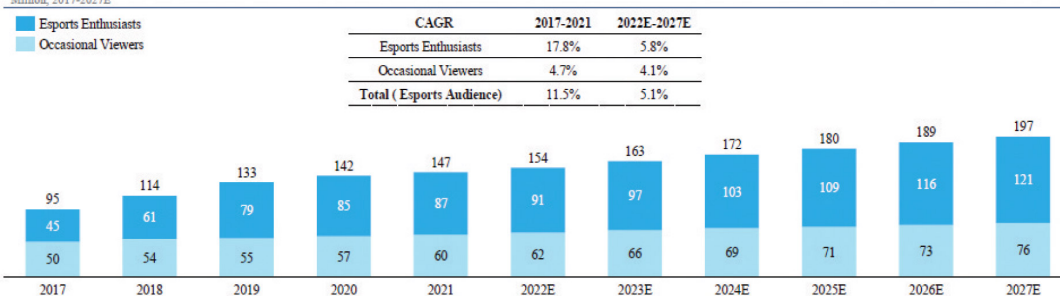
Source: Newzoo, Frost & Sullivan

China plays a key role in shaping esports into the sensational phenomena it is today and continues to lead and drive the growth in esports globally. The popularity and demand for esports in China is evidenced by an increased number of esports audience and specifically, esports enthusiasts, with the penetration rate increased from 47.4% in 2017 to 59.2% in 2021, and is expected to further increase to 61.4% in 2027.

The following diagram illustrates number of esports audience in China by audience type for the periods presented.

Number of Esports Audience in China

Million, 2017-2027E



Source: Newzoo, Frost & Sullivan

Industry Participants

Game Developers and Publishers

Game developers and publishers own the IP to the esports games and can make authorization for esports tournaments, with the aim of promoting their games and increasing their user base, user engagement and gross billings.

League Managers

League managers are individuals or organizations responsible for overseeing the administration and operation of a esports league. They are typically responsible for ensuring that the league operates fairly, smoothly, and in compliance with its governing rules and regulations.

Tournament Operators

Tournament operators are generally companies that organize and operate esports tournaments, produce and commercialize esports tournaments, and enhance engagement amongst gamers and audience.

Esports Gamers

People who play esports games on a PC, a console, a mobile device, or through cloud service in the past six months.

Esports Audience

People who watch and consume esports tournaments and esports-related content.

Distribution Channels

Platforms that distribute esports content. These channels include online live-streaming and other online entertainment platforms, and traditional broadcasting, networks and transmissions.

Esports Online Entertainers

Social media celebrities who provide real-time commentary on esports games and tournaments, or who play and narrate esports games themselves, or narrate on the gameplay of other gamers. They are typically managed by talent managers.

Brands and Sponsors

Companies that seek to advertise their brands and products through esports.

Key Drivers of the Global Esports Market***Rising Popularity of Video Games***

Video games have gained massive popularity over the years, especially due to the advent of novel products from video game console developers including Microsoft, Sony Interactive Entertainment and Nintendo Video. As a result, the gaming sector is changing rapidly from being a casual hobby for entertainment to a profession with meaningful career opportunities. In fact, esports has gained similar traction and fixation to conventional sports. Massive esports tournaments are being organized across the globe with lucrative sponsors and significant investments from international brands. Furthermore, many celebrities endorse such tournaments with live streaming being the major source of viewing. Esports has matured with the millennial generation, become a cultural touchstone, and extended their relevance way beyond the early years into Gen Z and every generation that follows who grew up as digital natives with an intrinsic relationship with digital gaming. As a result of this, the demand for esports and relevant products is increasing rapidly. Therefore, these factors are expected to drive growth of the global esports market during the forecast period.

Global Policies Encouraging Esports Development

The growth of esports in China is supported by regulatory policies and secular industry tailwinds. In China, the government has implemented policies that support esports both on the national and local levels. In 2021, Ministry of Culture and Tourism of China published “The Culture and Tourism Development Plan during the ‘14th 5-year Plan’ Period” to “promote the integration and development of esports, game and amusement industry.” In addition, the Olympic Council of Asia has approved esports to be an official medal event at the 19th Asian Games 2022 to be hosted in Hangzhou, China.

On November 10, 2022, the European Parliament adopted a resolution on esports and video games. In this resolution the European Parliament calls on the Commission and the Council to acknowledge the value of the video game ecosystem as a major cultural and creative industry (“CCI”) with strong potential for further growth and innovation.

The Saudi gaming and esports sectors are keeping pace with the rapid growth under Vision 2030’s diversification goals. The Ministry of Communications and Information Technology (MCIT) has also contributed to private-public partnerships and infrastructure investments. In October 2021, the Saudi

government announced plans to invest another US\$37.8 billion in esports-related businesses in the Middle East. This investment, along with others, drives the industry's explosive rise.

Increasing Numbers of Brands and Sponsors

Increasing numbers of brands and sponsors from various industries are recognizing the value and reach of esports and are actively participating in commercialization of the esports industry. The commercial cooperation field of esports has been broadened, and the partners have become more and more diversified. In addition to traditional hardware manufacturers, enterprises in the fields of automobile, FMCG and finance have also started to sponsor KPL and LPL events.

Broadcasting and Media Rights

In esports, broadcasting and media rights is a key growth driver as the worlds of media and gaming continue to converge. As publishers in esports own the intellectual property for each game they've created, they have the ultimate authority to set the terms by which other parties can utilize their software. However, the industry is now reaching a turning point where the adoption of games and of esports has exploded. Consequently, publishers are looking to capitalize on this audience and momentum by monetizing broadcasting and signing exclusive content deals. Additionally, since gamers and organizations draw in these fans, they are seeking revenue share agreements with publishers. These new developments are catalysts for the emerging franchise models explained above, whereby teams, gamers, and publishers yield similar revenue splits.

Esports Education and Training

Although gaming was considered a casual hobby in the past, it has grown into a professional career option for many aspiring gamers. Many universities and colleges have started enrollment for professional gaming courses or esports degrees. Furthermore, many institutions offer scholarship for aspiring gamers, which is expected to boost esports popularity. Therefore, these factors are expected to propel the global esports market growth over the forecast period. And the leading players in the game industry represented by Tencent continue to strengthen the market education, and invest a lot of funds and resources to promote the development of the industrial chain, thus making the penetration rate of esports increase year by year.

Iterative Upgrades of Esports Business Model

The increasingly professional sports-based operation is expanding a bigger business map for esports. The business model has been improved day by day. After borrowing the business model of traditional sports, esports leagues have gradually developed the commercial value of multiple modules such as media rights, derivatives, tickets and advertisements.

Global Esports Club, Talent Management and Event Production Markets

Esports Club Market

According to the Frost & Sullivan Report, driven by increased tournament viewership and continuous government support, the global esports club market in terms of revenue grew at a CAGR of 26.6% from US\$0.5 billion in 2017 to US\$1.4 billion in 2021 and is expected to continue to grow at a CAGR of 18.8% from 2022 to 2027, eventually reaching US\$3.9 billion in 2027.

Market Size of Esports Club Industry, by Revenue (Global)

USD Billion, 2017-2027E



Source: Frost & Sullivan

Esports Talent Management Market

The advent of streaming has increased demand for, and spend on, video content. As the esports gaming space continues to draw the interest of the world, content rooted in it become more important across the media landscape. According to the Frost & Sullivan Report, the global talent management market has increased drastically at a CAGR of 63.2% from US\$0.3 billion in 2017 to US\$2.3 billion in 2021 and is expected to continue to grow at a CAGR of 23.4% from 2022 to 2027, reaching US\$8.2 billion in 2027.

Market Size of Esports Talent Management Industry, by Revenue (Global)

USD Billion, 2017-2027E



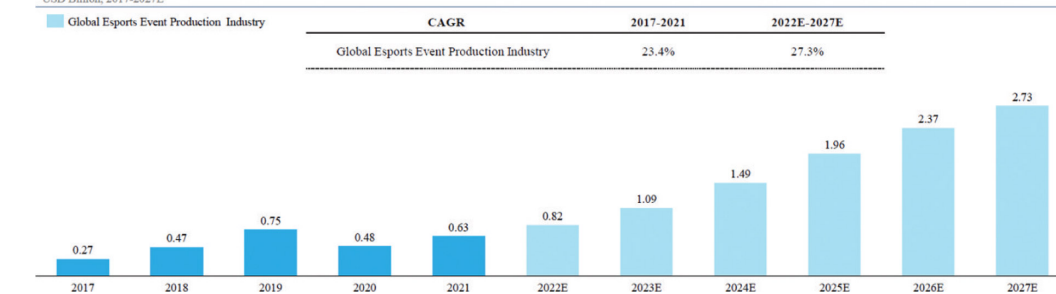
Source: Frost & Sullivan

Esports Event Production Market

The continuously increasing popularity of esports supports events with mass appeal. According to the Frost & Sullivan Report, the global esports event production market has increased at a CAGR of 23.4% from US\$0.3 billion in 2017 to US\$0.6 billion in 2021 and is expected to continue to grow at a CAGR of 27.3% from 2022 to 2027, reaching US\$2.7 billion in 2027. The market size decreased from US\$0.8 billion in 2019 to US\$0.5 billion in 2020, primarily because a large number of events were either cancelled or postponed due to the global COVID-19 outbreak and the series of measures imposed by governments to contain its spread, which include restrictions on public gathering and travel bans.

Market Size of Esports Event Production Industry, by Revenue (Global)






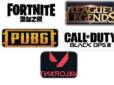

USD Billion, 2017-2027E



Source: Frost & Sullivan

Competitive Landscape of Esports Companies

NIP Group Inc. has won 19 championships in global top 10 esports titles in the world measured by prize pool in their world tournaments, including in CS:GO, Honor of Kings, Rainbow Six and FIFA, representing more in unique game titles with top tier wins than any other esports organization as of January 31, 2023, according to the Frost & Sullivan Report. The following diagram illustrates the comparison of championship wins across leading esports teams as of January 31, 2023.

	The Group	Company A	Company B	Company C	Company D	Company E	Company F
Company Profile	<ul style="list-style-type: none"> The company is a global comprehensive digital sports group with esports club business as its core and developed diversified business such as esports event production and esports talent management 	<ul style="list-style-type: none"> The company is a professional esports organization mainly focusing on esports club business and video producing business. 	<ul style="list-style-type: none"> The company is an North American professional esports and entertainment organization. 	<ul style="list-style-type: none"> As one of the most well-known esports club in North America, the company also has expanded the field of esports education business. 	<ul style="list-style-type: none"> The company is an comprehensive esports entertainment organization which possess esports club business, record and peripheral product producing business. 	<ul style="list-style-type: none"> The company is a digital-native lifestyle and media platform rooted in gaming and youth culture, reimagining traditional entertainment for the next generation. 	<ul style="list-style-type: none"> The company is a North American Esports organization with esports club, clothing design and platform live-streaming as its main business.
Specialized Field*							
No. of Championships in Global Top League	19	11	1	3	7	7	0
Game Title of Championships in Global Top League	4	2	1	1	3	2	0

Note:

(1) Among the top-tier world tournaments in top ten global esports game titles by prize pool.

Source: Frost & Sullivan

Entry Barriers to the Esports Industry

Collaborative Resources with Industry Stakeholders

In the esports industry, it takes time and effort to build relationships and trust with stakeholders such as game developers and promoters, esports leagues and content distribution platforms. For instance, fixed number of seats in top tier leagues cuts off vast majority of small esports clubs. Therefore, earlier entry into the esports industry and longer-term cooperative relationship with relevant stakeholders would generate first-mover advantage as there are often limited league seats available within the designated game title.

Talent Reserve and Training Management System

There is a talent shortage in esports industry. It is difficult for small esports team to attract top-tier athletes and online entertainers due to limited track record and a lack of popularity. In addition, small esports teams normally do not have a mature and systematic talent training and management system, or incubation of influencers. Therefore, it would be hard for these small esports club to cultivate and retain quality athletes.

Esports Equipment and Technology

Significant capital outlay, such as best gaming peripherals, is required to ensure top performance of the athletes. The ability to apply AI, data analytics and the latest technology, such as VR and AR, to the daily training of athletes largely helps to enhance and stabilize their performance.

Capital Reserves and Commercialization Ability

The operation of an esports team is capital centric. A large amount of capital is required for athlete training, daily operations, and management of fans. Therefore, whether an esports team could reserve enough funds in the early stage to sustain the capital outflows would become one of the most important factors that hinders new entrants.

In addition, the commercial value of an esports team is measured by the number of brands, sponsors and advertisers behind it. Global top esports teams are relatively concentrated and it is difficult for newcomers to earn sponsorships or advertisement.

BUSINESS**Our Mission**

Our mission is to create transformative esports experiences that entertain, inspire and connect fans across the globe.

Our Vision

Our vision is to become the premier esports organization in the world.

Overview

We are a leading esports organization with the most expansive global footprint by virtue of our operations across Asia, Europe and South America, according to the Frost & Sullivan Report. Among the top ten esports titles in the world in terms of prize pool, our wins in tier-1 world tournaments in CS:GO, Honor of Kings, Rainbow Six and FIFA represent more unique game titles with top-tier wins than any other esports organization as of January 31, 2023, according to the Frost & Sullivan Report. We were founded based on a passion for esports and belief that esports can create the same types of historical and legendary experiences and memories as traditional sports have for the past century.

We operate two esports brands: Ninjas in Pyjamas and eStar Gaming. Ninjas in Pyjamas, our PC/console esports brand, was founded in 2000 in Sweden. Competing at the highest levels in multiple esports titles over two decades, Ninjas in Pyjamas has earned recognition as one of the most storied, recognized and iconic brands in the esports world. At the same time, eStar Gaming, our mobile esports brand, is the top team in the Honor of Kings King Pro League (KPL), the most successful team in KPL history in terms of titles and widely considered to be the most successful mobile esports team in the world, according to the Frost & Sullivan Report. We have a comprehensive portfolio of esports teams, competing at the highest level in video game titles such as League of Legends, CS: GO, Honor of Kings, Rainbow Six, Valorant, Rocket League, Fortnite and Call of Duty Mobile.

We believe that there is tremendous potential in what we refer to as the “esports+” model, with the first phase being competitive esports itself — building championship-caliber teams across the most popular esports titles. NIP Group is currently at the second phase of esports+, supplementing our competitive esports business with our talent management, event production, creative studios, and burgeoning advertising businesses to create a diverse and sustainable revenue stream driving our continued growth. Going forward, we believe that we are only limited by our imagination for the third phase of esports+, and are actively exploring opportunities in areas such as esports education and training, fan universe (B2C monetization and metaverse), NFTs, esports real estate and IP licensing. As of December 31, 2022, we have provided esports education related services to more than ten educational institutions in cities including Shenzhen, Xi’an, Guangzhou and Guizhou, and we are aiming to bring our contents and services to 50 educational institutions across China by the end of 2025. We anticipate costs associated with our undertaking of esports education business to include staff costs as well as costs related to content development, professional training and brand building. We plan to finance our esports education business through capital contribution or shareholder loans. In addition, we have also collaborated with digital collection platforms in China, and have launched our NFT collection in November 2022. Aiming to create a global benchmark for esports+, we are also actively creating our proprietary IPs in the fields of fashion, art and metaverse.

Currently, we are focused on developing talent for both our esports teams and greater roster of online entertainers. On the esports side, we have combined Ninjas in Pyjamas’s 20-plus years of development experience as well as eStar Gaming’s demonstrated success in the burgeoning competitive mobile games market in the past five years. Our talent management business also focuses on developing esports athletes to become successful online entertainers, extending their success in the esports world further to the entertainment world. In 2020, Jackson Wang, one of the world’s most famous pop idols and one of the most followed male artists on Instagram, with over 31 million followers as of February 15, 2023, joined us as a partner and beneficial shareholder.

We experienced robust growth in our net revenues, which increased from US\$31.8 million in 2021 to US\$65.8 million in 2022. We recorded gross loss of US\$0.6 million in 2021 and gross profit of US\$3.7 million in 2022, representing gross loss margin of 1.9% and gross profit margin of 5.7% for the same years, respectively.

Our Strengths

We believe the following strengths contribute to our success:

Leading esports organization with most expansive global footprint

We are a leading esports organization with the most expansive global footprint by virtue of our operations across Asia, Europe and South America, according to the Frost & Sullivan Report. Among the top ten esports titles in the world in terms of prize pool, our wins in tier-1 world tournaments in CS:GO, Honor of Kings, Rainbow Six and FIFA represent more unique game titles with top-tier wins than any other esports organization as of January 31, 2023, according to the Frost & Sullivan Report.

Ninjas in Pyjamas, our PC/console esports brand, was founded in 2000 in Sweden and has pioneered the esports industry over two decades — driving the scene from its grassroots nascency and fielding competitive teams at the highest levels earning 56 championship wins in tier one competition since 2012, including wins in CS:GO ESL One: Cologne in 2014, Rainbow Six Invitational in 2021 and FIFA EA Sports Cup in 2023. eStar Gaming, our mobile esports brand, is the top team in the Honor of Kings King Pro League (KPL), the most successful team in KPL history in terms of titles and widely considered to be the most successful mobile esports team in the world according to the Frost & Sullivan Report, having won the inaugural Honor of Kings International Championship in 2019 and 2022 and securing first place in the 2022 KPL spring. We are also the only esports organization in China with home courts in two cities, with our Ninjas in Pyjamas League of Legends team in Shenzhen and eStar Gaming Honor of Kings team in Wuhan. We also field teams in Brazil and will be expanding teams to North America and the MENA region in 2023.

Largest portfolio of video game titles competed at highest level of competition

As of the date of this prospectus, we fielded teams in 12 esports titles, which was the most for all esports organizations in the world, according to the Frost & Sullivan Report. Our esports teams compete in leagues at the highest level across a broad portfolio of video game titles, including:

- Ninjas in Pyjamas (formerly as Victory 5) in the LPL, League of Legends professional league. China is widely considered to be one of the most competitive regions in League of Legends, the most popular esports title in the world. As a result, according to the Frost & Sullivan Report, the LPL is the most viewed in League of Legends league, and has the most amount of investment into it.
- eStar Gaming, the 2022 world champions in Honor of Kings, one of the most played mobile games in the world, according to the Frost & Sullivan Report, and the only team having won eight championships at the highest level of competitions in Honor of Kings, including two world championships.
- Ninjas in Pyjamas, winners of ESL One: Cologne in 2014 and Weplay Academy League 2022 in CS:GO.
- Ninjas in Pyjamas, winner of the 2021 Six Invitational in Rainbow Six.
- Ninjas in Pyjamas, winner of the EA Sports Cup in 2023 in FIFA.

We also field strong teams in popular PC/console titles such as Valorant, FIFA, Fortnite, and Rocket League, as well as mobile titles such as Call of Duty Mobile, QQ Speed and Crossfire. As of January 31, 2023, our eStar Gaming team won 57 tournaments and approximately RMB75.0 million (US\$10.8 million) in prize money from tournaments and our Ninjas in Pyjamas team won 54 tier-one tournaments and approximately US\$3.1 million in prize money from tournaments. This track record of success demonstrates that we are able to continuously grow teams organically or through acquisition for top esports titles along

with the evolution of the esports scene, and maintain our long-standing position as a top esports organization without relying on any single team for any particular title.

We have also started assembling all-female rosters for various game titles to promote diversity and inclusivity, break gender barriers and reduce gender-based discrimination in the gaming industry. We launched our first all-female teams in CS:GO in September 2022. We believe our continuous investment and effort in creating opportunities for women to participate in esports can inspire more female players to pursue careers in gaming and technology.

Strong and loyal fan base

We have a strong and loyal fan base supporting both NIP Group and its Ninjas in Pyjamas and eStar Gaming brands, as well as our athletes and online entertainers. As of January 31, 2023, our social media accounts on Weibo, Twitter, Instagram and other platforms had combined followers of over 14 million. At the same time, our athletes and online entertainers signed with our talent management agency business had total social media followers of approximately 85 million, showing the robustness of our reach and the influence of our talent.

Proven talent development system across esports and entertainment

We continue to hone and improve our talent development system for success in both high-level esports competition and online entertainment as a whole. On the esports side, we have combined the best facets of western and eastern theory for competitive esports development and training to create a system designed for growth, longevity and performance. Ninjas in Pyjamas's 20-plus years of development experience since the infancy stages of competitive esports has established a performance management structure focused on balancing performance with well-being, leveraging not only esports performance coaches but also psychologists, nutritionists and physical therapists. It aims to empower individual teams as much as possible in their daily work to make their own choices, while still leaving strategic decisions to core management individuals with industry expertise. This system works in tandem with eStar Gaming's experience and demonstrated success in the burgeoning competitive mobile games market in the past five years. Our president, Mr. Liwei "xiaOt" Sun, was one of China's most famous esports competitors, and applied his personal success in titles such as Warcraft III, Starcraft II and Heroes of the Storm to create a set of coaching and development philosophies that has culminated in high-level performance and KPL championships. The results of our proven development system has set new highs for KPL transfer fees, including a record-breaking transfer fee of RMB12 million for Zhejie "Zimo" Wu, a Honor of Kings player we developed.

We have also substantially invested into our esports training and development facilities. Our facilities in Stockholm and Wuhan were built from the ground up and are what we believe to be among the largest, most premium and most expensive esports facilities in the world.

Our talent management business also focuses on developing of roster of esports athletes to become successful online entertainers. By teaching our athletes to leverage their success in the esports world to expand their overall influence and reach, we provide them with a career beyond esports. The success of our athletes in turn attracts talent from both the esports and greater entertainment world to our organization. In 2020, Jackson Wang, one of the world's most famous pop idols and one of the most followed male artists on Instagram, with over 31 million followers as of February 15, 2023, joined us as a partner and beneficial shareholder.

Diversified revenue streams driving sustainable growth

We generate revenue through our competitive esports, talent management, event production and creative studio businesses. Although we are deeply focused on securing the best competitive results for our esports teams across geographies and titles, we recognize the need for sustainable organic growth and that profitability lies beyond championships. We believe that the path lies in what we refer to as "esports+." We believe that while most esports organizations are currently at phase 1.0 of the esports+ model, which is focusing on competitive results, as well as permanent league spots for revenue share and diversified revenue stream, we have moved beyond to phase 2.0, which is successfully discovering new value propositions along the esports industry value chain, such as our talent management, event production, creative studios

and burgeoning advertising businesses. This stage of the esports+ model drives us to focus on bringing value to participants in the esports ecosystem such as game developers, esports teams, advertisers and esports leagues, together with fans and other end consumers. By staying at the forefront of the evolving esports+ model, we are able to secure strong and sustainable revenue streams that help us achieve and maintain profitability. In 2022, net revenues from our esports teams operation, talent management and events production businesses accounted for 33.0%, 58.6% and 8.4% of our net revenues, respectively, evidencing the diversity in our revenues.

Demonstrated success in acquisition and integration

NIP Group was created through the successful merger of two prominent esports organizations, Ninjas in Pyjamas and eStar Gaming, with very different histories, which was the largest M&A esports transaction ever. Since the merger, we have integrated the two organizations across geographies and cultures and developed a cohesive identity, strategy and vision for what NIP wants to achieve in the esports world. This demonstrated ability by our management to identify synergies and execute transactions provides us with a greater universe of opportunities for acquisitions and investments fit into our vision for esports+ and the NIP ecosystem.

Passionate management team supported by marquee shareholders

Our co-chief executive officers, Mario Ho and Hicham Chahine, work together seamlessly to bring their expertise, know-how and most importantly, love for esports, to managing our Asia and western businesses.

Mario currently serves as the CEO of our Asia business. He was previously the chief marketing officer of iDreamsky, a leading game publisher listed on the Hong Kong Stock Exchange, founded Victory 5 E-Sports, one of our predecessors, and is the current chairman of the Macau E-sports Federation. Hicham currently serves as the CEO of our Western business. He was recruited straight out of high school to Formuesforvaltning, the largest privately owned wealth management firm in the Nordics, where he spent eight years managing the firm's hedge fund investments. In 2016, he decided to pursue esports out of passion and joined Ninjas in Pyjamas as its CEO and began scaling the brand to what it is today. Hicham is currently an executive board member of the World Esports Association and serves on the Executive Council of BLAST Premier. Their passion for esports is the impetus behind everything that we do for our fans and our industry.

We are also supported by our marquee shareholders, including prominent institutional investors such as SIG, ZhenFund, Nyx Ventures, Diglife, and strategic investment partners from leading Internet platforms such as Douyu and 360.

Our Strategies

We intend to pursue the following strategies to achieve our mission and vision:

Expand esports presence across geographies and titles

We plan to expand our esports presence through entering new geographies such as Southeast Asia, North America, the Middle East, Japan and Korea. We will also continue to identify popular esports titles with a visible path to sustainability to expand into, such as Valorant, Overwatch, Call of Duty, Mobile Legends and Street Fighter. Ultimately, our goal is to have a highly competitive flagship team in every relevant esports title in its largest global market, such as LPL in China, CS:GO in Europe and Rainbow Six in Brazil.

Leverage talent management capabilities to expand roster and influence

We will continue to leverage our strengths in talent management and development to attract the best esports athletes and online entertainers to the NIP brand. In particular, we plan to sign free agents in the China region as their original contracts expire. We will also expand our talent management business to other markets suitable for our brand, with the aim to become one of the world's leading esports and online entertainment agencies.

Develop specialized content creation and advertising offerings into esports world

We will build out our in-house creative studios and acquire relevant businesses to serve our esports brands, online entertainers, event productions, external brands, publishers in their strategy, content creation and production needs. Ultimately, our goal is to build award-winning creative studios, anchored in esports and gaming and operating in the largest markets we are present in. Our true global footprint and influence in the global esports industry also allows us to execute our strategy to become a one-stop shop offering specialized content creation and advertising services to help sponsors and advertisers capture views throughout the esports value chain.

Increase fan engagement and monetization

Our fans form the foundation of our success, and we aim to drive sustainable and resilient growth by increasing engagement with our fans and in turn achieving greater lifetime value from each of our fans. We are currently exploring new consumption scenarios for our fans, such as digital and physical NIP gaming merchandise, as well as creating a fan universe that keeps fans meaningfully engaged with our organization and talent. For example, we expect to launch our NIP Fan Universe built on Metapolis in March 2023.

Explore strategic acquisition and investment opportunities

We will selectively pursue acquisition and investment opportunities to supplement the organic growth of our core businesses, including purchasing esports league seats and strategic acquisitions of talent agencies and event production companies, as well as opportunities along the esports+ growth model. Our core focus for these acquisitions and investments will be profitability, as we believe in bringing the most value to our shareholders. We believe that becoming a U.S. public company through this offering will greatly bolster our ability to capture these opportunities.

Remain cutting edge for new esports mediums

The esports industry is still at a nascent stage of growth, and we expect that it will evolve together with advances in gaming media and technology. As such, we are dedicated to remaining on the cutting edge of the gaming and esports world, and continue to be prepared for new gaming and competitive media in virtual reality, augmented reality, Web 3.0 and artificial intelligence. In addition, we are also diving into the expansion of esports into the metaverse and the use of NFTs to achieve new esports opportunities.

Continue growth along esports+ model

We plan to continue our growth along the esports+ model to reach its Phase 3.0 and the extend revenue realization opportunities it provides in areas such as esports education and training, team app subscriptions, NFTs, esports real estates and IP licensing. We believe that the sky is the limit for what we can achieve in the esports world.

Esports Teams

We operate two brands: Ninjas in Pyjamas and eStar Gaming, both competing in leagues at the highest level across a broad portfolio of video game titles. As of January 31, 2023, our eStar Gaming team won 57 tournaments and approximately RMB75.0 million (US\$10.8 million) in prize money from tournaments and our Ninjas in Pyjamas team won 54 tier-one tournaments and approximately US\$3.1 million in prize money from tournaments. Among the top ten esports titles in the world in terms of prize pool, our wins in tier-1 world tournaments in CS:GO, Honor of Kings, Rainbow Six and FIFA represent more unique game titles with top-tier wins than any other esports organization as of January 31, 2023, according to the Frost & Sullivan Report.

The core asset of our esports teams is our talent pool. As of January 31, 2023, we had 109 athletes on our roster, with 77 based in Greater China, 24 based in Europe and 8 in Brazil, competing globally across 14 leagues in 12 esports titles. We are also the only esports organization in China with home courts in two cities, with our Ninjas in Pyjamas League of Legends team in Shenzhen and eStar Gaming Honor of Kings team in Wuhan.

Ninjas in Pyjamas

Ninjas in Pyjamas, our core PC/console esports brand, was founded in 2000 in Sweden and has pioneered the esports industry over two decades — driving the scene from its grassroots nascency and fielding competitive teams at the highest levels, earning 56 championship wins in tier one competition since 2012. As of January 31, 2023, we had 32 athletes on the Ninjas in Pyjamas roster, competing globally across 10 leagues in 7 esports titles.

Our esports teams under Ninjas in Pyjamas compete in leagues across a broad portfolio of PC/console game titles, including:

- The LPL, League of Legends professional league. China is widely considered to be one of the most competitive regions in League of Legends, the most popular esports title in the world. As a result, according to the Frost & Sullivan Report, the LPL is the most viewed in League of Legends league in the world. We previously competed in the LPL as Victory 5, until Victory 5 was rebranded to Ninjas in Pyjamas starting from the 2023 LPL season following the merger between ESV5 and Ninjas in Pyjamas in January 2023. Victory 5 secured the first and third place in the 2022 LPL spring and summer splits, respectively.
- winners of ESL One: Cologne in 2014 and Weplay Academy League 2022 in CS:GO.
- winner of 2021 Six Invitational in Rainbow Six.
- winner of EA Sports Cup in 2023 in FIFA.

Ninjas in Pyjamas is incredibly active in driving development of the esports ecosystem. It is one of the founding members of World Esports Association, or the WESA, an industry association founded in 2016 by esports industry leaders to professionalize esports through promoting collaboration among esports organizations, increased player representation, standardizing regulations, and creating revenue shares for teams. It is also founding member of BLAST Pro League and Louvre, the equivalent of ESL, and a key member of the FGS EA Sport FIFA franchise structure, as well as the R6 Share, a revenue sharing program franchise structure that governs Rainbow Six.

Shinobi Studios

In 2021, Ninjas in Pyjamas established Shinobi Sports together with traditional sports investment platform Aser Ventures. Shinobi was created as a vehicle to provide traditional sports organizations with Ninjas in Pyjamas' expertise in building esports teams, allowing them to establish a presence in esports without having to develop that industry knowledge in-house. An initial pilot project was run with UK football club Leeds United FC, culminating in the establishment of Leeds Fury, the club's online gaming community.

As part of the collaboration, NIP's professional FIFA player Olle "Ollelito" Arbin has participated in the past three years' seasons of the ePremier League as a representative of LUFC, making it to the grand final in 2021, semi finals in 2022, and winning the grand final in 2023. Besides lending Ollelito to LUFC, the NIP creative and commercial teams advised on various business decisions leading up to the establishment of Leeds Fury, while LUFC simultaneously developed the in-house expertise to run the project indefinitely.

In 2022, the project was incorporated fully into Ninjas in Pyjamas. Shinobi now constitutes part of NIP's offering to partners, including content creation, brand building and esports team building and advisory. The traditional sports-to-esports pipeline is an under-explored high-potential business opportunity; as more traditional sports clubs open up to existing esports titles and new esports titles are created from existing sports, the ability to quickly set up a competitive squad and gain first-mover advantage will become increasingly valuable.

eStar Gaming

eStar Gaming is our mobile esports brand. eStar Gaming was founded in 2018 in China. Currently, eStar Gaming is the top ranked team in the KPL, the Honor of Kings league in China, the most successful team in KPL history in terms of number of titles and widely considered to be the most successful mobile

esports team in the world, according to the Frost & Sullivan Report. As of January 31, 2023, the eStar Gaming brand had 77 athletes, competing globally across four leagues in five esports titles.

Our esports teams under eStar Gaming have been top-level contenders in leagues across a broad portfolio of mobile titles, including:

- First place in the inaugural Honor of Kings International Championship in 2022; first place in the 2019 Honor of Kings World Champion Cup; first place in Honor of Kings International Championship 2016 summer; first place in the KPL 2022 spring, 2021 fall and 2019 spring splits; first place in the Honor of Kings Challenger Cup 2022 and 2021.
- Call of Duty Mobile — 2021 Call of Duty Mobile (CODM) Season 2, top four team in China.
- QQ Speed — 2018 Wechat Game Championship Cyber Games (WGC) tournament — Prop Group, champion.
- Crossfire (PC) — 2022 China CrossFire Pro League (CFPL) Season 19, second place in China.
- Crossfire (mobile) — 2022 CrossFire Mobile League (CFML) Season 12 Fall, second place in China.

Talent Development System for Esports Teams

We have combined the best facets of western and eastern theory for competitive esports development and training to create a system designed for growth, longevity and performance. We consistently implement this system in selecting, cultivating and training our athletes and continue to refine it through the course of our participation in various leagues and game titles.

Ninjas in Pyjamas has over twenty years of esports development experience since the nascent stages of competitive esports, evolving from a group of enthusiastic gamers into professional esports athletes and having developed and adjusted its talent development strategies through a series of trials and errors through time. eStar Gaming has also demonstrated great success in the burgeoning competitive mobile games market in the past five years. Today, our esports talent development system is characterized by its deep roots in traditional professional training, well-established youth and academy training program, pro-team training mechanisms and comprehensive support system, all of which provide tremendous support to our athletes to achieve and maintain high-level performance. Ultimately, we are committed to building a sustainable competitive environment for our players.

Recruitment of Prospective Esports Athletes

Our president and the founder of eStar Gaming, Mr. Liwei “xiaOt” Sun, debuted and won in his first international match in Starcraft at the age of 14. His personal experience as a wildly successful esports athlete brings him unique insight into the development and training of young players, which has guided eStar Gaming’s youth training program and our considerable effort and resources in recruiting new and development promising prospects. Leveraging the influence of eStar Gaming across popular social media such as Wechat, Douyin, Weibo and Douyu, we post information on eStar Gaming’s annual tryouts, contact top-tier players for different game titles, and cooperate with online esports coaching platforms that have already accumulated considerable active users.

In addition, Ninjas in Pyjamas’s two decades of esports experience has resulted in carefully designed talent development programs. In December 2020, we introduced *Path of a Ninja*, a talent program for the future CS:GO players of Sweden. Together with Area Academy, creators of the successful Swedish Elitserien (Elite League) in CS:GO, we scout and support new generations of esports athletes through selecting grassroots players and providing with them the necessary guidance to turn professional. These players can attend NIP workshops and bootcamps in Stockholm, and earn opportunities to be signed to our official competition rosters.

Selection Process for Young Esports Participants

Participants in our youth training program operated by our Ninjas in Pyjamas brand typically range from ages 15 – 18, while participants in our youth training program operated by the eStar Gaming brand

are over 18 years of age. Participants who have passed our initial screening process are invited to attend tryouts for various game titles, which consist of in-game demonstrations, training sessions and tryout matches. Participants are evaluated on their general performance, reflexes, game knowledge, agility, endurance and teamwork.

Once participants are selected into our youth training program, they will be provided with 24/7 on-site support and boarding, dining and traveling benefits on par with our pro teams. We also deploy proven coaching methods and reasonable training schedules for these young players to balance the growth in their gaming skills with quality of life and a sustainable, long-term esports career. For instance, for CS:GO's five man rosters, our pro teams typically consist of a constant four-man core and an extra rotating slot filled by top athletes from our youth training program. This gives our participants an edge in engaging in the highest level of competitions without the pressure of having to deliver the highest level of performance instantly. Participants in our youth training program have demonstrated strong growth potential and success, as evidenced by the fact that four of our participants in CS:GO have gone on to play successfully for other top-tier esports organizations.

As of December 31, 2022, we retain a pool of 41 participants in our youth training program across four different game titles in CS:GO, Honor of Kings, QQ Speed, and CrossFire. Historically, participants who have successfully transitioned into pro teams had training time ranging from approximately 6 to 24 months at our youth training programs. Further, joining our team at a relatively young age has created a strong bond among our esports team members and coaches, thereby strengthening the attachment and loyalty of our athletes to our brand in the longer term.

Dedicated Coaching Method and Strong Player Performance

We recruit top performing athletes from our youth training programs as well as athletes from outside our ecosystem with strong track record of gaming performance for our pro teams, often, leveraging the synergies with our other businesses.

We are known for maintaining a robust coaching approach, attracting prominent coaches with extensive training and team management skills and substantial tournament participation experience. We currently have 18 professional coaches under contract, with an average of four years' experience in esports gaming. Daniel Narancic, our head coach for CS:GO, was once part of Copenhagen Flames as they built one of the most promising talent rosters in recent CS:GO history.

With decades of experience in professional athlete development, we are also well-versed in bringing out the fullest potential of our star athletes. In 2012, Christopher "GeT_RiGhT" Alesund, now widely considered the best CS:GO player in history, joined Ninjas in Pyjamas and served under our brand for seven consecutive years. During that time he formed an integral part of a dominant Ninjas in Pyjamas team, and had won 87 matches without a single loss from the 2012 to 2013 splits. One of our Honor of Kings players, Linwei "Tanran" Sun, joined eStar Gaming's youth training program in 2020 and was promoted to our pro team in 2021, and subsequently won five KPL championships since his KPL debut. In addition, in May 2023, a coach and three athletes from eStar Gaming were enlisted in the National Training Team for Asian Games in the Honor of Kings competition. The success of these star athletes demonstrate our strong ability in attracting, training and retaining top-tier esports talent, and offering them the best platforms for competition.

We do not restrict our athletes from transferring to other teams. Our proven development system has broken records for KPL transfer fees multiple times, including a one-time transfer fee of RMB12 million for Zhejie "Zimo" Wu, who was trained by eStar Gaming.

Comprehensive Support System for Our Athletes

We maintain the growth and longevity of our athletes through a series of scientifically tailored training programs and a comprehensive support system to fulfill their maximum potential and prolong their career cycles. Our coaches not only formulate gaming strategies by monitoring game version and meta changes and general trends in the industry, but also focus on details that benefit the long-term development of individual

athletes and their specific tactics in a particular game. Furthermore, we provide comfortable accommodations at the training facilities for athletes and hire professionals for nutrition, relaxation and mental health.

We are also committed to balancing performance with well-being. Ninjas in Pyjamas was the pioneer in introducing not only esports performance coaches but also psychologists, nutritionists and physical therapists in 2017. The support of our coaches goes beyond the gaming performance of our athletes and extends to their personal development. We believe this helps secure a more sustainable competitive environment for our athletes.

Sources of Revenue of Our Esports Teams

Our esports teams currently generate revenue through a combination of sources, including:

- *Prize money.* Our esports teams compete in tournaments across a broad portfolio of video game titles and earn tournament winnings based on performance.
- *Revenue sharing with leagues.* While the specifics of the revenue sharing model vary depending on the specific league and teams involved, we typically share league revenue generated from various channels, such as sponsorships, advertisements, media rights, game props, and ticket sales. The revenue is split between the league and teams within the league, with the league taking a portion for their costs and expenses and the rest distributed to teams generally based on factors such as team performance, popularity, and event location. We also sell season tickets to matches held in our home courts.
- *Athlete transfer and rental fees.* We derive revenue from the transfer and rental of our athletes. The athlete transfer and rental fees can be significant sources of revenue for us, especially for top-level players. Certain transfer or rental agreements may also include performance-related bonuses, such as bonuses for various in-game stat goals or games played, which can generate additional revenue for us.
- *Sponsorship and advertising fees.* Our esports teams partner with brands and advertisers to promote their products and services to our highly engaged and tech-savvy fan base. This includes traditional sponsorships, such as having the brand's logo displayed on our player's jerseys, our websites and social media platforms, as well as more innovative advertising campaigns, such as in-game sponsorships. For example, brands can sponsor our athletes' in-game characters by having such characters wear clothing or use equipment featuring the brand's logo.
- *Sales of branded merchandise.* We offer a wide range of esports branded merchandise featuring our esports teams and athletes to fans.
- *Live streaming revenue.* Our esports teams collaborate with live streaming platforms from time to time to provide live streaming services featuring our athletes and more. Our esports teams thus receive live streaming revenue from the platforms which primarily includes signing fees and a share of the revenue generated from virtual gifts given to our athletes during live streaming.
- *IP licensing.* We grant a third-party licensee permission to use the Ninjas in Pyjamas brand and related intellectual property to sell digital goods such as game props, skins or stickers in exchange for an agreed IP licensing fee.

In addition, as the revenue model for an esports organization is constantly evolving along with the overall industry, we will continue to find new and innovative ways to monetize our fan base and generate revenues.

Talent Management Business

We launched our talent management business in 2021 under the eStar Entertainment brand. We incubate and represent online entertainers and help them create and distribute diversified, engaging esports- and gaming-related content for live streaming and other online entertainment platforms, as well as engage in other commercialization activities. We also provide entertainment marketing and consulting services to global corporate brands.

We have a proven track record of connecting our online entertainers with global brands to create revenue opportunities and successful, sustained partnerships, including endorsements, appearances, peripherals, and digital and equity partnerships. We will continue to leverage and build momentum to further grow our advertising business, offering one-stop shop services to help sponsors and advertisers capture views throughout the esports value chain.

Our Online Entertainers

Our talent management business provides athletes with a career beyond esports. While the average playing career length of esports athletes is typically five to eight years, according to the Frost & Sullivan Report, a career as online entertainer can be substantially longer. The loyalty and strong bond we create with our athletes through their esports careers contribute to their continued cooperation with us as online entertainers. Many of our athletes who choose to sign with our talent management agency have expanded their footprints into the broader entertainment industry. For example, Guixin “Nuoyan” Guo, one of the most renowned players in KPL history who helped us win the 2019 Honor of Kings International Championship, is now signed with us as an entertainer. He has become a popular reality show star and was one of the contestants on *Produce Camp 2021*, one of the most popular shows produced by Tencent Video in 2021 with a reportedly record-breaking 5.5 billion views.

Our talent management business focuses on developing our roster of esports athletes to become successful online entertainers. At the same time, we also identify and recruit high-potential candidates outside of our ecosystem through a variety of avenues, such as retired athletes from other esports organizations, popular amateur players and non-esports online entertainers, by closely tracking competitive esports games and all major entertainment platforms. Our deep roots in the esports ecosystem and our strong brand reputation give us competitive advantages to attract top online entertainers and secure long-term partnership with them. For instance, we have signed Yilong “Sao Yi” Zhou, who is among the most popular streamers on streaming platform Douyu with subscribers of over 1.7 million as of December 31, 2022. Our portfolio of influential entertainers also includes Yang “Liu Taiyang” Liu, who produces diverse content relating to lifestyle, workout and daily routines and had over 6.0 million followers across all platforms as of December 31, 2022.

We have also attracted celebrities from the greater entertainment world to our organization. In 2020, Jackson Wang, one of the world’s most famous pop idols and one of the most followed male artists on Instagram with over 31 million followers as of February 15, 2023, joined us as a partner and beneficial shareholder.

We collaborate with our signed entertainers both on exclusive and non-exclusive bases. Our agreements typically set forth the terms and conditions under which we will represent the entertainers and monetize their social media channels, outlining the revenue sharing arrangement, ownership of the content created by the entertainers, our right to use and distribute the content, etc. The terms of talent management agreements we enter into with our entertainers typically varies from three to five years. As of December 31, 2022, we had over 12,000 signed online entertainers, enabling us to connect with more than 32 million audience members and 60 million social media followers across platforms.

Cross-Platform Reach

Our online entertainers generate a full range of content from live streaming to short videos, covering popular game titles such as Honor of Kings, League of Legends, Crossfire, DNF, Naraka: Bladepoint, and Game for Peace. We have long-term cooperative relationships with major live streaming and other online entertainment platforms, such as Youtube, Douyu, Huya, Douyin and Kuaishou, helping them build vibrant communities where viewers can interact with each other and entertainers. Through the diverse and engaging content they generate, our entertainers help promote the platforms they use by attracting new viewers and create a sense of belonging and foster an appealing environment for viewers, leading to increased user engagement and growth for the platform. In 2022, Xiaocheng “Xiaochenya” Zhi and “Sao Yi” Zhou, both our signed streamers, were among the top 10 streamers on Douyu (based on their Douyu streaming revenue), demonstrating their popularity and commercial value.

Our brand gravity has attracted social media and other platforms to collaborate with our top-performing online entertainers. Moreover, our online entertainers benefit from the expertise and vast resources of our esports teams and event production business to secure partnerships with a broad spectrum of brands and advertisers. Our expansive presence across platforms and synergistic effect with our other business segments provide our online entertainers immense commercial opportunities and offer brands and advertisers valuable exposure to meet their marketing objectives.

Talent Development System

We offer comprehensive operation and marketing services to create successful online entertainers and support their career development. For online entertainers with limited experience, we provide basic courses to explain typical live streaming norms and coach them on basic skills needed for content creation. When such emerging online entertainers are able to create content independently, our operational focus would shift to helping them attract and retain a fan base. In addition, once entertainers reach a sufficient fan base and stable content creation, we connect them with brands that suit their personalities and traits and assist our online entertainers in securing and implementing sustained partnerships with such brands.

We have built a dedicated talent development team of 50 members specialized in providing operations and marketing services to our online entertainers as of December 31, 2022. We have guidance on how online entertainers should appropriately behave in public and on social media to help them build a positive public image to support their career progression. Our talent development team is critical in creating a contact point between our online entertainers and the audience. For example, we help online entertainers increase their exposure by reviewing and publishing publicity materials, such as photographs and press releases, and keep the audience updated on the latest news about the online entertainers on various social media platforms. On the occasions where our entertainers face potential negative publicity, our talent development team will react promptly to formulate an appropriate response.

Sources of Revenue of Our Talent Management Business

Our talent management business currently generates revenue from a variety of sources, including:

- ***Live streaming revenue.*** Live streaming has been one of most popular ways for online entertainers, and in particular esports athletes, to connect with fans. We help our entertainers manage and monetize their streams and share live streaming revenue from platforms with them.
- ***Advertising revenue.*** Our entertainers can incorporate advertisements or product placement into their videos and other content. We receive a share of the advertising revenue generated from such content.
- ***Sponsorship deals.*** We help our signed entertainers negotiate and manage sponsorship deals, including brand partnerships, product placements, and sponsored content.

Event Production Business

Our eStar Event business is our event production arm based in Wuhan, China, offering industry-leading event production services to game developers and publishers, live streaming platforms and other institutions. We operate a broad range of local and nationwide esports events, including esports matches, professional tournaments, and esports-inspired digital art exhibitions, all leveraging state-of-the-art gaming media and technology.

We have hosted more than 220 events in 66 cities in China since 2020, including:

- ***Home court games.*** We engage in professional esports tournament operations and content marketing with different brands. We recently hosted LPL 2021 summer split and KPL 2021 spring split matches in the Shenzhen NIP home court and Wuhan eStarPro home courts, respectively, which were live streamed across popular platforms such as Douyu, Huya and Tencent Video, achieving tens of millions in peak concurrent viewers per match.
- ***Tencent-related events.*** We work extensively and closely with Tencent to promote their games to bring the best esports experience to their audience. We were recognized by Tencent as one of its best

regional event service providers in 2020 and 2021, demonstrating our strong ability to provide superior event production solutions. We organize matches, tournaments and other events for a variety of game titles, including Honor of Kings, League of Legends and CrossFire. In 2022, we were commissioned to organize the regional and provincial selection matches for the Fifth Honor of Kings China-wide Competition, which is the highest level of non-pro league competition approved by Tencent. By attracting more recreational players to participate in competitions for various Tencent-backed games, we have helped Tencent shape their competitive gaming landscape, drive player engagement and promote the popularity of their games.

- **Digital Ice & Snow Games series.** We also help partners outside of the esports ecosystem in China to produce their online and offline events, including games, exhibitions and promotional initiatives for local tourism and traditional sports. For instance, we co-hosted the nationwide *Digital Ice and Snow Games* series in both 2021 and 2022, focused on promoting traditional winter sports through a ski simulator game. As a part of this series, we introduced unique esports elements such as ice and snow themed Honor of Kings characters. The event consisted of online and offline regional competitions, with the finale held offline in Beijing in July 2021 and Wuhan in July 2022, respectively. Our event production helps attract traffic, rejuvenate local tourism and enhance the popularity of esports.
- **Partnership with brands.** We collaborate with commercial brands and sponsors to increase brand awareness through a variety of esports-related events. For instance, in 2022, we hosted nationwide Honor of Kings matches for BYD Auto, a world-leading automobile manufacturer, with a target audience of younger generations, such as university students across China. A large number of these events were held in busy business districts across various major cities in China, and attracted over 5,000 participants from over 280 universities across China.

Our event production services include event planning and management, live content capturing and production, and a comprehensive portfolio of support services. We offer customized solutions for each esports event, with a focus on optimizing the viewing experience of online and offline audiences.

Event Planning and Management

We provide game developers and promoters with solutions to promote their games and increase player engagement through methods such as organizing tournaments or maintaining leaderboards. These methods help foster a thriving competitive environment, which can drive player engagement and creating a more dynamic ecosystem for the game.

We plan, execute and manage all aspects of each event, including advising on the overall theme, picking appropriate venues, engaging quality referees and commentators, designing schedules, and coordinating logistics and managing all participating teams. We operate both online and offline events which are broadcasted through live streaming platforms and other distribution channels either on a live or on recorded basis.

Live Content Capturing and Production

We have a dedicated team of experienced content production professionals who capture, produce and present exciting esports gameplay and entertainment at each esports match, with an aim to bring viewers both online and offline closer to the action. Leveraging their extensive experience in producing esports events and deep understanding of esports games, our content production professionals are able to capture the most exciting actions of athletes, such as their hand and finger movements and facial expressions, and present game datapoints and statistics on live content screen instantaneously, to deliver memorable, engaging esports content to viewers. We also plan and design special effects to improve viewer experience. Shortly after live content is captured, we add in appropriate special effects, game statistics and/or commentary voiceover, after which the produced content is broadcasted to the offline arena as well as to various online distribution channels.

We also handle all technical aspects of event operations, including setting up and testing audio, lighting, video and staging gear at the live event venue, along with the highly skilled technicians who make sure the systems run smoothly to capture all of the excitement and drama of any event. We have a full range

of equipment available in-house, including premier audio, lighting and video equipment, allowing us to deliver comprehensive, close-up coverage for an immersive spectator experience.

Event Production Support Services

We offer a comprehensive range of event production support services, including venue preparation, stage designs, technical engineering, audio/ visual support and logistics. Our team of creative design technicians are capable of providing bespoke solutions for each individual event from large-scale stage and seating design to the crafting and integration of customized scenic elements, whether physical or virtual. We also use special effects during live events to elevate the drama and excitement.

Sources of Revenue of Our Event Production Business

Our event production business currently generates revenue primarily from service fees for planning, creating, operating and managing a broad spectrum of events. We also generate revenues from brands and advertisers who pay us to sponsor events or advertise during events. This can include product placement, signage, advertising on event websites or social media channels, and other marketing opportunities associated with an event.

Our Fans

We have a strong and loyal global fan base. Our fans include fans who support NIP Group and its Ninjas in Pyjamas and eStar Gaming brands. As of January 31, 2023, our social media accounts on Weibo, Twitter, Instagram and other platforms had combined followers of over 14 million. Our fans also include those support our athletes and online entertainers. Our athletes and online entertainers signed with our talent management agency business had total social media followers of approximately 85 million as of January 31, 2023, showing the robustness of our reach and the influence of our talent.

We have a global, young fan base primarily consisting of millennials, typically considered to be born between 1981 and 1996, and Gen Z'ers, typically considered to be born between 1997 and 2012. According to our analysis of data across major social media platforms, more than 80% of our fans were younger than 40, as of December 31, 2022. Millennials and Gen Z'ers are known to have significant purchasing power, according to the Frost & Sullivan Report, and are often considered a key demographic for many businesses, including esports related businesses. Millennials have a strong interest in technology and digital media, as they are early adopters of new technologies. This includes gaming and esports, as they are open to new forms of entertainment and are willing to spend money on experiences they enjoy.

At the same time, the spending power of Gen Z'ers continue to grow as they reach working age and start to advance their careers. Gen Z'ers have grown up in a digital world and is tech-savvy, which has led to distinct spending habits and preferences compared to previous generations. When it comes to entertainment, Gen Z'ers are more interested in digital and interactive experiences, which includes gaming and esports. According to the Frost & Sullivan Report, Gen Z'ers have a higher interest in esports than any other age group, and they are more likely to participate in and watch esports events. They are more likely to be engaged in live streaming and other forms of interactive media, which creates opportunities for brands to reach and connect with this generation through sponsorship and advertising in the esports industry.

We engage our fans across the most popular digital platforms, such as Weibo, Kuaishou, Douyin, Bilibili, Twitter, Instagram, TikTok, Facebook and YouTube. We track various metrics across platforms where we have presence to evaluate fan engagement and growth, including views, subscriptions, follower growth, level of interaction with post or content, areas of interest and time spent. During the three years ended December 31, 2022, followers of our main “Ninjas in Pyjamas” accounts on Facebook, Twitter, Youtube and other platforms grew by 32% to reach approximately 3 million. During this time, these accounts accumulated over 894 million impressions, over 66 million views and approximately 47 million engagements. At the same time, our main “eStarPro” account on Weibo had more than 4 million followers at the end of 2022.

We plan to implement a variety of strategies to grow our fan base and increase fan engagement. We will continue to maintain our strong brand identity and foster a sense of community among fans, by creating social media presence that appeals to fans, hosting events and providing quality experiences to fans,

encouraging fan engagement through contests and other interactive activities, and offering exclusive content, such as behind-the-scene videos, player interviews, and live streams, to give fans a unique perspective on our esports teams and players.

Our Sponsors and Advertisers

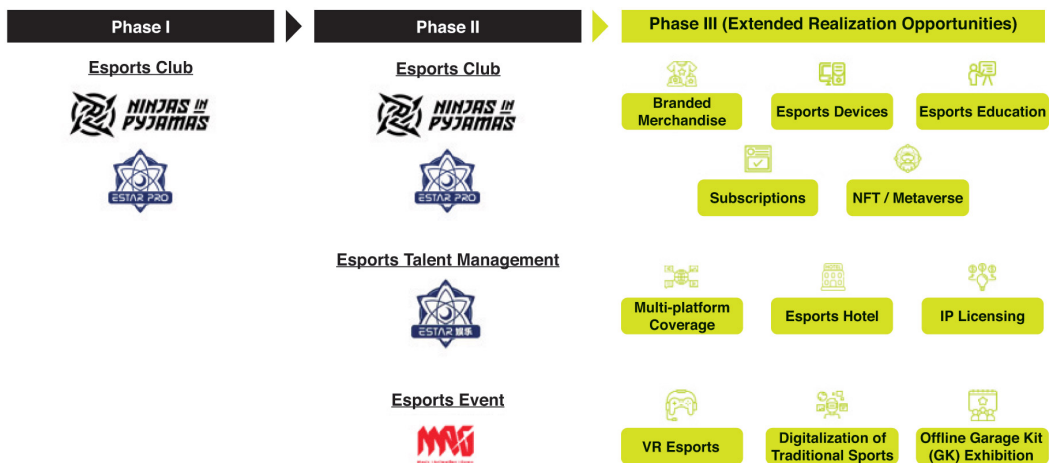
We provide our marketing partners truly global sponsorship opportunities, allowing them to cultivate fans across the world without being limited by geography. Our sponsorship portfolio includes premier brands such as Razer, FILA, Red Bull and Samsung. Our established global presence across Sweden, Brazil and China serves as a strong foothold to provide internationalized marketing solutions in the esports ecosystem in which we operate and beyond. Leveraging our esports competition and event production capabilities and network of game developers and promoters and online entertainers, we can create and execute innovative and diverse solutions to achieve the marketing goals of the brands and sponsors we partner with.

The brand power of Ninjas in Pyjamas and eStar Gaming is particularly important to our marketing initiatives and our ability to gain traction in the industry and engage marketing partners. As we have grown our fan base and brand recognition and expanded our global footprint, we have become an attractive marketing partner for companies around the world. Over the years, we have broadened our sponsorship portfolio from primarily gaming-centric brands to mass-market sponsors spanning across the tech, computer hardware, retail and consumer, and finance industries.

Esports+ Model

The esports industry is still at a stage of rapid growth and evolution with tremendous potential. Although we are deeply focused on securing the best competitive results for our esports teams across geographies and titles, we recognize the need for sustainable organic growth and that profitability lies beyond championships. We believe that the path lies in what we refer to as the “esports+” model.

The following diagram illustrates the three phases of the esports+ model:



Phase 1.0 of the esports+ model primarily consists of the operation of esports clubs focusing on competitive results, as well as permanent league spots for revenue sharing and diversified revenue streams. We believe that most esports organizations are currently at phase 1.0 of the esports model, generating revenue primarily from prize money, league revenue sharing, athlete transfer and loan fees, and sponsorship and advertising fees.

NIP Group has moved to phase 2.0 of the esports+ model by successfully discovering new value proposition along the esports industry value chain and generating revenue through our talent management, events production, creative studio and burgeoning advertising businesses. In our talent management business, we represent online entertainers including many of the most accomplished esports- and game-related influencers and streamers and support them with our strong brand partnerships and social media and

digital operation capabilities. We primarily generate talent management revenue from advertising, sponsorship deals, live streaming, and events and tours. In the meantime, we provide entertainment marketing and consulting services to global corporate brands. In our event production business, we primarily generate revenues from event operation service fees, sponsorship and advertising. In 2022, net revenues from our esports teams operation, talent management and events production businesses accounted for 33.0%, 58.6% and 8.4% of our net revenues, respectively, evidencing the diversity in our revenues.

This stage of the esports+ model drives us to focus on bringing value to participants in the esports ecosystem such as game developers, esports teams, advertisers and esports leagues, together with fans and other end consumers. By staying at the forefront of the evolving esports+ model, we are able to secure strong and sustainable revenue streams that help us achieve and maintain profitability.

We are actively exploring esports education related opportunities. In particular, we have entered into cooperation agreements with various education companies on esports education in the hope of alleviating the shortage of talent in the industry. For example, we collaborate with a long-established vocational education institution in China that started to formally offer an “Esports and Management” program in 2022, to help it create a comprehensive, professional esports education curriculum. We provide digital esports education solutions and professional coaches to deliver lessons and training on game strategy, team work, communication, mental preparation, and physical fitness, to help students develop the skills they need to succeed not only in competitive gaming but also in vocational development, both as individuals and as members of a team. Graduates of such programs can become popular candidates for internship and job opportunities on core teams of reputable game developers such as Tencent. In addition, we are planning to roll out esports hotels in China and around the world which can extend the attractiveness of esports experience to more offline space beyond traditional game venues. We are currently looking to form collaboration with a leading E-commerce service platform in China, to build an esports hotel brand alliance for seamless esports experience from online to offline.

More recently, we entered into a strategic collaboration framework agreement with Wuhan Optics Valley New Culture Investment Development Co., Ltd., or Optics Valley, an affiliate of Wuhan Culture Tourism Group Co., Ltd., in February 2023, aiming to promote the local esports scene to make Wuhan the top esports center in China. Under the framework agreement, Optics Valley will provide us with the venue, equipment and facilities as the new home court of eStar Gaming, or the Wuhan Arena, and we will host, on an annual basis, no less than 30 national and 20 provincial tournaments, as well as 12 large-scale esports-related events such as fan meetups and Digital Ice & Snow Games. In addition, in the coming years we will open new offices, youth training center and esports talent school at the venue provided by Optics Valley to foster and grow the esports community around our Wuhan Arena, and will also license our IPs for building esports parks, fan clubs and hotels in the future.

Going forward, we plan to continue our growth along the esports+ model to reach its phase 3.0 and the extended revenue opportunities it provides in areas such as team app subscriptions, NFTs and IP licensing. We have formed collaborations with a number of digital collection platforms and have launched our NFT collection in November 2022. Aiming to create a global benchmark for esports+, we are also actively building our proprietary IPs around the world in the fields of fashion, art and metaverse.

Marketing

We promote our esports-centric services and content and enhance our brand awareness through our website and social media accounts, and by sponsoring and participating in esports events. We also display our logos and play promotional videos for our business at esports tournaments we participate in. Our online entertainers also promote our brand and the esports events we participate in through their own live streams and social media accounts. We also engaged in online marketing and brand promotion activities such as collaborating with other popular brands, search engines, social media platforms and short-form video platforms. In addition, we also participate in various gaming expos and conferences, such as the Tencent esports annual conference and ChinaJoy, or China Digital Entertainment Expo & Conference, the largest gaming and digital entertainment exhibition held in Asia.

Data Security and Privacy

We have access to and store certain data concerning our players, business partners and employees in the ordinary course of business. We also occasionally have access to limited data concerning online and

offline viewers of our esports events, which is shared to us by third parties who collected and compiled the data. We have developed an internal policy to govern data security and how we may use and share data, to preserve individual personal information and privacy. We have a team of professionals who are dedicated to the ongoing review and monitoring of data security practices. We encrypt and store any personal data we collect on third-party cloud servers, which are protected by advanced anti-hacking measures and firewalls. We collect personal information in accordance with applicable laws and regulations as well as our own privacy policies, which are amended from time to time. To minimize the risk of data loss, we conduct regular data backup and data recovery tests. We have data disaster recovery procedures in place.

We utilize a variety of technology solutions to detect risks and vulnerabilities in user privacy and data security, such as encryption, firewall, vulnerability scanning and log audits. We have established stringent internal protocols under which we grant classified access to encrypted personal data only to limited number of employees with strictly defined and layered access right, to ensure that data will not be accessed or disclosed improperly. In addition, we conduct regular stress tests performed by our information security department as well as third-party testing agencies. For a discussion of risks relating to data security and privacy, see “Risk Factors — Risks Related to Our Business and Industry — Our business is subject to a variety of laws and regulations of the PRC, the European Union member states, the Cayman Islands and other international jurisdictions, including those regarding cybersecurity, economic substance, data protection and data privacy. Any failure to comply with such current or future laws and regulations, could adversely affect our business and reputation.”

Intellectual Property

We rely on a combination of copyright, trademark, domain name, and trade secret laws and restrictions on disclosure to protect our intellectual property rights. As of January 31, 2023, we had 283 registered trademarks, registered copyrights to one piece of creative work and 10 pieces of software, and 5 domain names.

Competition

Esports is an emerging industry globally. Our business is rapidly evolving and we compete against a vast variety of fragmented firms across multiple industries, including well-established esports clubs, players in the talent management agency industry, traditional sports leagues, providers of event production services, and new entrants challenging our position in the esports and gaming industry. We compete to attract and retain participants in the esports and gaming industry, such as game developers and publishers, brands and sponsors, talented online entertainers, and esports gamers and audience.

Our competitors may compete with us in a variety of ways, including by providing better and more innovative esports services, offering more monetization opportunities, creating high-quality and more diverse content, fulfilling the evolving preferences of our target consumers, as well as conducting brand promotions and other marketing activities. While we believe that we compete favorably across these factors taken as a whole, new competitors will likely continue to emerge, and these competitors may have greater financial resources or brand awareness than we do.

Employees

We had 284 full-time employees as of January 31, 2023. The following table sets forth the breakdown of our employees as of January 31, 2023 by function and location:

Function	Number of Employees
Esports teams	66
Talent management	47
Event production	52
Sales and marketing	66
General administrative and others	53
Total	284

Location	Number of Employees
China	258
Sweden	24
Brazil	2
Total	<u>284</u>

Our employees and our culture are critical to our success. We strive to maintain a collegial and creative corporate culture. We have various recruiting channels and do our best to provide our recruits with great career development possibilities. In addition to on-the-job training, we also have established various onsite and online training programs to keep our employees abreast of industry trends. Our training program topics cover professional and leadership skills, technology, and regulatory developments, focusing on both our daily business operations and each employee's individual career development. We believe that our compensation and benefits packages are competitive within our industry. We have not experienced any significant labor disputes. We believe that we maintain good relationships with our employees. None of our employees in China are represented by labor unions.

We generally enter into standard confidentiality and employment agreements with our employees to cover matters such as salaries, benefits and grounds for termination. The contracts with our key personnel typically include a non-solicitation covenant, as well as a standard non-compete covenant that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for two years, or such other period agreed between the employee and us, after the termination of his or her employment, provided that we pay a certain amount of compensation during the restriction period.

As required by local regulations in the country where we operate, we participate in various employee social security plans that are administered by municipal and provincial governments for our full-time employees. In China, such required social security plans include housing, pension, medical insurance, unemployment insurance, injury insurance and maternity insurance. We are required under PRC law to make contributions to employee benefit plans for our PRC-based full-time employees at specified percentages of the total salaries, bonuses and certain allowance of our employees, up to a maximum amount specified by the relevant local governments in China from time to time. We are also required to make contributions to mandated employee provident fund schemes required by local laws for our employees in other jurisdictions.

Facilities and Properties

Our principal business operations are located in Stockholm, Sweden, Sao Paulo, Brazil, and both Shenzhen and Wuhan, China. We also have office facilities in Shanghai, China. As of January 31, 2023, we leased 18 properties in Shenzhen, Wuhan and Shanghai in China and Stockholm in Sweden with an aggregate gross floor area of over 47,000 square meters. These leases vary in duration from six months to ten years. We intend to acquire additional space as we add employees and expand geographically.

Insurance

We maintain standard benefit plans required by PRC laws and regulations, including pension insurance, medical insurance, workplace injury insurance, unemployment insurance, and maternity insurance. We believe our insurance coverage for our Swedish subsidiary and its representatives to be adequate, taking its business and risks of operations into account. For a discussion of risks relating to our insurance coverage, see "Risk Factors — Risks Related to Our Business and Industry — Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter during the ordinary course of operation."

We consider our insurance coverage to be sufficient for our business operations and is consistent with customary industry practice in Sweden and China. We periodically review our insurance coverage to ensure that it remains to be sufficient.

Corporate Social Responsibility

We prioritize corporate social responsibility as an important aspect of our business. Since our inception, we have implemented several initiatives to create a positive impact on society, including supporting causes

such as environmental sustainability and conservation, education, poverty alleviation, and youth empowerment through various partnerships and programs. Additionally, we prioritize diversity and inclusion as an integral part of our organization. We have been actively supporting and participating in socially responsible programs that align with our core values and mission, to contribute to the betterment of the global esports community and our broader society.

Environmental sustainability. In line with our commitment to sustainable development, we actively collaborate with the World Wide Fund for Nature (WWF) to support the global Earth Hour campaigns. Earth Hour is a significant global initiative that encourages people around the world to power down their electronics as a symbolic gesture of support for nature and the planet. As part of our environmental efforts, our esports players have taken initiatives on Weibo, promoting environmental protection practices. These initiatives include advocating for the use of durable alternatives to single-use products, encouraging walking or cycling instead of relying on cars, and promoting upcycling as a creative way to repurpose unused or unwanted items. In Europe, Ninjas in Pyjamas attended the 27th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, also known as “COP27”, and signed the Sustainable Web Manifesto, declaring its commitment to creating a sustainable internet. In particular, Ninjas in Pyjamas is committed to reducing its carbon dioxide emissions by 30% through initiatives such as relocating the data centers it uses to the north of Sweden where the net carbon production is of zero gas emissions. As part of the effort, Ninjas in Pyjamas will also be moving from Chrome to a sustainable web browser to reduce the usage of fossil fuels for websites. In addition, Ninjas in Pyjamas is in the progress of launching a variety of sustainably-made home and office products, including phone cases made of linseed and water bottles made with recycled steel from containers and shipwrecks, through the partnership with a Swedish climate-positive lifestyle brand.

COVID-19 outbreak relief efforts. During the challenging times of the COVID-19 outbreak, we stepped up our efforts to support those affected. Leveraging our experience in operating online events, we collaborated with a renowned psychologist to conduct live streaming courses on Huya, aiming to help individuals in managing emotional stress during the pandemic. The courses garnered significant attention, with peak viewership exceeding 500,000. Additionally, we made a donation of RMB500,000 in 2020 to contribute to the containment and prevention of the spread of COVID-19. In Europe, Ninjas in Pyjamas participated in Gamers Without Borders, an event that features a number of different esports tournaments, including games such as CS:GO, FIFA and Rainbow Six, with a goal to use the power of gaming to make a positive impact on the world. The event is known for its large prize pools, with millions of dollars donated each year to support charitable organizations that are working to improve the lives of people in need. Gamers Without Borders in 2021 raised funds to support global COVID-19 relief efforts, with a prize pool of US\$10 million. Ninjas in Pyjamas competed in the CS:GO tournament and finished in 5th-6th place.

Henan floods relief efforts. In July 2021, Zhengzhou, the capital city of Henan province in China experienced catastrophic flooding due to heavy rainfall. The extreme weather conditions led to an unprecedented volume of water accumulation, overwhelming the city’s drainage system and causing significant damage to infrastructure. Tragically, the flooding resulted in the loss of many lives. We made a donation of RMB1 million aimed to provide swift assistance to those affected by the floods and aid in the overall recovery and rebuilding process.

Animal protection. We collaborate with non-profit organizations devoted to protecting endangered species. In partnership with the Wuhan Baiji Conservation Foundation, an esteemed charitable organization established in 1996, we strive to raise public awareness about the protection of Yangtze finless porpoise — an adorable and highly intelligent dolphin species that is critically endangered. Through financial contributions and participation in fundraising events, we support efforts to prevent the extinction of this remarkable cetacean, the last remaining species of its kind in the Yangtze river. In line with our dedication, we have chosen the Yangtze finless porpoise as our cherished mascot.

Poverty alleviation initiatives. We participate in initiatives that aim to provide support for children in economically underdeveloped areas in China. For example, in May 2022, our esports teams participated in a charity initiative by the China Siyuan Project Poverty Alleviation Foundation and established the “eStar Love Art Classroom” at an elementary school located in rural Yichang, Hubei. We aim to provide resources and facilities for art education to children in that area, hoping to nurture their imagination, self-expression, and culture appreciation, enhancing their overall development. In September 2022, one of our

esports players donated drone teaching kits to an elementary school in Zhengzhou, Henan. Working with drones can provide students with hands-on and captivating learning experience in science experiments that can inspire their curiosity and passion for science and technology.

Diversity and inclusion. We emphasize diversity and inclusion, promoting equal opportunities and diverse representation within our organization. We launched our first all-female teams in CS:GO in September 2022 and plan to assemble all-female rosters for more game titles. We believe our continuous investment and effort in creating opportunities for women to participate in esports can inspire more female players to pursue careers in gaming and technology.

Legal Proceedings

We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of our business. We are currently not a party to any material legal or administrative proceedings.

Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial costs and diversion of our resources, including our management's time and attention. For potential impact of legal or administrative proceedings on us, see "Risk Factors — Risks Related to Our Business and Industry — Pending or future litigations, arbitrations, governmental investigations and other legal proceedings could have a material and adverse impact on our financial condition and operating results."

REGULATION

This section sets forth a summary of the most significant rules and regulations that affect our business activities or the rights of our shareholders to receive dividends and other distributions from us.

Regulations on Esports

The Provisional Regulations on Esports Management, which was promulgated by General Administration of Sport of China and came into effect on July 24, 2015, provided that any international and national esports events that are not organized by the Sports Information Center of the General Administration of Sport of China, including commercial, mass, non-profit esports events, do not need approval or permit, and any legal entity can host such esports events.

Regulations on Commercial Performance***China***

In accordance with the Regulations for the Administration of Commercial Performances (Revised in 2020), which was promulgated by State Council on July 7, 2005, and thereafter amended on July 22, 2008, July 18, 2013, February 6, 2016, and November 29, 2020, respectively, foreign investors may legally establish performance brokerage agencies within the territory of the PRC. To engage in commercial performance business activities, a performance brokerage agency shall have three or more full-time performance brokers and funds for the relevant business and shall file an application with the culture administrative department of the people's government of a province, autonomous region or centrally administered municipality. The culture administrative department shall make a decision within 20 days from the receipt of the application; where an approval is given, a commercial performance permit shall be issued. No entity or individual may counterfeit, alter, rent, lend, buy or sell any commercial performance permit, approval document or business license. Furthermore, if a performance brokerage agency engaged in any commercial performance business activity without such permit, the culture administrative department of the people's government at county level shall ban the agency, confiscate its performance equipment and illegal proceeds, and impose a fine in the range of eight to ten times of its illegal proceeds. Where there are no illegal proceeds or the illegal proceeds are less than RMB10,000, a fine from RMB50,000 to RMB100,000 shall be imposed.

On August 28, 2009, the Ministry of Culture promulgated the Implementation Rules to the Administrative Regulations on the Commercial Performance, which was last amended on May 13, 2022 with immediate effect, further provides that the commercial performance provided in the Administrative Regulations on the Commercial Performance refers to the on-site cultural and artistic performances to the public for the purpose of making profits with methods including selling tickets or getting sponsors, paying or remunerating performing entities or individuals, using the performances as a medium for promotions or for promoting sale of products and in other profitable forms.

On August 30, 2021, the MCT published the Internet Performance Brokerage Agencies Measures, according to which an internet performance brokerage agency shall obtain a commercial performance license, not promote their hosts by encouraging virtual gifting with rankings and fake advertisements, and not falsely induce users to consume user tokens or provide virtual gifting. A fine within the range of eight to ten times of the illegal proceeds and confiscation of illegal proceeds might be imposed on agencies engaged in commercial performance activities without approval. The MCT gives a grace period of 18 months, or until February 28, 2023, for online performance talent management agencies to obtain the license. On October 10, 2022, such grace period was further extended to February 29, 2024, according to an announcement by the MCT.

On December 13, 2021, MCT issued Measures for the Administration of Performance Brokers, which came into effect on March 1, 2022, and provides that performance brokers activities include performance organization, production, marketing, performance intermediary, agency, commission trade, actors' signing, promotion, agency and other activities. Persons engaged in performance brokerage activities within the territory of the PRC shall pass the performance brokerage qualification examination and obtain the performance brokerage qualification certificate.

Sweden

Sweden has enacted the Public Order Act (1993:1617), which contains provisions on public gatherings and events and the conditions for organizing such gatherings or events. The Public Order Act thus imposes restrictions on the fundamental right to organize meetings and to conduct demonstrations guaranteed in the Swedish constitution, with the purpose to ensure the gathering is peaceful and safe for the participants, and to ensure the maintenance of law and order.

Competitions and sports shows are considered to be public events, to the extent such events are held in a public place or a place accessible to the public. The fact that an entrance fee must be paid in order to enter the area where the event is held, does not affect the assessment of whether the place is considered to be accessible to the public. However, if the event is limited to certain invited guests or members of a certain association, such an event would typically not be considered to be a public gathering or assembly.

A license is only required to host public events held in public places. Arenas are typically not considered to be public spaces, and thus do not require any license. Nevertheless, when a public event is held in an area covered by a zoning plan, the police authority must be notified of the event. This notification obligation also applies where a public event is held outside, and where there, due to the high number of expected participants, are risks that public order is disrupted, that safety is jeopardized or that the nearby area or traffic is disturbed. Notifications shall be made orally or in writing no later than five days prior to the public event.

Regulations on Hosting Large-Scale Mass Activities***China***

On September 14, 2007, the State Council promulgated the Regulations for the Security Administration of Large-Scale Mass Activities, which became effective from October 1, 2007, regulates that organizers of large-scale mass activities like sports events, concerts and performances are responsible for such activities' security and should apply for security permits in advance if such activities with more than 1,000 participants, a violation of which will cause fine and confiscation of illegal gains by the authorities.

Sweden

There is no legislation in Sweden specifically regulating hosting of large-scale mass activities. With regard to legislations covering public gatherings and events, please refer to the section on "Regulations on Commercial Performance" above.

Regulations on Production and Operation of Radio and Television Programs***China***

On August 8, 2022, the National Radio and Television Administration promulgated a draft of Regulations on the Administration of Production and Operation of Radio, Television and Internet Programs for public consultations, which expanded the application scope of the license to include brokerage agencies organizing actors, streamers, etc. to engage in program productions. Any foregoing entities that engage in the production of radio and television programs are required to apply for a license from the SARFT or its local level counterparts. Since the Regulations on the Administration of Production and Operation of Radio, Television and Internet Programs has not been formally adopted as of the date of this prospectus, the revised draft (especially its operative provisions) and its anticipated adoption or effective date are subject to further changes with substantial uncertainty.

Sweden

The Swedish Press and Broadcasting Authority distinguishes between five different types of internet media: websites and databases, web television and web radio, video on demand, podcast radio, and newsletters. Every type of media comes with its own set of rights and obligations, of which some require registration with the Swedish Press and Broadcasting Authority. Failure to fulfill the registration obligation

can result in an injunction subject to penalties. In some cases, when registering, as a provider of any of the categories of internet media, it is also necessary to register a publisher. Failure to comply can result in a fine or, in the most extreme cases, constitute criminal conduct for which monetary fines and imprisonment may be imposed. Additionally, online entertainers and on-demand video providers must ensure that recipients of their services always have easy access to identifying information, such as the name of the organization, geographical as well as e-mail addresses, and information on the competent supervisory authority. Failure to provide the information may result in an injunction possibly combined with penalties.

Streaming and on-demand video services might also fall under the Swedish Radio and Television Act (2010:696), regulating radio and television broadcasts and on-demand television in Sweden, based on where the media service will be considered established. The Swedish Radio and Television Act contains rules on the content of broadcasts, advertising, sponsorships and product placement, as well as rules regarding accessibility for individuals with disabilities. Failure to comply with these rules may result in penalties, ranging from SEK 5,000 to SEK 5,000,000, however, never greater than 10% of the relevant undertaking's annual turnover based on the previous financial year.

Regulations on Internet Security and Data Security

China

On July 30, 2021, the State Council issued the Security Protection Regulations of Critical Information Infrastructure (the "CII Regulations"), which came into effect on September 1, 2021. Pursuant to the CII Regulations, "critical information infrastructures" refers to important network facilities and information systems of important industries and sectors such as public communications and information services, energy, transport, water conservation, finance, public services, e-government, and science and technology industry for national defense, as well as other important network facilities and information systems that may seriously endanger national security, national economy and citizen's livelihood and public interests if they are damaged or suffer from malfunctions, or if any leakage of data in relation thereto occurs. Competent authorities as well as the supervision and administrative authorities of the above-mentioned important industries and sectors are responsible for the security protection of critical information infrastructures (the "Protection Authorities"). The Protection Authorities will establish the rules for the identification of critical information infrastructures based on the situations of the industry and report such rules to the public security department of the State Council for record. The following factors must be considered when establishing identification rules: (i) the importance of network facilities and information systems to the core businesses of the industry and the sector; (ii) the harm that may be brought by the damage, malfunction or data leakage of, the network facilities and information systems; and (iii) the associated impact on other industries and sectors. The Protection Authorities are responsible for organizing the identification of critical information infrastructures in their own industries and sectors in accordance with the identification rules, promptly notifying the operators of the identification results and reporting to the public security department of the State Council. These provisions were newly issued, and detailed rules or explanations may be further enacted with respect to the interpretation and implementation of such provisions, including rules on identifying critical information infrastructures in different industries and sectors.

On November 7, 2016, the Standing committee of the NPC, or the SCNPC, promulgated the Cyber Security Law of the PRC, or the Cyber Security Law, which became effective on June 1, 2017. The Cyber Security Law requires network operators to comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. The Cyber Security Law further requires network operators to take all necessary measures in accordance with applicable laws, regulations, and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to cyber security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data.

On December 28, 2021, the CAC published the Revised Measures for Cybersecurity Review (the "Revised CAC Measures"), which became effective on February 15, 2022, and superseded the Measures for Cybersecurity Review promulgated on April 13, 2020. The Revised CAC Measures provides that a critical information infrastructure operator purchasing network products and services, and platform operators carrying out data processing activities which affect or may affect national security, must apply for cybersecurity

review. The Revised CAC Measures also provides that a platform operator with more than one million users' personal information aiming to list abroad must apply for cybersecurity review.

On June 10, 2021, the SCNPC promulgated the PRC Data Security Law, which has taken effect in September 2021. The Data Security Law introduces a data classification and hierarchical protection system based on the materiality of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of persons or entities when such data is tampered with, destroyed, divulged, or illegally acquired or used. It also provides for a security review procedure for the data activities which may affect national security. On November 14, 2021, the CAC published the Administrative Regulations on Internet Data Security (Draft for Comments) (the "Draft Regulations on Internet Data Security") for public comments. The Draft Regulations on Internet Data Security covers a wide range of internet data security issues, including the supervision and management of data security in the PRC, and applies to situations using networks to carry out data processing activities. The Draft Regulations on Internet Data Security specified that data processors who process the personal information of more than one million individuals and seek to go public overseas shall apply for cybersecurity review. In addition, the Draft Regulations on Cyber Data Security Management also regulates other specific requirements in respect of the data processing activities conducted by data processors through the internet in view of personal data protection, important data safety, cross-broader data safety management and obligations of network platform operators. As of the date of this prospectus, the Draft Regulations on Internet Data Security was released for public comment only, and the provisions and the anticipated adoption or effective date may be subject to change with substantial uncertainty.

On July 7, 2022, the CAC has promulgated the Measures for the Security Assessment of Cross-border Data Transfer, which takes effect on September 1, 2022, and requires that any data processor providing important data collected and generated during operations within the territory of the PRC or personal information that should be subject to security assessment according to the relevant law to an overseas recipient shall conduct security assessment. The Measures for the Security Assessment of Cross-border Data Transfer provides four circumstances, under any of which data processors shall, through the local cyberspace administration at the provincial level, apply to the national cyberspace administration for security assessment of cross-border data transfer. These circumstances include: (i) where the important data are transferred to an overseas recipient; (ii) where the personal information is transferred to an overseas recipient by an operator of critical information infrastructure or a data processor that has processed personal information of more than one million people; (iii) where a data processor provides personal information to an overseas recipient if such data processor has already provided overseas the personal information of 100,000 people or sensitive personal information of 10,000 people since January 1 of the preceding year; or (iv) other circumstances under which security assessment of outbound data transfer is required as prescribed by the national cyberspace administration.

On July 6, 2021, the General Office of the CPC Central Committee, and the General Office of the State Council jointly promulgated the Opinions on Strictly Combatting Illegal Securities Activities in Accordance with the Law (the "6 July Opinion"), which called for the enhanced administration and supervision of overseas-listed China-based companies, proposed to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities. Furthermore, along with the promulgation of the 6 July Opinion, overseas-listed China-based companies are experiencing a heightened scrutiny over their compliance with laws and regulations regarding data security, cross-border data flow and management of confidential information from PRC regulatory authorities. Such laws and regulations are expected to undergo further changes, which may require increased information security responsibilities and stronger cross-border information management mechanism and process. As of the date of this prospectus, we have not received any inquiry, notice, warning, or sanctions regarding this offering from the CSRC or any other PRC government authorities in such respect.

On August 20, 2021, the Standing Committee of the National People's Congress issued the PRC Personal Information Protection Law (the "Personal Information Protection Law"), which became effective on November 1, 2021, and sets forth detailed rules on handling personal information and legal responsibilities, including but not limited to the scope of personal information and the ways of processing personal information, the establishment of rules for processing personal information, and the individual's

rights and the processor's obligations in the processing of personal information. The Personal Information Protection Law also strengthens the punishment for those who illegally process personal information.

The Law of the PRC on the Protection of Minors (2020 Revision), which took effect on June 1, 2021, added a new section entitled "Online Protections," which stipulates a series of provisions to further protect minors' interests on the internet, and together with the Opinions of the General Office of the MCT on Strengthening the Protection of Minors in the Online Cultural Market, provide, among others, live streaming service providers are prohibited from providing minors under age 16 with online live streaming publisher account registration services, and that they must obtain the consent from the minors' parents or guardians and verify the identity of the minors before allowing minors aged between 16 and 18 to register a live streaming publisher account, and online service providers for products and services such as video or audio live streaming and social networking are required to establish management systems to manage viewing time, and monitor access authority and consumption for minors. Furthermore, on March 14, 2022, the CAC published the revised Regulations on the Online Protection of Minors (Draft for Comments) for public consultations (the "Draft"), pursuant to which, (1) online service providers shall require minors or their guardians to provide the minors' identity information, where minors or their guardians refuse to do so, online service providers shall not provide relevant services to minors; (2) live streaming service providers are not allowed to provide online live streaming publisher account registration service to minors under age of 16, and must obtain the consent from guardians and verify the identity of the minors before allowing minors aged 16 and above to register online live streaming publisher accounts on live streaming platform; (3) online service providers shall establish and continue to improve their anti-addiction systems and youth mode; and (4) online service providers shall reasonably limit or monitor the total consumption amount and daily cumulative consumption amount for minors in the use of their services. As of the date of this prospectus, the Draft has not been formally adopted.

Sweden

On May 25, 2018, Regulation 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, otherwise known as the General Data Protection Regulation, or the GDPR, entered into force. The GDPR concerns the protection of personal data of natural persons with respect to its processing, imposing obligations on controllers and processors processing such personal data. The GDPR has a particularly wide scope of application, impacting any controller or processor with an establishment in the European Union, or the EU, and the European Economic Area, or the EEA, as well as controllers and processors outside the EU/EEA offering goods or services or monitoring the behavior of individuals in the EU/EEA. The obligations imposed on controllers and processors pursuant to the GDPR include that processing must be carried out on the basis of specified purposes and an applicable legal basis, implementing technical and organizational measures, providing transparent information on the processing activities to the individuals whose personal data is processed, facilitating these individuals' rights as data subjects pursuant to the GDPR, ensuring that any outsourcing of personal data is held to an equivalent standard of data protection as provided by the GDPR, and to adhere to specific requirements for transmitting personal data to destinations outside the EU/EEA. Non-compliance with the GDPR may incur administrative penalties up to EUR 20,000,000 or 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher. The Swedish Authority for Privacy Protection is the regulatory authority tasked with enforcing the GDPR within Swedish jurisdiction. On May 19 2022, the Swedish Electronic Communications Act, or the ECA, was updated in accordance with Directive 2018/1972 of the European Parliament and of the Council establishing the European Electronic Communications Code, a legislative update of the previously applicable EU directive and the implemented Swedish act. The ECA imposes, amongst other things, privacy-related obligations on organizations placing cookies, pixels and other similar files on websites. The ECA, in combination with the GDPR, thus impacts digital direct marketing to customers and/or presumptive customers, as digital direct marketing activities must be carried out in compliance with both the ECA and the GDPR, as well as the Swedish Marketing Act which contains general rules for marketing practices. The Swedish Post and Telecom Authority is the regulator for the ECA. Penalties for non-compliance with the relevant sections of the ECA may incur monetary fines, in addition to administrative sanctions pursuant to the GDPR.

Regulations on M&A and Overseas Listings

China

In 2006, six PRC regulatory agencies, including the CSRC, jointly adopted the Regulations on Mergers of Domestic Enterprises by Foreign Investors, or the M&A Rules, amended in 2009. The M&A Rules purport, among other things, to require an offshore special purpose vehicle controlled by PRC companies or individuals and formed for overseas listing purposes through acquisitions of PRC domestic interest held by such PRC companies or individuals, to obtain the approval from the CSRC prior to publicly listing their securities on an overseas stock exchange. In 2006, the CSRC published a notice on its official website specifying documents and materials required to be submitted to it by the offshore special purpose vehicle seeking CSRC approval of its overseas listing. If the CSRC or other PRC regulatory agencies subsequently determine that prior CSRC approval was required, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies.

The M&A Rules also establish procedures and requirements that could make some acquisitions of PRC companies by foreign investors more time-consuming and complex, including requirements in some instances that the anti-monopoly law enforcement agency be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. In addition, the Rules on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors issued by the MOFCOM in 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and prohibit any activities attempting to bypass such security review, including by structuring the transaction through a proxy or contractual control arrangement.

On February 17, 2023, the CSRC released several regulations regarding the management of filings for overseas offerings and listings by domestic companies, including the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies together with 5 supporting guidelines (together with the Trial Measures, collectively referred to as the “New Regulations on Filing”). The New Regulations on Filing was formally implemented on March 31, 2023. Under New Regulations on Filing, a filing-based regulatory system has been applied to “indirect overseas offering and listing” of PRC domestic companies, which refers to such securities offering and listing in an overseas market made in the name of an offshore entity, but based on the underlying equity, assets, earnings or other similar rights of a domestic company which operates its main business domestically. According to the New Regulations on Filing, if the issuer meets the following conditions at the same time, its offering and listing shall be deemed as an “indirect overseas offering and listing by a domestic company”: (i) the revenues, total profits, total assets or net assets of the Chinese operating entities in the most recent financial year accounts and any index accounts for more than 50% of the corresponding data in the issuer’s audited consolidated financial statements for the same period; (ii) the main parts of business activities are conducted in PRC or its principal place of business is located in PRC, or the majority of senior management in charge of business operation are Chinese citizens or have domicile in PRC. In case of an overseas initial public offering or listing, it shall file with the CSRC within 3 working days after submitting the application documents for issuance and listing abroad. Domestic companies that have submitted a valid application for an overseas offering and listing but have not received consent from the overseas regulator or overseas stock exchange before implementation date of the New Regulations on Filing, the filing with CSRC shall be completed before the overseas offering and listing.

On February 24, 2023, four PRC regulatory agencies, including the CSRC, jointly promulgated the Provisions on Strengthening the Management of Confidentiality and Archives Related to the Overseas Issuance of Securities and Overseas Listing by Domestic Companies, or the Confidentiality and Archives Management Provisions relating to Overseas Listing, which has taken effect on March 31, 2023. In the overseas listing activities of domestic companies, as well as securities companies and securities service institutions providing relevant securities services hereof, should establish a sound system of confidentiality and archival work, shall not disclose state secrets, or harm the state and public interests.

Sweden

Sweden does not currently have a foreign investment review regime in place. However, the Swedish Protective Security Act (2018:585), implemented on April 1, 2019, contains a specific regulation concerning the protection of infrastructure of potentially sensitive nature for security in Sweden. The Swedish Protective Security Act applies to all transfer of ownership and covers entities conducting security-sensitive activities. The Swedish Protective Security Act includes an explicit obligation on selling companies to examine if the transfer is suitable and thus assess and decide whether the business falls within the scope of the act. Entities falling within the scope of the act are required to proceed with a mandatory consultation process (i.e., filing).

Regulations on Corporation

The SCNPC on December 29, 1993, came into effect on July 1, 1994 and was last revised on October 26, 2018. Under the PRC Company Law, companies are generally classified into two categories, i.e. limited liability companies and companies limited by shares. Each a limited liability company or a company limited by shares is an enterprise legal person, and liable for its debts with all its assets. PRC Company Law is also applicable to foreign-invested companies, except otherwise set out in any other regulations.

Regulations on Anti-Monopoly

China

The Anti-Monopoly Law of the PRC promulgated by the Standing Committee of the National People's Congress, or the Anti-Monopoly Law, which became effective on August 1, 2008 and thereafter amended on June 24, 2022 and came into effective on August 1, 2022, prohibits undertakings from monopolistic conducts such as:

- Entering into monopolistic agreements, which means agreements or concerted practices to eliminate or restrict competition. For example, agreements for fixing or altering prices of goods, limiting the output or sales volume of goods, fixing the price of goods for resale to third parties, among others, unless such agreements satisfy the specific exemptions prescribed therein, such as improving technologies or increasing the efficiency and competitiveness of small and medium-sized undertakings. Sanctions against such violations include an order to cease the relevant activities, and confiscation of illegal gains and fines (from 1% to 10% of sales revenue in the preceding year, or a fine up to RMB500,000 if the intended monopolistic agreement has not been performed);
- Abuse of dominant market position. For example, selling goods at unfairly high prices or purchasing goods at unfairly low prices, selling goods at prices below cost or refusing to trade with a trading party without any justifiable cause. Sanctions for such violations include an order to cease the relevant activities, confiscation of the illegal gains and fines (from 1% to 10% of sales revenue in the preceding year); and
- Concentration of undertakings which has or may have an effect of eliminating or restricting competition. Pursuant to the Anti-Monopoly Law and the Rules of the State Council on Declaration Threshold for Concentration of Undertakings as amended on September 18, 2018, require that the anti-monopoly agency (i.e., the State Administration for Market Regulation) shall be notified in advance of any concentration of undertaking if certain filing thresholds (i.e., during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeded RMB10 billion in the preceding fiscal year and at least two of these operators each had a turnover of more than RMB400 million within China in the preceding fiscal year, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB2 billion in the preceding fiscal year, and at least two of these operators each had a turnover of more than RMB400 million within China in the preceding fiscal year) are triggered, and no concentration shall be implemented until the anti-monopoly enforcement agency clears the anti-monopoly filing.

On June 24, 2022, the Decision of the Standing Committee of the National People's Congress to Amend the Anti-Monopoly Law of the People's Republic of China, or the Decision to Amend the Anti-Monopoly Law, was adopted and became effective on August 1, 2022. The Decision to Amend the Anti-Monopoly Law strengthens the regulation on the internet platforms, requiring that undertakings shall not use

data and algorithms, technologies, capital advantages, platform rules, and other means to engage in monopolistic conduct; and also escalates in full scale the administrative penalties for monopolistic conducts, for the failure to notify the anti-monopoly agencies on the proposed concentration of undertakings, the State Council Anti-Monopoly Enforcement Agency may order to reinstate the original status prior to the concentration and impose a fine up to ten percent of the operator's last year's sales revenue, provided that the concentration of undertakings has or may have an effect on excluding or limiting competition; if the concentration does not have the effect on excluding or limiting competition, a fine up to RMB5,000,000 may be imposed on operators. Since such provisions are relatively new, uncertain remains as to the interpretation and implementation of such laws and regulations.

Pursuant to the Anti-unfair Competition Law of the People's Republic of China which was promulgated by the Standing Committee of the National People's Congress of China on September 2, 1993 and most recently amended on April 23, 2019, unfair competition refers to that in its production and operating activities, the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the Anti-unfair Competition Law. Pursuant to the Anti-unfair Competition Law, operators shall abide by the principle of voluntariness, equality, impartiality, integrity, and adhere to laws and business ethics during market transactions. Operators shall not conduct misleading behaviors which may confuse consumers to take their commodities as the commodities of others or lead consumers to believe that there is a connection between their commodities and other persons. Operators shall not conduct any false or misleading commercial publicity in respect of the performance, functions, quality, sales, user reviews, and honors received of its commodities, in order to defraud or mislead consumers. Operators shall not help other operators to conduct false or misleading commercial publicity by organizing false transactions. Operators shall not infringe on trade secrets. Operators shall not fabricate or disseminate false or misleading information or damage the business reputation of the competitors or their goods. Operators engaging in production or operating activities online shall also abide by the provisions of the Anti-unfair Competition Law. No operator may, by technical means to affect users' options, among others, commit the acts of interfering with or sabotaging the normal operation of online products or services legally provided by another operator. Operators in violation of the Anti-unfair Competition Law shall bear corresponding civil, administrative or criminal responsibilities depending on the specific circumstances.

On August 17, 2021, the SAMR issued a discussion draft of Provisions on the Prohibition of Unfair Competition on the Internet, under which business operators shall not use data or algorithms to hijack traffic or influence users' choices, or use technical means to illegally capture or use other business operators' data. Furthermore, business operators are not allowed to (i) fabricate or spread misleading information to damage the reputation of competitors, or (ii) make false or misleading commercial propaganda about the sales status, transaction information, business data, user evaluation, etc. in respect of the operators or their commodities, to deceive or mislead consumers or the relevant public. On November 22, 2022, the SAMR promulgated a draft of amendment to the Anti-unfair Competition Law for public consultations, which prohibits business operators to use data and algorithms, technologies, capital advantages, and platform rules to conduct unfair competitions.

Sweden

The Swedish Competition Act (2008:579) (Sw. *Konkurrenslagen*) is the legal framework prohibiting anticompetitive conduct through unlawful cooperation between undertakings and unlawful exploitation of market power by undertakings in a dominant position. Further, the Swedish Competition Act contains rules on the acquisition of undertakings as well as anticompetitive public sales activities. The Swedish Competition Act incorporates the substantive European competition rules into Swedish national law.

The Swedish Competition Authority (Sw. *Konkurrensverket*) applies Articles 101 and 102 of the Treaty on the Functioning of the European Union (Lisbon Treaty) in accordance with the Council Regulation (EC) No 1/2003 of 16 December 2002 on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty, and subsequent amending acts. The current version of the Swedish Competition Act entered into force on November 1, 2008 and through this amendment the enforcement of the Swedish Competition Act became more effective and punitive damages became more deterrent. The Swedish Competition Act has subsequently been amended through several supplementary legislations, some of which have substantially extended the Swedish Competition Authority's investigative powers.

The Swedish Competition Act prohibits undertakings from several types of anticompetitive conduct, such as:

- Anticompetitive cooperation, for example when undertakings cooperate to prevent, restrict or distort competition. Agreements which have as their object or effect to fix prices of goods, limit output or sales volume of goods or share markets are typical examples of prohibited cooperation. For such violations, sanctions include the nullification of the agreement in its entirety and a risk of fines up to 10% of the turnover from the previous year of each of the involved groups. Additionally, the EU regulators apply broader EU block exemption regulations which, provided certain conditions are met, automatically exempt specified types of agreements from the prohibition. Importantly, the European Commission adopted the new Vertical Block Exemption Regulation and Vertical Guidelines in 2022, which substantially helps undertakings assess the compatibility of supply and distribution agreements with competition rules;
- Abuse of a dominant market position, which may in particular consist of directly or indirectly imposing unfair purchase or selling prices or limiting production to the prejudice of consumers. Under EU and Swedish competition law, dominance alone is not prohibited, however the abuse of market power is. Sanctions for such violations include the nullification of the agreement in its entirety and a risk of fines up to 10% of each of the involved groups' turnover from the previous year; and
- Anticompetitive mergers that significantly impede effective competition in Sweden as a whole or in part of the country. This can be done in particular as a result of the creation or strengthening of a dominant position. The Swedish Competition Act contain turnover-based thresholds with regard to when an acquisition should be notified to the Swedish Competition Authority: (i) the combined aggregate turnover in Sweden of all the undertakings concerned in the preceding financial year exceeded SEK 1 billion, and (ii) at least two of the undertakings concerned had a turnover in Sweden the preceding financial year which exceeded SEK 200 million. If the turnover thresholds are met, parties are obliged to notify the transaction. The Competition Authority can under certain circumstances order a notification, even when there is no obligation to notify as the above thresholds are not met. The Swedish Competition Act does not contain any penalties directly tied to the failure to meet the mandatory notification obligation, however, the Competition Authority may order an acquiring undertaking to complete their notification under payment of a penalty.

The Swedish Competition Act was amended in early 2021 as a result of Directive (EU) 2019/1, which aims to harmonize the investigative and sanctioning powers of the European Competition Authorities in their enforcement of the EU Competition Rules. Through the amendment the authority is, inter alia, empowered to impose fines if undertakings do not co-operate with an investigation and it can issue infringement decisions.

Regulations on Intellectual Property Rights

The PRC has adopted comprehensive legislation governing intellectual property rights, including copyrights, trademarks, patents and domain names.

Copyright

China

The Copyright Law of the PRC, adopted in 1990 and revised in 2001, 2010 and 2020 respectively, or the Copyright Law, and its implementing regulations adopted in 2002 and amended in 2011 and 2013, provide that Chinese citizens, legal persons, or other organizations will, whether published or not, enjoy copyright in their works, which include music works. Copyright will generally be conferred upon the authors, or in case of works made for hire, upon the employer of the author. Copyright holders enjoy personal and economic rights. The personal rights of a copyright holder include rights to publish works, right to be named as the author of works, right to amend the works and right to keep the works intact; while economic rights of a copyright holder include, but not limited to, reproduction right, distribution right, performance right, information network dissemination right, etc. In addition, the rights of performers with respect to their performance, rights of publishers with respect to their design of publications, rights of producers with respect

to their video or audio productions, and rights of broadcasting or TV stations with respect to their broadcasting or TV programs are classified as copyright-related interest and protected by the Copyright Law. The copyright holders may license others to exercise or assign all or part of their economic rights attached to their works. The license can be made on an exclusive or non-exclusive basis. With a few exceptions, an exclusive license or an assignment of copyright should be evidenced in a written contract. Pursuant to the Copyright Law and its implementing regulations, copyright infringers are subject to various civil liabilities, such as stopping infringing activities, issuing apologies to the copyright owners and compensating the copyright owners for damages resulting from such infringement. The damages should be calculated based on the actual loss suffered by the copyrights owner or the illegal income made by the infringer.

On May 18, 2006, the State Council promulgated the Regulations on the Protection of the Right to Network Dissemination of Information, as amended on January 30, 2013. Under these regulations, an owner of the network dissemination rights with respect to written works or audio or video recordings who believes that information storage, search or link services provided by an internet service provider infringe his or her rights may require that the internet service provider delete, or disconnect the links to, such works or recordings. The internet service provider who provides information storage space to recipients of its services to facilitate the provision by such recipient of works, performances and audio-video content to the public shall not be held liable for losses caused by any alleged infringement, provided that such internet service provider has deleted relevant works, performances and audio-video content after receiving a notice from the purported right holder, and the satisfaction of certain other conditions, including that (i) such internet service provider has specifically indicated that such information storage space is provided for the recipients of its services and the name, contact person information and network address of the of the network service provider have been made public; (ii) the works, performances and audio-video content provided by the recipients are not altered; (iii) the internet service provider is not aware and has no reason to be aware that the works, performances and audio-video content provided by recipients of its services are infringing; and (iv) the internet service provider does not derive economic benefits directly from the works, performances and audio-video content provided by the recipients of its services.

Sweden

The Swedish Copyright Act (1960:729), adopted on December 30, 1960, last revised on January 1, 2023, applies to literary or artistic works, including fictional or descriptive presentation in writing or speech, computer program, musical or scenic work, film works, photographic works or any other work of visual art, articles of construction art of applied art, or works that have been expressed in some other way, as well as maps and other descriptive works in drawing, graphics, or in plastic form. Insofar as computer programs are governed by the Swedish Copyright Act, it also applies to preparatory design material for computer programs. The creator or copyright-holder of any such work enjoys economic and moral rights to created works. Under the Swedish Copyright Act, copyright entails the exclusive right to dispose of the work by creating copies and by making it available to the public, in its original or altered state, in translation or adaptation, in another literary or artistic form or in other technology. The Swedish Copyright Act applies e.g., to works created by Swedish citizens or by a person with a usual place of residence in Sweden, to works that were first published in Sweden or simultaneously in Sweden and abroad and film works whose producer has his registered office or his usual place of residence in Sweden. The copyright holders may license others to exercise or assign all or part of their economic rights attached to their works, whereas moral rights have to be addressed by, e.g., attribution of the copyright-holder. The license can be made on an exclusive or non-exclusive basis. With a few exceptions, an exclusive license or an assignment of copyright should be evidenced in a written contract. Pursuant to the Swedish Copyright Act, infringers of copyright are subject to various civil liabilities, such as ceasing infringing activities, indemnifying the copyright owners for damages resulting from infringement, and in the most extreme cases, criminal penalties including monetary fines or even imprisonment. The Swedish Copyright Act also include rules on collective license, which may be viewed as a relatively unique type of licensing. The collective license is a form of license concluded between a user of a copyright-protected work and an organization that represents a number of Swedish copyright-holders. A collective license gives the user the right to use works of the type which any particular collective license refers to, even though the copyright-holders of the works are not represented by the particular collective license organization.

Trademark

China

According to the Trademark Law of the PRC, adopted in 1982 and latest amended in 2019, as well as the Implementation Regulation of the Trademark Law of the PRC adopted by the State Council in 2002 and subsequently amended in 2014, registered trademarks are granted a term of ten years which may be renewed for consecutive ten-year periods upon request by the trademark owner. Trademark license agreements shall be filed with the Trademark Office for record. Conducts that shall constitute an infringement of the exclusive right to use a registered trademark include but not limited to: using a trademark that is identical with or similar to a registered trademark on the same or similar goods without the permission of the trademark registrant, selling goods that violate the exclusive right to use a registered trademark, etc. Pursuant to the Trademark Law of the PRC, in the event of any of the foregoing acts, the infringing party will be ordered to stop the infringement immediately and may be fined; the counterfeit goods will be confiscated. The infringing party may also be held liable for the right holder's damages, which will be equal to gains obtained by the infringing party or the losses suffered by the right holder as a result of the infringement, including reasonable expenses incurred by the right holder for stopping the infringement.

Sweden

According to the Swedish Trademark Act (2010:1877), registered trademarks are granted a term of ten years which may be renewed for consecutive ten years periods by the trademark owner. A trademark license agreement may, upon request, be filed with the Swedish Intellectual Property Office for record-keeping. Conducts that shall constitute an infringement of the exclusive right to use a registered trademark include, but are not limited to, using a trademark that is identical with or similar to a registered trademark on the same or similar goods without the permission of the trademark registrant and selling goods that violate the exclusive right to use a registered trademark. An infringing party may be ordered to cease the infringement immediately at the risk of a fine and any counterfeit goods may be confiscated. The infringing party may also be held liable for the right holder's damages and may also be held criminally liable.

Domain Name

China

In China, the administration of PRC internet domain names is mainly regulated by the MIIT, under supervision of the China Internet Network Information Center, or CNNIC. On August 24, 2017, the MIIT promulgated the Measures on Administration of Internet Domain Names, which became effective as of November 1, 2017 and replaced the Measures on Administration of Domain Names for the Chinese Internet issued by the MII on November 5, 2004, which adopt "first to file" rule to allocate domain names to applicants, and provide that the MIIT shall supervise the domain names services nationwide and publicize PRC's domain name system. On June 18, 2019, the CNNIC issued a circular to authorize a domain name dispute resolution institution acknowledged by the CNNIC to decide relevant disputes. On January 1, 2018, the Circular of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Providing Internet-based Information Services issued by the MIIT became effective, which stipulates that an internet access service provider shall, pursuant to requirements stated in the Anti-Terrorism Law of the PRC and the Cybersecurity Law of the PRC, verify the identities of internet-based information service providers, and the internet access service providers shall not provide access services for those who fail to provide their real identity information.

Sweden

In Sweden, the administration of Swedish internet domain names is regulated by the Swedish Act on National Top-level Domains (2006:24) under the regulatory oversight of Swedish Post and Telecom Authority. The regulatory activities are primarily focused on the single Swedish domain name administrator, the Swedish Internet Foundation, the organization responsible for the Swedish top-level domains (.se) and (.nu).

Regulations on Employment

China

The Labor Law of the PRC which was promulgated by the Standing Committee of the National People's Congress on July 5, 1994, effective since January 1, 1995, and were further amended on August 27, 2009 and December 29, 2018, the Labor Contract Law of the PRC which was promulgated by the Standing Committee of the National People's Congress on June 29, 2007 and amended on December 28, 2012, and the Implementing Regulations of the Labor Contract Law of the PRC which was promulgated by the State Council on September 18, 2008, are the principal regulations that govern employment and labor matters in the PRC. Under the above regulations, labor relationships between employers and employees must be executed in written form, and wages shall not be lower than local standards on minimum wages and shall be paid to employees timely. In addition, employers must establish a system for labor safety and sanitation, strictly abide by state standards and provide relevant training to its employees. Employers are also prohibited from forcing employees to work above certain time limit and employers shall pay employees for overtime work in accordance with national regulations.

According to the Social Insurance Law of the PRC promulgated by the Standing Committee of the National People's Congress on October 28, 2010, effective since July 1, 2011 and amended on December 29, 2018, together with other relevant laws and regulations, the PRC establishes a social insurance system including basic pension insurance, basic medical insurance, occupational injury insurance, unemployment insurance and maternity insurance. Any employer shall register with the local social insurance agency within 30 days after its establishment and shall register for the employee with the local social insurance agency within 30 days after the date of hiring. An employer shall declare and make social insurance contributions in full and on time. The occupational injury insurance and maternity insurance shall only be paid by employers while the contributions of basic pension insurance, medical insurance, and unemployment insurance shall be paid by both employers and employees.

According to the Regulation on the Administration of Housing Fund promulgated by the State Council on April 3, 1999 and amended in 2002 and 2019 respectively, employers are required to register at the designated administrative centers, open bank accounts for depositing employees' housing fund and make housing fund contributions for employees in the PRC. Employer who fails to make housing fund contributions may be ordered to rectify the noncompliance and pay the required contributions within a stipulated deadline.

Sweden

In Sweden, a distinction is made between employees and consultants. In order to determine whether a contractual relationship constitutes an employment relationship or whether the individual performing the services is an independent consultant, certain factors are normally considered when making an overall assessment of the relationship. This assessment is normally made upon a claim by the individual providing the services that he/she is a so called *de facto* employee. Factors that could indicate that an employment relationship is at hand — even if the agreement between the individual performing the services and the company receiving them is labelled as consultancy agreement — include e.g., whether the individual is on equal terms with employees from an economic and social point of view, if compensation for the services is paid in form of a guaranteed fixed remuneration, if there is any entitlement to paid leave, if the individual must carry out the job themselves, if the individual may perform work for other parties, if the individual is subject to specific instructions and close supervision of the company, if the individual is reimbursed for direct expenses, etc. The same factors can be used by the Swedish Tax Agency to reclassify a consultancy relationship into an employment relationship. From a Swedish employment law perspective, if an individual is deemed to be an employee rather than a consultant, the various provisions set forth in e.g., the Swedish Employment Protection Act, apply to the employment relationship, which could entail that the individual could be entitled to employment protection. An employee would also be entitled to vacation pay of 12% on the remuneration paid. From a Swedish tax law perspective, if an individual is deemed to be an employee rather than a consultant, the company retaining the services is required to report and pay social security contributions of 31.42% on the gross remuneration paid, and to withhold income tax on the payments, and Input VAT on the invoiced amounts are not deductible. In the event that the relationship between the

individual performing the services and the company is that of an employment relationship (but that the parties have in practice treated it as a consultancy relationship), the company is exposed to tax penalties of 20% on omitted social security contributions and non-deductible input VAT, and of 5% on the amount of withholding tax. The gross remuneration paid to the individual and the social security contributions are however deductible for income tax purposes. Any reclassified payments give rise to a progressive individual tax for the worker and possible tax surcharges at 40% of the additional tax levied.

Regulations on Taxation

China

Enterprise Income Tax

On March 16, 2007, the National People's Congress promulgated the PRC Enterprise Income Tax Law which was amended on February 24, 2017 and December 29, 2018; and on December 6, 2007, the State Council enacted the Implementation Regulations for the Enterprise Income Tax Law of the PRC (the "PRC EIT Law"), which was amended on April 23, 2019, or collectively, the PRC EIT Law. Under the PRC EIT Law, both resident enterprises and non-resident enterprises are subject to tax in the PRC. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries or regions but the actual management institutions are in the PRC. Non-resident enterprises are defined as enterprises that are organized under the laws of foreign countries or regions and whose actual management institutions are outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from the PRC. The Circular Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies promulgated by State Administration of Taxation ("SAT") and latest amended in 2017 (the "Circular 82") also provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. According to Circular 82, a Chinese-controlled offshore incorporated enterprise will be regarded as a PRC tax resident by virtue of having a "de facto management body" in China and will be subject to PRC EIT on its worldwide income only if all of the following criteria are met: (1) the primary location of the day-to-day operational management is in the PRC; (2) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (3) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders meeting minutes are located or maintained in the PRC; and (4) 50% or more of voting board members or senior executives habitually reside in the PRC. Under the PRC EIT Law and relevant implementing regulations, a uniform enterprise income tax rate of 25% is applied. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, enterprise income tax is set at the rate of 10% with respect to their income sourced from the PRC. Pursuant to the PRC EIT Law, the EIT tax rate of a qualified high and new technology enterprise, or HNTE, is 15%.

The Announcement of the State Administration of Taxation on Several Issues Relating to Enterprise Income Tax on Transfer of Assets between Non-resident Enterprises (the "Bulletin 7") was issued by the SAT on February 3, 2015, and latest amended on December 29, 2017. Pursuant to Bulletin 7, an "indirect transfer" of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if the arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC EIT. As a result, gains derived from an indirect transfer may be subject to PRC EIT. According to Bulletin 7, "PRC taxable assets" include assets attributed to an establishment or a place of business in China, immovable properties in China, and equity investments in PRC resident enterprises. In respect of an indirect offshore transfer of assets of a PRC establishment or place of business, the relevant gain is to be regarded as effectively connected with the PRC establishment or a place of business and therefore included in its EIT filing, and would consequently be subject to PRC EIT at a rate of 25%. Where the underlying transfer relates to the immovable properties in China or to equity investments in a PRC resident enterprise, which is not effectively connected to a PRC establishment or a place of business of a non-resident enterprise,

a PRC EIT at 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. There is uncertainty as to the implementation details of Bulletin 7.

Value-added Tax

The Provisional Regulations on Value-added Tax of the PRC were promulgated by the State Council on December 13, 1993 and came into effect on January 1, 1994 which were last amended on November 19, 2017. The Detailed Rules for the Implementation of Provisional Regulations on Value-added Tax of the PRC were promulgated by the Ministry of Finance on December 25, 1993 and subsequently amended on December 15, 2008 and October 28, 2011, or collectively, VAT Law. On November 19, 2017, the State Council promulgated the Order on Abolishing the Provisional Regulations of the PRC on Business Tax and Amending the Provisional Regulations on Value-added Tax of the PRC, or Order 691. According to the VAT Law and Order 691, all enterprises and individuals engaged in the sale of goods, processing, repair and replacement services, sales of services, intangible assets, real property and the importation of goods within the territory of the PRC are the taxpayers of VAT. The VAT rates generally applicable are simplified as 17%, 11% and 6%, and the VAT rate applicable to the small-scale taxpayers is 3%.

On April 4, 2018, the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on Adjustment of VAT Rates, which came into effect on May 1, 2018. According to the abovementioned notice, the taxable goods previously subject to VAT rates of 17% and 11% respectively become subject to lower VAT rates of 16% and 10% respectively. On March 20, 2019, the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs issued the Announcement on Relevant Policies on Deepen the Reform of Value-added Tax, pursuant to which that the taxable goods previously subject to VAT rates of 16% and 10% respectively become subject to lower VAT rates of 13% and 9% respectively, effective from April 1, 2019.

Dividend Withholding Tax

The PRC EIT Law provides that since January 1, 2008, an enterprise income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes, or the Double Tax Avoidance Arrangement and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, or the SAT Circular 81, issued on February 20, 2009 by the State Administration of Taxation if the relevant PRC tax authorities determine, at their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. According to the Circular on Several Issues regarding the “Beneficial Owner” in Tax Treaties, which was issued on February 3, 2018 by the SAT, effective as of April 1, 2018, when determining the applicant’s status of the “beneficial owner” regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of its income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and such factors will be analyzed according to the actual circumstances of the specific cases. This circular further provides that applicants who intend to prove his or her status of the “beneficial owner” shall submit the relevant documents to the relevant tax bureau according to the Announcement on Issuing the Measures for the Administration of Non-Resident Taxpayers’ Enjoyment of Treaty Benefits.

Sweden

Swedish Corporate Taxation

The Swedish Income Tax Act (1999:1229) (“ITA”) entered into effect January 1, 2000. It is the main legal act that governs the Swedish taxation of all companies, both resident and non-resident for tax purposes. Apart from this law, Swedish taxation is also affected by the Value Added Tax Act (1994:200), the Tax Procedures Act (2011:1244) and several other tax acts. Swedish companies are generally taxed on their global corporate income, currently at 20.6%. In order to remedy double taxation situations, Sweden has entered into double tax treaties with 85 countries, among them the full scope double tax treaties with the US and the PRC, whereas only a limited double tax treaty has been entered into with the Cayman Islands. The majority of the double tax treaties utilize the credit method to avoid double taxation, including the treaties with the US and the PRC. Non-resident companies are generally not tax liable in Sweden except for income derived from a permanent establishment, income from real estate in Sweden and Swedish sourced dividend or royalty income, as further described below.

Swedish Withholding Tax Aspects

For non-resident corporate shareholders, a tax of 30% is withheld at source on dividends distributed by a Swedish company unless any reduced rate or exemption applies under local law or the applicable double tax treaty. In respect of dividend distributions from a Swedish company to a company tax resident in the Cayman Islands, the flat rate of 30% should apply as there currently should be no available exemption or reduced rate.

In addition, Sweden does not levy withholding taxes on interest nor on royalty income. However, a foreign recipient of Swedish-source royalties is generally deemed to have a Swedish permanent establishment for tax purposes, and is thus subject to Swedish income tax on the royalties received, unless any exemption applies under an applicable double tax treaty.

Foreign tax relief

Should foreign sourced income of a Swedish company be subject to foreign taxation, a foreign tax credit is generally available, provided certain conditions are fulfilled. For example, the foreign taxes must be finally assessed or withheld before it can be credited against Swedish taxes. The tax credit allowed for a Swedish company is limited to the amount corresponding to the Swedish tax on the foreign income. Further, any unutilized foreign tax credits may be carried forward for five years.

Interest deduction limitation rules

In general, a Swedish company is entitled to deduct interest on ordinary business debt, however, certain restriction rules apply to interest under the general interest deduction limitation rules, as well as under the intra-group deduction limitation rules.

Under the intra-group deduction limitation rules, any interest expenses recorded on debt to a group company is deductible if the beneficial owner of the interest income within the group is domiciled within the EEA, or in a country with which Sweden has concluded a full scope double tax treaty, or if the beneficial owner of the interest income is subject to a corporate tax of at least 10%. However, no tax deduction should be granted if the underlying purpose of the loan is, exclusively or as good as exclusively, to obtain a substantial tax benefit. Companies are considered to form a group if a company has decisive influence over the other, directly or indirectly, or if the companies are under joint control.

As of January 1, 2019, there is also a general limitation of interest deduction rule under which interest deductions are capped at 30% of earnings before interest, taxes, depreciation, and amortization (EBITDA). Alternatively, without applying the EBITDA rule, a negative net interest income may be deducted up to a maximum of SEK 5 million on a group level. Negative net interest that cannot be deducted in one year may be carried forward for up to six years, but could be forfeited in the event of a change in ownership.

As of January 1, 2021, interest expenses recorded on debt to a company within a jurisdiction which is placed on the European Union list of non-cooperative jurisdictions are generally non-deductible. The

prohibition applies to interest payments on loans between affiliated parties as well as third party debts. As of the list adopted by the European Council of the European Union on October 4, 2022, neither Sweden, the U.S., China nor the Cayman Islands are included in the list of non-cooperative jurisdictions.

Anti-hybrid rules

Sweden has implemented anti-hybrid rules via the ITA. Apart from the above described interest deduction restrictions, there is also an interest deduction prohibition in respect of hybrid mismatches. This prohibition applies when the recipient does not recognize the corresponding income for taxation due to a different legal classification of the income in two jurisdictions. Hybrid situations involving permanent establishments, hybrid transactions, imported mismatches, and mismatches due to double resident entities are also covered by the current anti-hybrid rules. Certain hybrid situations regarding dividends are also covered. In addition, extended hybrid mismatch rules covering certain transparent companies (so-called reverse hybrid mismatches) have recently entered into force.

Social security contributions

Swedish corporate employers pay Swedish employer social security contributions on compensation paid to employees who are covered by the Swedish social security system. Social security contributions are normally levied at 31.42% of the total taxable remuneration (no cap) paid by a Swedish employer.

Contracting subcontractors which have not been granted F-tax could, in general, cause a liability to make preliminary tax deductions and pay social security contributions in Sweden on the remuneration paid to the subcontractor. If the subcontractor has a valid F-tax registration, the risk only applies if there is an obvious employment relationship between the principal and the subcontractor. If a consultant agreement is deemed as an employment relationship, the principal risks are having to pay social security contributions of 31.42% on the paid remuneration, as well as penalties amounting to a maximum of 20% of the unpaid contributions.

Swedish Value-added Tax

Swedish value added tax (“VAT”) is payable on goods and services at a rate of 25%. A reduced rate of 12% applies to food, catering and restaurant services and “tourism” (hotel accommodation). A reduced rate of 6% applies to newspapers, domestic personal transport and cinema tickets. Exports are zero rated, as are drugs and medical services, among others.

Swedish Transfer pricing documentation

A Swedish company with economic relationship with a non-resident company is required to prepare transfer pricing documentation; a Local File and Master File according to The Organization for Economic Co-operation and Development, or the OECD, Transfer Pricing Guidelines, in accordance with the Swedish Tax Procedures Act. Under the arm’s length rule, closely related companies should act as if they were independent companies when pricing transactions between them. As such, the Swedish rule requires all cross border transactions between related companies to be priced at arm’s length. Small and medium enterprises (where the whole group has less than 250 employees and has a turnover of a maximum of SEK 450 million or maximum total assets of SEK 400 million) are exempt from the requirement to prepare transfer pricing documentation in Sweden.

Regulations on Foreign Exchange

China

General Rules

The core regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC, promulgated by the State Council in 1996 and most recently amended in August 2008, or the Foreign Exchange Regulations. Under the Foreign Exchange Regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange

transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. By contrast, the conversion of Renminbi into other currencies and remittance of the converted foreign currency outside the PRC to pay capital expenses such as the repayment of foreign currency denominated loans, or if foreign currency is to be remitted into China under the capital account such as a capital increase or foreign currency loans to our PRC subsidiaries, prior approval from or registration with appropriate regulatory authorities is required.

Pursuant to the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment, or SAFE Circular 59 promulgated by SAFE on November 19, 2012, which became effective on December 17, 2012, and were further amended on May 4, 2015, October 10, 2018 and December 30, 2019, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of Renminbi proceeds by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE.

In February 2015, SAFE promulgated the Circular of Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment, or SAFE Circular 13, which became effective on June 1, 2015 and was partially repealed on December 30, 2019. SAFE Circular 13 cancels the administrative approval requirements of foreign exchange registration of foreign direct investment and overseas direct investment, and simplifies the procedure of foreign exchange-related registration, and foreign exchange registrations of foreign direct investment and overseas direct investment will be handled by the qualified banks and their branches instead of SAFE and its branches.

The Circular on the Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, or SAFE Circular 19 which was issued by SAFE on March 30, 2015, effective from June 1, 2015, partially repealed on December 30, 2019, and latest amended on March 23, 2023, allows foreign-invested enterprises, within the scope of business, to settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operation and provides the procedures for foreign-invested enterprises to use Renminbi converted from foreign currency-denominated capital for equity investment.

In January 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification, or SAFE Circular 3, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years' losses before remitting the profits. Further, according to SAFE Circular 3, domestic entities shall make detailed explanations of the sources and utilization arrangements of capital, and provide board resolutions, contracts and other proof when applying for the registration in connection with an outbound investment and outbound remittance of capitals.

Offshore Investment

The Circular of SAFE on Issues Concerning the Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles, or SAFE Circular 37, which became effective on July 4, 2014, regulates foreign exchange matters in relation to the use of special purpose vehicles, or SPVs, by PRC residents or entities to seek offshore investment and financing or conduct round trip investment in China. Under the Circular 37, an SPV refers to offshore enterprises directly established or indirectly controlled by PRC residents for the purpose of seeking offshore equity financing or making offshore investment, using legitimate domestic or offshore assets or interests, while "round trip investment" refers to the direct investment in China by PRC residents or entities through SPVs, namely, establishing foreign invested enterprises to obtain the ownership, control rights and management rights. SAFE Circular 37 requires that, before making contribution into an SPV, PRC residents or entities are required to register with the local SAFE branch.

Employee Stock Incentive Plan

SAFE issued the Circular on Issues Concerning the Administration of Foreign Exchange Used for Domestic Individuals' Participation in Equity Incentive Plans of Overseas Listed Companies, or SAFE Circular 7 in 2012. Pursuant to SAFE Circular 7, employees, directors, supervisors, and other senior officers who participate in any equity incentive plan of publicly-listed overseas companies and who are PRC citizens or non-PRC citizens residing in China for a consecutive period of no less than one year, subject to a few exceptions, are required to register with SAFE or its local branches through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed companies, and complete other procedures with respect to the equity incentive plan. In addition, the PRC agent is required to amend SAFE registration with respect to the equity incentive plan if there is any material change to the equity incentive plan, the PRC agent or other material changes. The PRC agent must, on behalf of these individuals who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with these individuals' exercise of the employee share options. Such individuals' foreign exchange income received from the sale of stocks and dividends distributed by the overseas listed company and any other income shall be fully remitted into a collective foreign currency account in China opened and managed by the PRC subsidiaries of the overseas listed company or the PRC agent before distribution to such individuals.

In addition, the State Administration of Taxation has issued certain notices concerning employee share options and restricted shares. Under these notices, employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. PRC subsidiaries are required to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of employees who exercise their share options or purchase restricted shares. If the employees fail to pay or the PRC subsidiaries fail to withhold their income taxes in accordance with relevant laws and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC regulatory authorities.

Loans by Foreign Companies to their PRC Subsidiaries

Loans made by foreign investors as shareholders in foreign invested enterprises established in China are considered to be foreign debts and are mainly regulated by the Regulation of the People's Republic of China on Foreign Exchange Administration, the Interim Provisions on the Management of Foreign Debts, the Statistical Monitoring of Foreign Debts Tentative Provisions, and the Administrative Measures for Registration of Foreign Debts. Pursuant to these regulations and rules, a shareholder loan in the form of foreign debt made to a PRC entity does not require the prior approval of SAFE, but such foreign debt must be registered with and recorded by SAFE or its local branches within 15 days after such foreign debt contract has been entered into. Under these regulations and rules, the balance of the foreign debts of a foreign invested enterprise shall not exceed the difference between the total investment and the registered capital of the foreign invested enterprise, or the Total Investment and Registered Capital Balance.

The Notice of the People's Bank of China on Matters concerning the Macro-Prudential Management of Full-Covered Cross-Border Financing, or PBOC Notice No. 9, issued by the PBOC on January 12, 2017, provides that within a transition period of one year from January 12, 2017, the foreign invested enterprises may adopt the currently valid foreign debt management mechanism, or the Current Foreign Debt Mechanism, or the mechanism as provided in PBOC Notice No. 9, or the Notice No. 9 Foreign Debt Mechanism, at their own discretion. PBOC Notice No. 9 provides that enterprises may conduct independent cross-border financing in RMB or foreign currencies as required. According to the PBOC Notice No. 9, the outstanding cross-border financing of an enterprise (the outstanding balance drawn, here and below) shall be calculated using a risk-weighted approach, or the Risk-Weighted Approach, and shall not exceed the specified upper limit, namely: risk-weighted outstanding cross border financing = the upper limit of risk-weighted outstanding cross-border financing. The upper limit of risk-weighted outstanding cross-border financing of an enterprise = its net assets × the leverage rate of cross-border financing × the macro-prudential adjustment parameter, among which the leverage rate of cross-border financing of an enterprise shall be 2 for enterprises and the macroprudential adjustment parameter shall be 1. Therefore, as of the date hereof, the upper limit of risk weighted outstanding cross-border financing of a PRC enterprise is 200% of its net

assets, or Net Asset Limits. Enterprises shall file with SAFE in its capital item information system after entering into a cross-border financing agreement, but no later than three business days before making a withdrawal.

Based on the foregoing, if we provide funding to our wholly foreign owned subsidiaries through shareholder loans, the balance of such loans shall not exceed the Total Investment and Registered Capital Balance and we will need to register such loans with SAFE or its local branches in the event that the Current Foreign Debt Mechanism applies, or the balance of such loans shall be subject to the Risk-Weighted Approach and the Net Asset Limits and we will need to file the loans with SAFE in its information system in the event that the Notice No. 9 Mechanism applies. Under the PBOC Notice No. 9, after a transition period of one year from January 11, 2017, the PBOC and SAFE will determine the cross-border financing administration mechanism for the foreign-invested enterprises after evaluating the overall implementation of PBOC Notice No. 9. As of the date hereof, neither the PBOC nor SAFE has promulgated and made public any further rules, regulations, notices or circulars in this regard. It is uncertain which mechanism will be adopted by the PBOC and SAFE in the future and what statutory limits will be imposed on us when providing loans to our PRC subsidiaries. Despite neither the Foreign Investment Law nor its Implementing Regulation prescribes whether the certain concept “total investment amount” with respect to foreign-invested enterprises will still be applicable, no PRC laws and regulations have been officially promulgated to abolish the Current Foreign Debt Mechanism.

On January 5, 2023, NDRC issued the Administrative Measures for Examination and Registration of Medium and Long-term Foreign Debts of Enterprises, which became effective on February 10, 2023, provides that enterprises borrowing foreign debts must complete formalities for examination and registration of foreign debts and report and disclose relevant information. Enterprises must complete examination and registration and obtain the Certificate of Examination and Registration from NDRC before they could legally borrow foreign debts. In addition, enterprises must submit information of utilization of foreign debts, repayment, planned arrangements and major business indicators to NDRC at the end of each January and July. Further, since this regulation is relatively new, uncertainties exist in relation to its interpretation and implementation.

Sweden

Regulations on Foreign Direct Investments

There is currently no foreign investment review regime in place in Sweden. However, the Swedish Parliament has in 2021 passed amendments to the Swedish Protective Security Act (2018:585) protecting infrastructure of potentially sensitive nature for security of Sweden. In addition, Sweden is in the process of implementing Regulation (EU) 2019/452 establishing a framework for foreign direct investments in the Union, which entered into force on April 11, 2019 and applies since October 11, 2020, with the purpose to create a legal framework for the review of foreign direct investment in the Union with regard to security or public order. As such, Sweden is in the process of implementing the Swedish Foreign Direct Investment Act (2022:000) and it is expected to enter into force late 2023 or early 2024. The proposed Swedish Foreign Direct Investment Act may be subject to changes before being enacted. The proposed Swedish Foreign Direct Investment Act applies to foreign investments in businesses established in Sweden conducting i) vital society functions activities, ii) security-sensitive activities, iii) operations related to materials such as metals and minerals critical to the supply in EU or Sweden, iv) activities related to sensitive personal data or location data, v) activities related to emerging technologies and other technology strategically worth protecting, vi) certain activities related to dual-use products, and vii) certain activities related to military equipment. The proposed Swedish Foreign Direct Investment Act allows the competent authority to prohibit foreign direct investments if it is necessary with regards to Swedish national security. A foreign direct investment may also be prohibited if it is necessary with regard to public order or public safety in Sweden in accordance with articles 52.1 and 65.1(b) of the Treaty on the Functioning of the European Union. Further, the proposed Swedish Foreign Direct Investment Act establishes that a foreign direct investment may be only be carried out if it has been approved or no action has been taken in relation to it by the competent authority. Businesses which intend to invest in an entity covered by the proposed Swedish Foreign Direct Investment Act, are obligated to notify the potential investment to the competent authority in certain cases. This includes the situation in which an investor acquires more than 10% of the ownership of a company. Violations of the proposed Swedish Foreign Direct Investment Act may lead to maximum penalty fee of SEK 50,000,000.

MANAGEMENT

Directors and Executive Officers

The following table sets forth information regarding our directors and executive officers as of the date of this prospectus.

Directors and Executive Officers	Age	Position/Title
Mario Yau Kwan Ho	28	Chairman and Co-Chief Executive Officer
Hicham Chahine	34	Director and Co-Chief Executive Officer
Liwei Sun	37	Director and President
Heng Tang	37	Director and Executive Vice President
Yanjun Xu	35	Director and Financial Director
Lei Zhang	37	Director and Senior Vice President
Thomas Neslein	34	Director
Felix Granander	26	Director
Andrew Reader	38	Director
Carter Jack Feldman	26	Independent Director
Hans Alesund	71	Independent Director
Zhiyong Li	39	Chief Financial Officer
Heng Zhang	41	Chief Strategy Officer
Jonas Gundersen	40	Chief Operation Officer (Europe)
Haoming Yu	34	Senior Vice President

Mr. Mario Yau Kwan Ho is our co-founder, co-chief executive officer and the chairman of our board of directors. He currently serves as the CEO of our Asia business. Mario founded Victory 5 esports club, one of our predecessors, in Shenzhen in December 2018. He has also served as the chairperson of the Macau Esports Federation since April 2018. Mario served as the chief marketing officer of iDreamSky Technology Holdings Limited (01119.HK), or iDreamsky, a digital entertainment company operating in China since May 2018, which was later successfully listed on the Hong Kong Stock Exchange. In 2020, Mario led the merger of Victory 5 with eStar esports club and formed Wuhan ESVF. Mario received his bachelor's degree in management science from the Massachusetts Institute of Technology in 2016.

Mr. Hicham Chahine is our co-founder, co-chief executive officer and director. He currently serves as the CEO of our Western business. Hicham acquired Ninjas in Pyjamas in 2016, and has served as its chief executive officer since then. Prior to joining Ninjas in Pyjamas, Hicham had extensive experiences ranging from financial industry to entrepreneurship. From May 2008 to June 2016, he was the managing director of Formuesforvaltning, an independent wealth management firm in the Nordics. In February 2010, Hicham founded and served as chairman of Diglife AS, a private equity firm with investment portfolios in lifestyle, gaming and other technology-related companies. Hicham graduated from BI Norwegian Business School with a bachelor's degree in business and economics in 2013.

Mr. Liwei "xiaOt" Sun is our president. He has served as our director since February 2021. xiaOt was one of China's most famous esports athletes with renown and success in titles such as Warcraft III, Starcraft II and Heroes of the Storm. xiaOt co-founded and served as the chief executive officer of Invictus Gaming esports club in 2012. He founded eStar Gaming in 2014 and led the team to win numerous world and national championships across multiple titles. xiaOt was the co-founder of Wuhan Xingjing Interactive Entertainment Co., Ltd., which later became a subsidiary of Wuhan ESVF. He has also served as the vice-president of the Hubei Esports Association since 2022.

Mr. Heng (Donald) Tang has served as our director since March 2022. Donald joined us in 2019 and currently serves as our executive vice president and vice chief financial officer. Donald has extensive experiences in investment banking, auditing, investment and fund management. From 2019 to 2022, he served as the chief financial officer of Shenzhen Weiwu Esports Internet Technology Co., Ltd., a subsidiary of Wuhan ESVF. He also served as the investment director of iDreamSky from 2016 to 2019. Donald

worked as a senior project manager at Huarong Securities Co. Ltd. from 2015 to 2016, a project manager at Century Securities from 2014 to 2015, and a senior auditor at PricewaterhouseCoopers, Shenzhen Branch, from 2011 to 2014. Donald received his master's degree in finance and management from the University of Exeter in 2010 and is a Senior Member of ACCA.

Ms. Yanjun Xu has served as our director since March 2022. Yanjun has also been our financial director since June 2020. From 2017 to 2020, she worked as a financial director of a subsidiary of Wuhan Tourism and Sports Group. Yanjun received her bachelor's degree in management from the Hubei University of Technology in 2013. She was qualified as an intermediate-level accounting professional in 2014 and a CPA professional in 2018.

Mr. Lei Zhang has served as our director since February 2021, and our senior vice president since January 2021. Prior to joining us, Lei had served as the general manager for Hongli Culture Communications (Wuhan) Co., Ltd., the operating entity of MAG Studio, since 2017. From 2015 to 2017, he served as general manager of Koi Network Technology (Wuhan) Co., Ltd. He worked as the assistant to the general manager at Yimin Pharmaceuticals from 2013 to 2016, and worked in BGA Division of Airchina Media Co., Ltd. in 2013. Lei has served as the vice president of the Hubei Esports Association since 2022. He received his master's degree in multimedia from Nottingham Trent University in 2012.

Mr. Thomas Neslein is our director. He founded Nyx Ventures AS, a Norwegian investment firm focusing on the gaming and technology sector in 2016. He has held various positions at Pecunia AS, one of the largest property management companies in Norway, since 2015, and currently serves as its deputy chief executive director. Thomas worked as an investment analyst in Formuesforvaltning AS from 2014 to 2016, where his responsibilities involved trading in global equities. Thomas received his master's degree of science from Columbia University in 2018.

Mr. Felix Granander is our director. He is also the founder and executive manager of Unknown Ventures, a venture capital focusing on media and technology companies. Felix invests in media and technology sectors through the Stenbeck family office Kinnevik, which is considered one of Sweden's most prominent investment institutions.

Mr. Andrew Reader is our director. He has also been a director at Velo Partners since 2013, which is a family office managing capital for ultra-high net worth individuals from the United Kingdom and South Africa. Andrew has extensive experience in scaling and business planning. Prior to joining Velo partners, he had worked at Jefferies Financial Group Inc. (NYSE: JEF) with a focus on technology investment banking. Andrew received his bachelor's degree in business administration from University of Bath in 2008.

Mr. Carter Jack Feldman is our independent director. He has also been the chief executive officer of Open Assets Standards since May 2022 which is a company that works with large game publishers to standardize dynamic digital assets across games. Carter has also served as the chief technology officer of Dreamwalk Technologies Limited since 2018. He is otherwise known for creating the first Minecraft modding engine for mobile devices, ModPE, which has been installed on over 20,000,000 devices around the world.

Mr. Hans Alesund is our independent director. He has over 30 years of experience within the business industry, with roles ranging from marketing and sales to operations. Hans served as the chief executive officer of Technology Nexus S.O.S. AB, an IT consultant and contract developer, from December 1997 to March 2006. He was also the chief executive director of Landis+Gyr from April 2006 to June 2016. Since February 2012, he has been the chief executive officer and co-owner of Get Right Sweden AB. He had also obtained board positions at Allegro Information system Ab, Level 21 Management AB prior to becoming a board member of NIP in 2016. Hans received his bachelor's degree in statistics from Stockholm University in 1974.

Mr. Zhiyong (Ben) Li has served as our chief financial officer since August 2022. Prior to joining us, Ben served as our financial advisor for approximately eight months. He was the chief financial officer of BlueCity Holdings Limited (Nasdaq: BLCT) from 2019 to 2021. He also served multiple positions in GDS Holdings Limited (Nasdaq: GDS) from 2007 to 2019, with the last position held as finance vice president from 2014 to 2019. Ben worked as an associate at PricewaterhouseCoopers Zhong Tian LLP, Beijing Branch from 2005 to 2007. He received his bachelor's degree in national economic management from the Renmin University of China in 2005.

Mr. Heng (Vulcan) Zhang joined us in March 2021. He oversees our strategic development, including investor relations and corporate financing. He also serves as the secretary to our board. From 2014 to 2020, Vulcan was a senior vice president and secretary to the board of iDreamSky. Vulcan has a China securities investment fund industry practice certificate issued in 2017 by the Asset Management Association of China, and certificates of qualification as secretary of the board of directors from issued in 2016 by the Shenzhen Stock Exchange and the Shanghai Stock Exchange. He has also become a co-member of the Hong Kong Chartered Secretaries' Union in 2020. Vulcan received his financial master's degree in business administration (FMBA) from the Chinese University of Hong Kong — Tsinghua University Cooperative Education in 2017.

Mr. Jonas Gundersen has served as the chief operating officer of our Europe division since 2020. Jonas joined Ninjas in Pyjamas in 2020 and has since been responsible for its daily operations. He has 17 years of experience in building and scaling startups, with a particular focus on commercialization and scaling operations. Prior to joining Ninjas in Pyjamas, Jonas had held various senior positions, including the chief commercial officer at North Esports in 2019, vice president of sales at Family.co from 2017 to 2018 and CEO of Aftercloud from 2013 to 2015. Jonas was also a former professional Counter-Strike 1.6 player, competing for teams such as SK Gaming in the early days of esports. Jonas received his executive master's degree in business administration from Quantic School of Business and Technology in 2019.

Mr. Haoming Yu has served as the senior vice president and the head of our talent management business division since August 2021. Prior to joining us, Haoming had years of experience in event planning and operation in the media industry and has served as the director general of multiple large-scale new product promotion projects, including Coca-Cola, Red Bull, P&G, JD Logistics, and VV Soybean Milk. He founded Sacho Interactive Entertainment, a professionally generated content agency in 2017, and Shanqiu Culture Communication in 2018 to develop livestreaming economy business. He worked as the co-founder after the merger with Shanghai Huangxi Culture in May 2020. Haoming received his master's degree in design from the China University of Geosciences in 2015.

Board of Directors

Our board of directors will consist of _____ directors upon the SEC's declaration of effectiveness of our registration statement on Form F-1 of which this prospectus is a part. A director is not required to hold any shares in our company by way of qualification. A director who is in any way, whether directly or indirectly, interested in a contract or transaction or proposed contract or transaction with our company is required to declare the nature of his or her interest at a meeting of our directors. Subject to the Nasdaq rules and disqualification by the chairman of the relevant board meeting, a director may vote with respect to any contract or transaction, or proposed contract or transaction notwithstanding that he or she may be interested therein, and if he or she does so his or her vote shall be counted and he or she may be counted in the quorum at any meeting of our directors at which any such contract or transaction or proposed contract or transaction is considered. Our directors may exercise all the powers of our company to raise or borrow money, and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof, and to issue debentures or other securities whenever money is borrowed or as security for any debt, liability or obligation of our company or of any third-party. None of our non-executive directors has a service contract with us that provides for benefits upon termination of service.

Committees of the Board of Directors

We will establish three committees under the board of directors immediately upon the effectiveness of our registration statement on Form F-1 of which this prospectus is a part: an audit committee, a compensation committee and a nominating and corporate governance committee. We will adopt a charter for each of the three committees. Each committee's members and functions are described below.

Audit Committee. Our audit committee will consist of _____ and _____. _____ will be the chairperson of our audit committee. We have determined that _____ and _____ satisfy the "independence" requirements of Rule 5605(a)(2) of the Listing Rules of the Nasdaq Stock Market and Rule 10A-3 under the Exchange Act. We have determined that _____ qualifies as an "audit committee financial expert." The audit committee will oversee our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee will be responsible for, among other things:

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management's response;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposures;
- reviewing and approving all proposed related party transactions;
- meeting separately and periodically with management and the independent auditors; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Compensation Committee. Our compensation committee will consist of _____, _____ and _____ will be the chairperson of our compensation committee. We have determined that _____ and _____ satisfy the "independence" requirements of Rule 5605(a)(2) of the Listing Rules of the Nasdaq Stock Market. The compensation committee will assist the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee will be responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements; and
- selecting a compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person's independence from management.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee will consist of _____, _____ and _____ will be the chairperson of our nominating and corporate governance committee. _____ and _____ satisfy the "independence" requirements of Rule 5605(a)(2) of the Listing Rules of the Nasdaq Stock Market. The nominating and corporate governance committee will assist the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee will be responsible for, among other things:

- selecting and recommending to the board nominees for election by the shareholders or appointment by the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity;
- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board; and
- advising the board periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any remedial action to be taken.

Duties of Directors

Under Cayman Islands law, our directors owe fiduciary duties to our company, including a duty of loyalty, a duty to act honestly, and a duty to act in what they consider in good faith to be in our best

interests. Our directors must also exercise their powers only for a proper purpose. Our directors also owe to our company a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time, and the class rights vested thereunder in the holders of the shares. In certain limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our directors is breached.

Our board of directors has all the powers necessary for managing, and for directing and supervising, our business affairs. The functions and powers of our board of directors include, among others:

- convening shareholders' annual and extraordinary general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of the officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares in our company, including the registration of such shares in our register of members.

Terms of Directors and Officers

Our directors may be appointed by an ordinary resolution of our shareholders. Alternatively, our board of directors may, by the affirmative vote of a simple majority of the directors present and voting at a board meeting appoint any person as a director to fill a casual vacancy on our board or as an addition to the existing board. Our directors are not automatically subject to a term of office and hold office until such time as their office is vacated or where they are removed from office by an ordinary resolution of our shareholders. The service of our independent directors may be terminated by the director or by us with a 30-day advance written notice or such other shorter period of notice as mutually agreed. In addition, a director will cease to be a director if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his or her creditors; (ii) dies or is found to be or becomes of unsound mind; (iii) resigns his or her office by notice in writing to our company, or (iv) without special leave of absence from our board, is absent from three consecutive board meetings and our directors resolve that his or her office be vacated; or (v) is removed from office pursuant to any other provision of our articles of association.

Our officers are appointed by and serve at the discretion of the board of directors, and may be removed by our board of directors.

[Employment Agreements and Indemnification Agreements

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period. We may terminate employment for cause, at any time, without advance notice or remuneration, for certain acts of the executive officer, such as conviction or plea of guilty to a felony or any crime involving moral turpitude, negligent or dishonest acts to our detriment, or misconduct or a failure to perform agreed duties. We may also terminate an executive officer's employment without cause upon 60-day advance written notice. In such case of termination by us, we will provide severance payments to the executive officer as may be agreed between the executive officer and us. The executive officer may resign at any time with a 60-day advance written notice.

Each executive officer has agreed to hold, both during and after the termination or expiry of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment or pursuant to applicable law, any of our confidential information or trade secrets, any confidential information or trade secrets of our customers or prospective customers, or the confidential or proprietary information of any third-party received by us and for which we

have confidential obligations. The executive officers have also agreed to disclose in confidence to us all inventions, designs and trade secrets which they conceive, develop or reduce to practice during the executive officer's employment with us and to assign all right, title and interest in them to us, and assist us in obtaining and enforcing patents, copyrights and other legal rights for these inventions, designs and trade secrets.

In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and typically for one year following the last date of employment. Specifically, each executive officer has agreed not to (i) approach our suppliers, clients, direct or end customers or contacts or other persons or entities introduced to the executive officer in his or her capacity as a representative of us for the purpose of doing business with such persons or entities that will harm our business relationships with these persons or entities; (ii) assume employment with or provide services to any of our competitors, or engage, whether as principal, partner, licensor or otherwise, any of our competitors, without our express consent; or (iii) seek directly or indirectly, to solicit the employment or services of, or hire or engage, any person who is known to be employed or engaged by us; or (iv) otherwise interfere with our business or accounts.

We have also entered into indemnification agreements with each of our directors and executive officers. Under these agreements, we agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or officer of our company.]

Compensation of Directors and Executive Officers

For the year ended December 31, 2022, we paid an aggregate of US\$0.5 million in cash and benefits to our directors and executive officers. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our directors and executive officers. Our PRC subsidiaries are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund.

Share Incentive Plan

In 2021, we adopted 2021 Share Incentive Plan, or 2021 Plan, to attract and retain the best available personnel, to provide additional incentives to employees and to promote the success of our business. The maximum aggregate number of ordinary shares of NIP Group Inc. which may be issued under the 2021 Plan is 4,360,799.

The following paragraphs summarize the terms of the 2021 Plan.

Plan Administration. Our board of directors or a committee appointed by our board of directors acts as the plan administrator. The board of directors or the committee may also delegate its powers under the 2021 Plan to one or more officers of the Company to grant or amend awards or take other general administrative actions.

Type of Awards. The 2021 Plan permits the awards of options, restricted shares, restricted share units, or any other type of awards approved by the plan administrator.

Award Agreement. Awards granted under the 2021 Plan shall be evidenced by an award agreement between the award recipient and the Company, which may be any written notice, agreement, terms and conditions, contract or other instrument or document evidencing the grant of such awards.

Eligibility. We may grant awards to employees of our company and our subsidiaries.

Term of Awards. Each award under the 2021 Plan shall vest or be exercised not more than ten years after the date of grant unless extended by the plan administrator. Each share award is subject to earlier termination as set forth in the 2021 Plan. The award is only exercisable before the eligible individual's termination of service with us, except as determined otherwise by the plan administrator or set forth in the award agreement. Any awards that are outstanding on the tenth anniversary of the 2021 Plan shall lapse automatically.

Vesting Schedule and Other Restrictions. The plan administrator has discretion in determining the individual vesting schedules and other restrictions applicable to the awards granted under the 2021 Plan. The vesting schedule is set forth in the award agreement.

Exercise Price. The plan administrator has discretion in determining the price of the awards, which can be a fixed or variable price related to the fair market value of the underlying ordinary shares and are subject to a number of limitations.

Termination. Unless terminated earlier, the 2021 Plan has a term of ten years from its date of effectiveness.

Amendment, Suspension or Termination. Our board of directors may at any time terminate, amend or modify the 2021 Plan, except where shareholder approval is required to comply with applicable laws or where the amendment relates to (i) any increases in the number of shares available under the 2021 Plan (other than any adjustment permitted under the 2021 Plan), or (ii) an extension of the term of the 2021 Plan or the exercise period for an option beyond ten years from the date of grant. To the extent permissible under the applicable laws, our board of directors may decide to follow home country practice not to seek shareholder approval for any amendment or modification of the 2021 Plan. However, no amendment, suspension or termination of the 2021 Plan shall, without the consent of the award recipients, adversely affect in any material way any award that has been granted or awarded prior to such amendment, suspension or termination.

Transfer Restriction. Awards may not be transferred in any manner by the eligible employees other than in accordance with the exceptions provided in the 2021 Plan, such as by will or by the laws of descent or distribution.

Equity Incentive Trust

The ESVF Trust was established under a trust deed between our Company as settlor and Vistra Trust (Hong Kong) Limited, or the VTHK, as trustee, on January 20, 2023. Through the ESVF Trust, our ordinary shares and other rights and interests under awards granted pursuant to our 2021 Plan may be provided to certain award recipients. As of the date of this prospectus, some of the award recipients under the 2021 Plan participated in the ESVF Trust.

Participants in the ESVF Trust transfer their awards to Vistra Trust to be held for their benefit. Upon satisfaction of vesting conditions and request by award recipients, the VTHK as trustee of the ESVF Trust will exercise the awards and transfer the relevant ordinary shares and other rights and interests under the awards to the relevant participants upon written instructions by an advisory committee established by the plan administrator. The advisory committee is authorized by the plan administrator to make all determinations and provide directions to the VTHK in relation to the administration of the ESVF Trust and the 2021 Plan. The trust deed provides that the VTHK as trustee of the ESVF Trust shall not exercise the voting rights attached to such ordinary shares unless otherwise directed by the advisory committee.

The following table summarizes, as of the date of this prospectus, the options that we have granted to our directors and executive officers, all of which have been exercised for our ordinary shares.

Name	Ordinary Shares Underlying Options Granted	Exercise Price (US\$/Share)	Date of Grant
Heng Tang	1,104,590	0	July 30, 2021

As of the date of this prospectus, we do not have any outstanding options.

PRINCIPAL [AND SELLING] SHAREHOLDERS

Except as specifically noted, the following table sets forth information with respect to the beneficial ownership of our ordinary shares as of the date of this prospectus by:

- each of our directors and executive officers;
- each person known to us to beneficially own 5% or more of our shares; [and
- each selling shareholder.]

The calculations in the table below are based on 107,611,307 shares issued and outstanding as of the date of this prospectus on an as-converted basis, and ordinary shares outstanding immediately after the completion of this offering, assuming the underwriters do not exercise their option to purchase additional ADSs.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Shares Beneficially Owned Prior to This Offering		[Shares Being Sold in This Offering		Shares Beneficially Owned After This Offering		% of Aggregate Voting Power***
	Number	%**	Number	%**]	Number	%**	
Directors and Executive Officers†:							
Mario Yau Kwan Ho ⁽¹⁾	15,278,950	14.2					
Hicham Chahine ⁽²⁾	13,362,381	12.4					
Liwei Sun ⁽³⁾	9,362,987	8.7					
Heng Tang ⁽⁴⁾	1,104,590	1.0					
YanJun Xu	—	—					
Lei Zhang	*	*					
Thomas Neslein ⁽⁵⁾	13,086,142	12.2					
Felix Granander ⁽⁶⁾	12,268,258	11.4					
Andrew Reader	—	—					
Carter Jack Feldman	—	—					
Hans Alesund	*	*					
Zhiyong Li	—	—					
Heng Zhang	—	—					
Jonas Gundersen	*	*					
Haoming Yu ⁽⁷⁾	1,484,949	1.4					
All Directors and Executive Officers as a Group	68,077,412	63.3					
Principal [and Selling] Shareholders:							
Seventh Hokage Management Limited ⁽¹⁾	15,278,950	14.2					
Digilife AS ⁽²⁾	13,362,381	12.4					
Nyx Ventures AS ⁽⁵⁾	13,086,142	12.2					
Tolsona Ltd. ⁽⁶⁾	12,268,258	11.4					
xiaOt Sun Holdings Limited ⁽³⁾	9,362,987	8.7					
Shanghai Yuyun Management Partnership (Limited Partnership) ⁽⁸⁾	9,101,851	8.5					

Notes:

- † Except as otherwise indicated below, the business address of our directors and executive officers is Rosenlundsgatan 31, 11863, Stockholm, Sweden. The business address of Mario Yau Kwan Ho, Liwei “xiaOt” Sun, Heng Tang, Yanjun Xu, Lei Zhang, Ben Li, Heng Zhang and Haoming Yu is No. 26, Gaoxin 2nd Road, East Lake High-tech Development Zone, Wuhan, Hubei, 430000, The People’s Republic of China.
- * Beneficially owns less than 1% of our outstanding shares.
- ** For each person and group included in this table, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group by the sum of (i) the total number of ordinary shares outstanding and (ii) the number of ordinary shares that such person or group has the right to acquire upon exercise of options or other right within 60 days after the date of this prospectus.
- *** For each person or group included in this column, percentage of total voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our ordinary shares as a single class.
- (1) Represents 15,278,950 Ordinary Shares directly held by Seventh Hokage Management Limited (formerly known as Mario Ho Holdings Limited), a limited liability company established in the British Virgin Islands. Seventh Hokage Management Limited is wholly owned by Mr. Mario Yau Kwan Ho. The registered address of Seventh Hokage Management Limited is Start Chambers, Wickham’s Cay II, P.O. Box 2221, Road Town, Tortola, British Virgin Islands.
- (2) Represents 13,362,381 Class B-1 Preferred Shares directly held by Diglife AS, a company registered under the laws of Norway and is 95.61% owned by Mr. Hicham Chahine. The registered address of Diglife AS is Tors gate 2B, 0260 Oslo, Norway.
- (3) Represents 9,362,987 Ordinary Shares directly held by xiaOt Sun Holdings Limited, a limited liability company established in the British Virgin Islands. xiaOt Sun Holdings Limited is wholly owned by Mr. Liwei Sun. The registered address of xiaOt Sun Holdings Limited is Start Chambers, Wickham’s Cay II, P.O. Box 2221, Road Town, Tortola, British Virgin Islands.
- (4) Represents 1,104,590 ordinary shares issued pursuant to options that are held by Mr. Heng Tang.
- (5) Represents 13,086,142 Class B-1 Preferred Shares directly held by Nyx Ventures AS, a company registered under the laws of Norway and wholly owned by Mr. Thomas Neslein. The registered address of Nyx Ventures AS is Olav Vs Gate 5, 0161 Oslo, Norway.
- (6) Represents 12,268,258 Class B-1 Preferred Shares held by Tolsona Ltd., a company incorporated in the Republic of Cyprus. Tolsona Ltd. is wholly owned by Mr. Felix Granander. The registered address of Tolsona Ltd. is Naxou, 4, 1st Floor, Flat/Office 101, 1070, Nicosia, the Republic of Cyprus.
- (7) Represents 1,484,949 Ordinary Shares directly held by Danny Yu Holdings Limited, a limited liability company established in the British Virgin Islands. Danny Yu Holdings Limited is wholly owned by Mr. Haoming Yu. The registered address of Danny Yu Holdings Limited is Start Chambers, Wickham’s Cay II, P.O. Box 2221, Road Town, Tortola, British Virgin Islands.
- (8) Represents 9,101,851 Class A preferred shares held by Shanghai Yuyun Management Partnership (Limited Partnership), a PRC limited partnership. The general partner of Shanghai Yuyun Management Partnership (Limited Partnership) is Wuhan Donghu Lvxin Garden Co. Ltd., a company wholly owned by Wuhan Jinlv Construction Investment (Group) Co. Ltd., which is directly wholly owned by Wuhan Tourism and Sports Group. Wuhan Tourism and Sports Group is indirectly wholly owned by the Wuhan State-owned Assets Supervision and Administration Commission, or Wuhan SASAC, a sub-department of Wuhan municipal government. The business address of Shanghai Yuyun Enterprise Management Limited Partnership is Room 368, Part 302, No. 211 North Fute Road, China (Shanghai) Pilot Free Trade Zone, Shanghai City, PRC.

As of the date of this prospectus, we had no ordinary shares or preferred shares held by record holders in the United States.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

RELATED PARTY TRANSACTIONS

Contractual Arrangements with Wuhan ESVF and Its Shareholders

See “Corporate History and Structure.”

Shareholders Agreement

See “Description of Share Capital — History of Securities Issuances — Shareholders Agreement.”

Employment Agreements and Indemnification Agreements

See “Management — Employment Agreements and Indemnification Agreements.”

Share Incentive Plans

See “Management — Share Incentive Plan.”

Other Related Party Transactions***Transactions with Mario Yau Kwan Ho and His Spouse***

In 2021, we purchased reality show services of US\$337,943 from Mr. Mario Yau Kwan Ho, our Chairman of the Board and co-chief executive officer, and recorded loan of US\$310,039 to Mr. Ho. In 2022, we recorded collection of loan of US\$297,221 to Mr. Ho. We had amounts due to Mr. Ho of US\$428,397 and US\$685,786 as of December 31, 2021 and 2022, respectively.

Transactions with Liwei Sun

In 2021, we recorded repayment of loan from Mr. Liwei Sun, our president and the founder of eStar Gaming, of US\$324,983, loan to Mr. Sun of US\$159,531, and compensatory payment for our indebtedness of US\$620,078 in connection with Mr. Sun’s undertaking of our indebtedness of US\$620,078 to a third party. In 2022, we recorded collection of loan of US\$113,721 to Mr. Sun. We had amounts due from Mr. Sun of US\$161,489 and US\$38,258 as of December 31, 2021 and 2022, respectively.

Wuhan Xingjing Culture Media Co., Ltd., or Xingjing Culture Media, is an entity controlled by Mr. Sun. In 2021, we recorded US\$7.6 million of loan from Xingjing Culture Media and loan repayment of US\$13.6 million to Xingjing Culture Media. In 2022, we recorded US\$6.7 million of loan from Xingjing Culture Media and loan repayment of US\$9.9 million to Xingjing Culture Media. We had amounts due to Xingjing Culture Media of US\$7.2 million and US\$3.5 million as December 31, 2021 and 2022, respectively.

Hainan Xingjing Technology Center LLP, or Hainan Xingjing, is an entity controlled by Mr. Sun. In 2021, we recorded loan to Hainan Xingjing in the amount of US\$13,952. In 2022, we recorded collection of loan of US\$53,500 to Hainan Xingjing. We had amounts due from Hainan Xingjing of US\$56,492 and nil as of December 31, 2021 and 2022, respectively.

Tianjin Xingjingweiwu Management Consulting LLP, or Tianjin LLP, is an entity controlled by Mr. Sun. In 2021 and 2022, we recorded loan to Tianjin LLP in the amount of US\$155 and US\$149, respectively, and had amounts due from Tianjin LLP of US\$157 and US\$289 as of December 31, 2021 and 2022, respectively.

Transactions with Rui Zhou

In 2021, we recorded advance for our operations of US\$66,782 to Ms. Rui Zhou, one of our beneficial owners, and recorded reimbursement for operating expenses of US\$30,716. In 2022, we recorded reimbursement for operating expenses of US\$167,221. We had amounts due to Ms. Zhou of US\$176,573 and nil as of December 31, 2021 and 2022, respectively.

Transactions with Wuhan Tourism and Sports Group

In 2021, we recorded advertising proceeds from Wuhan Tourism and Sports Group, one of our principal beneficial owners, of US\$2.3 million and value added tax prepayment of US\$131,620, and provided advertising services to Wuhan Tourism and Sports Group of US\$60,935. In 2022, we provided advertising services to Wuhan Tourism and Sports Group of US\$700,993. We had amounts due to Wuhan Tourism and Sports Group of US\$2.2 million and US\$1.3 million as of December 31, 2021 and 2022, respectively.

Wuhan Linyu Ecological Group Co., Ltd., or Wuhan Linyu, is a company indirectly wholly owned by Wuhan Tourism and Sports Group. In 2021, we purchased landscaping services of US\$49,320 from Wuhan Linyu. In 2022, we purchased landscaping services of US\$3,812 from Wuhan Linyu and recorded interest expenses of US\$416,517 paid to Wuhan Linyu. We had amounts due to Wuhan Linyu of US\$441,309 and US\$1,383 as of December 31, 2021 and 2022, respectively.

Transactions with Douyu Internet Technology Co., Ltd.

Douyu Internet Technology Co., Ltd., or Douyu, is one of our shareholders. In 2021, we provided talent management services to Douyu for US\$202,640.

Wuhan Ouyue Online TV Co., Ltd., or Wuhan Ouyue, is an entity controlled by Douyu. In 2021 and 2022, we provided talent management services to Wuhan Ouyue for US\$12.0 million and US\$33.7 million, respectively. We had amounts due from Wuhan Ouyue of US\$1.2 million and US\$1.1 million as of December 31, 2021 and 2022, respectively.

Transactions with Lei Zhang

In 2021, we recorded advance for our operations to Mr. Lei Zhang, our director, of US\$23,253, and reimbursement for operating expense of US\$185,970.

Transactions with Haoming Yu

In 2021, we recorded loan of US\$465,059 from Mr. Haoming Yu, our senior vice president, advance for our operations of US\$294,886 to Mr. Yu, and reimbursement for operating expense of US\$279,035. In 2022, we recorded loan of US\$445,831 from Mr. Yu, repayment of loan of US\$891,663 from Mr. Yu, advance for our operations of US\$609,637 to Mr. Yu, and reimbursement for operating expense of US\$624,833. We had amounts due from Mr. Yu of US\$16,045 and nil and due to Mr. Yu of US\$470,765 and nil as of December 31, 2021 and 2022, respectively.

Transactions with Ronghua Gu

In 2021, we recorded advance for our operations of US\$9.4 million to Mr. Ronghua Gu, one of our beneficial owners, reimbursement for operating expense of US\$9.1 million in connection with our general business operations, and loan from Mr. Gu of US\$465,059. In 2022, we recorded advance for our operations of US\$1.9 million to Mr. Gu, reimbursement for operating expense of US\$2.2 million in connection with our general business operations, loan from Mr. Gu of US\$445,831, and repayment of loan of US\$891,663 from Mr. Gu. We had amounts due from Mr. Gu of US\$386,510 and nil and due to Mr. Gu of US\$470,765 and nil as of December 31, 2021 and 2022, respectively.

Transactions with Shenzhen Media Group

We provided sponsorships and advertising services to Shenzhen Media Group, an affiliate of Shenzhen Media Group (International Limited) which is one of our shareholders, in exchange for the use of stadium and dormitories owned by Shenzhen Media Group. In 2021, we provided sponsorships and advertising services to Shenzhen Media Group of US\$465,059. We also recorded rental expenses of US\$669,684 and capital injection to be refunded in reorganization of US\$1.6 million in 2021. In 2022, we provided sponsorships and advertising services to Shenzhen Media Group of US\$445,831, and recorded rental expenses of US\$641,997, government subsidies that should be distributed to Shenzhen Media of US\$445,831, and repayment of capital injection of US\$1.5 million. We also purchased event production services from Shenzhen Media of US\$15,307 in 2022. We had amounts due to Shenzhen Media Group of US\$1.6 million and US\$0.3 million as of December 31, 2021 and 2022, respectively.

DESCRIPTION OF SHARE CAPITAL

We are a Cayman Islands exempted company incorporated with limited liability and our affairs are governed by our memorandum and articles of association, as amended from time to time, and the Companies Act (As Revised) of the Cayman Islands, which we refer to as the Companies Act below, and the common law of the Cayman Islands.

As of the date of this prospectus, our authorized share capital is US\$50,000 divided into 500,000,000 shares consist of (i) 429,552,072 ordinary shares, with par value of US\$0.0001 each; and (ii) 24,709,527 Class A Preferred Shares, with par value of US\$0.0001 each; (iii) 2,693,877 Class B Preferred Shares, with par value of US\$0.0001 each; and (iv) 43,044,524 Class B-1 Preferred Shares, with par value of US\$0.0001 each. Among our issued shares, 4,121,883 Class A Preferred Shares are not fully paid.

Immediately prior to the completion of this offering, our authorized share capital will be changed into US\$ divided into shares comprising of (i) ordinary shares of a par value of US\$ each, and (ii) shares of a par value of US\$ each of such class or classes (however designated) as the board of directors may determine in accordance with our post-offering memorandum and articles of association. Immediately prior to the completion of this offering, we will have ordinary shares issued and outstanding, assuming the underwriters do not exercise the option to purchase additional ADSs. All of our shares issued and outstanding prior to the completion of the offering are and will be fully paid, and all of our shares to be issued in the offering will be issued as fully paid.

[Our Post-Offering Memorandum and Articles of Association

Our shareholders have conditionally adopted a sixth amended and restated memorandum and articles of association, which will become effective and replace our current fifth amended and restated memorandum and articles of association in its entirety immediately prior to the completion of this offering. The following are summaries of material provisions of the post-offering memorandum and articles of association and of the Companies Act, insofar as they relate to the material terms of our ordinary shares.

Objects of Our Company. Under our post-offering memorandum and articles of association, the objects of our company are unrestricted and we have the full power and authority to carry out any object not prohibited by the Cayman Islands law.

Ordinary Shares. Our ordinary shares are issued in registered form and are issued when registered in our register of members (shareholders). We may not issue shares to bearer. Our shareholders who are nonresidents of the Cayman Islands may freely hold and vote their shares.

Dividends. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors or declared by our shareholders by ordinary resolution (provided that no dividend may be declared by our shareholders which exceeds the amount recommended by our directors). Our post-offering memorandum and articles of association provide that dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our board of directors determine is no longer needed. Under the laws of the Cayman Islands, our company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

Voting Rights. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any one shareholder present in person or by proxy.

An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast at a meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes cast attaching to the outstanding ordinary shares at a meeting. A special resolution will be required for important matters such as a change of name or making changes to our post-offering memorandum and articles of association. Our shareholders may, among other things, divide or combine their shares by ordinary resolution.

General Meetings of Shareholders. As a Cayman Islands exempted company, we are not obliged by the Companies Act to call shareholders' annual general meetings. Our post-offering memorandum and articles of association provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting in which case we shall specify the meeting as such in the notices calling it, and the annual general meeting shall be held at such time and place as may be determined by our directors.

Shareholders' general meetings may be convened by a majority of our board of directors. Advance notice of at least [seven] days is required for the convening of our annual general shareholders' meeting (if any) and any other general meeting of our shareholders. A quorum required for any general meeting of shareholders consists of at least one shareholder present or by proxy, representing not less than [one-third] of all votes attaching to the issued and outstanding shares in our company entitled to vote at general meeting.

The Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our post-offering memorandum and articles of association provide that upon the requisition of any one or more of our shareholders who together hold shares which carry in aggregate [not less than one-third] of all votes attaching to the issued and outstanding shares of our company entitled to vote at general meetings, our board will convene an extraordinary general meeting and put the resolutions so requisitioned to a vote at such meeting. However, our post-offering memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

Transfer of Ordinary Shares. Subject to the restrictions set out in our post-offering memorandum and articles of association as set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of ordinary shares;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; and
- a fee of such maximum sum as the Nasdaq [Stock/Global Select] Market may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer they shall, within three months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, after compliance with any notice required of the Nasdaq [Stock/Global Select] Market, be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year as our board may determine.

Liquidation. On the winding up of our company, if the assets available for distribution amongst our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise.

If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them.

Calls on Shares and Forfeiture of Shares. Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption, Repurchase and Surrender of Shares. We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders of these shares, on such terms and in such manner as may be determined by our board of directors. Our company may also repurchase any of our shares on such terms and in such manner as have been approved by our board of directors or by an ordinary resolution of our shareholders. Under the Companies Act, the redemption or repurchase of any share may be paid out of our Company's profits or out of the proceeds of a new issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variations of Rights of Shares. If at any time, our share capital is divided into different classes or series of shares, the rights attached to any class or series of shares (unless otherwise provided by the terms of issue of the shares of that class or series), whether or not our company is being wound-up, may be varied with the consent in writing of [all]/[a majority of] the holders of the issued shares of that class or series or with the sanction of a resolution passed by a majority of the votes cast at a separate meeting of the holders of the shares of the class or series. The rights conferred upon the holders of the shares of any class issued shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with such existing class of shares.

Issuance of Additional Shares. Our post-offering memorandum and articles of association authorize our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our post-offering memorandum and articles of association also authorize our board of directors to establish from time to time one or more series of preference shares and to determine, with respect to any series of preference shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preference shares without action by our shareholders to the extent authorized but unissued. Issuance of these shares may dilute the voting power of holders of ordinary shares.

Inspection of Books and Records. Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements. See "Where You Can Find Additional Information."

Anti-Takeover Provisions. Some provisions of our post-offering memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders; and

- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our post-offering memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Exempted Company. We are an exempted company with limited liability under the Companies Act. The Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except that an exempted company:

- does not have to file an annual return of its shareholders with the Registrar of Companies;
- is not required to open its register of members for inspection;
- does not have to hold an annual general meeting;
- may issue negotiable or bearer shares or shares with no par value;
- may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- may register as a limited duration company; and
- may register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).]

Differences in Corporate Law

The Companies Act (as revised) of the Cayman Islands is derived, to a large extent, from the older Companies Acts of England but does not follow recent English statutory enactments and, accordingly, there are significant differences between the Companies Act and the current Companies Act of England. In addition, the Companies Act differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of certain significant differences between the provisions of the Companies Act applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

Mergers and Similar Arrangements. The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (i) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (ii) a “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the surviving or consolidated company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose a company is a “parent” of a subsidiary if it holds issued shares that together represent at least 90% of the votes at a general meeting of the subsidiary.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain limited circumstances, a shareholder of a Cayman constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) upon dissenting to the merger or consolidation; provided that the dissenting shareholder complies strictly with the procedures set out in the Companies Act. The exercise of dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

Separate from the statutory provisions relating to mergers and consolidations, the Companies Act also contains statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement; provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

The Companies Act also contains a statutory power of compulsory acquisition which may facilitate the “squeeze out” of dissentient minority shareholder upon a tender offer. When a tender offer is made and accepted by holders of 90.0% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four-month period, require the holders of the remaining shares to transfer such shares to the offeror on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction by way of scheme of arrangement is thus approved and sanctioned, or if a tender offer is made and accepted in accordance with the foregoing statutory procedures, a dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders’ Suits. In principle, we will normally be the proper plaintiff to sue for a wrong done to us as a company, and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands court can be expected to follow and apply the common law principles (namely the rule in *Foss v. Harbottle* and the exceptions thereto) so that a non-controlling shareholder may be permitted to commence a class action against or derivative actions in the name of the company to challenge actions where:

- a company acts or proposes to act illegally or ultra vires (and is therefore incapable of ratification by the shareholder);

- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a “fraud on the minority.”

Indemnification of Directors and Executive Officers and Limitation of Liability. Cayman Islands law does not limit the extent to which a company’s memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. [Our post-offering memorandum and articles of association provide that we shall indemnify our officers and directors against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such directors or officer, other than by reason of such person’s dishonesty, willful default or fraud, in or about the conduct of our company’s business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including, without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such director or officer in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere.] This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

In addition, we have entered into indemnification agreements with our directors and executive officers that provide such persons with additional indemnification beyond that provided in our post-offering memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Directors’ Fiduciary Duties. Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director acts in a manner he reasonably believes to be in the best interests of the corporation. He must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and, therefore, it is considered that he owes the following duties to the company — a duty to act bona fide in the best interests of the company, a duty not to make a profit based on his position as director (unless the company permits him to do so), a duty not to put himself in a position where the interests of the company conflict with his personal interest or his duty to a third party, and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

Shareholder Action by Written Consent. Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. [Cayman Islands law and our post-offering memorandum and articles of association provide that our shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.]

Shareholder Proposals. Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders; provided that it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. [Our post-offering memorandum and articles of association allow any one or more of our shareholders holding shares which carry in aggregate not less than one-tenth of the total number votes attaching to all issued and outstanding shares of our company entitled to vote at general meetings to requisition an extraordinary general meeting of our shareholders, in which case our board is obliged to convene an extraordinary general meeting and to put the resolutions so requisitioned to a vote at such meeting. Other than this right to requisition a shareholders' meeting, our post-offering memorandum and articles of association do not provide our shareholders with any other right to put proposals before annual general meetings or extraordinary general meetings.] As a Cayman Islands exempted company, we are not obliged by law to call shareholders' annual general meetings.

Cumulative Voting. Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. [There are no prohibitions in relation to cumulative voting under the laws of the Cayman Islands, but our post-offering memorandum and articles of association do not provide for cumulative voting.] As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors. Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the issued and outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. [Under our post-offering memorandum and articles of association, directors may be removed with or without cause, by an ordinary resolution of our shareholders. A director will also cease to be a director if he (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found to be or becomes of unsound mind; (iii) resigns his office by notice in writing; (iv) without special leave of absence from our board, is absent from meetings of our board for three consecutive meetings and our board resolves that his office be vacated; or (v) is removed from office pursuant to any other provision of our articles of association.]

Transactions with Interested Shareholders. The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting share within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding up. Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by either an order of the courts of the Cayman Islands or by the board of directors.

Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Variation of Rights of Shares. Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. [Under our post-offering memorandum and articles of association, if our share capital is divided into more than one class of shares, the rights attached to any such class may, subject to any rights or restrictions for the time being attached to any class, only be materially adversely varied with the consent in writing of the holders of all of the issued shares of that class or with the sanction of an ordinary resolution passed at a separate meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, subject to any rights or restrictions for the time being attached to the shares of that class, be deemed to be materially adversely varied by the creation, allotment or issue of further shares ranking *pari passu* with or subsequent to them or the redemption or purchase of any shares of any class by our company. The rights of the holders of shares shall not be deemed to be materially adversely varied by the creation or issue of shares with preferred or other rights including, without limitation, the creation of shares with enhanced or weighted voting rights.]

Amendment of Governing Documents. Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. [Under the Companies Act and our post-offering memorandum and articles of association, our memorandum and articles of association may only be amended by a special resolution of our shareholders.]

Rights of Non-resident or Foreign Shareholders. There are no limitations imposed by our post-offering memorandum and articles of association on the rights of nonresident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our post-offering memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

History of Securities Issuances

The following is a summary of our securities issuances since the incorporation of our holding company in February 2021.

Ordinary Shares

On February 5, 2021, we issued (i) one ordinary share to Osiris International Cayman Limited, which was transferred to xiaOt Sun Holdings Limited on the same date, (ii) 10,274,549 ordinary shares to xiaOt Sun Holdings Limited, (iii) 1,934,570 ordinary shares to Ayisia Zhou Holdings Limited, and (iv) 679,140 ordinary shares to RayZ Holdings Limited.

On March 18, 2021, we issued (i) 15,816,680 ordinary shares to Seventh Hokage Management Limited (formerly known as Mario Ho Holdings Limited).

On June 29, 2021, our shareholders underwent a series of transactions to delineate the shareholding structure. To this end, we repurchased 1,420,362 ordinary shares from xiaOt Sun Holdings Limited, and 202,698 ordinary shares from Seventh Hokage Management Limited for nominal consideration. On the same date, we issued 278,974 ordinary shares and 148,545 ordinary shares to Ayisia Zhou Holdings Limited and RayZ Holdings Limited, respectively.

On July 30, 2021, we issued 4,123,826 ordinary shares to Blooming Time International Limited.

On September 30, 2021, Seventh Hokage Management Limited surrendered 1,165,314 shares to the Company, and we issued the same number of ordinary shares to SIG China Investments Master Fund IV, LLLP.

On March 18, 2022, we issued (i) 1,404,255 ordinary shares to Danny Yu Holdings Limited, and (ii) 2,106,383 ordinary shares to Oscar Gu Holdings Limited.

Following the Restructuring, on June 30, 2023, we issued (i) 508,799 ordinary shares to xiaOt Sun Holdings Limited, (ii) 830,282 ordinary shares to Seventh Hokage Management Limited, (iii) 127,200 ordinary shares to Ayisia Zhou Holdings Limited, (iv) 47,562 ordinary shares to RayZ Holdings Limited, (v) 236,973 ordinary shares to Blooming Time International Limited, (vi) 66,964 ordinary shares to SIG China Investments Master Fund IV, LLLP, (vii) 80,694 ordinary shares to Danny Yu Holdings Limited, and (viii) 121,042 ordinary shares to Oscar Gu Holdings Limited, for an aggregated consideration of RMB1,347,705.4.

Class A Preferred Shares

As part of our reorganization, the original shareholders of Wuhan ESVF (together with their affiliates, “original shareholders”) pledged their equity interests in Wuhan ESVF to Wuhan Muyecun and subscribed for ordinary shares of the Company in proportion to their respective interests in Wuhan ESVF prior to the reorganization. As a result, on July 30, 2021, we issued Class A Preferred Shares to certain original shareholders including (i) 8,607,242 Class A Preferred Shares to Shanghai Yuyun Management Partnership (Limited Partnership), (ii) 2,986,308 Class A Preferred Shares to Douyu Investment Limited, (iii) 2,819,639 Class A Preferred Shares to Shenzhen Guojin Angel Venture Investment III Partnership (Limited Partnership) (iv) 2,819,639 Class A Preferred Shares to Glorious Year Holdings Limited, (v) 1,530,175 Class A Preferred Shares to True Thrive Limited, (vi) 1,409,873 Class A Preferred Shares to Shanghai Chuyuan Enterprise Management Partnership (Limited Partnership), (vii) 956,354 Class A Preferred Shares to Jiaxing ZhenFund Tianyu Equity Investment Partnership (Limited Partnership), (viii) 827,685 Class A Preferred Shares to Top Lead Ventures Limited, and (ix) 704,930 Class A Preferred Shares to Jiangxi Everbright Industry Co., Ltd., for an aggregated consideration of RMB208,000,000.

On September 30, 2021, we issued 704,930 Class A Preferred Shares to Shenzhen Media Group (International) Limited for a consideration of US\$ equivalent to RMB10,000,000.

Following the Restructuring, on June 30, 2023, we issued (i) 494,609 Class A Preferred Shares to Shanghai Yuyun Management Partnership (Limited Partnership), (ii) 171,606 Class A Preferred Shares to Douyu Investment Limited, (iii) 162,028 Class A Preferred Shares to Shenzhen Guojin Angel Venture Investment III Partnership (Limited Partnership), (iv) 2,981,667 Class A Preferred Shares to Wuhan Rongzhu Information Technology Service Co., Ltd, (v) 87,930 Class A Preferred Shares to True Thrive Limited, (vi) 81,017 Class A Preferred Shares to Shanghai Chuyuan Enterprise Management Partnership (Limited Partnership), (vii) 54,956 Class A Preferred Shares to Jiaxing ZhenFund Tianyu Equity Investment Partnership (Limited Partnership), (viii) 47,562 Class A Preferred Shares to Top Lead Ventures Limited, (ix) 40,508 Class A Preferred Shares to Jiangxi Everbright Industry Co., Ltd., and (x) 40,508 Class A Preferred Shares to Shenzhen Media Group (International) Limited, for an aggregated consideration of RMB120,475,355.79.

Class B Preferred Shares

On September 5, 2022, we issued 1,625,295 Class B Preferred Shares to Digital WD., Ltd. for a consideration of US\$10,000,000.

On December 20, 2022, we issued (i) 487,589 Class B Preferred Shares to AER Capital SPC, and (ii) 434,604 Class B Preferred Shares to Maison Investment Holding Limited, for an aggregated consideration of US\$5,674,000.

Following the Restructuring, on June 30, 2023, we issued (i) 93,396 Class B Preferred Shares to Digital WD., Ltd., (ii) 24,974 Class B Preferred Shares to Maison Investment Holding Limited, and (iii) 28,019 Class B Preferred Shares to AER Capital SPC.

Class B-1 Preferred Shares

On January 10, 2023, we issued (i) 12,636,248 Class B-1 Preferred Shares to Diglife AS, (ii) 11,601,582 Class B-1 Preferred Shares to Tolsona Ltd, (iii) 12,375,021 Class B-1 Preferred Shares to NYX Ventures AS, (iv) 822,099 Class B-1 Preferred Shares to Get Right Sweden AB, (v) 2,906,798 Class B-1 Preferred Shares to Shinobi Holdings Limited, and (vi) 363,670 Class B-1 Preferred Shares to Datakrigaren Ventures ApS, in exchange for their respective equity interests in Ninjas in Pyjamas.

Following the Restructuring, on June 30, 2023, we issued (i) 726,133 Class B-1 Preferred Shares to Diglife AS, (ii) 666,676 Class B-1 Preferred Shares to Tolsona Ltd, (iii) 711,121 Class B-1 Preferred Shares to NYX Ventures AS, (iv) 47,241 Class B-1 Preferred Shares to Get Right Sweden AB, (v) 167,037 Class B-1 Preferred Shares to Shinobi Holdings Limited, and (vi) 20,898 Class B-1 Preferred Shares to Datakrigaren Ventures ApS.

Shareholders Agreement

We entered into our fifth amended and restated shareholders agreement on June 30, 2023 with our shareholders, which consist of holders of ordinary shares and preferred shares. The fifth amended and restated shareholders agreement provides for certain shareholders' rights, including registration rights, information, inspection and observer rights, rights of first refusal and co-sale rights, and voting rights and contains provisions governing our board of directors and other corporate governance matters. The special rights other than registration rights will automatically terminate upon the completion of our initial public offering.

Registration Rights

We have granted certain registration rights to our shareholders. Set forth below is a description of the registration rights granted under the shareholders agreement.

Piggyback Registration Rights. We shall notify all holders of our registrable securities in writing at least thirty (30) days prior to filing of any registration statement under the Securities Act for purposes of effecting a public offering of securities of the Company (including registration statement relating to secondary offerings of our securities, but excluding registration on Form F-3 or Form S-3, or to any employee benefit plan or a corporate reorganization) and the holders may deliver their written request to include in any such registration statement all or any part of the registrable securities held by it within ten (10) days after receiving our notice. If the offering involves an underwriting of our registrable securities and the managing underwriter(s) determine(s) in good faith that marketing factors require a limitation of the number of the registrable securities to be underwritten, the managing underwriter(s) may exclude shares from the registration and the underwriting, and the number of shares that may be included in the registration and the underwriting shall be allocated, first to us, and second, to each of the holders requesting inclusion of their registrable securities on a pro-rata basis based on the total number of registrable securities then held by each such holder, provided that (i) the number of registrable securities included is not reduced below twenty-five percent (25%) of the aggregate number of registrable securities for which inclusion has been requested, and (ii) all shares that are not registrable securities and are held by any other person shall first be excluded from such registration and underwriting before any registrable securities are so excluded.

Registration on Form F-3 or Form S-3. Any holder or holders holding registrable securities with an aggregate price to the public of at least US\$500,000 shall have a right to request in writing that we effect a registration on either Form S-3 or Form F-3, and any related qualification or compliance with respect to all or a part of the registrable securities owned by such holder or holders. We are obligated to promptly give written notice of the proposed registration and the holder's or holders' request therefor, and any related qualification or compliance, to all other holders of registrable securities. We shall not be obliged to effect any such registration, qualification or compliance if (i) Form S-3 or Form F-3 becomes unavailable for such offering by the holders, or (ii) if we have, within six (6) months period preceding the date of such request, already effected a registration under the Securities Act other than a registration from which the registrable securities of holders have been excluded pursuant to a piggyback registration. We have a right to defer filing of a registration statement for a period of not more than ninety (90) days during which such filing would be materially detrimental to us or our members on the condition that we furnish to the holders a certificate signed by our president or chief executive officer stating that in the good faith judgment of our board of directors, it would be materially detrimental to us and our shareholders for such registration statement to be filed at such time. However, we can exercise the deferral right for no more than once during any twelve (12) month period. We shall not file any registration statement pertaining to the public offering of any securities during such ninety (90) day period.

Expenses of Registration. We will bear all registration expenses, other than the underwriting discounts and selling commissions applicable to the sale of the registrable securities, incurred in connection with the registrations pursuant to the fifth amended and restated shareholders agreement.

Termination of Obligations. The registration rights set forth above will terminate (i) five (5) years after the consummation of this offering, or (ii) if all such registrable securities proposed to be sold by a holder may then be sold under Rule 144 in one transaction without exceeding the volume limitations thereunder.

DESCRIPTION OF AMERICAN DEPOSITARY SHARES

American Depositary Receipts

, as depositary will issue the ADSs which you will be entitled to receive in this offering. Each ADS will represent an ownership interest in ordinary shares which we will deposit with the custodian, as agent of the depositary, under the deposit agreement among ourselves, the depositary and yourself as an ADR holder. In the future, each ADS will also represent any securities, cash or other property deposited with the depositary that they have not distributed directly to you. Unless specifically requested by you, all ADSs will be issued on the books of our depositary in book-entry form and periodic statements will be mailed to you which reflect your ownership interest in such ADSs. In our description, references to American depositary receipts or ADRs shall include the statements you will receive which reflect your ownership of ADSs.

The depositary's office is located at .

You may hold ADSs either directly or indirectly through your broker or other financial institution. If you hold ADSs directly, by having an ADS registered in your name on the books of the depositary, you are an ADR holder. This description assumes you hold your ADSs directly. If you hold the ADSs through your broker or financial institution nominee, you must rely on the procedures of such broker or financial institution to assert the rights of an ADR holder described in this section. You should consult with your broker or financial institution to find out what those procedures are.

As an ADR holder, we will not treat you as a shareholder of ours and you will not have any shareholder rights. Cayman Islands law governs shareholder rights. Because the depositary or its nominee will be the shareholder of record for the shares represented by all outstanding ADSs, shareholder rights rest with such record holder. Your rights are those of an ADR holder. Such rights derive from the terms of the deposit agreement to be entered into among us, the depositary and all registered holders from time to time of ADSs issued under the deposit agreement. The obligations of the depositary and its agents are also set out in the deposit agreement. Because the depositary or its nominee will actually be the registered owner of the shares, you must rely on it to exercise the rights of a shareholder on your behalf. The deposit agreement and the ADSs are governed by New York law.

The following is a summary of what we believe to be the material terms of the deposit agreement. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire deposit agreement and the form of ADR which contains the terms of your ADSs. You can read a copy of the deposit agreement which is filed as an exhibit to the registration statement of which this prospectus forms apart.

Share Dividends and Other Distributions***How will I receive dividends and other distributions on the shares underlying my ADSs?***

We may make various types of distributions with respect to our securities. The depositary has agreed that, to the extent practicable, it will pay to you the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, after converting any cash received into U.S. dollars and, in all cases, making any necessary deductions provided for in the deposit agreement. You will receive these distributions in proportion to the number of underlying securities that your ADSs represent.

Except as stated below, the depositary will deliver such distributions to ADR holders in proportion to their interests in the following manner:

Cash. The depositary will distribute any U.S. dollars available to it resulting from a cash dividend or other cash distribution or the net proceeds of sales of any other distribution or portion thereof (to the extent applicable), on an averaged or other practicable basis, subject to (i) appropriate adjustments for taxes withheld, (ii) such distribution being impermissible or impracticable with respect to certain registered ADR holders, and (iii) deduction of the depositary's expenses in (1) converting any foreign currency to U.S. dollars to the extent that it determines that such conversion may be made on a reasonable basis, (2) transferring foreign currency or U.S. dollars to the United States by such means as the depositary may

determine to the extent that it determines that such transfer may be made on a reasonable basis, (3) obtaining any approval or license of any governmental authority required for such conversion or transfer, which is obtainable at a reasonable cost and within a reasonable time, and (4) making any sale by public or private means in any commercially reasonable manner. The depositary will hold any cash amounts it is unable to distribute in a non-interest-bearing account for the benefit of the applicable holders and beneficial owners of ADSs until the distribution can be effected or the funds that the depositary holds must be escheated as unclaimed property in accordance with the laws of the relevant states of the United States. If exchange rates fluctuate during a time when the depositary cannot convert a foreign currency, you may lose some or all of the value of the distribution.

Shares. In the case of a distribution in shares, the depositary will issue additional ADRs to evidence the number of ADSs representing such shares. Only whole ADSs will be issued. Any shares which would result in fractional ADSs will be sold and the net proceeds will be distributed in the same manner as cash to the ADR holders entitled thereto.

Rights to Receive Additional Shares. In the case of a distribution of rights to subscribe for additional shares or other rights, if we provide evidence satisfactory to the depositary that it may lawfully distribute such rights, the depositary will distribute warrants or other instruments in the discretion of the depositary representing such rights. However, if we do not furnish such evidence, the depositary may:

- sell such rights if practicable and distribute the net proceeds in the same manner as cash to the ADR holders entitled thereto; or
- if it is not practicable to sell such rights, do nothing and allow such rights to lapse, in which case ADR holders will receive nothing.

We have no obligation to file a registration statement under the Securities Act in order to make any rights available to ADR holders.

Other Distributions. In the case of a distribution of securities or property other than those described above, the depositary may either (i) distribute such securities or property in any manner it deems equitable and practicable or (ii) to the extent the depositary deems distribution of such securities or property not to be equitable and practicable, sell such securities or property and distribute any net proceeds in the same way it distributes cash.

If the depositary determines that any distribution described above is not practicable with respect to any specific registered ADR holder, the depositary may choose any method of distribution that it deems practicable for such ADR holder, including the distribution of foreign currency, securities or property, or it may retain such items, without paying interest on or investing them, on behalf of the ADR holder as deposited securities, in which case the ADSs will also represent the retained items.

Any U.S. dollars will be distributed by checks drawn on a bank in the United States for whole dollars and cents. Fractional cents will be withheld without liability and dealt with by the depositary in accordance with its then current practices.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADR holders.

There can be no assurance that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, shares or other securities at a specified price, nor that any of such transactions can be completed within a specified time period.

Deposit, Withdrawal and Cancellation

How does the depositary issue ADSs?

The depositary will issue ADSs if you or your broker deposit shares or evidence of rights to receive shares with the custodian and pay the fees and expenses owing to the depositary in connection with such issuance. In the case of the ADSs to be issued under this prospectus, we will arrange with the underwriters named herein to deposit such shares.

Shares deposited in the future with the custodian must be accompanied by certain delivery documentation and shall, at the time of such deposit, be registered in the name of _____, as depositary for the benefit of holders of ADRs or in such other name as the depositary shall direct.

The custodian will hold all deposited shares (including those being deposited by or on our behalf in connection with the offering to which this prospectus relates) for the account of the depositary. ADR holders thus have no direct ownership interest in the shares and only have such rights as are contained in the deposit agreement. The custodian will also hold any additional securities, property and cash received on or in substitution for the deposited shares. The deposited shares and any such additional items are referred to as “deposited securities.” Upon each deposit of shares, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, including the payment of the fees and charges of the depositary and any taxes or other fees or charges owing, the depositary will issue an ADR or ADRs in the name or upon the order of the person entitled thereto evidencing the number of ADSs to which such person is entitled. All of the ADSs issued will, unless specifically requested to the contrary, be part of the depositary’s direct registration system, and a registered holder will receive periodic statements from the depositary which will show the number of ADSs registered in such holder’s name. An ADR holder can request that the ADSs not be held through the depositary’s direct registration system and that a certificated ADR be issued.

How do ADR holders cancel an ADS and obtain deposited securities?

When you turn in your ADR certificate at the depositary’s office, or when you provide proper instructions and documentation in the case of direct registration ADSs, the depositary will, upon payment of certain applicable fees, charges and taxes, deliver the underlying shares to you or upon your written order. At your risk, expense and request, the depositary may deliver deposited securities at such other place as you may request.

The depositary may only restrict the withdrawal of deposited securities in connection with:

- temporary delays caused by closing our transfer books or those of the depositary or the deposit of shares in connection with voting at a shareholders’ meeting, or the payment of dividends;
- the payment of fees, taxes and similar charges; or
- compliance with any U.S. or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Record Dates

The depositary may, after consultation with us if practicable, fix record dates for the determination of the registered ADR holders who will be entitled (or obligated, as the case may be):

- to receive any distribution on or in respect of shares,
- to give instructions for the exercise of voting rights at a meeting of holders of shares,
- to pay the fee assessed by the depositary for administration of the ADR program and for any expenses as provided for in the ADR, or
- to receive any notice or to act in respect of other matters all subject to the provisions of the deposit agreement.

Voting Rights

How do I vote?

If you are an ADR holder and the depositary asks you to provide it with voting instructions, you may instruct the depositary how to exercise the voting rights for the shares which underlie your ADSs. As soon as practicable after receiving notice of any meeting or solicitation of consents or proxies from us, the

depository will distribute to the registered ADR holders a notice stating such information as is contained in the voting materials received by the depository and describing how you may instruct the depository to exercise the voting rights for the shares which underlie your ADSs. For instructions to be valid, the depository must receive them in the manner and on or before the date specified. No voting instructions may be deemed given to the depository to give a discretionary proxy to a person designated by us if no instructions are received by the depository from you on or before the response date established by the depository. The depository will try, as far as is practical, subject to the provisions of and governing the underlying shares or other deposited securities, to vote or to have its agents vote the shares or other deposited securities as you instruct. The depository will only vote or attempt to vote as you instruct. The depository will not itself exercise any voting discretion. Furthermore, neither the depository nor its agents are responsible for any failure to carry out any voting instructions, for the manner in which any vote is cast or for the effect of any vote. Notwithstanding anything contained in the deposit agreement or any ADR, the depository may, to the extent not prohibited by law or regulations, or by the requirements of the stock exchange on which the ADSs are listed, in lieu of distribution of the materials provided to the depository in connection with any meeting of, or solicitation of consents or proxies from, holders of deposited securities, distribute to the registered holders of ADRs a notice that provides such holders with, or otherwise publicizes to such holders, instructions on how to retrieve such materials or receive such materials upon request (i.e., by reference to a website containing the materials for retrieval or a contact for requesting copies of the materials).

[Under our post offering memorandum and articles of association, the depository would be able to provide us with voting instructions without having to personally attend meetings in person, by means of it delivering an instrument of proxy. Such voting instructions may be provided to us by means of the depository delivering an instrument of proxy via facsimile, email, mail, courier or other recognized form of delivery, and we agree to accept any such delivery so long as it is timely received prior to the meeting.] We will endeavor to provide the depository with written notice of each meeting of shareholders promptly after determining the date of such meeting so as to enable it to solicit and receive voting instructions. In general, the depository will require that voting instructions be received by the depository no less than five business days prior to the date of each meeting of shareholders. Under the post-offering amended and restated memorandum and articles of association that we expect to adopt, the minimum notice period required to convene a general meeting is seven days. The depository may not have sufficient time to solicit voting instructions, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

Notwithstanding the above, we have advised the depository that [under the Cayman Islands law and our post offering memorandum and articles of association, each as in effect as of the date of the deposit agreement, voting at any meeting of shareholders is by show of hands unless a poll is (before or on the declaration of the results of the show of hands) demanded.] In the event that voting on any resolution or matter is conducted on a show of hands basis in accordance with our constituent documents, the depository will refrain from voting and the voting instructions (or the deemed voting instructions, as set out above) received by the depository from holders shall lapse. The depository will not demand a poll or join in demanding a poll, whether or not requested to do so by holders of ADSs.

There is no guarantee that you will receive voting materials in time to instruct the depository to vote and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

Reports and Other Communications

Will ADR holders be able to view our reports?

The depository will make available for inspection by ADR holders at the offices of the depository and the custodian the deposit agreement, the provisions of or governing deposited securities, and any written communications from us which are both received by the custodian or its nominee as a holder of deposited securities and made generally available to the holders of deposited securities.

Additionally, if we make any written communications generally available to holders of our shares, and we furnish copies thereof (or English translations or summaries) to the depository, it will distribute the same to registered ADR holders.

Fees and Expenses

What fees and expenses will I be responsible for paying?

The depositary may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a share dividend or share split declared by us, or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities or whose ADRs are cancelled or reduced for any other reason, US\$5.00 for each 100 ADSs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, as the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of a share distribution, rights and/or other distribution prior to such deposit to pay such charge.

The following additional charges shall be incurred by the ADR holders, by any party depositing or withdrawing shares or by any party surrendering ADSs or to whom ADSs are issued (including, without limitation, issuance pursuant to a share dividend or share split declared by us or an exchange of stock regarding the ADRs or the deposited securities or a distribution of ADSs), whichever is applicable:

- a fee of US\$ per ADR or ADRs for transfers of certificated or direct registration ADRs;
- a fee of up to US\$ per ADS for any cash distribution made pursuant to the deposit agreement;
- a fee of up to US\$ per ADS per calendar year (or portion thereof) for services performed by the depositary in administering the ADRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders of ADRs as of the record date or record dates set by the depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);
- reimbursement of such fees, charges and expenses as are incurred by the depositary and/or any of the depositary's agents (including, without limitation, the custodian and expenses incurred on behalf of holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the shares or other deposited securities, the delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable law, rule or regulation (which charge shall be assessed on a proportionate basis against holders as of the record date or dates set by the depositary and shall be payable at the sole discretion of the depositary by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions);
- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares and there would be a fee of five cents per ADS [issued and] outstanding);
- stock transfer or other taxes and other governmental charges;
- cable, telex and facsimile transmission and delivery charges incurred at your request in connection with the deposit or delivery of shares;
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities; and
- expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars.

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary. The charges described above may be amended from time to time by agreement between us and the depositary.

Our depositary has agreed to reimburse us for certain expenses we incur that are related to establishment and maintenance of the ADR program, including investor relations expenses and exchange application and listing fees. Neither the depositary nor we can determine the exact amount to be made available to us because (i) the number of ADSs that will be issued and outstanding, (ii) the level of fees to be charged to

holders of ADSs and (iii) our reimbursable expenses related to the ADR program are not known at this time. The depositary collects its fees for issuance and cancellation of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions, or by directly billing investors, or by charging the book-entry system accounts of participants acting for them. The depositary will generally set off the amounts owing from distributions made to holders of ADSs. If, however, no distribution exists and payment owing is not timely received by the depositary, the depositary may refuse to provide any further services to holders that have not paid those fees and expenses owing until such fees and expenses have been paid. At the discretion of the depositary, all fees and charges owing under the deposit agreement are due in advance and/or when declared owing by the depositary.

Payment of Taxes

ADR holders must pay any tax or other governmental charge payable by the custodian or the depositary on any ADS or ADR, deposited security or distribution. If an ADR holder owes any tax or other governmental charge, the depositary may (i) deduct the amount thereof from any cash distributions, or (ii) sell deposited securities (by public or private sale) and deduct the amount owing from the net proceeds of such sale. In either case the ADR holder remains liable for any shortfall. Additionally, if any taxes or other governmental charges (including any penalties and/or interest) shall become payable by or on behalf of the custodian or the depositary with respect to any ADR, any deposited securities represented by the ADSs evidenced thereby or any distribution thereon, including, without limitation, any Chinese Enterprise Income Tax owing if the Circular Guoshuifa [2009] No. 82 issued by the Chinese State Administration of Taxation or any other circular, edict, order or ruling, as issued and as from time to time amended, is applied or otherwise, such tax or other governmental charge shall be paid by the holder thereof to the depositary. and by holding or having held an ADR the holder and all prior holders thereof, jointly and severally, agree to indemnify, defend and save harmless each of the depositary and its agents in respect thereof. If any tax or governmental charge is unpaid, the depositary may also refuse to effect any registration, registration of transfer, split-up or combination of deposited securities or withdrawal of deposited securities until such payment is made. If any tax or governmental charge is required to be withheld on any cash distribution, the depositary may deduct the amount required to be withheld from any cash distribution or, in the case of a non-cash distribution, sell the distributed property or securities (by public or private sale) to pay such taxes and distribute any remaining net proceeds to the ADR holders entitled thereto.

By holding an ADR or an interest therein, you will be agreeing to indemnify us, the depositary, its custodian and any of our or their respective directors, employees, agents and affiliates against, and hold each of them harmless from, any claims by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced rate of withholding at source or other tax benefit obtained.

Reclassifications, Recapitalizations and Mergers

If we take certain actions that affect the deposited securities, including (i) any change in par value, split-up/sub-division, consolidation, cancellation or other reclassification of deposited securities or (ii) any distributions not made to holders of ADRs or (iii) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all of our assets, then the depositary may choose to:

- amend the form of ADR;
- distribute additional or amended ADRs;
- distribute cash, securities or other property it has received in connection with such actions;
- sell any securities or property received and distribute the proceeds as cash; or
- none of the above.

If the depositary does not choose any of the above options, any of the cash, securities or other property it receives will constitute part of the deposited securities and each ADS will then represent a proportionate interest in such property.

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the ADSs without your consent for any reason. ADR holders must be given at least 30 days' notice of any amendment that imposes or increases any fees or charges (other than stock transfer or other taxes and other governmental charges, transfer or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or otherwise prejudices any substantial existing right of ADR holders. Such notice need not describe in detail the specific amendments effectuated thereby, but must give ADR holders a means to access the text of such amendment. If an ADR holder continues to hold an ADR or ADRs after being so notified, such ADR holder is deemed to agree to such amendment and to be bound by the deposit agreement as so amended. Notwithstanding the foregoing, if any governmental body or regulatory body should adopt new laws, rules or regulations which would require amendment or supplement of the deposit agreement or the form of ADR to ensure compliance therewith, we and the depositary may amend or supplement the deposit agreement and the ADR at any time in accordance with such changed laws, rules or regulations, which amendment or supplement may take effect before a notice is given or within any other period of time as required for compliance. No amendment, however, will impair your right to surrender your ADSs and receive the underlying securities, except in order to comply with mandatory provisions of applicable law.

How may the deposit agreement be terminated?

The depositary may, and shall at our written direction, terminate the deposit agreement and the ADRs by mailing notice of such termination to the registered holders of ADRs at least 30 days prior to the date fixed in such notice for such termination; provided, however, that if the depositary shall have (i) resigned as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders unless a successor depositary shall not be operating under the deposit agreement within 45 days of the date of such resignation, and (ii) been removed as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders of ADRs unless a successor depositary shall not be operating under the deposit agreement on the 90th day after our notice of removal was first provided to the depositary. After termination, the depositary's only responsibility will be (i) to deliver deposited securities to ADR holders who surrender their ADRs, and (ii) to hold or sell distributions received on deposited securities. As soon as practicable after the expiration of six months from the termination date, the depositary will sell the deposited securities which remain and hold the net proceeds of such sales (as long as it may lawfully do so), without liability for interest, in trust for the ADR holders who have not yet surrendered their ADRs. After making such sale, the depositary shall have no obligations except to account for such proceeds and other cash.

Limitations on Obligations and Liability to ADS Holders

Limits on our obligations and the obligations of the depositary; limits on liability to ADR holders and holders of ADSs

Prior to the issue, registration, registration of transfer, split-up/sub-division, consolidation, combination, or cancellation of any ADRs, or the delivery of any distribution in respect thereof, and from time to time, we or the depositary or its custodian may require:

- payment with respect thereto of (i) any stock transfer or other tax or other governmental charge, (ii) any stock transfer or registration fees in effect for the registration of transfers of shares or other deposited securities upon any applicable register and (iii) any applicable fees and expenses described in the deposit agreement;
- the production of proof satisfactory to it of (i) the identity of any signatory and genuineness of any signature and (ii) such other information, including without limitation, information as to

citizenship, residence, exchange control approval, beneficial ownership of any securities, compliance with applicable law, regulations, provisions of or governing deposited securities and the terms of the deposit agreement and the ADRs, as it may deem necessary or proper; and

- compliance with such regulations as the depositary may establish consistent with the deposit agreement.

The issuance of ADRs, the acceptance of deposits of shares, the registration, registration of transfer, split-up or combination of ADRs or the withdrawal of shares, may be suspended, generally or in particular instances, when the ADR register or any register for deposited securities is closed or when any such action is deemed advisable by the depositary; provided that the ability to withdrawal shares may only be limited under the following circumstances: (i) temporary delays caused by closing transfer books of the depositary or our transfer books or the deposit of shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes, and similar charges, and (iii) compliance with any laws or governmental regulations relating to ADRs or to the withdrawal of deposited securities.

The deposit agreement expressly limits the obligations and liability of the depositary, ourselves and our respective agents. Neither we nor the depositary nor any such agent will be liable if:

- any present or future law, rule, regulation, fiat, order or decree of the United States, the Cayman Islands, the People's Republic of China or any other country, or of any governmental or regulatory authority or securities exchange or market or automated quotation system, the provisions of or governing any deposited securities, any present or future provision of our charter, any act of God, war, terrorism or other circumstance beyond our, the depositary's or our respective agents' control shall prevent or delay, or shall cause any of them to be subject to any civil or criminal penalty in connection with, any act which the deposit agreement or the ADRs provide shall be done or performed by us, the depositary or our respective agents (including, without limitation, voting);
- it exercises or fails to exercise discretion under the deposit agreement or the ADR;
- it performs its obligations under the deposit agreement and ADRs without gross negligence or bad faith;
- it takes any action or refrains from taking any action in reliance upon the advice of or information from legal counsel, accountants, any person presenting shares for deposit, any registered holder of ADRs, or any other person believed by it to be competent to give such advice or information; or
- it relies upon any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

Neither the depositary nor its agents have any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs. We and our agents shall only be obligated to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs, which in our opinion may involve us in expense or liability, if indemnity satisfactory to us against all expense (including fees and disbursements of counsel) and liability is furnished as often as may be required. The depositary and its agents may fully respond to any and all demands or requests for information maintained by or on its behalf in connection with the deposit agreement, any registered holder or holders of ADRs, any ADRs or otherwise related to the deposit agreement or ADRs to the extent such information is requested or required by or pursuant to any lawful authority, including, without limitation laws, rules, regulations, administrative or judicial process, or banking, securities or other regulators. The depositary shall not be liable for the acts or omissions made by any securities depositary, clearing agency or settlement system in connection with or arising out of book-entry settlement of deposited securities or otherwise. Furthermore, the depositary shall not be responsible for, and shall incur no liability in connection with or arising from, the insolvency of any custodian that is not a branch or affiliate of . The depositary and the custodian(s) may use third-party delivery services and providers of information regarding matters such as pricing, proxy voting, corporate actions, class action litigation and other services in connection with the ADRs and the deposit agreement, and use local agents to provide extraordinary services such as attendance at annual meetings of issuers of securities. Although the depositary and the custodian will use reasonable care (and cause their agents to use reasonable care) in the selection and retention

of such third-party providers and local agents, they will not be responsible for any errors or omissions made by them in providing the relevant information or services.

Additionally, none of us, the depositary or the custodian shall be liable for the failure by any registered holder of ADRs or beneficial owner therein to obtain the benefits of credits on the basis of non-U.S. tax paid against such holder's or beneficial owner's income tax liability. Neither we nor the depositary shall incur any liability for any tax consequences that may be incurred by holders or beneficial owners on account of their ownership of ADRs or ADSs.

Neither the depositary nor its agents will be responsible for any failure to carry out any instructions to vote any of the deposited securities, for the manner in which any such vote is cast or for the effect of any such vote. Neither the depositary nor any of its agents shall be liable to registered holders of ADRs or beneficial owners of interests in ADSs for any indirect, special, punitive or consequential damages (including, without limitation, lost profits) of any form incurred by any person or entity, whether or not foreseeable and regardless of the type of action in which such a claim may be brought.

In the deposit agreement each party thereto (including, for avoidance of doubt, each holder and beneficial owner and/or holder of interests in ADRs) irrevocably waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in any suit, action or proceeding against the depositary and/or the company directly or indirectly arising out of or relating to the shares or other deposited securities, the ADSs or the ADRs, the deposit agreement or any transaction contemplated therein, or the breach thereof (whether based on contract, tort, common law or any other theory).

The depositary may own and deal in any class of our securities and in ADSs.

Disclosure of Interest in ADSs

To the extent that the provisions of or governing any deposited securities may require disclosure of or impose limits on beneficial or other ownership of deposited securities, other shares and other securities and may provide for blocking transfer, voting or other rights to enforce such disclosure or limits, you agree to comply with all such disclosure requirements and ownership limitations and to comply with any reasonable instructions we may provide in respect thereof. We reserve the right to instruct you to deliver your ADSs for cancellation and withdrawal of the deposited securities so as to permit us to deal with you directly as a holder of shares and, by holding an ADS or an interest therein, you will be agreeing to comply with such instructions.

Books of Depositary

The depositary or its agent will maintain a register for the registration, registration of transfer, combination and split-up of ADRs, which register shall include the depositary's direct registration system. Registered holders of ADRs may inspect such records at the depositary's office at all reasonable times, but solely for the purpose of communicating with other holders in the interest of the business of our company or a matter relating to the deposit agreement. Such register may be closed from time to time, when deemed expedient by the depositary.

The depositary will maintain facilities for the delivery and receipt of ADRs.

Appointment

In the deposit agreement, each registered holder of ADRs and each person holding an interest in ADSs, upon acceptance of any ADSs (or any interest therein) issued in accordance with the terms and conditions of the deposit agreement will be deemed for all purposes to:

- be a party to and bound by the terms of the deposit agreement and the applicable ADR or ADRs, and
- appoint the depositary its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the deposit agreement and the applicable ADR or ADRs, to adopt any and all procedures necessary to comply with applicable laws and to take such action as the depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of

the deposit agreement and the applicable ADR and ADRs, the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof.

Governing Law

The deposit agreement and the ADRs shall be governed by and construed in accordance with the laws of the State of New York. In the deposit agreement, we have submitted to the jurisdiction of the courts of the State of New York and appointed an agent for service of process on our behalf. Notwithstanding the foregoing, any action based on the deposit agreement or the transactions contemplated thereby may be instituted by the depository and holders in any competent court in the Cayman Islands, Hong Kong, the People's Republic of China and/or the United States or through the commencement of an English language arbitration either in New York, New York in accordance with the Commercial Arbitration Rules of the American Arbitration Association or in Hong Kong following the arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL).

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, we will have _____ ADSs outstanding, representing _____ ordinary shares, or _____ % of our outstanding ordinary shares, assuming the underwriters do not exercise their option to purchase additional ADSs. All of the ADSs sold in this offering will be freely transferable by persons other than by our “affiliates” without restriction or further registration under the Securities Act. Sales of substantial amounts of the ADSs in the public market could adversely affect prevailing market prices of the ADSs. Prior to this offering, there has been no public market for our ordinary shares or ADSs. We intend to apply to list the ADSs on the Nasdaq, but we cannot assure you that a regular trading market will develop in the ADSs. We do not expect that a trading market will develop for our ordinary shares not represented by the ADSs.

Lock-up Agreements

We[, our directors and executive officers, our existing shareholders and holders of options] have agreed, for a period of [180] days after the date of this prospectus, [not to offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale, lend or otherwise dispose of, except in this offering, any of our ordinary shares or ADSs or securities that are substantially similar to our ordinary shares or ADSs, including but not limited to any options or warrants to purchase our ordinary shares, ADSs or any securities that are convertible into or exchangeable for, or that represent the right to receive, our ordinary shares, ADSs or any such substantially similar securities (other than pursuant to employee stock option plans existing on, or upon the conversion or exchange of convertible or exchangeable securities outstanding as of, the date such lock-up agreement was executed)], without the prior written consent of [the representatives of] the underwriters.

The restrictions described in the preceding paragraphs will be automatically extended under certain circumstances. See “Underwriting.”

[Other than this offering,] we are not aware of any plans by any significant shareholders to dispose of significant numbers of the ADSs or ordinary shares. However, one or more existing shareholders or owners of securities convertible or exchangeable into or exercisable for the ADSs or ordinary shares may dispose of significant numbers of the ADSs or ordinary shares in the future. We cannot predict what effect, if any, future sales of the ADSs or ordinary shares, or the availability of ADSs or ordinary shares for future sale, will have on the trading price of the ADSs from time to time. Sales of substantial amounts of the ADSs or ordinary shares in the public market, or the perception that these sales could occur, could adversely affect the trading price of the ADSs.

Rule 144

All of our ordinary shares that will be issued and outstanding upon the completion of this offering, other than those ordinary shares sold in this offering, are “restricted securities” as that term is defined in Rule 144 under the Securities Act and may be sold publicly in the United States only if they are subject to an effective registration statement under the Securities Act or pursuant to an exemption from the registration requirement such as those provided by Rule 144 and Rule 701 promulgated under the Securities Act. In general, beginning 90 days after the date of this prospectus, a person (or persons whose shares are aggregated) who at the time of a sale is not, and has not been during the three months preceding the sale, an affiliate of ours and has beneficially owned our restricted securities for at least six months will be entitled to sell the restricted securities without registration under the Securities Act, subject only to the availability of current public information about us, and will be entitled to sell restricted securities beneficially owned for at least one year without restriction. Persons who are our affiliates and have beneficially owned our restricted securities for at least six months may sell a number of restricted securities within any three-month period that does not exceed the greater of the following:

- 1% of the then outstanding ordinary shares, in the form of ADSs or otherwise, which will equal _____ ordinary shares immediately after this offering, assuming the underwriters do not exercise their option to purchase additional ADSs; or
- the average weekly trading volume of our ordinary shares in the form of ADSs or otherwise, on the Nasdaq, during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Sales by our affiliates under Rule 144 are also subject to certain requirements relating to manner of sale, notice and the availability of current public information about us.

Rule 701

In general, under Rule 701 of the Securities Act as currently in effect, each of our employees, consultants or advisors who purchases our ordinary shares from us in connection with a compensatory stock plan or other written agreement executed prior to the completion of this offering is eligible to resell those ordinary shares in reliance on Rule 144, but without compliance with some of the restrictions, including the holding period, contained in Rule 144. However, the Rule 701 shares would remain subject to lock-up arrangements and would only become eligible for sale when the lock-up period expires.

TAXATION

The following summary of Cayman Islands, PRC, Swedish and U.S. federal income tax considerations of an investment in the ADSs or ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this registration statement, all of which are subject to change. This summary does not deal with all possible tax considerations relating to an investment in the ADSs or ordinary shares, such as the tax considerations under U.S. state and local tax laws or under the tax laws of jurisdictions other than the Cayman Islands, the People's Republic of China, Sweden and the United States. To the extent that the discussion relates to matters of Cayman Islands tax law, it represents the opinion of Carey Olsen Singapore LLP, our Cayman Islands counsel; to the extent it relates to PRC tax law, it represents the opinion of CM Law Firm, our PRC counsel; in respect of matters of Swedish tax law, it represents the opinion of Baker & McKenzie Advokatbyrå KB, our Swedish counsel.

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or, after execution, brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of our ordinary shares and ADSs will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of our ordinary shares or the ADSs, nor will gains derived from the disposal of our ordinary shares or the ADSs be subject to Cayman Islands income or corporation tax.

People's Republic of China Taxation

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

We believe that NIP Group Inc. is not a PRC resident enterprise for PRC tax purposes. NIP Group Inc. is a company incorporated outside of the PRC. NIP Group Inc. is not controlled by a PRC enterprise or PRC enterprise group, and we do not believe that NIP Group Inc. meets all of the conditions above. For the same reasons, we believe our other entities outside of China are not PRC resident enterprises either. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities. There can be no assurance that the PRC government will ultimately take a view that is consistent with us.

If the PRC tax authorities determine that NIP Group Inc. is a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises, including the holders of the ADSs. In addition, non-resident enterprise shareholders (including the ADS holders) may be subject to a 10% PRC tax on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within the PRC. It is unclear whether our non-PRC individual shareholders (including the ADS holders) would be subject to any PRC tax on dividends or gains obtained by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to such dividends or gains, it would generally apply at a rate of 20%. Any PRC tax imposed on dividends or gains may be subject to a reduction if a reduced rate is available under an applicable tax treaty. It is also unclear whether non-PRC shareholders of NIP Group Inc. would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that NIP Group Inc. is treated as a PRC resident enterprise.

Provided that our Cayman Islands holding company, NIP Group Inc., is not deemed to be a PRC resident enterprise, holders of the ADSs and ordinary shares who are not PRC residents will not be subject to PRC income tax on dividends distributed by us or gains realized from the sale or other disposition of our ordinary shares or ADSs. However, under SAT Bulletin 7 and SAT Bulletin 37, where a non-resident enterprise conducts an “indirect transfer” by transferring taxable assets, including, in particular, equity interests in a PRC resident enterprise, indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise, being the transferor, or the transferee or the PRC entity which directly owned such taxable assets may report to the relevant tax authority such indirect transfer. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. We and our non-PRC resident investors may be at risk of being required to file a return and being taxed under SAT Bulletin 7 and SAT Bulletin 37, and we may be required to expend valuable resources to comply with SAT Bulletin 7 and SAT Bulletin 37, or to establish that we should not be taxed under these bulletins.

Sweden Taxation

The following is a summary of certain material Swedish tax issues for holders of ordinary shares or ADSs that are resident in Sweden for tax purposes. The summary is based on current legislation and is intended to provide general information only. Each person considering an investment in ordinary shares or ADSs is advised to consult an independent tax advisor as to the tax consequences that could arise from the acquisition, ownership and disposition of the ordinary shares or ADSs.

Taxation of individual holders

An individual holder is generally considered to be tax resident in Sweden based on domicile, continuous stay exceeding 183 days or essential ties to Sweden. Swedish nationals and foreign individuals who have been tax resident in Sweden for at least 10 years are generally presumed to have maintained essential ties with Sweden, and so are deemed resident in the 5 years following their departure, unless they can prove that they have not maintained essential ties with Sweden, also known as the 5-year rule. After the first five years, the burden of proof shifts to the Swedish Tax Agency.

Individual tax residents in Sweden would generally be subject to income tax on dividend income or capital gains realized at the disposal of ADSs and ordinary shares in a foreign company, such as NIP Group Inc. Any dividend income derived from, or capital gains realized at the disposal of, ordinary shares or ADSs in companies listed on a stock exchange such as the Nasdaq [Stock/Global Select] Market (“Nasdaq”) would be fully taxable at 30%, since no reduction or exemption would be available under Swedish law or the limited double tax treaty between Sweden and the Cayman Islands. Further, any capital losses realized at the disposal of ADSs or ordinary shares in NIP Group Inc. would normally be fully deductible against any capital gains realized at the disposal of shares, including in ADSs and ordinary shares, otherwise 70% of such capital losses would generally be deductible.

Taxation of company holders

In respect of company holders, a company is generally deemed tax resident in Sweden under local law if it is incorporated in Sweden under the Swedish Companies Act (e.g. a limited liability company). Although a great number of double tax treaties which Sweden has entered into regards the place of effective management as one of the key factors when determining tax residency of a company, double tax treaties can only limit and not extend taxation right under Swedish law. As such, Sweden does not generally apply the concept of place of effective management as a basis for taxation of a foreign company. Any dividend income or capital gains realized by a Swedish tax resident company attributable to a company tax resident in the Cayman Islands would normally be subject to corporate income tax at 20.6% applying the current tax rate (FY 2023). No exemption or reduction is currently available under Swedish law or the limited double tax treaty between Sweden and the Cayman Islands in respect of an investment in NIP Group Inc., a company that is tax resident in the Cayman Islands. Further, any capital losses realized at the disposal of ADSs or ordinary shares in NIP Group Inc. should be fully deductible against any capital gains realized at the disposal of shares, including ADSs and ordinary shares. Unused capital losses may be carried forward and should be deductible against any such capital gains realized at the disposal of shares during the next financial year, without time limitation.

Controlled foreign company regime

Under the controlled foreign company regime, or the CFC rules, a Swedish tax resident company or individual or any nonresident with a permanent establishment in Sweden that holds certain interest in certain foreign legal entities is subject to immediate taxation on its proportionate share of the foreign legal entity's profits if the foreign entity is not taxed or taxed at a rate lower than 11.33%, i.e., 55% of the Swedish corporate income tax rate 20.6%. To trigger the CFC rules, the shareholder must at the end of the financial year control at least 25% of the capital or voting rights in the foreign legal entity, either alone or together with persons who have a community of interest with the shareholder. However, if the foreign legal entity is resident in an "approved" country, CFC taxation should not arise. The Cayman Islands is currently not listed as an approved country, why CFC taxation could arise for certain holders of ADSs or ordinary shares under circumstances described above.

Stamp duty and other transfer taxes

Sweden does not levy stamp duty or other transfer taxes at the disposal of ADSs or ordinary shares in a Swedish or foreign company.

United States Federal Income Tax Considerations

The following discussion is a summary of U.S. federal income tax considerations generally applicable to the ownership and disposition of our ADSs or ordinary shares by a U.S. Holder (as defined below) that acquires our ADSs in this offering and holds our ADSs as "capital assets" (generally, property held for investment) under the U.S. Internal Revenue Code of 1986, as amended (the "Code"). This discussion is based upon existing U.S. federal income tax law, which is subject to differing interpretations or change, possibly with retroactive effect, and there can be no assurance that the Internal Revenue Service (the "IRS") or a court will not take a contrary position. This discussion, moreover, does not address the U.S. federal estate, gift or other non-income tax considerations, alternative minimum tax, the Medicare tax on certain net investment income, or any state, local or non-U.S. tax considerations, relating to the ownership or disposition of our ADSs or ordinary shares. The following summary does not address all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual circumstances or to persons in special tax situations such as:

- banks and other financial institutions;
- insurance companies;
- pension plans;
- cooperatives;
- regulated investment companies;

- real estate investment trusts;
- broker-dealers;
- traders that elect to use a mark-to-market method of accounting;
- certain former U.S. citizens or long-term residents;
- tax-exempt entities (including private foundations);
- holders who acquire their ADSs or ordinary shares pursuant to any employee share option or otherwise as compensation;
- investors that will hold their ADSs or ordinary shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes;
- investors that have a functional currency other than the U.S. dollar;
- persons that actually or constructively own ADSs or ordinary shares representing 10% or more of our stock (by vote or value); or
- partnerships or other entities taxable as partnerships for U.S. federal income tax purposes, or persons holding ADSs or ordinary shares through such entities,

all of whom may be subject to tax rules that differ significantly from those discussed below.

Each U.S. Holder (as defined below) is urged to consult its tax advisor regarding the application of U.S. federal taxation to its particular circumstances, and the state, local, non-U.S. and other tax considerations of the ownership and disposition of our ADSs or ordinary shares.

General

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of our ADSs or ordinary shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created in, or organized under the law of the United States or any state thereof or the District of Columbia;
- an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust (A) the administration of which is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise validly elected to be treated as a U.S. person under the Code.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of our ADSs or ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partner and the partnership. Partnerships holding our ADSs or ordinary shares and their partners are urged to consult their tax advisors regarding an investment in our ADSs or ordinary shares.

For U.S. federal income tax purposes, it is generally expected that a U.S. Holder of ADSs will be treated as the beneficial owner of the underlying shares represented by the ADSs. Accordingly, deposits or withdrawals of ordinary shares for ADSs are not expected to be subject to U.S. federal income tax. The remainder of this discussion assumes that a U.S. Holder of our ADSs will be treated in this manner.

Passive Foreign Investment Company Considerations

A non-U.S. corporation, such as our company, will be classified as a PFIC for U.S. federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income (the “income test”) or (ii) 50% or more of the value of its assets (generally determined on the basis of a quarterly average) during such year is attributable to assets that produce or are

held for the production of passive income (the “asset test”). For this purpose, cash and assets readily convertible into cash are categorized as passive assets and the company’s goodwill and other unbooked intangibles should be treated as an active asset to the extent associated with activities that produce or intended to produce active income. Passive income generally includes, among other things, dividends, interest, rents, royalties, and gains from the disposition of passive assets. We will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock.

[Based upon our historical, current and projected income and assets, including the expected cash proceeds from this offering, and projections as to the value of our assets, taking into account the projected market value of our ADSs following this offering, we do not expect to be a PFIC for the current taxable year or in the foreseeable future]. However, while we do not expect to be or become a PFIC, no assurance can be given in this regard because the determination of whether we will be or become a PFIC for any taxable year is a fact intensive determination made annually after the close of each taxable year that depends, in part, upon the composition and classification of our income and assets. Fluctuations in the market price of our ADSs may cause us to be or become classified as a PFIC for the current or future taxable years because the value of our assets for purposes of the asset test, including the value of our goodwill and unbooked intangibles, may be determined by reference to the market price of our ADSs from time to time (which may be volatile). In estimating the value of our goodwill and other unbooked intangibles, we have taken into account the expected cash proceeds from, and our anticipated market capitalization following, this offering. If our market capitalization is less than anticipated or subsequently declines, we may be or become classified as a PFIC for the current taxable year or future taxable years. Furthermore, the composition of our income and assets may also be affected by how, and how quickly, we use our liquid assets and the cash raised in this offering. Under circumstances where revenues from activities that produce passive income significantly increase relative to our revenues from activities that produce non-passive income, or where we determine not to deploy significant amounts of cash for active purposes, our risk of being or becoming classified as a PFIC may substantially increase. Because there are uncertainties in the application of the relevant rules, and because PFIC status is a factual determination made annually after the close of each taxable year, there can be no assurance that we will not be a PFIC for the current taxable year or any future taxable year.

The discussion below under “— Dividends” and “— Sale or Other Disposition” is written on the basis that we will not be or become classified as a PFIC for U.S. federal income tax purposes. If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares, the PFIC rules discussed below under “— Passive Foreign Investment Company Rules” generally will apply to such U.S. Holder for such taxable year, and unless the U.S. Holder makes certain elections, will apply in future years even if we cease to be a PFIC.

Dividends

Any cash distributions (including the amount of any PRC tax withheld) paid on our ADSs or ordinary shares out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder, in the case of ordinary shares, or by the depository, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, the full amount of any distribution we pay will generally be treated as a “dividend” for U.S. federal income tax purposes. Dividends received on our ADSs or ordinary shares will not be eligible for the dividends received deduction generally allowed to corporations. Dividends received by individuals and certain other non-corporate U.S. Holders may be subject to tax at the lower capital gain tax rate applicable to “qualified dividend income,” provided that certain conditions are satisfied, including that (1) our ADSs or ordinary shares on which the dividends are paid are readily tradeable on an established securities market in the United States, or, we are eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information program, (2) we are neither a PFIC nor treated as such with respect to such a U.S. Holder for the taxable year in which the dividend was paid and the preceding taxable year, and (3) certain holding period requirements are met. We expect our ADSs (but not our ordinary shares), which we intend to apply to list on the Nasdaq, will be considered readily tradeable on an established securities market in the United States, although there can be no assurance in this regard.

In the event that we are deemed to be a PRC resident enterprise under the PRC EIT Law (see “— People’s Republic of China Taxation”), we may be eligible for the benefits of the United States-PRC income tax treaty (the “Treaty”) (which the Secretary of the Treasury of the United States has determined is satisfactory for this purpose).

Dividends paid on our ADSs or ordinary shares, if any, will generally be treated as income from foreign sources and will generally constitute passive category income for U.S. foreign tax credit purposes. In the event that we are deemed to be a PRC resident enterprise under the PRC EIT Law, a U.S. Holder may be subject to PRC withholding taxes on dividends paid, if any, on the ADSs or ordinary shares. In that case, depending on the U.S. Holder’s individual facts and circumstances, a U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any nonrefundable foreign withholding taxes imposed on dividends received on our ADSs or ordinary shares. However, absent an election to apply the benefits of an applicable income tax treaty, certain non-U.S. taxes may not be creditable if the relevant foreign income tax rules are not consistent with certain U.S. federal income tax principles, and we have not determined whether the PRC income tax system meets all these requirements. A U.S. Holder who does not elect to claim a foreign tax credit for foreign taxes withheld may instead claim a deduction, for U.S. federal income tax purposes, in respect of such withholding, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex and their outcome depends in large part on the U.S. Holder’s individual facts and circumstances. Accordingly, U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or Other Disposition

A U.S. Holder will generally recognize capital gain or loss upon the sale or other disposition of our ADSs or ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the holder’s adjusted tax basis in such ADSs or ordinary shares. Any capital gain or loss will be long-term if the ADSs or ordinary shares have been held for more than one year. Long-term capital gain of individuals and certain other non-corporate U.S. Holders will generally be eligible for a reduced rate of taxation.

Capital gain or loss of U.S. persons will generally be U.S.-source gain or loss for U.S. foreign tax credit purposes. However, in the event that gain from the disposition of the ADSs or ordinary shares is subject to tax in the PRC, a U.S. Holder that is eligible for the benefits of the Treaty may treat such gain as PRC-source gain under the Treaty. If a U.S. Holder is not eligible for the benefits of the Treaty or fails to treat any such gain as PRC-source, then such U.S. Holder would generally not be able to use any foreign tax credit arising from any PRC tax imposed on the disposition of the ADSs or ordinary shares. The deductibility of a capital loss may be subject to limitations. U.S. Holders are urged to consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of our ADSs or ordinary shares, including the availability of the foreign tax credit under their particular circumstances.

Passive Foreign Investment Company Rules

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares, and unless the U.S. Holder makes a mark-to-market election (as described below), the U.S. Holder will generally be subject to special tax rules on (i) any excess distribution that we make to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125 percent of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. Holder’s holding period for the ADSs or ordinary shares), and (ii) any gain realized on the sale or other disposition of ADSs or ordinary shares. Under the PFIC rules:

- the excess distribution or gain will be allocated ratably over the U.S. Holder’s holding period for the ADSs or ordinary shares;
- the amount allocated to the current taxable year and any taxable years in the U.S. Holder’s holding period prior to the first taxable year in which we are classified as a PFIC (each, a “pre-PFIC year”) will be taxable as ordinary income;

- the amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect for individuals or corporations, as appropriate, for that year; and
- an additional tax equal to the interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares and any of our subsidiaries is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. U.S. Holders are urged to consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

As an alternative to the foregoing rules, a U.S. Holder of “marketable stock” in a PFIC may make a mark-to-market election with respect to such stock, provided that such stock is regularly traded on a qualified exchange or other market, as defined in applicable United States Treasury Regulations. For those purposes, we expect that our ADSs, but not our ordinary shares, will be treated as marketable stock upon their listing on the Nasdaq, which is a qualified exchange for these purposes. We anticipate that our ADSs should qualify as being regularly traded, but no assurances may be given in this regard. If a U.S. Holder makes a mark-to-market election, the holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but such deduction will only be allowed to the extent of the amount previously included in income as a result of the mark-to-market election. The U.S. Holder’s adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in a year when we are classified as a PFIC and we subsequently cease to be classified as a PFIC, the holder will not be required to take into account the gain or loss described above during any period that we are not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of our ADSs in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election.

Because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder that makes the mark-to-market election may continue to be subject to the PFIC rules with respect to such U.S. Holder’s indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above.

If a U.S. Holder owns our ADSs or ordinary shares during any taxable year that we are a PFIC, the holder must generally file an annual IRS Form 8621 or such other forms as is required by the United States Treasury Department. A failure to file one or more of these forms as required may toll the running of the statute of limitations in respect of each of the taxable years for which such form is required to be filed. Each U.S. Holder should consult its tax advisors regarding the U.S. federal income tax consequences of owning and disposing of our ADSs or ordinary shares if we are or become a PFIC.

Backup Withholding and Information Reporting

Dividends paid on, and proceeds from the sale or other disposition of, the ADSs or ordinary shares to a U.S. Holder generally may be subject to the information reporting requirements of the Code and may be subject to backup withholding unless the U.S. Holder provides an accurate taxpayer identification number and makes any other required certification or otherwise establishes an exemption. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a refund or credit against the U.S. Holder’s U.S. federal income tax liability, provided the required information is furnished to the IRS in a timely manner.

Information with Respect to Foreign Financial Assets

U.S. Holders who are individuals (and certain entities closely held by individuals) generally will be required to report the name, address and such information relating to an interest in the ADSs or ordinary shares as is necessary to identify the class or issue of which the ADSs or ordinary shares are a part. These requirements are subject to exceptions, including an exception for ADSs or ordinary shares held in accounts maintained by certain financial institutions and an exception applicable if the aggregate value of all “specified foreign financial assets” (as defined in the Code) does not exceed \$50,000.

U.S. Holders should consult their tax advisors regarding the application of these information reporting rules.

UNDERWRITING

We [, the selling shareholders] and the underwriters named below have entered into an underwriting agreement with respect to the ADSs being offered. Subject to certain conditions set out in the underwriting agreement, each underwriter has severally agreed to purchase, and we[and the selling shareholders] have agreed to sell to them, severally, the number of ADSs indicated in the following table.

, and are acting as the representatives of the underwriters.

Underwriter	Number of ADSs
US Tiger Securities, Inc.	
GF Securities (Hong Kong) Brokerage Limited	
Total	

The underwriters and the representatives are collectively referred to as the “underwriters” and the “representatives,” respectively. The underwriters are offering the ADSs subject to their acceptance of the ADSs from us[and the selling shareholders] and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the ADSs offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriting agreement provides that the underwriters are obligated, severally and not jointly, to take and pay for all of the ADSs offered by this prospectus if any such ADSs are taken, other than those ADSs covered by the option to purchase additional ADSs described below. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

The underwriters initially propose to offer part of the ADSs directly to the public at the public offering price on the cover page of this prospectus and part of the ADSs to certain dealers at a price that represents a concession not in excess of US\$ per ADS from the initial public offering price. After the initial public offering, the offering price and other selling terms may from time to time be varied by the underwriters.

Certain of the underwriters are expected to make offers and sales both inside and outside the United States through their respective selling agents. Any offers or sales in the United States will be conducted by broker-dealers registered with the SEC. GF Securities (Hong Kong) Brokerage Limited is not a broker-dealer registered with the SEC and will not make any offers and sales of ADSs within the United States.

The address of US Tiger Securities, Inc. is 437 Madison Avenue, 27th Floor, New York, NY 10022. The address of GF Securities (Hong Kong) Brokerage Limited is 29-30/F Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.

Option to Purchase Additional ADSs

We[and the selling shareholders] have granted to the underwriters an option, exercisable for 30 days from the date of the final prospectus, to purchase up to an aggregate of additional ADSs from us [and additional ADSs from the selling shareholders] at the initial public offering price listed on the cover page of this prospectus, less the underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the ADSs offered by this prospectus. To the extent the option is exercised, each underwriter will become severally obligated, subject to certain conditions, to purchase additional ADSs approximately proportionate to each underwriter’s initial amount reflected in the table above and will offer the additional ADSs on the same term as those on which the ADSs are being offered.

Commissions and Expenses

The following table shows the per ADS and total public offering price, underwriting discounts and commissions, and proceeds before expenses to us [and the selling shareholders]. These amounts are shown assuming both no exercise and full exercise of the underwriters’ option to purchase up to an additional ADSs.

	Total		
	Per ADSs	No Exercise	Full Exercise
Public offering price	US\$	US\$	US\$
Underwriting discounts and commissions to be paid by:	US\$	US\$	US\$
Us	US\$	US\$	US\$
[The selling shareholders]	US\$	US\$	US\$
Proceeds, before expenses, to us	US\$	US\$	US\$
[Proceeds, before expenses, to selling shareholders]	US\$	US\$	US\$

We estimate that the total expenses of this offering, excluding the underwriting discounts and commissions, will be approximately US\$. We have agreed to reimburse the underwriters for certain out-of-pocket expenses in connection with this offering in an amount not to exceed US\$.

Lock-up Agreements

[We have agreed that, without the prior written consent of the representatives on behalf of the underwriters and subject to certain exceptions, we will not, during the period ending 180 days after the date of this prospectus, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any ordinary shares or ADSs or any securities convertible into or exercisable or exchangeable for such ordinary shares or ADSs; (ii) enter into any swap, hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the ordinary shares or ADSs; (iii) submit or file any registration statement with the SEC relating to the offering of any ordinary shares, ADSs or any securities convertible into or exercisable or exchangeable for ordinary shares or ADSs; or (iv) publicly disclose the intention to make any offer, sale, pledge, disposition or filing, in each case regardless of whether any such transaction described above is to be settled by delivery of ordinary shares, ADSs, or such other securities, in cash or otherwise.]

[Our directors, officers, existing shareholders[, including the selling shareholders], and share-based award holders] have agreed that, without the prior written consent of the representatives on behalf of the underwriters and subject to certain exceptions, they will not, during the period ending 180 days after the date of this prospectus, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any ordinary shares or ADSs or any securities convertible into or exercisable or exchangeable for such ordinary shares or ADSs or (ii) enter into any swap, hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the ordinary shares or ADSs, whether any such transaction described above is to be settled by delivery of ordinary shares, ADSs or such other securities, in cash or otherwise, or (iii) publicly disclose the intention to make any such offer, sale, pledge or disposition, or to enter into any such transaction, swap, hedge or other arrangement.]

In addition, we and each such person have agreed that, without the prior written consent of the representatives on behalf of the underwriters, we or such other person will not, during the period ending 180 days after the date of this prospectus, make any demand for, or exercise any right with respect to, the registration of any ordinary shares, ADSs, or any security convertible into or exercisable or exchangeable for ordinary shares or ADSs. Further, through a letter agreement, we will instruct , as depository, not to accept any deposit of any ordinary shares or deliver any ADSs until after 180 days following the date of this prospectus unless we consent to such deposit or issuance. We will not provide such consent without the prior written consent of the representatives of the underwriters. The foregoing does not affect the right of ADS holders to cancel their ADSs and withdraw the underlying ordinary shares.

The representatives, in their sole discretion, may release the ordinary shares, ADSs and other securities subject to the lock-up agreements described above in whole or in part at any time. Subject to compliance with the notification requirements under FINRA Rule 5131 applicable to lock-up agreements with our directors or officers, if the representatives, in their sole discretion, agree to release or waive the restrictions set forth in a lock-up agreement for an officer or director of us and provides us with notice of the impending

release or waiver at least three business days before the effective date of the release or waiver, we agree to announce the impending release or waiver by issuing a press release through a major news service at least two business days before the effective date of the release or waiver. Currently, there are no agreements, understandings or intentions, tacit or explicit, to release any of the securities from the lock-up agreements prior to the expiration of the corresponding period.

Nasdaq [Stock/Global Select] Market Listing

We have applied to list our ADSs on The Nasdaq [Stock/Global Select] Market under the symbol “[NIPG]”

Stabilization, Short Positions and Penalty Bids

In connection with the offering, the underwriters may purchase and sell ADSs in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales in accordance with Regulation M under the Exchange Act. Short sales involve the sale by the underwriters of a greater number of ADSs than they are required to purchase in the offering. “Covered” short sales are sales made in an amount not greater than the underwriters’ option to purchase additional ADSs in the offering, and a short position represents the amount of such sales that have not been covered by subsequent purchases. The underwriters may close out any covered short position by either exercising their option to purchase additional ADSs or purchasing ADSs in the open market. In determining the source of ADSs to close out the covered short position, the underwriters will consider, among other things, the price of ADSs available for purchase in the open market as compared to the price at which they may purchase additional ADSs pursuant to the option granted to them. “Naked” short sales are any sales in excess of such option. The underwriters must close out any naked short position by purchasing ADSs in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the ADSs in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for, or purchases of, ADSs made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased ADSs sold by, or for the account of, such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the ADSs, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the ADSs. As a result, the price of the ADSs may be higher than the price that otherwise might exist in the open market. The underwriters are not required to engage in these activities, and if these activities are commenced, they are required to be conducted in accordance with applicable laws and regulations, and they may be discontinued at any time. These transactions may be effected on the Nasdaq [Stock/Global Select] Market, the over-the-counter market or otherwise.

Electronic Distribution

A prospectus in electronic format may be made available on the web sites maintained by one or more of the underwriters, or one or more securities dealers, if any, participating in this offering and one or more of the underwriters participating in this offering may distribute prospectuses electronically. The underwriters may agree to allocate a number of ADSs for sale to their online brokerage account holders. Internet distributions will be allocated on the same basis as other allocations. In addition, ADSs may be sold by the underwriters to securities dealers who resell ADSs to online brokerage account holders.

Indemnification

We[and the selling shareholders] have agreed to indemnify the underwriters and certain of their controlling persons against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make in respect of those liabilities.

Pricing of the Offering

Prior to this offering, there has been no public market for our ordinary shares or the ADSs. The initial public offering price was determined by negotiations among us and the representatives and will not necessarily reflect the market price of the ADSs following this offering. Among the factors considered in determining the initial public offering price of the ADSs, in addition to prevailing market conditions, were our historical performance, estimates of our business potential and earnings prospects, future prospects of our industry in general, our sales, earnings and certain other financial and operating information in recent periods, an assessment of our management, and the price-earnings ratios, price-sales ratios, market prices of securities, and certain financial and operating information of companies engaged in activities similar to ours. We cannot assure you that the initial public offering price will correspond to the price at which the ADSs will trade in the public market subsequent to this offering or that an active trading market for the ADSs will develop and continue after this offering.

Relationships

The underwriters and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, market making, financing and brokerage activities and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory, commercial and investment banking services and other services for us and for persons and entities with relationships with us, for which they received or will receive customary fees and expenses.

In addition, in the ordinary course of their business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. These investments and securities activities may involve securities and/or instruments of us and/or persons and entities with relationships with us. The underwriters and their respective affiliates may also make or communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or financial instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such assets, securities and instruments.

[Directed ADS Program]

[At our request, the underwriters have reserved up to % of the ADSs being offered by this prospectus (assuming exercise in full by the underwriters of their option to purchase additional ADSs) for sale, at the initial public offering price, to some of our directors, officers, existing shareholders, employees, and business associates and related persons. If purchased by these persons, these shares will be subject to a 180-day lock-up restriction. The number of ADSs available for sale to the general public will be reduced to the extent these individuals purchase such reserved ADSs. Any reserved ADSs that are not so purchased will be offered by the underwriters to the general public on the same basis as the other ADSs offered by this prospectus.]

Selling Restrictions

General

Other than in the U.S., no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a

solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

Certain of the underwriters and their affiliates have provided in the past to us and our affiliates and may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other services for us and such affiliates in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions. In addition, from time to time, certain of the underwriters and their affiliates may affect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future.

Abu Dhabi

The Financial Services Regulatory Authority, or “FSRA,” of the Abu Dhabi Global Market accepts no responsibility for reviewing or verifying this document. Accordingly, the FSRA has not approved this document nor taken any steps to verify the information set out in this document, and has no responsibility for it. The ADSs to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the ADSs should conduct their own due diligence on the ADSs. If you do not understand the contents of this document you should consult an authorized financial adviser.

Australia

This document:

- (i) does not constitute a disclosure document or a prospectus under Chapter 6D.2 of the Corporations Act 2001 (Cth), or the “Corporations Act;”
- (ii) has not been, and will not be, lodged with the Australian Securities and Investments Commission, or “ASIC,” as a disclosure document for the purposes of the Corporations Act and does not purport to include the information required of a disclosure document for the purposes of the Corporations Act; and
- (iii) may only be provided in Australia to select investors who are able to demonstrate that they fall within one or more of the categories of investors, available under section 708 of the Corporations Act, or “Exempt Investors.”

The ADSs may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for or buy the ADSs may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any ADSs may be distributed in Australia, except where disclosure to investors is not required under Chapter 6D of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the ADSs, you represent and warrant to us that you are an Exempt Investor.

As any offer of ADSs under this prospectus will be made without disclosure in Australia under Chapter 6D.2 of the Corporations Act, the offer of those securities for resale in Australia within 12 months may, under section 707 of the Corporations Act, require disclosure to investors under Chapter 6D.2 if none of the exemptions in section 708 applies to that resale. By applying for the ADSs you undertake to us that you will not, for a period of 12 months from the date of issue or sale of the ADSs, offer, transfer, assign or otherwise alienate those ADSs to investors in Australia except in circumstances where disclosure to investors is not required under Chapter 6D.2 of the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

Bermuda

The ADSs may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act of 2003 of Bermuda which regulates the sale of securities in Bermuda. Additionally, non-Bermudian persons (including companies) may not carry on or engage in any trade or business in Bermuda unless such persons are permitted to do so under applicable Bermuda legislation.

British Virgin Islands

The ADSs are not being, and may not be offered to the public or to any person in the British Virgin Islands for purchase or subscription by us or on our behalf. The ADSs may be offered to companies incorporated under the BVI Business Companies Act, 2004 (British Virgin Islands) (each a BVI Company), but only where the offer will be made to, and received by, the relevant BVI Company entirely outside of the British Virgin Islands.

This prospectus has not been, and will not be, registered with the Financial Services Commission of the British Virgin Islands. No registered prospectus has been or will be prepared in respect of the ADSs for the purposes of the Securities and Investment Business Act, 2010, or SIBA or the Public Issuers Code of the British Virgin Islands.

The ADSs may be offered to persons located in the British Virgin Islands who are “qualified investors” for the purposes of SIBA. Qualified investors include (i) certain entities which are regulated by the Financial Services Commission in the British Virgin Islands, including banks, insurance companies, licensees under SIBA and public, professional and private mutual funds; (ii) a company, any securities of which are listed on a recognized exchange; and (iii) persons defined as “professional investors” under SIBA, which is any person (a) whose ordinary business involves, whether for that person’s own account or the account of others, the acquisition or disposal of property of the same kind as the property, or a substantial part of our property; or (b) who has signed a declaration that he, whether individually or jointly with his spouse, has a net worth in excess of US\$1,000,000 and that he consents to being treated as a professional investor.

Canada

The ADSs may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts, or NI 33-105, the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Cayman Islands

This prospectus does not constitute an invitation or offer to the public in the Cayman Islands of the ADSs or ordinary shares, whether by way of sale or subscription. The underwriters have not offered or sold, and will not offer or sell, directly or indirectly, any ADSs or ordinary shares in the Cayman Islands.

Dubai International Financial Center

This document relates to an Exempt Offer in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority, or the DFSA. This document is intended for distribution only to persons of a type specified in the Markets Rules 2012 of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this document nor taken steps to verify the information set forth herein and has no responsibility for this document. The ADSs which are the subject of the offering contemplated by this document may be illiquid and/or subject to restrictions on their resale. Prospective

purchasers of the ADSs offered should conduct their own due diligence on the ADSs. If you do not understand the contents of this document you should consult an authorized financial advisor.

In relation to its use in the Dubai International Financial Center, or the DIFC, this document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the securities may not be offered or sold directly or indirectly to the public in the DIFC.

European Economic Area

In relation to each Member State of the European Economic Area (each a “Relevant State”), no ADSs have been offered or will be offered pursuant to this offering to the public in that Relevant State prior to the publication of a prospectus in relation to the ADSs which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation, except that offers of ADSs may be made to the public in that Relevant State at any time under the following exemptions under the Prospectus Regulation:

- (i) to any legal entity which is a qualified investor as defined under Article 2 of the Prospectus Regulation;
- (ii) to fewer than 150 natural or legal persons (other than qualified investors as defined under the Article 2 of the Prospectus Regulation), subject to obtaining the prior consent of the underwriters; or
- (iii) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of ADSs shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation and each person who initially acquires any ADSs or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with each of the underwriters and the Company that it is a “qualified investor” within the meaning of Article 2(e) of the Prospectus Regulation. In the case of any ADSs being offered to a financial intermediary as that term is used in the Prospectus Regulation, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the ADSs acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any ADSs to the public other than their offer or resale in a Relevant State to qualified investors as so defined or in circumstances in which the prior consent of the underwriters have been obtained to each such proposed offer or resale.

For the purposes of this provision, the expression an “offer to the public” in relation to ADSs in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and any ADSs to be offered so as to enable an investor to decide to purchase or subscribe for any ADSs, and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

Hong Kong

The ADSs have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong), or the “SFO,” of Hong Kong and any rules made thereunder, or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32) of Hong Kong or the “CO,” or which do not constitute an offer to the public within the meaning of the CO. No advertisement, invitation or document relating to the ADSs has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to ADSs which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made thereunder.

India

This document has not been and will not be registered as a prospectus with any registrar of companies in India. This document has not been and will not be reviewed or approved by any statutory or regulatory authority in India, including the Securities and Exchange Board of India, Reserve Bank of India, any registrar of companies in India or any stock exchange in India. This document and this offering of ADSs are not and should not be construed as an invitation, offer or sale of any securities to the public in India. Other than in compliance with the private placement exemptions under applicable laws and regulations in India, including the Companies Act, 2013, as amended, our ADSs have not been, and will not be, offered or sold to the public or any member of the public in India. This document is strictly personal to the recipient and neither this prospectus nor the offering of our ADSs is calculated to result, directly or indirectly, in our ADSs becoming available for subscription or purchase by persons other than those receiving the invitation or offer. Each investor is deemed to have acknowledged, represented and agreed that it is eligible to invest in us and our ADSs under applicable laws, rules and regulations in India, without the requirement to obtain any prior approval, and that it is not prohibited or prevented under any law, rule or regulation in India from acquiring, owning or selling our ADSs.

Indonesia

This prospectus does not, and is not intended to, constitute a prospectus for a public offering of securities and this offering does not, and is not intended to, constitute a public offering of securities under Law Number 8 of 1995 regarding Capital Market and its implementing regulations. This prospectus may not be distributed in the Republic of Indonesia and the ADSs may not be offered or sold in the Republic of Indonesia or to Indonesian citizens wherever they are domiciled, or to Indonesia residents, in a manner which constitutes a public offering under the laws of the Republic of Indonesia.

Israel

This prospectus does not constitute a prospectus under the Israeli Securities Law, 5728-1968, and has not been filed with or approved by the Israel Securities Authority. In Israel, this prospectus is being distributed only to, and is directed only at, investors listed in the first addendum, or the Addendum, to the Israeli Securities Law, consisting primarily of joint investment in trust funds, provident funds, insurance companies, banks, portfolio managers, investment advisors, members of the Tel Aviv Stock Exchange, underwriters purchasing for their own account, venture capital funds, entities with equity in excess of NIS 50 million and qualified individuals, each as defined in the Addendum (as it may be amended from time to time), collectively referred to as qualified investors. Qualified investors may be required to submit written confirmation that they meet the criteria for one of the categories of investors set forth in the prospectus.

Japan

The ADSs have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act. Accordingly, none of the ADSs nor any interest therein may be, directly or indirectly, offered or sold in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of any Japanese Person, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Korea

The ADSs have not been and will not be registered under the Financial Investments Services and Capital Markets Act of Korea and the decrees and regulations thereunder, or the "FSCMA." None of the ADSs may be offered, sold or delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the FSCMA and the Foreign Exchange Transaction Law of Korea and the decrees and regulations thereunder, or the "FETL." The ADSs have not been registered with the Financial Services Commission of Korea for public offering in Korea. Furthermore, the purchaser of the

ADSs shall comply with all applicable regulatory requirements (including but not limited to requirements under the FETL) in connection with the purchase of the ADSs. By the purchase of the ADSs, the relevant holder thereof will be deemed to represent and warrant that if it is in Korea or is a resident of Korea, it purchased the ADSs pursuant to the applicable laws and regulations of Korea.

Kuwait

Unless all necessary approvals from the Kuwait Ministry of Commerce and Industry required by Law No. 31/1990 “Regulating the Negotiation of Securities and Establishment of Investment Funds,” its Executive Regulations and the various Ministerial Orders issued pursuant thereto or in connection therewith, have been given in relation to the marketing and sale of the ADSs, these may not be marketed, offered for sale, nor sold in the State of Kuwait. Neither this prospectus (including any related document), nor any of the information contained therein is intended to lead to the conclusion of any contract of whatsoever nature within Kuwait.

Malaysia

No prospectus or other offering material or document in connection with the offer and sale of the securities has been or will be registered with the Securities Commission of Malaysia, or Commission, for the Commission’s approval pursuant to the Capital Markets and Services Act 2007. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the securities may not be circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Malaysia other than (i) a closed end fund approved by the Commission; (ii) a holder of a Capital Markets Services License; (iii) a person who acquires the securities as principal, if the offer is on terms that the securities may only be acquired at a consideration of not less than RM250,000 (or its equivalent in foreign currencies) for each transaction; (iv) an individual whose total net personal assets or total net joint assets with his or her spouse exceeds RM3 million (or its equivalent in foreign currencies), excluding the value of the primary residence of the individual; (v) an individual who has a gross annual income exceeding RM300,000 (or its equivalent in foreign currencies) per annum in the preceding twelve months; (vi) an individual who, jointly with his or her spouse, has a gross annual income of RM400,000 (or its equivalent in foreign currencies), per annum in the preceding twelve months; (vii) a corporation with total net assets exceeding RM10 million (or its equivalent in a foreign currencies) based on the last audited accounts; (viii) a partnership with total net assets exceeding RM10 million (or its equivalent in foreign currencies); (ix) a bank licensee or insurance licensee as defined in the Labuan Financial Services and Securities Act 2010; (x) an Islamic bank licensee or takaful licensee as defined in the Labuan Financial Services and Securities Act 2010; and (xi) any other person as may be specified by the Commission; provided that, in the each of the preceding categories (i) to (xi), the distribution of the securities is made by a holder of a Capital Markets Services License who carries on the business of dealing in securities. The distribution in Malaysia of this prospectus is subject to Malaysian laws. This prospectus does not constitute and may not be used for the purpose of public offering or an issue, offer for subscription or purchase, invitation to subscribe for or purchase any securities requiring the registration of a prospectus with the Commission under the Capital Markets and Services Act 2007.

PRC

This prospectus will not be circulated or distributed in the PRC, and the ADSs will not be offered or sold, and will not be offered or sold to any person for re-offering or resale directly or indirectly to any residents of the PRC except pursuant to any applicable laws and regulations of the PRC. Neither this prospectus nor any advertisement or other offering material may be distributed or published in the PRC, except under circumstances that will result in compliance with applicable laws and regulations.

Qatar

In the State of Qatar, the offer contained herein is made on an exclusive basis to the specifically intended recipient thereof, upon that person’s request and initiative, for personal use only and shall in no way be construed as a general offer for the sale of securities to the public or an attempt to do business as a

bank, an investment company or otherwise in the State of Qatar. This prospectus and the underlying securities have not been approved or licensed by the Qatar Central Bank or the Qatar Financial Center Regulatory Authority or any other regulator in the State of Qatar. The information contained in this prospectus shall only be shared with any third parties in Qatar on a need to know basis for the purpose of evaluating the contained offer. Any distribution of this prospectus by the recipient to third parties in Qatar beyond the terms hereof is not permitted and shall be at the liability of such recipient.

Saudi Arabia

This prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority. The Capital Market Authority does not make any representation as to the accuracy or completeness of this prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this prospectus. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this prospectus you should consult an authorized financial adviser.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of ADSs may not be circulated or distributed, nor may the ADSs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than

- to an institutional investor under Section 274 of the Securities and Futures Act 2001 of Singapore (the “SFA”), as modified or amended from time to time including by any subsidiary legislation as may be applicable at the relevant time,
- to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Sections 275 and 276 of the SFA, or
- otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with the conditions set forth in the SFA.

Where the ADSs are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities and securities-based derivatives contracts (each as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the ADSs pursuant to an offer made under Section 275 of the SFA except:
 - to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or (in the case of such corporation) where the transfer arises from an offer referred to in Section 275(1A) of the SFA, or (in the case of such trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;
 - where no consideration is or will be given for the transfer;
 - where the transfer is by operation of law;
 - as specified in Section 276(7) of the SFA; or
 - as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Notification under Section 309B(1)(c) of the SFA

The ADSs are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Purchasers are advised to seek legal advice prior to any resale of the securities.

South Africa

Due to restrictions under the securities laws of South Africa, the ADSs are not offered, and the offer shall not be transferred, sold, renounced or delivered, in South Africa or to a person with an address in South Africa, unless one or other of the following exemptions applies:

- the offer, transfer, sale, renunciation or delivery is to:
- persons whose ordinary business is to deal in securities, as principal or agent;
- the South African Public Investment Corporation;
- persons or entities regulated by the Reserve Bank of South Africa;
- authorized financial service providers under South African law;
- financial institutions recognized as such under South African law;
- a wholly-owned subsidiary of any person or entity contemplated in (c), (d) or (e), acting as agent in the capacity of an authorized portfolio manager for a pension fund or collective investment scheme (in each case duly registered as such under South African law); or
- any combination of the person in (a) to (f); or
- the total contemplated acquisition cost of the securities, for any single addressee acting as principal is equal to or greater than ZAR1,000,000.

No “offer to the public” (as such term is defined in the South African Companies Act, No. 71 of 2008 (as amended or re-enacted) (the “South African Companies Act”)) in South Africa is being made in connection with the issue of the ADSs. Accordingly, this prospectus does not, nor is it intended to, constitute a “registered prospectus” (as that term is defined in the South African Companies Act) prepared and registered under the South African Companies Act and has not been approved by, and/ or filed with, the South African Companies and Intellectual Property Commission or any other regulatory authority in South Africa. Any issue or offering of the ADSs in South Africa constitutes an offer of the ADSs in South Africa for subscription or sale in South Africa only to persons who fall within the exemption from “offers to the public” set out in section 96(1)(a) of the South African Companies Act. Accordingly, this prospectus must not be acted on or relied on by persons in South Africa who do not fall within section 96(1)(a) of the South African Companies Act (such persons being referred to as “SA Relevant Persons”). Any investment or investment activity to which this prospectus relates is available in South Africa only to SA Relevant Persons and will be engaged in South Africa only with SA relevant persons.

Switzerland

This document is not intended to constitute an offer or solicitation to purchase or invest in the ADSs described herein. The ADSs may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act, or “FinSA” and no application has or will be made to admit the ADSs to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this document nor any other offering or marketing material relating to the ADSs constitutes a prospectus pursuant to the FinSA, and neither this document nor any other offering or marketing material relating to the ADSs may be publicly distributed or otherwise made publicly available in Switzerland.

Taiwan

The ADSs have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be

offered or sold in Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan or relevant laws and regulations that require a registration, filing or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the ADSs in Taiwan.

United Arab Emirates (excluding the DIFC and the Abu Dhabi Global Market)

This document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. If you are in any doubt about the contents of this document, you should consult an authorized financial adviser. By receiving this document, the person or entity to whom it has been issued understands, acknowledges and agrees that this document has not been approved by or filed with the UAE Central Bank, the UAE Securities and Commodities Authority, or the “SCA,” or any other authorities in the UAE (outside of the financial free zones established pursuant to UAE Federal Law No. 8 of 2004), nor have the underwriters received authorization or licensing from the UAE Central Bank, SCA or any other authorities in the UAE to market or sell securities or other investments within the UAE. No marketing of any financial products or services has been or will be made from within the UAE other than in compliance with the laws of the UAE and no subscription to any securities or other investments may or will be consummated within the UAE. It should not be assumed that any of the underwriters is a licensed broker, dealer or investment adviser under the laws applicable in the UAE, or that any of them advise individuals resident in the UAE as to the appropriateness of investing in or purchasing or selling securities or other financial products. The ADSs are not intended for circulation or distribution in or into the UAE, other than to persons who are “Qualified Investors” within the meaning of the SCA’s Board of Directors Decision No. 3 of 2017 Concerning the Organization of Promotion and Introduction to whom the materials may lawfully be communicated. This does not constitute a public offer of securities in the UAE in accordance with the SCA Chairman of the Board Resolution No. 11/R.M of 2016 on the Regulations for Issuing and Offering Shares of Public Joint Stock, or otherwise.

Nothing contained in this document is intended to constitute investment, legal, tax, accounting or other professional advice. This document is for your information only and nothing in this document is intended to endorse or recommend a particular course of action. Any person considering acquiring securities should consult with an appropriate professional for specific advice rendered based on their respective situation.

United Kingdom

This document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are outside the United Kingdom or if in the United Kingdom who are “qualified investors” (as defined in the Prospectus Regulation) (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). Any person in the United Kingdom that is not a relevant person should not act or rely on the information included in this document or use it as basis for taking any action. In the United Kingdom, any investment or investment activity that this document relates to may be made or taken exclusively by relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this prospectus or any of its contents.

EXPENSES RELATED TO THIS OFFERING

Set forth below is an itemization of the total expenses, excluding underwriting discounts and commissions, that we expect to incur in connection with this offering. With the exception of the SEC registration fee, the Financial Industry Regulatory Authority, or FINRA, filing fee, and the stock exchange market entry and listing fee, all amounts are estimates.

SEC Registration Fee	US\$
FINRA Filing Fee	
Stock Exchange Market Entry and Listing Fee	
Printing and Engraving Expenses	
Legal Fees and Expenses	
Accounting Fees and Expenses	
Miscellaneous	
Total	<u>US\$</u>

LEGAL MATTERS

We are being represented by Kirkland & Ellis International LLP with respect to certain legal matters as to United States federal securities and New York State law. The underwriters are being represented by Skadden, Arps, Slate, Meagher & Flom LLP with respect to certain legal matters as to United States federal securities and New York State law. The validity of the ordinary shares represented by the ADSs offered in this offering and other certain legal matters as to Cayman Islands law will be passed upon for us by Carey Olsen Singapore LLP. Certain legal matters as to PRC law will be passed upon for us by CM Law Firm. Certain legal matters as to Sweden law will be passed upon for us by Baker & McKenzie Advokatbyrå KB. Kirkland & Ellis International LLP may rely upon Carey Olsen Singapore LLP with respect to matters governed by Cayman Islands law, CM Law Firm with respect to matters governed by PRC law and Baker & McKenzie Advokatbyrå KB with respect to matters governed by Sweden law. Skadden, Arps, Slate, Meagher & Flom LLP may rely upon King & Wood Mallesons with respect to matters governed by PRC law and Baker & McKenzie Advokatbyrå KB with respect to matters governed by Sweden law.

EXPERTS

The consolidated financial statements as of and for the years ended December 31, 2021 and 2022, and the related financial statement schedule included in this prospectus have been audited by Marcum Asia CPAs LLP, an independent registered public accounting firm, as stated in their report appearing herein (which report expresses an unqualified opinion on the financial statements). Such consolidated financial statements and financial statement schedule are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The offices of Marcum Asia CPAs LLP are located at Unit 2419-2422, Kerry Center South Tower 1 Guang Hua Road, Chaoyang District Beijing, PRC.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed a registration statement, including relevant exhibits, with the SEC on Form F-1 under the Securities Act with respect to the underlying ordinary shares represented by the ADSs to be sold in this offering. We have also filed a related registration statement on Form F-6 with the SEC to register the ADSs. This prospectus, which constitutes a part of the registration statement on Form F-1, does not contain all of the information contained in the registration statement. You should read our registration statements and their exhibits and schedules for further information with respect to us and the ADSs.

Immediately upon the effectiveness of the registration statement on Form F-1 of which this prospectus forms a part, we will become subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we will be required to file reports, including annual reports on Form 20-F, and other information with the SEC. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing, among other things, the furnishing and content of proxy statements to shareholders, and Section 16 short swing profit reporting for our executive officers and directors and for holders of more than 10% of our ordinary shares. In addition, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we intend to furnish the depositary with our annual reports, which will include a review of operations and annual audited consolidated financial statements, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and, if we so request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depositary from us.

All information filed with the SEC can be obtained over the internet at the SEC's website at www.sec.gov or inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of documents, upon payment of a duplicating fee, by writing to the SEC.

NIP GROUP INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors
of NIP Group Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of NIP Group Inc. and Subsidiaries (the “Company”) as of December 31, 2021 and 2022, and the related consolidated statements of operations and comprehensive loss, changes in equity (deficit) and cash flows for each of the two years in the period ended December 31, 2022, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2021 and 2022, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Marcum Asia CPAs LLP

Marcum Asia CPAs LLP

We have served as the Company’s auditor since 2021.

Beijing, China
June 5, 2023

NIP GROUP INC.
CONSOLIDATED BALANCE SHEETS
(In U.S. dollars, except for share and per share data, or otherwise noted)

	As of December 31,	
	2021	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,409,360	\$ 9,587,629
Accounts receivable	11,376,678	14,448,371
Advance to suppliers	625,848	427,414
Receivables related to disposal of league tournaments rights	2,718,819	2,626,762
Amounts due from related parties	1,859,515	1,135,644
Prepaid expenses and other current assets, net	1,004,094	4,957,311
Total current assets	28,994,314	33,183,131
Non-current assets:		
Property and equipment, net	3,559,460	2,895,216
Intangible assets, net	75,415,909	65,382,946
Right-of-use assets	—	1,801,874
Goodwill	32,282,349	29,826,958
Deferred tax assets	536,857	4,996
Other non-current assets	—	840,475
Total non-current assets	111,794,575	100,752,465
Total assets	\$140,788,889	\$133,935,596
LIABILITIES		
Current liabilities:		
Short-term borrowings	\$ 2,667,671	\$ 6,422,896
Accounts payable	9,138,860	9,526,414
Payable related to league tournaments rights-current	3,373,715	2,617,233
Accrued expenses and other liabilities	3,251,519	4,227,581
Deferred revenue	3,420,064	208,685
Operating lease liabilities, current	—	366,392
Amount due to related parties-current	11,505,642	5,146,331
Total current liabilities	33,357,471	28,515,532
Non-current liabilities:		
Amount due to related parties-non-current	1,418,711	626,906
Payable related to league tournaments rights-non-current	4,648,450	2,915,875
Operating lease liabilities, non-current	—	1,574,878
Deferred tax liability	12,801,124	10,845,902
Total non-current liabilities:	18,868,285	15,963,561
Total liabilities	\$ 52,225,756	\$ 44,479,093

The accompanying notes are an integral part of these consolidated financial statements.

NIP GROUP INC.
CONSOLIDATED BALANCE SHEETS — (continued)
(In U.S. dollars, except for share and per share data, or otherwise noted)

	As of December 31,	
	2021	2022
Commitments and contingencies (Note 20)		
MEZZANINE EQUITY		
Class A redeemable preferred shares (US\$0.0001 par value; 23,366,775 and 23,366,775 shares authorized as of December 31, 2021 and 2022, respectively, 23,366,775 and 23,366,775 issued and outstanding as of December 31, 2021 and 2022, respectively*)	\$ 80,052,562	\$ 97,400,393
Class B redeemable preferred shares (US\$0.0001 par value; nil and 8,126,477 shares authorized as of December 31, 2021 and 2022, respectively, nil and 2,547,488 issued and outstanding as of December 31, 2021 and 2022, respectively*)	—	16,062,314
Total mezzanine equity	\$ 80,052,562	\$ 113,462,707
EQUITY (DEFICIT):		
Ordinary Shares (US\$0.0001 par value; 476,633,225 and 468,506,748 shares authorized as of December 31, 2021 and 2022, respectively, 28,334,164 and 31,844,802 issued and outstanding as of December 31, 2021 and 2022, respectively*)	\$ 2,751	\$ 3,102
Subscription receivable	(593)	(944)
Additional paid-in capital	16,765,259	—
Statutory reserve	72,420	72,420
Accumulated deficit	(14,671,088)	(29,252,663)
Accumulated other comprehensive loss	(5,871)	172,115
Total equity (deficit) attributable to the shareholders of NIP Group Inc.	2,162,878	(29,005,970)
Non-controlling interests	6,347,693	4,999,766
Total equity (deficit)	8,510,571	(24,006,204)
Total liabilities, mezzanine equity and equity (deficit)	\$140,788,889	\$133,935,596

* The shares and per share data are presented on a retroactive basis to reflect the reorganization (Note 1).

The accompanying notes are an integral part of these consolidated financial statements.

NIP GROUP INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(In U.S. dollars, except for share and per share data, or otherwise noted)

	For the years ended December 31,	
	2021	2022
Net revenue from third parties	\$ 19,071,746	\$ 30,994,544
Net revenue from related parties (Note 18)	12,730,544	34,840,567
Total net revenue	31,802,290	65,835,111
Cost of revenue to third parties	(31,592,408)	(61,631,544)
Cost of revenue to related parties (Note 18)	(803,002)	(461,138)
Total cost of revenue	(32,395,410)	(62,092,682)
Gross (loss) profit	(593,120)	3,742,429
Operating expenses:		
Selling and marketing expenses	(2,639,604)	(5,494,665)
General and administrative expenses	(5,218,461)	(6,328,278)
Total operating expenses	(7,858,065)	(11,822,943)
Operating loss	(8,451,185)	(8,080,514)
Other income:		
Other income, net	897,290	2,000,677
Interest expense, net	(519,501)	(365,630)
Total other income	377,789	1,635,047
Loss before income tax expenses	(8,073,396)	(6,445,467)
Income tax (expenses) benefits	(65,887)	139,454
Net loss	(8,139,283)	(6,306,013)
Net loss attributable to non-controlling interest	(139,309)	(90,332)
Net loss attributable to NIP Group Inc.	(7,999,974)	(6,215,681)
Deemed dividend on modification on preferred shares	(861,027)	—
Preferred shares redemption value accretion	(17,617,947)	(25,296,874)
Net loss attributable to NIP Group Inc.'s shareholders	(26,478,948)	(31,512,555)
Other comprehensive income:		
Foreign currency translation income attributable to non-controlling interest, net of nil tax	283,201	2,203
Foreign currency translation income attributable to ordinary shareholders, net of nil tax	273,429	177,986
Total comprehensive loss	\$ (7,582,653)	\$ (6,125,824)
Total comprehensive income (loss) attributable to non-controlling interest	143,892	(88,129)
Total comprehensive loss attributable to ordinary shareholders	(7,726,545)	(6,037,695)
Net loss per ordinary share		
Basic and Diluted	(0.97)	(0.95)
Weighted average number of ordinary shares outstanding*		
Basic and Diluted	27,195,406	33,086,386
Share-based compensation expense as follows (note 16):		
General and administrative expenses	455,751	165,721

* The shares and per share data are presented on a retroactive basis to reflect the reorganization (Note 1).

The accompanying notes are an integral part of these consolidated financial statements.

NIP GROUP INC.

CONSOLIDATED STATEMENTS OF CHANGES IN (DEFICIT) EQUITY
(In U.S. dollars, except for share and per share data, or otherwise noted)

	Ordinary Shares		Treasury Shares		Subscription receivable	Additional paid-in capital	Statutory reserve	Accumulated deficit	Accumulated other comprehensive loss	Total shareholders' equity (deficit)	Non-controlling interests	Total equity (deficit)
	Shares	Amount	Shares	Amount								
Balance as of December 31, 2020	19,737,808	\$1,974	(3,299,061)	\$(412)	\$(1,562)	\$ —	\$ —	\$(6,598,694)	\$ (279,300)	\$ (6,877,994)	\$ —	\$ (6,877,994)
Acquisition of Wuhan ESVF	11,895,417	1,189	—	—	(1,189)	25,597,231	—	—	—	25,597,231	2,108,535	27,705,766
Acquisition of assets (Note 4)	—	—	—	—	—	9,191,251	—	—	—	9,191,251	3,910,097	13,101,348
Share-based compensation	—	—	—	—	—	455,751	—	—	—	455,751	—	455,751
Net loss	—	—	—	—	—	—	—	(7,999,974)	—	(7,999,974)	(139,309)	(8,139,283)
Collection of subscription receivable	—	—	—	—	2,158	—	—	—	—	2,158	—	2,158
Non-controlling interest contribution	—	—	—	—	—	—	—	—	—	—	185,169	185,169
Deemed dividend on modification on preferred shares	—	—	—	—	—	(861,027)	—	—	—	(861,027)	—	(861,027)
Accretion on Preferred Shares to redemption value	—	—	—	—	—	(17,617,947)	—	—	—	(17,617,947)	—	(17,617,947)
Provision for statutory reserve	—	—	—	—	—	—	72,420	(72,420)	—	—	—	—
Foreign currency translation adjustment, net of nil income taxes	—	—	—	—	—	—	—	—	273,429	273,429	283,201	556,630
Balance as of December 31, 2021	31,633,225	\$3,163	(3,299,061)	\$(412)	\$(593)	\$ 16,765,259	\$72,420	\$(14,671,088)	\$ (5,871)	\$ 2,162,878	\$ 6,347,693	\$ 8,510,571
Share-based compensation	—	—	—	—	—	165,721	—	—	—	165,721	—	165,721
Net loss	—	—	—	—	—	—	—	(6,215,681)	—	(6,215,681)	(90,332)	(6,306,013)
Ordinary shares issued for asset acquisition in 2021 (Note 4)	3,510,638	351	—	—	(351)	—	—	—	—	—	—	—
Acquisition of noncontrolling interests	—	—	—	—	—	—	—	—	—	—	(1,259,798)	(1,259,798)
Accretion on Preferred Shares to redemption value	—	—	—	—	—	(16,930,980)	—	(8,365,894)	—	(25,296,874)	—	(25,296,874)
Foreign currency translation adjustment, net of nil income taxes	—	—	—	—	—	—	—	—	177,986	177,986	2,203	180,189
Balance as of December 31, 2022	35,143,863	\$3,514	(3,299,061)	\$(412)	\$(944)	\$ —	\$72,420	\$(29,252,663)	\$ 172,115	\$ (29,005,970)	\$ 4,999,766	\$(24,006,204)

* The shares and per share data are presented on a retroactive basis to reflect the reorganization (Note 1).

The accompanying notes are an integral part of these consolidated financial statements.

NIP GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In U.S. dollars, except for share and per share data, or otherwise noted)

For the years ended December 31,

	2021	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (8,139,283)	\$ (6,306,013)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,477,047	5,266,479
Amortization of operating lease right-of-use asset	—	223,459
Share-based compensation expense	455,751	165,721
Allowance for doubtful accounts	45,315	—
Deferred tax expenses	60,434	(502,805)
Changes in operating assets and liabilities:		
Accounts receivable	(7,429,400)	(7,004,093)
Advance to suppliers	(339,684)	343,786
Amount due from/ to related parties	1,377,842	(1,278,035)
Prepaid expenses and other current assets	1,891,350	(1,076,923)
Operating lease liabilities	—	(84,063)
Other non-current assets	—	(840,475)
Accounts payable	2,878,035	4,122,340
Deferred revenue	3,408,769	(3,025,020)
Accrued expenses and other liabilities	1,095,170	361,636
Net cash used in operating activities	(1,218,654)	(9,634,006)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(561,111)	(764,994)
Purchase of intangible assets	(9,087,943)	(5,774,266)
Disposal of property and equipment	9,294	35,677
Disposal of intangible asset	16,941,968	4,320,553
Cash acquired from acquisition of WH Estar	160,948	—
Loan to related parties	(483,677)	(149)
Collection of loan to related party	—	464,442
Net cash provided by (used in) investing activities	6,979,479	(1,718,737)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of preferred shares, net of offering cost of \$893,168 in 2022	1,560,476	12,007,678
Collection of subscription receivable	2,158	—
Contribution from non-controlling shareholders	185,169	—
Proceeds from borrowings	3,410,430	6,657,750
Repayments of borrowings	(775,098)	(2,600,684)
Loans from related parties	8,551,692	7,549,412
Repayment of loans from related parties	(13,912,022)	(11,695,646)
Capital injection to be refunded in Reorganization	1,550,195	—

The accompanying notes are an integral part of these consolidated financial statements.

NIP GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS — (continued)
(In U.S. dollars, except for share and per share data, or otherwise noted)

	For the years ended December 31,	
	2021	2022
Repayment of capital injection	—	(1,486,105)
Acquisition of noncontrolling interests	—	(594,442)
Payment of deferred offering cost	—	(53,545)
Net cash provided by financing activities	573,000	9,784,418
Effect of exchange rate changes	22,433	(253,406)
Net increase (decrease) in cash and cash equivalents	6,356,258	(1,821,731)
Cash and cash equivalents, beginning of the year	5,053,102	11,409,360
Cash and cash equivalents, end of the year	\$ 11,409,360	\$ 9,587,629
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income tax paid	—	(1,124)
Interest paid	(49,592)	(686,093)
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Accretion on Preferred Shares to redemption value	(17,617,947)	(25,296,874)
Deemed dividend on modification on preferred shares	(861,027)	—
Payable related to purchase of property and equipment and intangible asset	(107,894)	(1,057,347)
Shares issued for the asset acquisition	9,191,251	—
Increase of non-controlling interests derived from asset acquisition	3,910,097	—
Consideration of reverse acquisition over WH Estar	63,046,159	—
Loan to related party settled by reality show service provided	310,039	—
Right-of-use assets obtained in exchange for new lease liabilities	—	2,019,883

The accompanying notes are an integral part of these consolidated financial statements.

NIP GROUP INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2022
(In U.S. dollars, except share and per share data)**

1. ORGANIZATION AND PRINCIPAL ACTIVITIES**Principal activities**

NIP Group Inc. (the “Company”) was incorporated under the laws of the Cayman Islands on February 5, 2021. The Company through its wholly-owned subsidiaries, variable interest entity (“VIE”) and VIE’s subsidiaries (collectively, the “Group”), is primarily engages in esports teams’ operation, talent management service and event production in the People’s Republic of China (“PRC” or “China”).

History of the Group and Basis of Presentation for the ReorganizationReverse Acquisition

Prior to acquiring Wuhan Xingjingweiwu Culture & Sports Development Co., Ltd. (“Wuhan ESVF”) and the incorporation of the Company, the Group’s business was carried out under Shenzhen Weiwu Esports Internet Technology Co., Ltd. (“Shenzhen VF”). On March 18, 2021, Wuhan ESVF and Shenzhen VF completed a Reverse Acquisition, which Shenzhen VF was the accounting acquirer (Note 3). Shenzhen VF is deemed to be the predecessor for accounting purposes and the historical financial statements of Shenzhen VF became the Group’s historical financial statements for periods prior to the consummation of the Reverse Acquisition. Upon the consummation of the Reverse Acquisition, the assets and liabilities of Wuhan ESVF recorded at fair value and the assets and liabilities of Shenzhen VF recorded at carrying value are included in the Group’s balance sheet as of the date of the transaction, and net revenue and net loss arising from acquisition of Wuhan ESVF made in period from acquisition date to December 31, 2021 are included in the Group’s consolidated income statement for the year ended December 31, 2021.

Reorganization

In preparation of its initial public offering, the Group underwent a reorganization (the “Reorganization”) on July 30, 2021. Under the Reorganization, the prior shareholding interests at Wuhan ESVF were mirrored to the shareholding interests of the Company. Upon the consummation of the Reorganization on July 30, 2021, the financial information of the Group was carried over as a result of changing reporting entity from Wuhan ESVF to the Company.

As the shareholdings in the Company and Wuhan ESVF were identical owners and the ownership percentage remain the same immediately before and after the Reorganization, even though no single investor controlled the Company or Wuhan ESVF, the transaction of the Reorganization was determined as recapitalization with lack of economic substance, and was accounted for in a manner similar to a common control transaction. Consequently, the financial information of the Group is presented on a carryover basis for all periods presented. The number of outstanding shares in the consolidated balance sheets, the consolidated statements of changes in shareholders’ equity (deficit), and per share information including the loss per share have been presented retrospectively in all period presented on the consolidated financial statements to reflect the final shares issued in the Reorganization.

As of December 31, 2022, the Company’s subsidiaries, VIE and VIE’s subsidiaries are as follows:

Name	Place and date of Incorporation	Percentage of effective ownership	Principal Activities
Wholly owned subsidiaries			
ESVF (HONG KONG) Esports Limited (“ESVF HK”)	Hong Kong, March 4, 2021	100%	Investment holding
Wuhan Muyecun Internet Technology Co., Ltd. (“Wuhan Muyecun” or “WFOE”)	Wuhan, July 9, 2021	100%	Investment holding

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES — (continued)

Name	Place and date of Incorporation	Percentage of effective ownership	Principal Activities
VIE and subsidiaries of VIE			
Wuhan Xingjingweiwu Culture & Sports Development Co., Ltd. (“Wuhan ESVF” or “the VIE”)	Wuhan, June 1, 2016	VIE	Esports teams operation and talent management service
Shenzhen Weiwu Esports Internet Technology Co., Ltd. (“Shenzhen VF”)	Shenzhen, December 20, 2018	100% owned by VIE	Esports teams operation
Shenzhen Dawei Xianglong Sports Co., Ltd (“Dawei Xianglong”)	Shenzhen, January 15, 2021	60% owned by Shenzhen VF	Event production
Wuhan Xingjing Interactive Entertainment Co., Ltd (“Xingjing Entertainment”)	Wuhan, October 23, 2019	100% owned by VIE	Esports teams operation and talent management service
Hongli Culture Communication (Wuhan) Co., Ltd (“Hongli Culture”)	Wuhan, December 26, 2017	60% owned by VIE	Event production
Shanghai Xingyi Internet Technology Co., Ltd (“Shanghai Xingyi”)	Shanghai, March 31, 2017	100% owned by VIE	Esports teams operation
Shanghai Xingzhi Culture Media Co., Ltd (“Xingzhi Media”)	Shanghai, May 5, 2017	100% owned by VIE	Esports teams operation
Wuhan Xinghui Culture Media Co., Ltd. (“Xinghui Media”)	Wuhan, February 4, 2021	100% owned by VIE	Esports teams operation
Taicang Xingjingweiwu Culture Media Co., Ltd (“Taicang Xingjing”)	Taicang, September 8, 2021	100% owned by VIE	Esports teams operation
Zhoushan Xingjing Internet Technology Co., Ltd (“Zhoushan Xingjing”)	Zhoushan, August 2, 2021	70% owned by VIE	Talent management service
Zhoushan Jingxi Internet Technology Co., Ltd (“Zhoushan Jingxi”)	Zhoushan, August 2, 2021	70% owned by VIE	Talent management service
Wuhan Yingciyuan Information Technology Co., Ltd (“Wuhan Yingciyuan”)	Wuhan, November 17, 2022	51% owned by Hongli Culture	Event production

On July 30, 2021, the Company’s subsidiary, WFOE and Wuhan ESVF, entered into a series of contractual arrangements with the shareholders of Wuhan ESVF. These agreements include, Exclusive Business Cooperation Agreement, Equity Interest Pledge Agreement, Powers of Attorney, Exclusive Option Agreement and Spousal Consent Letter (collectively the “VIE Agreements”). Pursuant to the VIE Agreements, WFOE has the exclusive right to provide to Wuhan ESVF consulting services related to business operations including technical and management consulting services. The VIE Agreements are designed to provide WFOE with the power, rights, and obligations equivalent in all material respects to those it would possess as the sole equity holder of Wuhan ESVF, including absolute control rights and the rights to the assets, property, and revenue of Wuhan ESVF. As a result of direct ownership in WFOE and the VIE Agreements, we believe that Wuhan ESVF should be treated as variable interest entity under the Statement of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 810 Consolidation and the Company is regarded as the primary beneficiary of VIE. The Company treats VIE as its consolidated entities under U.S. GAAP.

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES — (continued)*Exclusive Business Cooperation Agreement*

Pursuant to the exclusive business cooperation agreement between WFOE and the VIE, WFOE has the exclusive right to provide VIE with comprehensive technical support, consulting services and other services, including but not limited to software licenses, software development and maintenance, system maintenance, technical support and training, technology and market information consultancy and research, business management consultations, marketing and promotion services, customer order management and customer services, equipment or properties leasing and disposal. WFOE has the exclusive ownership of intellectual property rights created as a result of the performance of this agreement. The VIE agrees not to accept any services subject to this agreement from any third party and agrees to pay WFOE a quarterly service fee at an amount determined by WFOE considering factors such as complexity and difficulty of the services, contents and value of the services provided to the VIE. This agreement shall remain effective indefinitely unless our WFOE terminate it in writing.

Exclusive Option Agreement

Pursuant to the exclusive option agreement among WFOE, the VIE and its shareholders, the shareholders of the VIE irrevocably grant WFOE an exclusive option to purchase, or have its designated person purchase, at its discretion, to the extent permitted under PRC law, all or part of its equity interests in the VIE, at the price of RMB 10 for each shareholder of the VIE, if the lowest price permitted under applicable PRC laws is higher than RMB 10, then the actual purchase price should be set at such lowest price as permitted by PRC laws. The shareholders of the VIE undertake that, without WFOE's prior written consent, they will not, among other things, (i) supplement, amend or change the VIE's articles of association, increase or decrease the VIE's registered capital or change its structure of registered capital, (ii) sell, transfer, mortgage or dispose of any assets, business, operation rights, legitimate interests in the income of the VIE or create any encumbrance to them, (iii) cause the VIE to incur, inherit, guarantee or suffer the existence of any debt, except for payables incurred in the ordinary course of business other than through loans, (iv) cause the VIE to execute any major contract with a price exceeding RMB 50,000, (v) cause the VIE to provide any person with any loan or credit, or provide securities or guarantee for indebtedness of any third party, (vi) cause or permit the VIE to merge, consolidate with, acquire or invest in any person, (vii) cause the VIE to distribute dividends, (viii) cause the VIE to engage in any business in competition with WFOE or its affiliates, (ix) enter into or cause the VIE to enter into any contracts, agreements or other documents with any third party in relation to the management and operation of WFOE, (x) dissolve or liquidate the VIE, or (xi) sell, transfer, mortgage or dispose of any legal or beneficial interest in the equity interests in the VIE or allow the encumbrance thereon, except for the interest placed in accordance with the exclusive option agreement, the equity interest pledge agreement and power of attorney. This agreement will remain effective until all of the equity interests of the VIE have been transferred to WFOE and/or its designated person.

Powers of Attorney

Pursuant to the power of attorney among WFOE, the VIE and its shareholders, each shareholder of the VIE irrevocably undertakes to authorize WFOE or any person designated by WFOE to act as its attorney-in-fact to exercise all of its rights as a shareholder of the VIE, including, but not limited to, the right to propose and attend shareholders' meetings, vote on any matters discussed in the shareholders' meeting. The power of attorney will remain in force for so long as the shareholder remains a shareholder of the VIE unless WFOE has given written instructions to the opposite.

Equity Interest Pledge Agreement

Pursuant to the equity interest pledge agreement among WFOE, the VIE and its shareholders, the shareholders of the VIE have pledged 100% equity interests in the VIE to WFOE to guarantee the

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES — (continued)

performance by the VIE and shareholders of their obligations under the equity interest pledge agreement, the exclusive business cooperation agreement, the exclusive option agreement, the power of attorney. In the event of a breach by any of the VIE or its shareholders of their contractual obligations under the equity interest pledge agreement, the exclusive business cooperation agreement, the exclusive option agreement and the power of attorney, WFOE, as pledgee, will have the right to dispose of the pledged equity interests in the VIE and will have priority in receiving the proceeds from such disposal. The shareholders of the VIE also undertake that, without the prior written consent of WFOE, they will not transfer, place or permit the existence of any security interest or other encumbrance on the pledged equity interests. The equity pledge agreements will remain effective until all obligations have been fully performed or all the guaranteed debt is fully settled and repaid. As of the date of this prospectus, the equity pledges under the equity interest pledge agreement have been registered with competent PRC regulatory authority.

Spousal Consent Letter

The spouse of the individual shareholder of the VIE have signed Spousal Consent Letters. Under the Spousal Consent Letter, the signing spouse unconditionally and irrevocably has agreed to the execution by his spouse of the above-mentioned Exclusive Business Cooperation Agreement, Exclusive Option Agreement, Powers of Attorney and Equity Interest Pledge Agreement, and that his spouse may perform, amend or terminate such agreements without his consent. In addition, in the event that the spouse obtains any equity interest in the VIE held by his spouse for any reason, she agrees to be bound by and sign any legal documents substantially similar to the contractual arrangements entered into by her spouse, as may be amended from time to time.

Risks in relation to the VIE structure

The Company believes that the contractual arrangements with its VIE and their respective shareholders are in compliance with PRC laws and regulations and are legally enforceable. However, uncertainties in the PRC legal system could limit the Company's ability to enforce the contractual arrangements. If the legal structure and contractual arrangements were found to be in violation of PRC laws and regulations, the PRC government could, among others:

- revoking the business licenses and/or operating licenses of the Company;
- discontinuing or placing restrictions or onerous conditions on the operations;
- imposing fines, confiscating the income from WFOE or the VIE, or imposing other requirements with which the Company or the VIE may not be able to comply;
- requiring the Company to restructure the ownership structure or operations, including terminating the contractual arrangements with the VIE and deregistering the equity pledges of the VIE, which in turn would affect our ability to consolidate, derive economic interests from, or exert effective control over the VIE, or imposing restrictions on the Company's right to collect revenues;
- imposing additional conditions or requirements with which the Company may not be able to comply;
- requiring the Company to restructure the operations in such a way as to compel the Company to establish a new enterprise, re-apply for the necessary licenses or relocate our businesses, staff and assets; or
- restricting or prohibiting the Company use of the proceeds of overseas offering to finance the business and operations in China.

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES — (continued)

The Company's ability to conduct its business may be negatively affected if the PRC government were to carry out of any of the aforementioned actions. As a result, The Company may not be able to consolidate its VIE in its consolidated financial statements as it may lose the ability to exert effective control over the VIE and their respective shareholders and it may lose the ability to receive economic benefits from the VIE. The Company, however, does not believe such actions would result in the liquidation or dissolution of the Company, its PRC subsidiaries and VIE.

The interests of the shareholders of VIE may diverge from that of the Company and that may potentially increase the risk that they would seek to act contrary to the contractual terms, for example by influencing VIE not to pay the service fees when required to do so. The Company cannot assure that when conflicts of interest arise, shareholders of VIE will act in the best interests of the Company or that conflicts of interests will be resolved in the Company's favor. The Company believes the shareholders of VIE will not act contrary to any of the contractual arrangements and the exclusive option agreements provide the Company with a mechanism to remove the current shareholders of VIE should they act to the detriment of the Company. The Company relies on certain current shareholders of VIE to fulfill their fiduciary duties and abide by laws of the PRC and act in the best interest of the Company. If the Company cannot resolve any conflicts of interest or disputes between the Company and the shareholders of VIE, the Company would have to rely on legal proceedings, which could result in disruption of its business, and there is substantial uncertainty as to the outcome of any such legal proceedings.

The following financial information of the VIE and VIE's subsidiaries were included in the accompanying consolidated financial statements as of December 31, 2021 and 2022:

	As of December 31,	
	2021	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,835,952	\$ 2,233,202
Accounts receivable	11,376,678	14,448,371
Advance to suppliers	625,848	427,414
Receivables related to disposal of league tournaments rights	2,718,819	2,626,762
Amounts due from related parties	1,859,515	1,135,644
Prepaid expenses and other current assets, net	1,074,793	2,073,646
Total current assets	27,491,605	22,945,039
Non-current assets:		
Property and equipment, net	3,545,619	2,886,104
Intangible assets, net	75,415,909	65,382,946
Right-of-use assets	—	1,801,874
Goodwill	32,282,349	29,826,958
Deferred tax assets	536,857	4,996
Other non-current assets	—	840,475
Total non-current assets	111,780,734	100,743,353
Total assets	\$139,272,339	\$123,688,392

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES — (continued)

	As of December 31,	
	2021	2022
LIABILITIES		
Current liabilities:		
Short-term borrowings	\$ 2,667,671	\$ 6,422,896
Accounts payable	9,138,860	9,526,414
Deferred revenue	3,420,064	208,685
Payable related to league tournaments rights-current	3,373,715	2,617,233
Accrued expenses and other liabilities	3,226,764	3,755,476
Operating lease liabilities, current	—	366,392
Amount due to related parties-current	11,505,642	5,146,331
Total current liabilities	33,332,716	28,043,427
Non-current liabilities:		
Intercompany long-term loans	—	5,855,420
Amount due to a related party-non-current	1,418,711	626,906
Payable related to league tournaments rights-non-current	4,648,450	2,915,875
Operating lease liabilities, non-current	—	1,574,878
Deferred tax liability	12,801,124	10,845,902
Total non-current liabilities:	18,868,285	21,818,981
Total liabilities	\$52,201,001	\$49,862,408

	For the years ended December 31,	
	2021	2022
Total net revenue	\$31,802,290	\$65,835,111
Net loss	\$(8,068,443)	\$(5,739,727)

	For the years ended December 31,	
	2021	2022
Net cash used in operating activities	\$(1,214,723)	\$(3,407,347)
Net cash provided by (used in) investing activities	\$ 6,994,413	\$(1,718,737)
Net cash used in financing activities	\$ (989,634)	\$(2,223,260)

As of December 31, 2021, the loans from China Merchants Bank are pledged by existing and potential account receivables of the VIE (Note 9). The creditors of the VIE's third-party liabilities did not have recourse to the general credit of the Company in normal course of business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

NIP GROUP INC.

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The accompanying consolidated financial statements include the financial statements of the Company and its subsidiaries, its consolidated VIE and VIE's subsidiaries, of which the Company is the primary beneficiary, from the dates they were acquired or incorporated. All inter-company balances and transactions are eliminated upon consolidation. The results of subsidiaries acquired are recorded in the consolidated income statements from the effective date of acquisition, as appropriate.

For consolidated subsidiaries where the Group's ownership in the subsidiary is less than 100%, the equity interest not held by the Group is shown as noncontrolling interests.

(c) Use of estimates

The preparation of the consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related disclosures of contingent assets and liabilities at the balance sheet date, and the reported revenues and expenses during the reported periods in the consolidated financial statements and accompanying notes. Significant accounting estimates include, but not limited to, the valuation of the consideration transferred and the purchase price allocation associated with business combination, valuation of share-based compensation, valuation of ordinary shares and preferred shares, allowance for doubtful accounts, depreciable lives and recoverability of property and equipment and intangible assets, valuation allowance of deferred tax assets. Changes in facts and circumstances may result in revised estimates. Actual results could differ from those estimates, and as such, differences may be material to the consolidated financial statements.

(d) Business Combination

The Group accounts for its business combinations using the acquisition method of accounting in accordance with ASC 805 "Business Combinations." The cost of an acquisition is measured as the aggregate of the acquisition date fair value of the assets transferred to the sellers, liabilities incurred by the Group and equity instruments issued by the Group. Transaction costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities assumed are measured separately at their fair values as of the acquisition date, irrespective of the extent of any noncontrolling interests. The excess of (i) the total costs of acquisition, fair value of the noncontrolling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the acquisition date amounts of the identifiable net assets of the acquiree is recorded as goodwill.

(e) Asset acquisition

If the transaction involves the acquisition of an asset or group of assets that does not meet the definition of a business, it is accounted for as an asset acquisition. An asset acquisition is recorded at cost and does not result in the recognition of goodwill. The cost of the acquisition, which includes transaction costs in addition to consideration given, is allocated to the assets acquired on the basis of relative fair values.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash in bank and highly liquid investments which are unrestricted as to withdrawal and use and have original maturities of less than three months.

(g) Accounts receivable

Accounts receivable are stated at the original amount less an allowance for doubtful receivables. Accounts receivable are recognized in the period when the Group has provided services to its customers and

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES —(continued)

when its right to consideration is unconditional. The Group reviews the accounts receivable on a periodic basis and makes general and specific allowances when there is doubt as to the collectability of individual balances. The Group considers factors in assessing the collectability of its receivables, such as the age of the amounts due, the customer's payment history, credit-worthiness and other specific circumstances related to the accounts. An allowance for doubtful accounts is recorded in the period in which a loss is determined to be probable. Accounts receivable balances are written off after all collection efforts have been exhausted.

There was no provision of allowance for doubtful accounts as of December 31, 2021 and 2022.

(h) Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation and impairment, if any, and depreciated on a straight-line basis over the estimated useful lives of the assets. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its intended use. Estimated useful lives are as follows:

Category	Estimated useful lives
Electronic equipment	3 – 5 years
Furniture	3 – 5 years
Vehicles or canteen equipment	4 – 5 years
Leasehold improvement	Shorter of the lease term or the estimated useful life of the assets

Repair and maintenance costs are charged to expenses as incurred, whereas the cost of renewals and betterment that extends the useful lives of property and equipment are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the costs, accumulated depreciation and impairment with any resulting gain or loss recognized in the consolidated statements of income.

(i) Intangible assets

Intangible assets with finite useful lives are carried at cost less accumulated amortization and any recorded impairment. Estimated useful lives by intangible asset classes are as follows:

Category	Estimated useful lives
League tournaments rights	Indefinite
Brand name	Indefinite/5 years
Agency contract rights	5 years
Talent acquisition costs	1.5 – 5 years
Software	2.5 – 3 years

The estimated useful lives of intangible assets with finite lives are reassessed if circumstances occur that indicate the original estimated useful lives may have changed.

Intangible assets that have indefinite useful lives were league tournaments rights and brand name of Wuhan ESVF as of December 31, 2022. The Group expects that the league tournaments rights and brand name of Wuhan ESVF are unlikely to be terminated based on industry experience and will continue to contribute revenue in the future. Therefore, the Group considers the useful life of such intangible assets to be indefinite.

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The Group capitalizes costs associated with the acquisition of certain members of talent and online entertainers and amortizes these costs straight-line over their estimated useful lives, which reflect the contractual term of the associated talent agreement. amortizes fair value of brand name of Hongli Cultures straight-line over its estimated useful lives, which reflect the brand economic life estimated by management.

Finite-lived intangible assets are carried at cost less accumulated amortization and impairment if any. The finite-lived intangible assets are amortized over their estimated useful life, which is the period over which the assets are expected to contribute directly or indirectly to the future cash flows of the Group. These intangible assets are tested for impairment at the time of a triggering event, if one were to occur. Finite-lived intangible assets may be impaired when the estimated undiscounted future cash flows generated from the assets are less than their carrying amounts.

The Group evaluates indefinite-lived intangible assets as at each reporting period to determine whether events and circumstances continue to support indefinite useful lives. The value of indefinite-lived intangible assets is not amortized, but tested for impairment annually or whenever events or changes in circumstances indicate that it is more likely than not that the asset is impaired in accordance with ASC 350. The Group first performs a qualitative assessment to assess all relevant events and circumstances that could affect the significant inputs used to determine the fair value of the indefinite-lived intangible asset. If after performing the qualitative assessment, the Group determines that it is more likely than not that the indefinite-lived intangible asset is impaired, the Group calculates the fair value of the intangible asset and performs the quantitative impairment test by comparing the fair value of the asset with its carrying amount. If the carrying amount of an indefinite-lived intangible asset exceeds its fair value, the Group recognizes an impairment loss in an amount equal to that excess. In consideration of the growing esports industry in China, the Group's improving financial performance, the stable macroeconomic conditions in China and the Group's future plans, the Group determined that it is not likely that the league tournaments rights and brand name were impaired as of December 31, 2021 and 2022. As such, no impairment of indefinite-lived intangible assets was recognized for the years ended December 31, 2021 and 2022.

(j) Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination or an acquisition by an entity that are not individually identified and separately recognized. Goodwill acquired in a business combination is tested for impairment at least annually or more frequently when events and circumstances occur indicating that the recorded goodwill may be impaired. The Group performed impairment analysis on goodwill as of December 31 every year either beginning with a qualitative assessment, or starting with the quantitative assessment instead. The quantitative goodwill impairment test compares the fair values of each reporting unit to its carrying amount, including goodwill. A reporting unit constitutes a business for which discrete profit and loss financial information is available. The fair value of each reporting unit is established using a combination of expected present value of future cash flows. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

Determining when to test for impairment, the Group's reporting units, the fair value of a reporting unit and the fair value of assets and liabilities within a reporting unit, requires judgment and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions and determination of appropriate market comparable. The Group bases fair value estimates on assumptions it believes to be reasonable but that are unpredictable and inherently uncertain.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (continued)

Significant changes in the economic characteristics of components or reorganization of an entity's reporting structure can sometimes result in a re-assessment of the affected operating segment and its components to determine whether reporting units need to be redefined where the components are no longer economically similar.

Future changes in the judgments and estimates underlying the Group's analysis of goodwill for possible impairment, including expected future cash flows and discount rate, could result in a significantly different estimate of the fair value of the reporting units and could result in additional impairment of goodwill. The Group did not record any impairment charge for the years ended December 31, 2021 and 2022.

(k) Impairment of long-lived assets

The Group reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Group measures the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. Should the sum of the expected future net cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized for the amount by which the carrying value of the asset exceeds its fair value. The evaluation of asset impairment requires the Group to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. The Group did not record any impairment charge for the years ended December 31, 2021 and 2022.

(l) Fair value measurement

Accounting guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs are:

- Level 1 — Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 — Applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.
- Level 3 — Applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Accounting guidance also describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (continued)

present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

Financial assets and liabilities of the Group primarily consist of cash and cash equivalents, accounts receivable, amounts due from related parties, prepaid expenses and other current assets, accounts payable, short-term borrowings, amounts due to related parties, payable related to league tournaments rights-current, accrued expenses and other current liabilities. As of December 31, 2021 and 2022, the carrying amounts of other financial instruments approximated to their fair values due to the short-term maturity of these instruments.

The Group's non-financial assets, such as property and equipment, would be measured at fair value only if they were determined to be impaired.

(m) Revenue recognition

On January 1, 2020, the Group adopted Accounting Standards Codification ("ASC") 606 using the modified retrospective approach.

The Group recognizes revenue under Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers. The core principle of the new revenue standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

- Step 1: Identify the contract with the customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when the company satisfies a performance obligation

These criteria as they relate to each of the following major revenue generating activities are described below. Revenue is presented net of value added taxes ("VAT") and surcharges.

	For the years ended December 31,	
	2021	2022
Tournament participation of esports	\$ 6,978,247	\$11,069,172
Sponsorships and advertising	1,965,468	5,688,331
Player transfer and rental fee	4,800,988	2,905,335
Talent management service of esports	892,483	1,512,015
IP licensing	—	433,737
Sales of branded merchandise	22,197	130,279
Reality show service	618,733	—
Subtotal of E-sports club operation	15,278,116	21,738,869
Event production	3,184,261	5,566,831
Subtotal of event planning and execution	3,184,261	5,566,831
Talent management service of third-party online entertainers	13,447,164	38,594,558

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (continued)

	For the years ended December 31,	
	2021	2022
Total revenue	31,909,541	65,900,258
Less: surcharge tax	107,251	65,147
Net revenue	\$31,802,290	\$65,835,111

	For the years ended December 31,	
	2021	2022
Timing of revenue recognition		
At a point in time	\$ 3,276,647	\$ 3,007,574
Over time	28,632,894	62,892,684
Total revenue	\$31,909,541	\$65,900,258

Esports teams operation

Tournament participation of esports

The Group enters into contracts with esports event organizer, to have players participate in esports tournament such as Honor of Kings Pro League (“KPL”), League of Legends Pro League (“LPL”) and Cross Fire Professional League (“CFPL”), etc.

The Group’s promises mainly consist of a) providing coaching, training and monitoring for esports players; b) selecting or arranging and monitoring the esports players to participate in tournaments and to participate in market events to promote the league and tournament. All the promises are not separately identifiable and are related to operate and participate in the overall esports event. All the promises are accounted for as a single performance obligation.

Except for the participation in LPL tournament, which esports event organizer promises a fixed amount of RMB 3 million per year, the transaction price is mainly determined by two factors, one is the amount of prize pool collected by esports event organizer during each competition season and proportion agreed in the contract, the other is based on the ranking of the Group in each competition season. No amount of variable consideration should be included in the transaction price, since it is not probable that a significant reversal of cumulative revenue recognized will not occur resulting from a change in estimate of the consideration the Group will receive upon finalize prize pool and its ranking. The Company will recognize the revenue of the prize money at each reporting date when the uncertainty is resolved.

Esports event organizer could simultaneously receive and consume the benefits provided by the Group in the contract period, thus, the Group satisfies the performance obligation to esports event organizer over the contract period. Furthermore, the main cost to operate an esports team is the salary of players, hence, the Group uses input method to measure progress, and recognizes revenue on a straight-line basis during the tournament period.

IP licensing

The Group enters contract with customer, and grants the customer a right-to-access license of the Group’s intellectual property (“IP”) in selling game props, skins and player cards. The form of IP does not have stand-alone functionality associated with the Group’s brand, and the utility of IP is significantly derived from the Group’s past or ongoing activities undertaken to maintain or support the IP. The Group identifies

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (continued)

one performance obligation in each sales order of digital goods, that is, the right-to-access license of symbolic IP. The customer has the right-to-access license of the Group's symbolic IP throughout license period and benefits from it as the Group's ongoing activities will continue to support and maintain the IP's utility. Thus, revenues from IP licensing are recognized ratably over the contract term.

Player transfer and rental fee

The Group enters into contracts with customer, mainly other esports team, to transfer or lease the players right owned by the Group. Player transfer and rental fee is a fixed amount as stated in the contract. The Group recognizes player transfer revenue at a point in time from transfer fees upon satisfaction of the performance obligation, which coincides with the time that the esports player is registered on the league transfer registration platform. The Group recognizes player rental revenue on a straight-line basis over the contract period when the performance obligation is satisfied.

Sponsorships and advertising

The Group offers advertisers or companies which like to be promoted a full range of promotional services, including but not limited to livestream announcements, content generation, social media posts, esports players to participate in the recording of advertising videos as customer spokesmen. The sponsorship agreements may include multiple services that are capable of being individually distinct, however the intended benefit is an association with the Group's brand and the services are not distinct within the context of the contracts. Customers could simultaneously receive and consume the benefits provided by the Group in the contract period, thus, the Group satisfies the performance obligation to the customers over the contract period. Revenues from sponsorship agreements are recognized ratably over the contract term.

Reality show service

The Group provides service to the reality show hosted by customer in exchange for a fixed transaction price. The service includes seeking and engaging suitable guests to participate in the reality show, and providing planning and execution services for the reality show.

The Group acts as the principal in providing the service to customers and recognizes revenue on gross basis because the Group acts as the main obligor in the arrangement and has the discretion to set up the contract price with customers.

The services are distinct as each episode, but services are substantially the same and have the same pattern of transfer to the customer, so the services accounted for as a single performance obligation which is satisfied in the period of reality show. Since the duration for each episode is almost the same, the progress is measured by the output method, which refers to the completion of each episode; thus, the Group recognizes the revenue on average when each episode is completed.

Sales of branded merchandise

The Group also sells branded merchandise such as mouse, keyboard, hoodie and etc. at official online store. The transaction price is fixed. The Group recognizes revenues from sales of branded merchandise at a point of time when the merchandise is delivered to the customer in sound condition.

Event production*Event production*

The Group provides customized esports or other event production upon requests from its customers in exchange for a fixed transaction price. The services generally entail design, logistics, layout of events, and

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (continued)

coordination and supervision of the actual event set-up and implementation. These services are not distinct within the context of the contracts and are considered as a single performance obligation.

The Group satisfies the performance obligation to customers over the contract period as the service rendered and recognizes the revenue on a straight-line basis over the contract period.

Talent management service

There are two types of talent management service. One type is provided by esports players which is recorded in talent management service of esports, the other type is provided by third-party online entertainers which is recorded in talent management service of third-party online entertainers.

Provided by esports players

The Group cooperates with online platform operator, to arrange its owned esports players to provide live streaming of esports games on an online platform. Through this means, online platform operator attracts more audience to their platform and pays service fee to the Group accordingly.

Provided by third-party online entertainers

The Group establishes a live streaming talent agency, seeks and engages third party online entertainers to register as members of the talent agency. The Group provides training to these online entertainers, and recommends them to provide live streaming on the online platforms. Online platform operator enters tripartite business contract with the Group and each online entertainer. The Group provides talent management service to online platform operator inclusive of the recommendation of online entertainers to deliver live stream, management of online entertainers, training of online entertainers and monitoring of live stream content, etc. The Group charges service fee from online platform operator. The Group pays the online entertainers according to the supplier contract signed with him/her.

The Group regards itself as a principal and recognizes revenue on a gross basis as it controls the services based on i) the primary responsibility for the integrated talent management service in the aspect of establishing the talent agency where the online entertainers register, reserving the right to recommend online entertainers, designate third-party online entertainers' live content and duration, the provision of management and training of online entertainers; ii) the inventory risk to bear the consequence of any breach of contract caused by the Group as well as online entertainers; and iii) discretion in setting up the price, rather than accepting a fixed percentage of transaction amount imposed by the online platforms and third party online entertainers.

The consideration is variable that determined by the agreed online entertainers' popularity ranking in contract, and virtual gifts rewarded from the audience. For talent management service provided by esports players, the variable service fee also depends on the rank of esports team on tournament.

The Group has determined that there is one performance obligation in the live stream service. The Group satisfies the performance obligation to customer over the contract period and recognizes revenue when the variable consideration is expected to be entitled and a significant future reversal of cumulative revenue under the contract will not occur, that is the date on which the Group and customer agrees the service fee monthly.

Contract Balances

The Group applies the practical expedient in Topic 606 that permits the recognition of incremental costs of obtaining contracts as an expense when incurred if the amortization period of such costs is one year or less. These costs are included in cost of revenues.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (continued)

Payment terms are established on the Group's pre-established credit requirements based upon an evaluation of customers' credit. Contract assets are recognized for in related accounts receivable.

Deferred revenue, which representing a contract liability, represents mostly unrecognized revenue amount received from customers. The balance of deferred revenue is recognized as revenue upon the completion of performance obligations. The Group's deferred revenue amounted to \$3,420,064 and \$208,685 as of December 31, 2021 and 2022, respectively. Revenue recognized in the period that was included in the beginning of the period contract liability balance were nil and \$3,400,177 for the years ended December 31, 2021 and 2022, respectively.

Other than accounts receivable and deferred revenue, the Group had no other material contract assets, contract liabilities or deferred contract costs recorded on its consolidated balance sheets as of December 31, 2021 and 2022.

Transaction price allocated to remaining performance obligation

Revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized, which includes deferred revenue and amounts that will be invoiced and recognized as revenue in future periods.

As of December 31, 2022, the aggregate amount of the transaction price allocated to the remaining performance obligation is \$1,459,005, and the Group will recognize this revenue related to sponsorships and advertising over the remaining contract periods over 1 to 3 years.

The Group has elected, as a practical expedient, not to disclose the transaction price allocated to unsatisfied or partially unsatisfied performance obligations that are part of a contract that has an original expected duration of one year or less. These performance obligations are related to the revenue of sponsorships and advertising, and event production.

(n) Value added tax ("VAT")

The Group is subject to VAT and related surcharges on revenue generated from sales of products. The Group records revenue net of VAT. This VAT may be offset by qualified input VAT paid by the Group to suppliers. Net VAT balance between input VAT and output VAT is recorded in the line item of other current assets on the consolidated balance sheets.

The PRC VAT rate is 6% for taxpayers providing services and 13% for product sales for the years ended December 31, 2021 and 2022. For revenue generated from services, the VAT rate is 6% or 1% depending on whether the entity is a general tax payer, and related surcharges on revenue generated from providing services. Entities that are VAT general taxpayers are allowed to offset qualified input VAT, paid to suppliers against their output VAT liabilities.

(o) Cost of revenues

Cost of revenues consists primarily of salaries and bonus of esports player, talent management service fee paid to online entertainers, depreciation of long-lived assets and amortization of intangible asset related to esports or talent management service, cost of merchandise sold, as well as related costs that are directly attributable to the Group's principal operations.

(p) Selling and marketing expenses

Selling and marketing expenses mainly consist of (i) staff cost, (ii) advertising costs and market promotion expenses, and share-based compensation.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (continued)**(q) General and administrative expenses**

General and administrative expenses mainly consist of (i) professional service fees; (ii) staff cost, rental and depreciation related to general and administrative personnel, (iii) share-based compensation and (iv) other corporate expenses.

(r) Share-based compensation

The Group periodically grants share-based awards to the Group's eligible employees and non-employees, which are subject to service and performance conditions.

Share-based awards are measured at the grant date fair value of the equity instrument issued and are recognized as general and administrative expense or selling and marketing expenses with graded-vesting schedules over the requisite service period for each separately vesting portion (or tranche) of the award. The Group elects to recognize the effect of forfeitures in general and administrative expense when they occur. To the extent the required vesting conditions are not met resulting in the forfeiture of the share-based awards, previously recognized general and administrative expense relating to those awards is reversed.

A change in any of the terms or conditions of share awards is accounted for as a modification. The Group calculates the incremental compensation cost of modification as the excess of the fair value of the modified awards over the fair value of the original awards immediately before its terms are modified, measured based on the fair value of instrument and other pertinent factors at the modification date. The Group recognizes incremental compensation costs related to the ones vested on the modification date. The Group recognizes, over the remaining requisite service period of the modified awards, the sum of the incremental compensation cost related to the ones unvested on the modification date and the remaining unrecognized compensation cost, if any, for the original award on the modification date.

(s) Employee defined contribution plan

According to the regulations of the PRC, full-time eligible employees of the Group in the PRC are entitled to various government statutory employee benefit plans, including medical insurance, maternity insurance, workplace injury insurance, unemployment insurance and pension benefits through a PRC government-mandated multi-employer defined contribution plan. The Group is required to make contributions to the plan and accrues for these benefits based on certain percentages of the qualified employees' salaries. The Group has no further commitments beyond its required contribution.

(t) Income taxes

The Group accounts for income taxes under ASC 740. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period including the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities.

The provisions of ASC 740-10-25, "Accounting for Uncertainty in Income Taxes," prescribe a more-likely-than-not threshold for consolidated financial statement recognition and measurement of a tax position taken (or expected to be taken) in a tax return. This interpretation also provides guidance on the recognition of

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (continued)

income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, and related disclosures. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. The Group's operating subsidiaries in PRC are subject to examination by the relevant tax authorities.

As of December 31, 2022, income tax returns for the tax years ended December 31, 2017 through December 31, 2021 remain open for statutory examination.

The Group did not accrue any liability, interest or penalties related to uncertain tax positions in its provision for income taxes line of its consolidated statements of income for the years ended December 31, 2021 and 2022, respectively.

The Group does not expect that its assessment regarding unrecognized tax positions will materially change over the next 12 months.

(u) Non-controlling Interest

A non-controlling interest in a subsidiary of the Group represents the portion of the equity (net assets) in the subsidiary not directly or indirectly attributable to the Group. Non-controlling interests are presented as a separate component of equity on the consolidated balance sheets and net income and other comprehensive income attributable to non-controlling shareholders are presented as a separate component on the consolidated statements of operations.

(v) Foreign currency transactions and translations

The Group's principal country of operations is the PRC. The financial position and results of its operations are determined using RMB, the local currency, as the functional currency. The Group's financial statements are reported using U.S. Dollars ("\$"). The results of operations and the consolidated statements of cash flows denominated in functional currency is translated at the average rate of exchange during the reporting period. Assets and liabilities denominated in functional currencies at the balance sheet date are translated at the applicable rates of exchange in effect at that date. The equity denominated in the functional currency is translated at the historical rate of exchange at the time of capital contribution. Because cash flows are translated based on the average translation rate, amounts related to assets and liabilities reported on the consolidated statements of cash flows will not necessarily agree with changes in the corresponding balances on the consolidated balance sheets. Translation adjustments arising from the use of different exchange rates from period to period are included as a separate component of accumulated other comprehensive income (loss) included in consolidated statements of changes in equity. Gains and losses from foreign currency transactions are included in the results of operations.

The value of RMB against \$ and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. Any significant revaluation of RMB may materially affect the Group's financial condition in terms of \$ reporting. The following table outlines the currency exchange rates that were used in creating the consolidated financial statements:

	As of December 31,	
	2021	2022
Balance sheet items including mezzanine equity, except for equity accounts	6.3726	6.8972
	For the Years Ended December 31,	
	2021	2022
Items in the statements of income and comprehensive income, and statements of cash flows	6.4508	6.7290

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES —(continued)

No representation is made that the RMB amounts could have been, or could be, converted into U.S. dollars at the rates used in translation.

From July 21, 2005, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. For RMB against U.S. dollar, there was appreciation (depreciation) of approximately 2.3% and (8.2)% during the years ended December 31, 2021 and 2022. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

To the extent that the Group needs to convert U.S. dollar into RMB for capital expenditures and working capital and other business purposes, appreciation of RMB against the U.S. dollar would have an adverse effect on the RMB amount the Group would receive from the conversion. Conversely, if the Group decides to convert RMB into U.S. dollar for the purpose of making payments for working capital, dividends on ordinary shares, strategic acquisitions or investments or other business purposes, appreciation of U.S. dollar against RMB would have a negative effect on the U.S. dollar amount available to the Group. In addition, a significant depreciation of the RMB against the U.S. dollar may significantly reduce the U.S. dollar equivalent of the Group's earnings or losses.

(w) Loss per share

Basic loss per share is computed by dividing net loss attributable to ordinary shareholders, taking into consideration the deemed dividends to preferred shareholders (if any), by the weighted average number of ordinary shares outstanding during the year using the two-class method. Under the two-class method, net income is allocated between ordinary shares and other participating securities based on their participating rights. Shares issuable for little to no consideration upon the satisfaction of certain conditions are considered as outstanding shares and included in the computation of basic loss per share as of the date that all necessary conditions have been satisfied. Net losses are not allocated to other participating securities if based on their contractual terms they are not obligated to share the losses.

Diluted loss per share is calculated by dividing net loss attributable to ordinary shareholders, as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the year. Ordinary equivalent shares consist of ordinary shares issuable upon the exercise of share options using the treasury stock method. Ordinary equivalent shares are not included in the denominator of the diluted loss per share calculation when inclusion of such share would be anti-dilutive.

(x) Segment reporting

The Group uses the management approach in determining its operating segments. The Group's chief operating decision maker ("CODM") identified as the Group's Chief Executive Officer, relies upon the consolidated results of operations as a whole when making decisions about allocating resources and assessing the performance of the Group. As a result of the assessment made by CODM, the Group has only one reportable segment. The Group does not distinguish between markets or segments for the purpose of internal reporting. As the Group's long-lived assets are substantially located in the PRC, no geographical segments are presented.

(y) Operating lease

On January 1, 2022, the Group adopted Accounting Standards Update ("ASU") 2016-02, Lease (FASB ASC Topic 842), using the non-comparative transition option pursuant to ASU 2018-11. Therefore, the Group has not restated comparative period financial information for the effects of ASC 842, and will not make the new required lease disclosures for comparative periods beginning before January 1, 2022. The

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (continued)

adoption of Topic 842 resulted in the presentation of operating lease right-of-use (“ROU”) assets and operating lease liabilities on the consolidated balance sheet. The Group has elected the package of practical expedients, which allows the Group not to reassess (1) whether any expired or existing contracts as of the adoption date are or contain a lease; (2) lease classification for any expired or existing leases as of the adoption date; and (3) initial direct costs for any expired or existing leases as of the adoption date. Lastly, the Group elected the short-term lease exemption for all contracts with lease terms of 12 months or less. The Group recognizes lease expense for short-term leases on a straight-line basis over the lease term.

Right-of-use assets represent the Group’s right to use an underlying asset for the lease term and lease liabilities represent the Group’s obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the remaining future minimum lease payments. As the interest rate implicit in the Group’s leases is not readily determinable, the Group utilizes its incremental borrowing rate, determined by class of underlying asset, to discount the lease payments. The operating lease right-of-use assets also include lease payments made before commencement and exclude lease incentives. Some of the Group’s lease agreements contained renewal options; however, the Group did not recognize right-of-use assets or lease liabilities for renewal periods unless it was determined that the Group was reasonably certain of renewing the lease at inception or when a triggering event occurred. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Group’s lease agreements did not contain any material residual value guarantees or material restrictive covenants.

(z) Recent accounting pronouncements

The Group is an “emerging growth company” (“EGC”) as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). Under the JOBS Act, EGC can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies.

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments — Credit Losses”, which will require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Subsequently, the FASB issued ASU No. 2018-19, Codification Improvements to Topic 326, to clarify that receivables arising from operating leases are within the scope of lease accounting standards. Further, the FASB issued ASU No. 2019-04, ASU 2019-05, ASU 2019-10, ASU 2019-11 and ASU 2020-02 to provide additional guidance on the credit losses standard.

For all other entities, the amendments for ASU 2016-13 are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, with early adoption permitted. Adoption of the ASUs is on a modified retrospective basis. The Group will adopt ASU 2016-13 from January 1, 2023. The Group expects the adoption of this guidance does not have a material impact on the consolidated financial statements.

Other accounting standards that have been issued by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption. The Group does not discuss recent standards that are not anticipated to have an impact on or are unrelated to its consolidated financial condition, results of operations, cash flows or disclosures.

3. REVERSE ACQUISITION

In December, 2020, the shareholders of Shenzhen VF entered into a share purchase agreement (the “Purchase Agreement”) with the shareholders of Wuhan ESVF, pursuant to which Wuhan ESVF agreed to

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3. REVERSE ACQUISITION — (continued)

issue ordinary shares and preferred shares to the shareholders of Shenzhen VF to purchase 100% of ordinary shares and preferred shares of Shenzhen VF (the “Issuance”).

On March 18, 2021, Shenzhen VF and Wuhan ESVF had completed several restructure procedures and Shenzhen VF controls the daily operations of Wuhan ESVF through appointing senior management in the consolidated entity by the board of directors of combined entity at the same day.

Upon the consummation of the Issuance, Shenzhen VF became a wholly-owned subsidiary of Wuhan ESVF. The former shareholders of Wuhan ESVF had a total of 49.37% voting interest right (including ordinary shares and preferred shares), and former shareholders of Shenzhen VF accounted for 50.63% voting interest right (including ordinary shares and preferred shares), became the controlling shareholders of the consolidated entity.

Because the founder of Shenzhen VF controlled the largest minority voting rights in the consolidated entity and the management of Shenzhen VF became the management of the consolidated entity after the transaction. The substance of the transaction was a Reverse Acquisition, which is equivalent to the issuance of shares by Shenzhen VF for the ownership interest of Wuhan ESVF.

The transaction constitutes a business combination for accounting purposes and is accounted for using the acquisition method under ASC 805. Shenzhen VF is deemed to be the accounting acquirer and its assets and liabilities, equity and historical operating results are included at their historical carrying values, and the assets and liabilities of Wuhan ESVF are recorded at the fair value as of the date of the transaction. The fair value of the consideration transferred is determined on the basis of the number of equity interests that the accounting acquirer/legal acquirer would have had to issue to the accounting acquiree’s/legal acquirer’s owners to provide the same ratio of ownership of equity interests in the combined entity as a result of the reverse acquisition. The consideration was estimated based on the fair value of Shenzhen VF’s common shares and Wuhan ESVF’s preferred shares, which is estimated by discounted cash flow method under income approach and equity allocation model based on option pricing model with probability-weighted scenario analysis.

The Group used the following valuation methodologies to value assets acquired, liabilities assumed and intangible assets identified:

- Esports Tournament Seats were valued using the multi-period excess earning method under income approach, which represents the excessive earnings generated by the asset that remains after a deduction for a return on other contributory assets;
- Brand names were valued using the relief from royalty method under income approach, which represents the benefits of owning the intangible asset rather than paying royalties for its right of use;
- Other assets and liabilities carrying value approximated fair value at the time of acquisition.

On the acquisition date March 18, 2021, the allocation of the consideration of the assets acquired and liabilities assumed based on their fair value was as follows:

	Amount
Fair value of ordinary shares transferred	\$25,597,231
Fair value of preferred shares transferred	37,448,928
Fair value of consideration transferred	63,046,159

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3. REVERSE ACQUISITION — (continued)

	Amount
Fair value of the assets acquired and the liabilities assumed	
Net working capital ⁽¹⁾	3,708,451
Property and equipment, net	2,472,062
Intangible assets – esports tournament seats	25,168,656
Intangible assets – Brand name	16,728,227
Intangible assets – Talent acquisition costs and software	814,310
Non-operating asset/liability	(6,337,591)
Deferred tax liability ⁽²⁾	(8,798,807)
Less: Non-controlling interest	(2,108,535)
Total identifiable assets	31,646,773
Goodwill	\$31,399,386

(1) Among which, cash acquired from acquisition of Wuhan ESVF was \$160,948.

(2) Deferred tax liabilities were calculated based on appreciation fair value of all intangible assets multiplied by income tax rate.

The goodwill acquired resulted primarily from Wuhan ESVF's expected synergies and assembled workforce from the integration of businesses acquired into Shenzhen VF's existing business.

Net revenue and net loss arising from acquisition of Wuhan ESVF made in period from acquisition date to December 31, 2021 that are included in the Group's consolidated income statement for the year ended December 31, 2021.

Supplemental pro forma information (unaudited)

The unaudited pro forma information for the periods set forth below gives effect to the Reverse Acquisition as if the Business Combination had occurred as of January 1, 2021. This pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the transactions been consummated as of that time.

	For the year ended December 31, 2021
Net revenue	34,383,064
Net loss	(10,039,589)
Net loss per share – basic and diluted	(0.31)

4. ASSET ACQUISITION

On August 15, 2021, the Group purchased the agency contract rights of a group of online entertainers ("Underlying Assets") from a talent agency controlled by two non-affiliated persons ("Transferors"). In exchange, the Group agreed to issue an aggregate of 3,510,638 ordinary shares at par value to the Transferors and the ordinary shares were issued on March 18, 2022. The Underlying Assets was transferred to newly established entities, Zhoushan Xingjing and Zhoushan Jingxi, where the Group controls 70% of the equity interests and the Transferors control remaining 30%. The equity ratio of new operating entities had changed to 80% for Wuhan ESVF and 20% for the Transferors on May 13, 2022 in exchange for another RMB 8 million, of which, the Group had paid RMB 4 million in June 2022, the remaining RMB 4 million was recorded as accrued expenses and other liabilities as of December 31, 2022.

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4. ASSET ACQUISITION — (continued)

Since the Underlying Assets were not able to operate effectively and deliver benefits by its own, thus, according to ASC 805, the Underlying Assets was not a business. The acquisition was accounted for as asset acquisition. The Group identifies these online entertainers acquired as one asset group (“Agency contract rights”). The fair value of the Group’s ordinary shares was determined with the assistance of an independent third-party valuation firm, by applying discounted cash flow method under income approach and equity allocation model based on option pricing model with probability-weighted scenario analysis. The Group compare the fair value of shares issued plus cash consideration with fair value of Underlying Assets determined by using multi-period excess earning method under income approach, which represents the excessive earnings generated by the asset that remains after a deduction for a return on other contributory assets, and the difference was immaterial. Thus, the Group recognize the fair value of Underlying Assets equal to the fair value of shares issued plus cash consideration. There were no material direct transaction costs related to the transaction.

The consideration paid for the Agency contract rights is non-deductible for tax purpose. The simultaneous equations method is used to record the assigned value of the asset of \$17,655,274 and a related deferred tax liability of \$4,413,819, in accordance with the guidance in ASC Topic 740-10-25-51, such that the carrying amount of the asset upon initial recognition less the related deferred tax liability equals the consideration paid. The Group recognized the asset as one asset group base on their 5 years contract period.

The Group initial recognized the Agency Contract Rights as intangible asset and carried at cost less accumulated amortization and any recorded impairment.

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS, NET

Prepaid expenses and other current assets, net consist of the following:

	As of December 31,	
	2021	2022
Shareholder investment fund receivable (Note 13)	\$ —	\$2,999,845
Prepaid expenses	—	746,071
Deposit	813,091	406,961
Deferred offering costs	—	339,956
VAT prepayment	28,669	215,431
Employee Reserve	118,259	159,274
Inventories	44,967	52,876
Others	44,423	78,765
Total prepayments and other current assets	1,049,409	4,999,179
Less: allowance for doubtful accounts	45,315	41,868
Total prepayments and other current assets, net	\$1,004,094	\$4,957,311

The Group recorded bad debt expense of \$45,315 and nil for the years ended December 31, 2021 and 2022, respectively.

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6. RECEIVABLES RELATED TO DISPOSAL OF LEAGUE TOURNAMENTS RIGHTS

On December 28, 2020, Xingjing Entertainment entered into a transaction with a third party to sell its League of Legends Pro League tournaments right and several players for RMB133 million including tax (approximately \$20.9 million, among which approximately \$14.2 million related to league tournaments right was recorded as receivable related to disposal of league tournaments right and \$6.7 million related to several players was recorded as account receivable). As of the date of issuance of the consolidated financial statements, the Group has collected all of receivable related to disposal of league tournaments right.

7. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following:

	As of December 31,	
	2021	2022
Electronic equipment	\$ 541,909	\$ 584,688
Furniture	319,249	312,016
Vehicles and canteen equipment	153,252	142,436
Leasehold improvement	3,374,929	3,142,179
Subtotal	4,389,339	4,181,319
Less: accumulated depreciation	829,879	1,286,103
Property and equipment, net	\$3,559,460	\$2,895,216

Depreciation expense was \$475,704 and \$543,377 for the years ended December 31, 2021 and 2022, respectively.

8. INTANGIBLE ASSETS, NET

Intangible assets, net, consists of the following:

	As of December 31,	
	2021	2022
Indefinite useful lives:		
League tournaments rights	\$37,770,288	\$34,897,485
Brand name of Wuhan ESVF	16,288,485	15,049,585
Subtotal	54,058,773	49,947,070
Definite useful lives		
Agency Contract Rights	17,655,274	16,437,284
Brand name of Hongli Culture	910,147	840,921
Talent acquisition costs	5,006,965	4,270,239
Software	7,464	6,897
Subtotal	23,579,850	21,555,341
Less: accumulated amortization	2,222,714	6,119,465
Definite useful lives, net	21,357,136	15,435,876
Intangible Assets, net	\$75,415,909	\$65,382,946

Amortization expense was \$3,001,343 and \$4,723,102 for the years ended December 31, 2021 and 2022, respectively.

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8. INTANGIBLE ASSETS, NET — (continued)

The following is a schedule, by fiscal years, of amortization amount of intangible asset as of December 31, 2022:

2023	\$ 4,394,549
2024	4,176,345
2025	3,874,418
2026	2,410,983
2027	118,789
Thereafter	460,792
Total	<u>\$15,435,876</u>

The Group entered into contracts with several third-parties for purchase league tournaments rights of KPL, LPL and CFPL, the Group are allowed to pay the purchase price on installment for a period of time exceeding one year. When league tournaments rights are purchased on installment terms that exceeds one year, the contract contains a significant financing component, and therefore the payable is recorded at the present value of the payments. The difference between the present value of the payable and the nominal or principal value of the contract amount is recognized as interest expense over the contractual repayment period using the effective interest rate method. The interest rate used to determine the present value of total amount receivable is the rate subject to management decision on the date of the transaction and it reflects the rate that the Group can obtain financing of a similar nature from other sources at the date of the transaction.

Pursuant to contract term, the amount due within one year as of December 31, 2021 and 2022 were \$3,373,715 and 2,617,233, respectively. The remaining portion due after one year as of December 31, 2021 and 2022 were \$4,648,450 and \$2,915,875, respectively.

9. SHORT-TERM BORROWINGS

Interest expense related to short-term borrowing was \$49,592 and \$283,619 for the years ended December 31, 2021 and 2022, respectively. Borrowing as of December 31, 2021 and 2022 represented the following:

Lender	Interest rate	Issuance Date	Maturity Date	As of December 31, 2021	As of December 31, 2022
China Everbright Bank ⁽ⁱ⁾	5.55%	March 31, 2022	March 30, 2023	\$ —	\$1,449,864
China Merchants Bank ⁽ⁱⁱ⁾	5.50%	July 20, 2022	January 19, 2023	—	1,449,864
China Merchants Bank ⁽ⁱⁱⁱ⁾	5.50%	March 10, 2022	January 10, 2023	—	1,377,371
Bank of China ^(iv)	3.85%	October 8, 2022	October 7, 2023	—	1,014,905
China CITIC Bank ^(v)	4.95%	April 15, 2022	April 15, 2023	—	724,932
Wuhan Rural Commercial Bank ^(vi)	4.81%	March 24, 2022	March 23, 2023	—	405,960
Bank of China ^(vii)	3.60%	September 26, 2021	September 26, 2022	1,098,453	—
China Merchants Bank ^(viii)	5.50%	September 3, 2021	September 3, 2022	1,067,068	—
China Merchants Bank ^(ix)	5.50%	August 9, 2021	August 9, 2022	502,150	—
Total				<u>\$2,667,671</u>	<u>\$6,422,896</u>

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9. SHORT-TERM BORROWINGS — (continued)

- (i) The principal of the loan is RMB10,000,000 (approximately \$1,449,864). The loan is guaranteed by Wuhan Zhongzhe Financing Guarantee Co., LTD., Shenzhen VF and the Group's shareholders, Liwei Sun, Rui Zhou. The loan was fully paid as of the issuance date of these financial statements.
- (ii) The principal of the loan is RMB10,000,000 (approximately \$1,449,864). The loan is guaranteed by Shenzhen VF and the Group's shareholders, Liwei Sun, Rui Zhou. The loan was fully paid as of the issuance date of these financial statements.
- (iii) The principal of the loan is RMB9,500,000 (approximately \$1,377,371). The loan is guaranteed by Shenzhen VF and the Group's shareholders, Liwei Sun, Rui Zhou. The loan was fully paid as of the issuance date of these financial statements.
- (iv) The principal of the loan is RMB7,000,000 (approximately \$1,014,905). The loan is guaranteed by the Group's shareholder, Liwei Sun.
- (v) The principal of the loan is RMB5,000,000 (approximately \$724,932). The loan is guaranteed by the Group's shareholders, Liwei Sun, Rui Zhou. The loan was fully paid as of the issuance date of these financial statements.
- (vi) The principal of the loan is RMB2,800,000 (approximately \$405,960). The loan is guaranteed by the Group's director and senior vice president, Lei Zhang. The loan was fully paid as of the issuance date of these financial statements.
- (vii) The principal of the loan is RMB7,000,000 (approximately \$1,098,453). The loan is guaranteed by the Group's shareholders, Liwei Sun and Rui Zhou.
- (viii) The principal of the loan is RMB8,000,000 (approximately \$1,255,375). In December 2021, the principal of RMB1,200,000 (approximately \$188,307) was repaid in advance. The loan is pledged by existing and potential account receivables of Xinghui Culture Media due from Tengjing Sports Culture Development (Shanghai) Co., Ltd., Shenzhen Tencent Computer Systems Co., Ltd., Tencent Technology (Chengdu) Co., Ltd., Tencent Technology (Shenzhen) Co., Ltd and Shanghai Lingyang Culture Communication Co., Ltd., and guaranteed by the Group's shareholders, Liwei Sun and Rui Zhou.
- (ix) The principal of the loan is RMB7,000,000 (approximately \$1,098,453). From October 2021 to December 2021, the principal of RMB3,800,000 (approximately \$596,303) was repaid in advance. The loan is pledged by existing and potential account receivables of Xinghui Culture Media due from Tengjing Sports Culture Development (Shanghai) Co., Ltd., Shenzhen Tencent Computer Systems Co., Ltd., Tencent Technology (Chengdu) Co., Ltd., Tencent Technology (Shenzhen) Co., Ltd and Shanghai Lingyang Culture Communication Co., Ltd., and guaranteed by the Group's Shareholders, Liwei Sun and Rui Zhou.

10. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

	As of December 31,	
	2021	2022
Tax payable	\$ 770,980	\$ 936,404
Professional service fees payable	—	890,221
Payroll payable	1,349,078	847,889
League tournaments transaction service fee ⁽¹⁾	902,740	834,078
Payable for acquisition of noncontrolling interests (Note 4)	—	579,945
Accrued expenses ⁽²⁾	228,721	139,044
Total	\$3,251,519	\$4,227,581

(1) The balance represented the payable to KPL event organizer for the re-arrangement of league tournaments right resource due to the Group's Reverse Acquisition.

(2) The balance mainly consisted of reimbursement payable to employees and miscellaneous fees payable to third parties.

11. TAXATION***Cayman Islands***

The Company was incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, the Company is not subject to income or capital gains taxes. In addition, dividend payments are not subject to withholdings tax in the Cayman Islands.

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11. TAXATION — (continued)***Hong Kong***

ESVF HK was established in Hong Kong and is subject to a two-tiered income tax rate for taxable income earned in Hong Kong effectively since April 1, 2018. The first HKD2 million of profits earned by a company is subject to be taxed at an income tax rate of 8.25%, while the remaining profits will continue to be taxed at the existing tax rate, 16.5%. No provision for Hong Kong profits tax has been made in the consolidated financial statements as it has no assessable profit for the years ended December 31, 2021 and 2022.

PRC

Generally, the Group's WFOE and its VIE and VIE's subsidiaries, which are considered PRC resident enterprises under PRC tax law, are subject to enterprise income tax on their worldwide taxable income as determined under PRC tax laws and accounting standards at a rate of 25%.

In January 2019, the State Administration of Taxation announced that from January 1, 2019 to December 31, 2021, small and low-profit enterprises can enjoy a 20% corporate income tax rate on 25% of their taxable income amount for the proportion of taxable income not exceeding RMB1 million; and a 20% corporate income tax on 50% of their taxable income amount of more than RMB1 million but not exceeding RMB3 million. The State Administration of Taxation further announced that from January 1, 2021 to December 31, 2022, for the portion of taxable income not exceeding RMB1 million, the amount of taxable income can be halved from 25% to 12.5%, and the corporate income tax will be levied at 20%, for small and low-profit enterprises, and from January 1, 2022 to December 31, 2024, small and low-profit enterprises can enjoy a 20% corporate income tax rate on 25% of the taxable income amount for the portion of taxable income more than RMB1 million but not exceeding RMB3 million.

For the year ended December 31, 2022, Dawei Xianglong, Hongli Culture, Xingjing Entertainment, Xingzhi Media, Xinghui Media, Taicang Xingjing, Zhoushan Xingjing, Zhoushan Jingxi, Wuhan Muyecun and Wuhan Yingciyuan were recognized as small low-profit enterprises.

The income tax provision consists of the following components:

	For the years ended December 31,	
	2021	2022
Current income tax expense	\$ 5,453	\$ 363,351
Deferred income tax expenses	60,434	(502,805)
Total income tax expenses (benefits)	\$65,887	\$(139,454)

A reconciliation between the Group's actual provision for income taxes and the provision at the PRC, mainland statutory rate is as follows:

	For the years ended December 31,	
	2021	2022
Loss before income tax expense	\$(8,073,396)	\$(6,445,466)
Income tax benefit at the PRC statutory rate	(2,018,349)	(1,611,366)
Effect of preferential tax rates	1,406,838	66,197
Impact of different tax rates in other jurisdictions	—	112,720
Tax effect on share-based compensation, nil of tax	113,938	41,430

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11. TAXATION — (continued)

	For the years ended December 31,	
	2021	2022
Tax effect on charitable donations	38,755	18,944
Tax effect of non-deductible items	518,480	129,550
Prior year true up	—	(293,091)
Change in valuation allowance	6,225	1,396,162
Income tax expenses (benefits)	\$ 65,887	\$ (139,454)

As of December 31, 2021 and 2022, the significant components of the deferred tax assets and deferred tax liability are summarized below:

	As of December 31,	
	2021	2022
Deferred tax assets:		
Net operating loss carried forward	\$ 547,845	\$ 1,377,263
Tournament participation of esports	—	—
Deferred tax assets, gross	547,845	1,377,263
Valuation allowance	(10,988)	(1,372,267)
Deferred tax assets, net of valuation allowance	\$ 536,857	\$ 4,996
Deferred tax liabilities:		
Intangible assets acquired from a business combination (Note 3)	\$ 8,584,238	\$ 7,889,276
Intangible assets acquired from an asset acquisition ⁽ⁱ⁾	4,082,782	2,956,626
Installment sale income ⁽ⁱⁱ⁾	134,104	—
Total deferred tax liabilities	\$12,801,124	\$10,845,902

(i) The Group initially recognized \$4,413,819 of deferred tax liability from asset acquisition (Note 4) and reverse \$331,037 and \$815,621 due to amortization of related intangible assets during the year ended December 31, 2021 and 2022, respectively.

(ii) The Group recognized full income from the installment sale of league tournaments right, while tax laws require the Group to recognize taxable income when installment payments are made which generate deferred tax liabilities.

As of December 31, 2021 and 2022, the Group had net operating loss carryforwards of approximately \$4,640,775 and \$5,997,829 respectively, which arose from the Group's subsidiaries established in the PRC. As of December 31, 2022, the Group had net operating loss carryforwards of approximately \$300,949 that can be carried forward indefinitely, which arose from Group's subsidiary established in the Hong Kong.

Movement of valuation allowance is as follows:

	For the years ended December 31,	
	2021	2022
Valuation allowance		
Balance at beginning of the year	—	10,988
Additions acquired from a business combination (Note 3)	4,763	—
Additions	6,225	1,398,293

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11. TAXATION — (continued)

	For the years ended December 31,	
	2021	2022
Utilization	—	(2,131)
Exchange rate effect	—	(34,883)
Balance at end of the year	<u>10,988</u>	<u>1,372,267</u>

As of December 31, 2022, net operating loss carryforwards will expire, if unused, in the following amounts:

2023	\$ —
2024	1,568,485
2025	26,915
2026	778,018
2027	<u>3,624,411</u>
Total	<u>\$5,997,829</u>

Uncertain tax positions

The Group evaluates each uncertain tax position (including the potential application of interest and penalties) based on the technical merits, and measure the unrecognized benefits associated with the tax positions. As of December 31, 2021 and 2022, the Group did not have any significant unrecognized uncertain tax positions. The Group does not believe that its uncertain tax benefits position will materially change over the next twelve months.

12. LEASES

The Group leases offices space under non-cancellable operating leases. The Group considers those renewal or termination options that are reasonably certain to be exercised in the determination of the lease term and initial measurement of right of use assets and lease liabilities.

The Group determines whether a contract is or contains a lease at inception of the contract and whether that lease meets the classification criteria of a finance or operating lease.

As of December 31, 2022, the Group had no long-term leases that were classified as a financing lease, and the Group's lease contracts only contain fixed lease payments and do not contain any residual value guarantee.

The Group's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

A summary of lease cost recognized in the Group's consolidated and combined statements of operations and comprehensive loss is as follows:

	For the Years Ended December 31, 2022
Operating leases cost excluding short-term rental expense	\$ 315,972
Short-term lease cost	<u>1,049,031</u>
Total	<u>\$ 1,365,003</u>

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12. LEASES—(continued)

The Group's lease agreements do not have a discount rate that is readily determinable. The incremental borrowing rate is determined at lease commencement or lease modification and represents the rate of interest the Group would have to pay to borrow on a collateralized basis over a similar term and an amount equal to the lease payments in a similar economic environment.

Cash paid for amounts included in the measurement of lease liabilities was \$155,783 for the year ended December 31, 2022.

As of December 31, 2022, the weighted average remaining lease term was 6.8 years, and the weighted average discount rate was 4.65% for the Group's operating leases.

The following table summarizes the maturity of lease liabilities under operating leases as of December 31, 2022:

For the year ending December 31,	Operating Leases
2023	\$ 444,686
2024	303,968
2025	303,968
2026	311,567
2027	319,166
2028 and thereafter	562,528
Total lease payments	2,245,883
Less: imputed interest	304,613
Total	1,941,270
Less: current portion	366,392
Non-current portion	<u>\$1,574,878</u>

13. MEZZANINE EQUITY

The Group's preferred shares activities for the years ended December 31, 2021 and 2022 are summarized below:

	Class A		Class B		Total	
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount
Balances at January 1, 2021	7,754,081	20,778,683	—	—	7,754,081	20,778,683
Acquisition of Wuhan ESVF	14,907,764	37,448,928	—	—	14,907,764	37,448,928
Issuance of Preferred Shares	704,930	1,560,476	—	—	704,930	1,560,476
Deemed dividend on modification on preferred shares	—	861,027	—	—	—	861,027
Accretion on Preferred Shares to redemption value	—	17,617,947	—	—	—	17,617,947
Exchange rate difference	—	1,785,501	—	—	—	1,785,501

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13. MEZZANINE EQUITY — (continued)

	Class A		Class B		Total	
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount
Balances at December 31, 2021	23,366,775	80,052,562	—	—	23,366,775	80,052,562
Issuance of Preferred Shares	—	—	2,547,488	14,780,563	2,547,488	14,780,563
Accretion on Preferred Shares to redemption value	—	24,022,305	—	1,274,569	—	25,296,874
Exchange rate difference	—	(6,674,474)	—	7,182	—	(6,667,292)
Balances at December 31, 2022	23,366,775	97,400,393	2,547,488	16,062,314	25,914,263	113,462,707

Class A redeemable preferred shares

During fiscal year 2019, Shenzhen VF issued a total of 7,754,081 preferred shares for cash consideration of US\$15,923,336.

During the Reverse Acquisition, each preferred shareholder of Shenzhen VF was changed to the preferred shareholder of Wuhan ESVF, certain redemption features and liquidation preference were modified simultaneously (“Modification”). Meanwhile, 14,907,764 preferred shares issued by Wuhan ESVF with carrying value of US\$37,448,928 at the close of Reverse Acquisition was included in the consolidated balance sheets.

The Group had undergone a Reorganization on July 30, 2021. As part of the Reorganization, on June 8, 2021, each issuer of the preferred shares was changed to the reporting entity through share swaps. The major terms and number of shares of the preferred shares remained the same. Thus, there is no accounting impact on the preferred shares as a result of the Reorganization at the consolidated level. The Group determined all the preferred shares was re-designed as Class A preferred shares. Since the Reorganization were transactions under common control, the equity section of the Group after the Reorganization was assumed to have existed from the earliest period presented in the consolidated financial statements.

On September 30, 2021, the Company issued 704,930 Class A preferred shares to Shenzhen Media Group (International) Limited (“Shenzhen Media-HK”) for a total investment amount in the U.S. dollar equivalent amount of RMB 10 million. The terms of the Class A preferred shares issued to Shenzhen Media-HK were same as the terms of the Class A preferred shares after the reorganization as mentioned above.

Below presents the key original and amended terms of the Class A redeemable preferred shares during the reporting period:

Conversion Features

There were no conversion rights granted to holders of preferred shares upon the issuance of the preferred shares to preferred shareholders of Shenzhen VF or on the Reverse Acquisition.

Along with the Reorganization on July 30, 2021, as stated in the amended Article of Association, all outstanding preferred shares can be automatically converted into ordinary shares of the Company after its listing in US capital market.

Voting Rights

Each holder of preferred shares before and after the Reverse Acquisition and is entitled to vote together with the holders of ordinary shares on all matters submitted to a vote of the shareholders of the company or the group on an as-if-converted basis.

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13. MEZZANINE EQUITY — (continued)***Dividend Rights***

Each holder of preferred shares before and after the Reverse Acquisition is entitled to receive non-cumulative dividends, payable out of funds or assets when and as such funds or assets become legally available therefor pari passum with ordinary shares, on an as-converted basis, when, as, and if declared by the Board of Directors.

Liquidation Preferences

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the issuer, or in the event of a trade sale (include, among other things, a merger, share exchange, amalgamation or consolidation resulting in a change of control), collectively defined as “Deemed Liquidation Events”, all assets and funds legally available for distribution to the members (after satisfaction of all creditors’ claims and claims that may be preferred by law) shall be distributed to the holders of the preferred shares prior and in preference to any distribution to the investors of any other class, an amount shall be the higher of (i) 100% of the preferred shares issuance price plus accrued daily interest at a rate of 8% per annum; and (ii) on a pro rata basis, percentage of each shareholders held multiplying with net assets available for distribution (collectively the “Preferred Shares Preference Amount”).

Amendment in Liquidation Preferences

During the Reverse Acquisition, the Preferred Shares Preference Amount was amended to an amount equal to 100% of the preferred shares issue price, and the following terms were added.

If there are any assets or funds remaining after the Preferred Shares Preference Amount has been distributed or paid in full to the applicable holders of the preferred shares, the remaining assets and funds of the Group company available for distribution shall be distributed ratably among all members according to the relative number held by such member (including preferred shares on as-converted basis).

If the Preferred Shares Preference Amount cannot be paid in full, the holders of the preferred shares shall be entitled to the payment in proportion to their initial investment amount. If all assets and funds of the company legally available for distribution to the members upon liquidation, dissolution or winding up of the company exceed RMB 2 billion, the distribution shall be ratably among all members according to the relative number of ordinary shares held by such member (treating all outstanding preferred shares on as-converted basis).

Redemption Rights

The preferred shares can be redeemed at any time and from time to time on or after the earlier date of the occurrence of (1) the issuer’s failure to complete the transaction as mutually agreed in the Preferred Share Purchase Agreement, or (2) (i) the issuer fails to obtain a receipt from the China Securities Regulatory Commission, the Hong Kong Securities Regulatory Commission, the SEC or any other exchange of recognized international reputation and standing duly approved by the shareholders (“Qualified Exchange”) accepting the Company’s application for IPO by January 31 2024; or (ii) the Company fails to achieve the IPO on a Qualified Exchange on or before 31 January 2025, or (3) a material breach of any of the warranties, undertakings or covenants specified under the Preferred Share Purchase Agreement or certain other agreements entered into in connection with such preferred shares financing.

Upon the occurrence of any Redemption Event, each holder of the then outstanding preferred shares is entitled to, by written request to the Company, request the Company to redeem all or part of the preferred shares then outstanding held by such holder at a redemption price (higher of (i) 100% of the preferred

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13. MEZZANINE EQUITY—(continued)

shares issue price plus accrued daily interest at a rate of 8% per annum minus any declared but unpaid dividends on such preferred shares; (ii) % of shareholding multiplying with the company's most recent fair value of net assets).

Amendment in Redemption Rights

During the Reverse Acquisition, the events that triggered the redemption of any of the preferred shares has been amended to the same term, where the preferred shares can be redeemed at any time of the occurrence of a material breach of any of the warranties, undertakings or covenants specified under the New Preferred Share Purchase Agreement (the "New Preferred Share Purchase Agreement") or certain other agreements entered into in connection with such preferred shares financing.

The redemption price for each preferred share that is redeemed has been amended to the same price, which shall be the higher of (a) an amount equal to 100% of such preferred shares issuance price plus accrued daily interest at a simple rate of 8% per annum, and any accrued or declared but unpaid dividend on such preferred shares, and (b) the result of multiplying the as-converted shareholding percentage with the issuer's most recent fair value of net assets.

Class B redeemable preferred shares

On May 23, 2022, the Group entered into a share subscription purchase agreement (the "Agreement") with Digital WD., Ltd. ("Digital WD"). On September 5, 2022, the Group issued 1,625,295 Class B Preferred Shares to Digital WD, for an aggregate purchase price of \$10,000,000.

On July 29, 2022, the Group entered into a share subscription purchase agreement with Maison Investment Holding Limited ("Maison") and AER Capital SPC ("AER"). On December 20, 2022, the Group issued 434,604 and 487,589 Class B Preferred Shares to Maison and AER, respectively, for an aggregate purchase price of \$5,674,000.

As of December 31, 2022, the Group received the full amount of investment fund from Digital WD and Maison while the Group received the full investment fund from AER in March 2023, therefore the Group accounted the fund receivable from AER as shareholder investment fund receivable included in balance statement item Prepaid expenses and other current assets, net (Note 5).

During the financing process of Class B redeemable preferred shares, the Group incurred about \$0.9 million financing commission to third party directly related to financing amount which accounted as deferred offering cost and deducted from the related issuance proceeds.

Below presents the key original and amended terms of the Class B redeemable preferred shares during the reporting period:

Liquidation Preferences

Upon any liquidation event, all assets and funds of the Company thereafter legally available for distribution to the shareholders shall be distributed as follows: Prior and in preference to any distribution or payment to the Class A preferred shareholders and the Ordinary shareholders, each Class B preferred shareholder shall be entitled to receive on a pro rata basis, an amount equal to the aggregate total of the initial subscription price with respect to each preferred share held by such Class B preferred shareholder.

Redemption Rights

If the Company is unable to settle the redemption obligations to the redemption shareholders in full, all available redemption funds shall be paid first to the Class B preferred shareholders on a pro-rata basis. The redemption price of Class B Preferred Share calculation is same as Class A preferred shares.

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13. MEZZANINE EQUITY — (continued)

The other terms of the Class B Preferred Shares issued were same as the terms of the Class A preferred shares.

Accounting for the preferred shares

The Company classifies the preferred shares as mezzanine equity in the consolidated balance sheets because they are redeemable upon the occurrence of an event not solely within the control of the Company. The preferred shares are recorded initially at fair value, net of issuance costs. The Company did not incur material issuance costs for any preferred shares issued. There was no declared or undeclared dividends in arrears on redeemable preferred shares as of December 31, 2021 and 2022.

For each reporting period, the Company assesses whether the preferred shares are currently redeemable and if the preferred shares are not currently redeemable, the Company further assesses whether it is probable that preferred shares will become redeemable. For any preferred shares that are not currently redeemable and it is probable that preferred shares will become redeemable, the Company recognizes changes in the redemption value immediately as they occur over the period from the date of issuance to the earliest redemption date to equal the redemption value at the end of each reporting period based on the higher of (i) the issuance price plus a pre-determined annualized return set forth in the agreements and (ii) fair market value (estimated using the equity allocation model based on option pricing model with probability-weighted scenario analysis with the assistance from a valuation report prepared by an independent valuation firm using management's estimates and assumptions).

In accordance with ASC 480-10-S99, the accretion is recorded against retained earnings, or in the absence of retained earnings, by charges against additional paid-in-capital, or in the absence of additional paid-in-capital, by charges to accumulated deficit. The accretion of the preferred shares was \$17,617,947 and \$25,296,874 for the years ended December 31, 2021 and 2022.

Modification of preferred shares

There were amendments of liquidation preference and redemption rights upon the Reverse Acquisition.

The Company bases on a quantitative evaluation to assess whether an amendment to the terms of its preferred shares is an extinguishment or a modification. The Company assessed whether there was a change in fair value of each modification of preferred shares exceeding 10% immediately after the change in terms compared to the fair value of the preferred shares immediately before the amendment at each modification date. A change in fair value exceeding 10% would result in extinguishment accounting, while a change in fair value not exceeding 10% would be considered non-substantive and subject to modification accounting. The Company accounts for modifications that result in an increase to the fair value of the modified preferred shares as a deemed dividend reconciling net loss to net loss attributable to ordinary shareholders as there is a transfer of value from the ordinary shareholders to the preferred shareholders.

From the quantitative perspective, as the fair value of the preferred shares immediately before and after the amendment did not change exceeding 10%, the Group concluded that the amendments to preferred shares represent modifications rather than extinguishment. The carrying values of the respective preferred shares are adjusted to their fair values as of the modification date, subject to a floor equal to their initial carrying amounts.

14. ORDINARY SHARES

In February 2021, the Company was incorporated as limited liability company with authorized share capital of US\$50,000 divided into 500,000,000 shares with par value US\$0.0001 each.

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14. ORDINARY SHARES — (continued)

The effect of the ordinary shares issued in the Reorganization has been treated similarly to a share split and have been presented retrospectively as of the all period presented on the consolidated financial statements.

The Group presents 19,737,808 ordinary shares for the year ended December 31, 2019, out of which, 4,123,826 ordinary shares are outstanding and transferred to BLOOMING TIME INTERNATIONAL LIMITED (“ESOP Platform”) for ESOP plan”) as treasury shares.

On March 18, 2021, the Group completed reverse acquisition and brought in 11,895,417 ordinary shares from the business combination with Wuhan ESVF (Note 3).

In July 2021, in connection with the Reorganization, the capital of the Company is 500,000,000 shares consist of 477,338,155 ordinary shares and 22,661,845 Class A preferred shares.

In June 2022, in connection with the issuance of Class B Preferred Shares, the capital of the Company is 500,000,000 shares consist of 468,506,748 ordinary shares, 23,366,775 Class A preferred shares and 8,126,477 Class B preferred shares.

15. RESTRICTED NET ASSETS

A significant portion of the Group’s operations are conducted through its PRC (excluding Hong Kong) subsidiaries, the Group’s ability to pay dividends is primarily dependent on receiving distributions of funds from subsidiaries. Relevant PRC statutory laws and regulations permit payments of dividends by our subsidiaries only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations, and after it has met the PRC requirements for appropriation to statutory reserves. The Group is required to make appropriations to certain reserve funds, comprising the statutory surplus reserve and the discretionary surplus reserve, based on after-tax net income determined in accordance with generally accepted accounting principles of the PRC (“PRC GAAP”). Appropriations to the statutory surplus reserve are required to be at least 10% of the after-tax net income determined in accordance with PRC GAAP until the reserve is equal to 50% of the entity’s registered capital. Appropriations to the surplus reserve are made at the discretion of the shareholders. Paid-in capital of our subsidiaries included in the Company’s consolidated net assets are also non-distributable for dividend purposes.

As a result of these PRC laws and regulations, the Group’s PRC subsidiaries are restricted in their ability to transfer a portion of their net assets to the Company. As of December 31, 2021 and 2022, net assets restricted in the aggregate, which include paid-in capital and statutory reserve funds of the Group’s subsidiaries, VIE and VIE’s subsidiaries, that are included in the consolidated net assets were \$12,382,860 and \$5,261,322, respectively.

16. SHARE-BASED COMPENSATION*Share options granted by Shenzhen VF to optionees*

In December 2019, the shareholders of Shenzhen VF approved and adopted the Stock Incentive Plan (“the 2019 Plan”), under which Mario Yau Kwan Ho (“founder, chairman of board, and major shareholder of the Group”) transferred 15% equity interest of Shenzhen VF to a newly established entity at a consideration of RMB 1 as an incentive platform. The 2019 Plan allows the incentive platform to grant options of Shenzhen VF to its directors, employees, and non-employees etc. (collectively, the “Optionees”) to acquire equity interest of Shenzhen VF at an exercise price of nil. The options have a contractual term of four years.

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16. SHARE-BASED COMPENSATION — (continued)

Generally, the options granted under the 2019 Plan became exercisable immediately, or exercisable during the term of the Optionee's service with Shenzhen VF in grant date, the second anniversary and the fourth anniversary instalments of 33.33% each.

On December 31, 2019, Shenzhen VF granted options to its employees and directors to purchase equity interest of incentive platform at an exercise price of nil, which was equivalent to 5.05% equity interest of Shenzhen VF.

On May 21, 2020, Shenzhen VF granted options to a non-employee for his promotion service to purchase equity interest of incentive platform at an exercise price of nil, which was equivalent to 3.00% equity interest of Shenzhen VF, in exchange for non-employee to provide promotion services until December 31, 2023. The options became exercisable immediately from the grant date.

On December 31, 2020, Shenzhen VF granted options to its directors to purchase equity interest of incentive platform at an exercise price of nil, which was equivalent to 1.05% equity interest of Shenzhen VF. The options became exercisable immediately from the grant date.

On December 31, 2020, Shenzhen VF granted options to its employees and directors to purchase equity interest of incentive platform at an exercise price of nil, which was equivalent to 2.20% equity interest of Shenzhen VF.

Share options upon and subsequent to the Reverse Acquisition

In connection with the Reverse Acquisition on March 18, 2021, Wuhan ESVF amended and restated the 2019 Plan, adopting the Amended 2019 Plan. In connection with the closing of the Reverse Acquisition, each stock option outstanding under the 2019 Plan immediately prior to the closing of the Reverse Acquisition was converted into an option to purchase a number of equity interest of Wuhan ESVF equal to the aggregate number of equity interest for which such stock option was exercisable immediately prior to the closing of the Reverse Acquisition multiplied by an exchange ratio.

As a result, the options to purchase 15% equity interest of Shenzhen VF prior to the closing of the Reverse Acquisition under the 2019 Plan were converted into options to purchase 7.5952% of equity interest of Wuhan ESVF. The exercise price of such options modified remained unchanged, which was nil.

The conversion of the incentive stock options of Shenzhen VF under the Amended 2019 Plan into incentive stock options of Wuhan ESVF was deemed a modification at closing of Reverse Acquisition. There is no incremental compensation cost of the modification.

Share options upon and subsequent to the Reorganization

After the Reorganization in July 2021, all share options granted by Wuhan ESVF during the period between 2019 and the first half of 2021 were replaced by share options granted by the Company. One share of equity interest changed to 98.69 ordinary shares of the Company, and through this, the shareholding percentage of the Group was unchanged.

The Reorganization did not change the classification and vesting condition of share-based awards as equity instruments. And all other inputs to the fair value of share options remain the same. No additional share-based compensation expenses were recognized as there was no incremental fair value change immediately before and after the Reorganization. Therefore, the Reorganization awards should be accounted for in the same way as its original awards.

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16. SHARE-BASED COMPENSATION — (continued)

Share-based compensation is measured based on the fair value of the Company's ordinary shares at the grant date of the award, which is estimated using the income approach and equity allocation method. Estimation of the fair value of the Company's ordinary shares involves significant assumptions that might not be observable in the market, and a number of complex and subjective variables, discount rate, risk-free interest rate and subjective judgments regarding the Company's projected financial and operating results, its unique business risks, the liquidity of its ordinary shares and its operating history and prospects at the time the grants are made. Share-based compensation in relation to the share options is estimated using the equity allocation model based on option pricing model with probability-weighted scenario analysis with respect to the fair value of 100% equity interest estimated using the discounted cash flow method under income approach. The fair value of these awards was determined by management with the assistance from a valuation report prepared by an independent valuation firm using management's estimates and assumptions.

The assumptions used to estimate the fair value of the share options granted during the periods presented are as follows:

	For the Year Ended December 31, 2020
Expected volatility	67.88%
Expected term (in years)	4.08
Risk-free interest rate per annum	2.88%

A summary of the share options activity for the year ended December 31, 2022 is presented below:

	Number of shares	Weighted average exercise price USD	Weighted average remaining contractual term In years	Aggregate intrinsic value USD
Outstanding, December 31, 2021	1,667,675	—	2	4,795,157
Granted	—	—	—	
Exercised	—	—	—	
Forfeited	—	—	—	
Outstanding at December 31, 2022	1,667,675	—	1	6,252,693
Exercisable at December 31, 2022	1,241,584	—	1	4,655,131

The group recognized compensation expense for the years ended December 31, 2021 and 2022 were \$455,751 and \$165,721, respectively.

There was no option granted or exercised for the year ended December 31, 2022. As of December 31, 2022, there was \$161,680 of total unrecognized compensation cost related to unvested share options.

17. LOSS PER SHARE

The following table sets forth the basic and diluted net loss per share computation and provides a reconciliation of the numerator and denominator for the years ended December 31, 2021 and 2022 presented:

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17. LOSS PER SHARE — (continued)

	As of December 31,	
	2021	2022
Numerator:		
Net loss attributable to NIP Group Inc.'s shareholders	(26,478,948)	(31,512,555)
Denominator:		
Weighted average number of ordinary shares outstanding-basic and diluted	27,195,406	33,086,386
Denominator for basic and diluted net loss per share calculation	27,195,406	33,086,386
Basic and diluted net loss per share attributable to ordinary shareholders of NIP Group Inc.'s shareholders	<u>(0.97)</u>	<u>(0.95)</u>

For the years ended December 31, 2021 and 2022, the Group had potential ordinary shares, including share options granted and preferred shares. As the Group incurred losses for the years ended December 31, 2021 and 2022, these potential ordinary shares were anti-dilutive and excluded from the calculation of diluted net loss per share of the Group. The weighted-average numbers of non-vested share options excluded from the calculation of diluted net loss per share of the Group were 426,080 and 426,080 as of December 31, 2021 and 2022, respectively.

For assets acquired in August 15, 2021 (Note 4), the consideration consists of contingent issuable ordinary shares of 3,510,638, which was issued on March 18, 2022, therefore, these contingent issuable shares were included from the calculation of basic net loss per share of the Group started from August 15, 2021. The 1,241,584 and 1,241,584 stock options were vested but unexercised as of December 31, 2021 and 2022, respectively. The Group included these stock options to calculate the denominator because they are exercisable at RMB nil.

Holders of the preferred shares are entitled to receive non-cumulative dividends *pari passum* with ordinary shares, on an as-converted basis, hence the preferred shares meet the definition of participating securities pursuant to the definition under ASC 260-10-20. However, net loss available to ordinary shareholders were not adjusted due to the following: 1) the holders of the preferred shares are entitled to non-cumulative dividends and there was no declared non-cumulative dividends during the presented periods; 2) there was no undistributed earnings during the presented periods and the holders are not entitled to bear any loss (e.g. make additional contribution to the Group in case of significant losses) of the Group; and 3) the contractual principal or mandatory redemption amount of the holder is not reduced as a result of losses incurred by the Group. Therefore, there was no adjustment from undistributed earnings allocated to participating securities.

18. RELATED PARTY TRANSACTIONS

The following is a list of related parties which the Group has transactions with:

No.	Name of Related Parties	Relationship with the Group
1	Mario Yau Kwan Ho	Chairman and Co-Chief Executive Officer
2	Douyu Internet Technology Co., Ltd. ("Douyu")	Shareholder of the Group
3	Lei Zhang	Director and Senior Vice President
4	Liwei Sun	Director and President
5	Rui Zhou	Shareholder of the Group
6	Haoming Yu	Senior Vice President

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18. RELATED PARTY TRANSACTIONS — (continued)

No.	Name of Related Parties	Relationship with the Group
7	Ronghua Gu	Shareholder of the Group
8	Wuhan Tourism&Sports Group	Principal Beneficial of the Group
9	Wuhan Linyu Ecological Group Co., Ltd. ("Wuhan Linyu")	Entity controlled by Wuhan Tourism&Sports Group
10	Hainan Xingjing Technology Center LLP	An entity controlled by Liwei Sun
11	Wuhan Ouyue Online TV Co., Ltd. ("Wuhan Ouyue")*	Entity controlled by Douyu
12	Shenzhen Media	Shareholder of the Group and minority shareholder of Dawei Xianglong
13	Wuhan Xingjing Culture Media Co., Ltd ("Xingjing Culture Media")	Entity controlled by Liwei Sun
14	Tianjin Xingjingweiwu Management Consulting LLP ("Tianjin LLP")	Entity controlled by Liwei Sun

Amounts due from related parties

Amounts due from related parties consisted of the following for the periods indicated, the amount due from Wuhan Ouyue was fully collected as of the issuance date of these financial statements.

	As of December 31,	
	2021	2022
Wuhan Ouyue ⁽¹⁾	\$1,238,822	\$1,097,097
Liwei Sun ⁽²⁾	161,489	38,258
Tianjin LLP ⁽²⁾	157	289
Ronghua Gu ⁽³⁾	386,510	—
Hainan Xingjing ⁽²⁾	56,492	—
Haoming Yu ⁽³⁾	16,045	—
Total	\$1,859,515	\$1,135,644

(1) The balance represented the accounts receivable for providing talent management service to related parties. The amount was fully collected as of the issuance date of these financial statements.

(2) The balance represented interest-free loan to related parties, which were due on demand.

(3) The balance represented the advance to the related parties for the Group's operation.

Amounts due to related parties

Amount due to related parties consisted of the following for the periods indicated:

	As of December 31,	
	2021	2022
Xingjing Culture Media ⁽¹⁾	\$7,208,416	\$3,484,943
Mario Yau Kwan Ho ⁽²⁾	428,397	685,786
Wuhan Tourism&Sports Group ⁽³⁾	740,199	683,898

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18. RELATED PARTY TRANSACTIONS — (continued)

	As of December 31,	
	2021	2022
Shenzhen Media ⁽⁴⁾	1,569,218	290,321
Wuhan Linyu ⁽⁵⁾	441,309	1,383
Haoming Yu ⁽¹⁾	470,765	—
Ronghua Gu ⁽¹⁾	470,765	—
Rui Zhou ⁽¹⁾	176,573	—
Subtotal of amount due to related parties-current	11,505,642	5,146,331
Wuhan Tourism&Sports Group ⁽³⁾	1,418,711	626,906
Subtotal of amount due to related parties-non-current	1,418,711	626,906
Total	\$12,924,353	\$5,773,237

- (1) The balances represented interest-free loan from related parties for daily operations, which were due on demand.
- (2) The balances represented the service fee for Mario Yau Kwan Ho who provided services to the reality show that hosted by the customers.
- (3) The balances represented the advertising proceeds that the Group received from the related party, which the service was not provided by the Group as of December 31, 2021 and 2022.
- (4) On July 31, 2021, Shenzhen VF received investment fund of RMB 10,000,000 by cash from Shenzhen Media. On November 29, 2021, the Company issued 704,930 of Class-A Preferred Shares to Shenzhen Media in exchange of \$1,560,476 (approximately equivalent to RMB 10,000,000), then Shenzhen Media injected the investment fund by cash directly to the Company. Shenzhen Media only means to invest \$1,560,476 (approximately equivalent to RMB 10,000,000) to the Company for Class-A Preferred Shares, as a result, Shenzhen VF shall return the duplicate fund of RMB 10,000,000 to Shenzhen Media. The Company recorded the fund to be repaid of RMB 10,000,000 (\$1,569,218 at year end exchange rate) as amounts due to related party on consolidated balance sheets as of December 31, 2021. On January 25, 2022, Shenzhen VF fully repaid the RMB 10,000,000 to Shenzhen Media.
- As of December 31, 2022, the balance represented government subsidies the Group received and should pay to the related party. On April 2021, the Group entered into a cooperation agreement with the related party and agreed to allocate 60% of the government subsidies received to the related party.
- (5) The balances as of December 31, 2021 represented the accrued interest of Wuhan ESVF's loan from this related party and the unpaid service fee for the landscaping services provided by the related party. The principle of the loan from this related party had converted into preferred share in May 2020 before Reverse Acquisition and the Group had paid all the accrued interest in June 2022.

The balances as of December 31, 2022 represented the deposit of landscaping services provided by the related party.

The following is a list of related parties which the Group has major transactions with:

Related party transactions

Nature	For the years ended December 31,	
	2021	2022
<i>Xingjing Culture Media</i>		
Loan from Xingjing Culture Media	7,621,574	6,657,750
Loan repayment to Xingjing Culture Media	13,587,039	9,912,320

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18. RELATED PARTY TRANSACTIONS — (continued)

Nature	For the years ended December 31,	
	2021	2022
Mario Yau Kwan Ho		
Loan to Mario Yau Kwan Ho	310,039	—
Collection of loan to Mario Yau Kwan Ho	—	297,221
Reality show service provided by Mario Yau Kwan Ho	337,943	—
Wuhan Douyu		
Talent management service ⁽¹⁾	202,640	—
Wuhan Ouyue		
Talent management service ⁽¹⁾	12,001,910	33,693,743
Wuhan Tourism&Sports Group		
Advertising proceeds from Wuhan Tourism&Sports Group	2,325,293	—
VAT prepayment	131,620	—
Advertising services provided by the Group	60,935	700,993
Shenzhen Media		
Sponsorships and advertising services provided by the Group ⁽²⁾	465,059	445,831
Rental expense ⁽²⁾	669,684	641,997
Event production service provided by Shenzhen Media	—	15,307
Government subsidies that should be distributed to Shenzhen Media ⁽³⁾	—	445,831
Capital injection to be refunded in Reorganization	1,550,195	—
Repayment of capital injection	—	1,486,105
Tianjin LLP		
Loan to Tianjin LLP	155	149
Hainan Xingjing		
Loan to Hainan Xingjing	13,952	—
Collection of loan to Hainan Xingjing	—	53,500
Liwei Sun		
Repayment of the loan from Liwei Sun	324,983	—
Loan to Liwei Sun	159,531	—
Collection of loan to Liwei Sun	—	113,721
Compensatory payment for the Group's indebtedness ⁽⁴⁾	620,078	—
Lei Zhang		
Advance for the Group's operations	23,253	—
Reimbursement for operating expenses	185,970	—
Rui Zhou		
Advance for the Group's operations	66,782	—
Reimbursement for operating expenses	30,716	167,221

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18. RELATED PARTY TRANSACTIONS — (continued)

Nature	For the years ended December 31,	
	2021	2022
<i>Haoming Yu</i>		
Loan from Haoming Yu	465,059	445,831
Repayment of loan from Haoming Yu	—	891,663
Advance to Haoming Yu for the Group's operations	294,886	609,637
Reimbursement for operating expenses	279,035	624,833
<i>Ronghua Gu</i>		
Loan from Ronghua Gu	465,059	445,831
Repayment of loan from Ronghua Gu	—	891,663
Advance to Ronghua Gu for the Group's operations	9,441,317	1,854,082
Reimbursement for talent management service's operating expenses	9,059,492	2,220,121
<i>Wuhan Linyu Ecological Group Co., Ltd.</i>		
Services provided by Wuhan Linyu Ecological Group Co., Ltd.	49,320	3,812
Interest expenses paid to Wuhan Linyu Ecological Group Co., Ltd.	—	416,517

- (1) These transactions between the Group and these related parties were related to the talent management service provided by the Group.
- (2) The Group provided sponsorships and advertising services for this related party in exchange for the use of stadium and dormitories owned by it. Sponsorships and advertising services provided were recorded as revenue, while rental expense was recorded as cost of revenue and general and administrative expenses. Among which, the cost of revenue for the years ended December 31, 2021 and 2022 were \$465,059 and \$461,138, respectively.
- (3) The Group entered into a cooperation agreement with the related party and agreed to allocate 60% of the government subsidies received to the related party.
- (4) This related party agreed to undertake the Group's indebtedness of \$620,078 to a third party.

19. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially expose the Group to concentrations of credit risk consist primarily of accounts receivable. The Group conducts credit evaluations of its customers, and generally does not require collateral or other security from them. The Group evaluates its collection experience and long outstanding balances to determine the need for an allowance for doubtful accounts. The Group conducts periodic reviews of the financial condition and payment practices of its customers to minimize collection risk on accounts receivable.

The following table sets forth a summary of single customers who represent 10% or more of the Group's total revenue:

Percentage of the Group's revenue	For the years ended December 31,	
	2021	2022
Customer A	38%	51%
Total	38%	51%

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19. CONCENTRATION OF CREDIT RISK— (continued)

The following table sets forth a summary of single customers who represent 10% or more of the Group's total accounts receivable:

	As of December 31,	
	2021	2022
Percentage of the Group's accounts receivable		
Customer B	*	28%
Customer C	*	21%
Customer D	35%	13%
Customer E	12%	*
Customer F	11%	*
Total	58%	62%

* represent percentage less than 10%

20. COMMITMENTS AND CONTINGENCIES**Contingencies**

In the ordinary course of business, the Group may be subject to legal proceedings regarding contractual and employment relationships and a variety of other matters. The Group records contingent liabilities resulting from such claims, when a loss is assessed to be probable and the amount of the loss is reasonably estimable. In the opinion of management, there were no pending or threatened claims and litigation as of December 31, 2022 and through the issuance date of these consolidated financial statements.

The COVID-19 pandemic has negatively impacted the global economy, disrupted consumer spending and global supply chains, and created significant volatility and disruption of financial markets. Although recently, China has substantially lifted COVID-19 restrictions, the resurgence of virus within China remains strong. The Group expect that the operations will continue to be adversely impacted by COVID-19 and its repercussions, including but not limited to governmental regulations on capacity limitations of certain enclosed venues, suggested quarantining or social distancing policies, as well as temporary lockdowns in certain areas due to COVID-19 outbreak. In addition, the difficulty in international travels, and the reduced amount of international dialogues between companies or markets across the world due to imposed travel restrictions, lockdowns, quarantines might temporarily slow us in the speed of global expansion and commercialization. The economy downturn partially induced by COVID-19 may also substantially reduce the will of spending of the viewers and consumer, and thereby restrict the monetization abilities, and therefore result in unsatisfactory performance of our business, financial conditions and results of operations.

The Group's management of the impact of the COVID-19 pandemic has required, and may continue to require, significant investment of time by management and employees. The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of the COVID-19 pandemic and the resulting governmental and other measures. The foregoing and other impacts of the COVID-19 pandemic could have the effect of heightening many of the other risks described in this prospectus, and any of these impacts could materially adversely affect our business, financial condition and results of operations.

21. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY

The condensed financial information of the parent company, the Company, has been prepared using the same accounting policies as set out in the Group's consolidated financial statements except that the parent company has used equity method to account for its investment in its subsidiaries.

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21. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY — (continued)

The Company and its subsidiaries are included in the consolidated financial statements where the inter-company balances and transactions are eliminated upon consolidation. For the purpose of the Company's stand-alone financial statements, its investments in subsidiaries are reported using the equity method of accounting. The Company's share of losses from its subsidiaries is reported as loss from subsidiaries in the accompanying condensed financial information of parent company.

The Company did not have significant capital and other commitments, long-term obligations, or guarantees as of December 31, 2021 and 2022.

Parent Company Balance Sheets

	As of December 31,	
	2021	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 322,508	\$ 7,058,778
Amounts due from VIE	—	5,000,000
Amounts due from subsidiary	—	322,080
Shareholder investment fund receivable (Note 13)	—	2,999,845
Deferred offering costs	—	221,000
Other receivables	80	51,500
Total current assets	322,588	15,653,203
Non-current Assets		
Investment in subsidiaries	81,917,609	69,667,459
Total non-current assets	81,917,609	69,667,459
Total Assets	\$82,240,197	\$ 85,320,662
Accrued expenses and other liabilities	24,757	863,925
Current Liabilities	24,757	863,925
Total liabilities	\$ 24,757	\$ 863,925
Mezzanine equity:		
Class A redeemable preferred shares (US\$0.0001 par value; 23,366,775 and 23,366,775 shares authorized as of December 31, 2021 and 2022, respectively, 23,366,775 and 23,366,775 issued and outstanding as of December 31, 2021 and 2022, respectively*)	80,052,562	97,400,393
Class B redeemable preferred shares (US\$0.0001 par value; nil and 8,126,477 shares authorized as of December 31, 2021 and 2022, respectively, nil and 2,547,488 issued and outstanding as of December 31, 2021 and 2022, respectively*)	—	16,062,314
Total mezzanine equity	80,052,562	113,462,707

NIP GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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21. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY — (continued)

	As of December 31,	
	2021	2022
Equity (deficit)		
Ordinary Shares (US\$0.0001 par value; 476,633,225 and 468,506,748 shares authorized as of December 31, 2021 and 2022, respectively, 28,334,164 and 31,844,802 issued and outstanding as of December 31, 2021 and 2022, respectively*)	2,751	3,102
Subscription receivable	(593)	(944)
Additional paid-in capital	16,765,259	—
Accumulated deficit	(14,598,668)	(29,180,243)
Accumulated other comprehensive loss	(5,871)	172,115
Total equity (deficit) attributable to the shareholders of NIP Group Inc.	2,162,878	(29,005,970)
Total liabilities, mezzanine equity and equity (deficit)	\$ 82,240,197	\$ 85,320,662

Parent Company Statements of Operations and Comprehensive Loss

	For the years ended December 31,	
	2021	2022
Loss from operations:		
Financial (expenses)/income	\$ (46)	\$ 69,589
General and administrative expenses	(24,757)	(348,043)
Equity in loss of subsidiaries	(7,975,171)	(5,937,227)
Net loss	(7,999,974)	(6,215,681)
Total comprehensive loss	\$(7,726,545)	\$(6,037,695)

Parent Company Statements of Cash Flows

	For the years ended December 31,	
	2021	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(7,999,974)	\$(6,215,681)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Equity in loss of subsidiaries	7,975,171	5,937,227
Change in operating assets and liabilities:		
Amounts due from VIE's subsidiary	—	(5,000,000)
Amounts due from subsidiary	—	(322,080)
Shareholder investment fund receivable (Note 13)	—	—
Deferred offering costs	—	—
Other receivables	(80)	(62,082)
Prepaid expenses and other current assets, net	24,757	391,208
Net cash used in operating activities	(126)	(5,271,408)

NIP GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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21. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY — (continued)

	For the years ended December 31,	
	2021	2022
Investment in equity investees	(1,240,000)	—
Net cash used in investing activities	(1,240,000)	—
Issuance of preferred shares	1,560,476	12,007,678
Collection of subscription receivable	2,158	—
Net cash provided by financing activities	1,562,634	12,007,678
Net increase in cash and cash equivalents	322,508	6,736,270
Cash and cash equivalents, at beginning of year	—	322,508
Cash and cash equivalents, at end of year	\$ 322,508	\$ 7,058,778

22. SUBSEQUENT EVENTS

The Group has evaluated subsequent events through the date of issuance of the consolidated financial statements, except for the events mentioned below the Group did not identify any subsequent events with material financial impact on the Group's consolidated financial statements.

Acquisition of NIP

On January 10, 2023, the Group completed an acquisition through a series of agreements with the shareholders of Ninjas in Pyjamas Gaming AB ("NIP"), a limited liability company incorporated under the laws of Sweden and engages in esports business. The Group issued to original NIP shareholders 40,705,418 Class B-1 Preferred Shares in exchange of 100% shares in NIP. Upon the consummation of the acquisition, 40,705,418 shares shall constitute 40% of the total issued shares of the Group, assuming the full exercise of the shares and calculation on a fully diluted and as-converted basis. The Group is in the process of evaluating the financial effect of the acquisition.

NINJAS IN PYJAMAS GAMING AB
INDEX TO FINANCIAL STATEMENTS ⁽¹⁾

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- (1) The financial statements of Ninjas in Pyjamas Gaming AB are required to be filed under Rule 3-05 of Regulation S-X as Ninjas in Pyjamas Gaming AB is a material acquired entity.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors
of Ninjas In Pyjamas Gaming AB

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Ninjas In Pyjamas Gaming AB (the “Company”) as of December 31, 2021 and 2022, and the related statements of income and comprehensive income (loss), changes in equity and cash flows for each of the two years in the period ended December 31, 2022, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company, as of December 31, 2021 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Marcum Asia CPAs LLP

Marcum Asia CPAs LLP

We have served as the Company’s auditor since 2022.
Beijing, China
June 5, 2023

NINJAS IN PYJAMAS GAMING AB

BALANCE SHEETS

(In U.S. dollars, except for share and per share data, or otherwise noted)

	As of December 31,	
	2021	2022
ASSETS		
Cash and cash equivalents	\$1,631,203	\$1,720,731
Accounts receivable, net	2,716,576	1,878,816
Prepaid expenses and other current assets	434,869	324,741
Total current assets	4,782,648	3,924,288
Property and equipment, net	99,167	61,583
Intangible assets, net	556,964	771,253
Right-of-use assets	—	549,203
Total non-current assets	656,131	1,382,039
Total assets	\$5,438,779	\$5,306,327
LIABILITIES		
Deferred revenue	586,374	605,497
Accounts payable	920,789	654,708
Income tax payable	35,333	171,301
Lease liabilities, current	—	187,518
Accrued expenses and other current liabilities	749,404	376,463
Total current liabilities	2,291,900	1,995,487
Lease liabilities, non-current	—	327,852
Total non-current liabilities	—	327,852
Total liabilities	\$2,291,900	\$2,323,339
SHAREHOLDERS' EQUITY		
Ordinary shares (US\$0.0490 par value; 6,400,000 shares authorized as of December 31, 2021 and 2022; 1,732,720 shares issued and outstanding as of December 31, 2021 and 2022)	84,900	84,900
Additional paid-in capital	3,817,442	3,817,442
Accumulated deficit	(458,685)	(202,126)
Accumulated other comprehensive loss	(296,778)	(717,228)
Total shareholders' equity	3,146,879	2,982,988
Total liabilities and shareholders' equity	\$5,438,779	\$5,306,327

The accompanying notes are an integral part of these financial statements.

NINJAS IN PYJAMAS GAMING AB
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)
(In U.S. dollars, except for share and per share data, or otherwise noted)

	For the years ended December 31,	
	2021	2022
Net revenue	\$ 9,398,340	\$ 7,372,837
Cost of revenue	(3,963,378)	(3,656,848)
Gross profit	5,434,962	3,715,989
Operating expenses		
Selling and marketing expenses	(1,821,982)	(1,712,535)
General and administrative expenses	(1,541,433)	(1,495,070)
Total operating expenses	(3,363,415)	(3,207,605)
Income from operation	2,071,547	508,384
Other income/(expenses), net		
Financial income/(expenses), net	47,776	(94,533)
Other income/(expenses), net	22,777	(12,447)
Total other income/(expenses), net	70,553	(106,980)
Income before income tax expense	2,142,100	401,404
Income tax expenses	(466,358)	(144,845)
Net income	\$ 1,675,742	\$ 256,559
Other comprehensive loss:		
Foreign currency translation adjustments, net of nil tax	(248,030)	(420,450)
Total other comprehensive loss	(248,030)	(420,450)
Total comprehensive income/(loss)	\$ 1,427,712	\$ (163,891)

The accompanying notes are an integral part of these financial statements.

NINJAS IN PYJAMAS GAMING AB
STATEMENTS OF CHANGES IN EQUITY
(In U.S. dollars, except for share and per share data, or otherwise noted)

	Ordinary shares		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Total Company's equity
	Share	Amount				
Balance as of December 31, 2020 (unaudited)	<u>1,706,215</u>	<u>\$83,602</u>	<u>\$3,850,620</u>	<u>\$(2,134,427)</u>	<u>\$ (48,748)</u>	<u>\$1,751,047</u>
Contribution from shareholders	48,505	2,376	344	—	—	2,720
Withdrawal of capital contribution	(22,000)	(1,078)	(33,522)	—	—	(34,600)
Net income	—	—	—	1,675,742	—	1,675,742
Foreign currency translation adjustments	—	—	—	—	(248,030)	(248,030)
Balance as of December 31, 2021	<u>1,732,720</u>	<u>\$84,900</u>	<u>\$3,817,442</u>	<u>\$ (458,685)</u>	<u>\$ (296,778)</u>	<u>\$3,146,879</u>
Net income	—	—	—	256,559	—	256,559
Foreign currency translation adjustments	—	—	—	—	(420,450)	(420,450)
Balance as of December 31, 2022	<u>1,732,720</u>	<u>\$84,900</u>	<u>\$3,817,442</u>	<u>\$ (202,126)</u>	<u>\$ (717,228)</u>	<u>\$2,982,988</u>

The accompanying notes are an integral part of these financial statements.

NINJAS IN PYJAMAS GAMING AB
STATEMENTS OF CASH FLOWS
(In U.S. dollars, except for share and per share data, or otherwise noted)

	For the years ended December 31,	
	2021	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,675,742	\$ 256,559
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Allowance for doubtful accounts	10,466	8,992
Depreciation and amortization	246,917	427,645
Amortization of right-of-use asset	—	31,526
Gain on disposal of intangible assets	(127,112)	(445,790)
Deferred tax benefit	429,096	—
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable, net	(2,120,764)	492,476
Prepaid expenses and other current assets	(129,053)	48,994
Accounts payable	680,126	(149,634)
Deferred revenue	618,395	98,965
Income tax payable	37,262	144,845
Lease liabilities	—	(66,379)
Accrued expenses and other current liabilities	458,398	(282,883)
Net cash provided by operating activities	\$ 1,779,473	\$ 565,316
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	(733,572)	(1,060,170)
Proceeds from disposal of intangible asset	178,937	807,586
Net cash used in investing activities	\$ (554,635)	\$ (252,584)
CASH FLOWS FORM FINANCING ACTIVITIES		
Contribution from shareholders	2,720	—
Withdrawal of capital contribution	(34,600)	—
Net cash used in financing activities	\$ (31,880)	\$ —
Effect of exchange rate changes	(113,307)	(223,204)
Net increase in cash and cash equivalents	1,079,651	89,528
Cash and cash equivalents at the beginning of the year	551,552	1,631,203
Cash and cash equivalents at the end of the year	\$ 1,631,203	\$ 1,720,731
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Income tax paid	—	—
Interest expense paid	—	—
SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITIES:		
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	—	549,203

The accompanying notes are an integral part of these financial statements.

NINJAS IN PYJAMAS GAMING AB
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2022
(In U.S. dollars, except share and per share data)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Ninjas in Pyjamas Gaming AB (“NIP”) was established under the laws of Sweden in January, 2014. NIP was a private company and primarily engages in E-sports club operation, as well as production and sales of clothing and computer accessories in Stockholm, Sweden. NIP is recognized as one of the most renowned professional electronic sports brands in the world, most notably known for its history in the game of Counter-Strike.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

(b) Use of estimates

The preparation of the financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related disclosures of contingent assets and liabilities at the balance sheet date, and the reported revenues and expenses during the reported periods in the financial statements and accompanying notes. Significant accounting estimates include, but not limited to, allowance for doubtful accounts, depreciable lives and recoverability of property and equipment and intangible assets. Changes in facts and circumstances may result in revised estimates. Actual results could differ from those estimates, and as such, differences may be material to the financial statements.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash in bank and highly liquid investments which are unrestricted as to withdrawal and use and have original maturities of less than three months.

(d) Accounts receivable

Accounts receivable are stated at the original amount less an allowance for doubtful receivables. Accounts receivable are recognized in the period when NIP has provided services to its customers and when its right to consideration is unconditional. NIP reviews the accounts receivable on a periodic basis and makes general and specific allowances when there is doubt as to the collectability of individual balances. NIP considers factors in assessing the collectability of its receivables, such as the age of the amounts due, the customer’s payment history, credit-worthiness and other specific circumstances related to the accounts. An allowance for doubtful accounts is recorded in the period in which a loss is determined to be probable. Accounts receivable balances are written off after all collection efforts have been exhausted.

(e) Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation and impairment, if any, and depreciated on a straight-line basis over the estimated useful lives of the assets. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its intended use. Estimated useful lives are as follows:

Category	Estimated useful lives
Leasehold improvement	Shorter of the lease term or the estimated useful life of the assets
Electronic equipment	5 years

NINJAS IN PYJAMAS GAMING AB
NOTES TO FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (continued)

Repair and maintenance costs are charged to expenses as incurred, whereas the cost of renewals and betterment that extends the useful lives of property and equipment are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the costs, accumulated depreciation and impairment with any resulting gain or loss recognized in the statements of income.

(f) Intangible assets, net

Intangible assets with finite useful lives are carried at cost less accumulated amortization and any recorded impairment. Estimated useful lives by intangible asset classes are as follows:

Category	Estimated useful lives
Talent acquisition costs	2 – 3 years

The estimated useful lives of intangible assets with finite lives are reassessed if circumstances occur that indicate the original estimated useful lives may have changed.

NIP capitalizes costs associated with the acquisition of e-players and amortizes these costs straight-line over their estimated useful lives, which reflect the contractual term of the associated player agreement.

(g) Impairment of long-lived assets

NIP reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. NIP measures the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. Should the sum of the expected future net cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized for the amount by which the carrying value of the asset exceeds its fair value. The evaluation of asset impairment requires NIP to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. NIP did not record any impairment charge for the years ended December 31, 2021 and 2022.

(h) Revenue recognition

On January 1, 2020, NIP adopted Accounting Standards Codification (“ASC”) 606 using the modified retrospective approach.

NIP recognizes revenue under Accounting Standards Codification (“ASC”) 606, Revenue from Contracts with Customers. The core principle of the new revenue standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

- Step 1: Identify the contract with the customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when the company satisfies a performance obligation

These criteria as they relate to each of the following major revenue generating activities are described below. Net revenue is presented net of value added taxes (“VAT”).

NINJAS IN PYJAMAS GAMING AB
NOTES TO FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (continued)

	For the years ended December 31,			
	2021		2022	
	Amount	%	Amount	%
Over time:				
E-sports club operation				
Tournament participation of E-sports	\$3,684,888	39%	\$2,398,462	33%
Sponsorships and advertising	1,772,378	19%	2,414,825	33%
IP licensing	3,659,761	39%	1,722,462	23%
Point time:				
E-sports club operation				
Player transfer fee	178,937	2%	807,586	11%
Sales of merchandise	102,376	1%	29,502	0%
Total net revenue	\$9,398,340	100%	\$7,372,837	100%

E-sports club operation

Tournament participation of esports

NIP enters into participation agreement with esports event organizer, to become a member team for the league and participate in esports tournaments such as Counter-Strike: Global Offensive (“CS:GO”), Rainbow Six: Siege, Valorant and FIFA.

NIP’s promises to esports event organizers consist of: 1) participating in esports tournaments in accordance with rules; 2) managing and operating the team and esports club in a professional manner; 3) ensuring all the applicable team personnel comply with the competition policies; 4) undertaking and performing the team promotion obligation as required in the agreement. All the promises are not separately identifiable within the context of the contract, and are served for the commitment to give esports event organizers the best opportunity to promote the league or tournament, and generate the highest level of revenue for the league or the tournament. Therefore, NIP identifies one performance obligation in the contract with esports event organizers.

The transaction price consists of two parts: 1) League revenue share earned through esports event is periodically allocated to member teams, which includes fixed consideration promised with minimum guarantee and variable consideration based on the team’s performance matrix. 2) Prize money is distributed to eligible teams in accordance with the tournament won, which will be received at the end of each tournament season.

Variable consideration is mainly determined by two factors: 1) the amount of prize pool collected by esports event organizer during each tournament season and the proportion allocated to the team as agreed; 2) the ranking and of NIP’s team in each tournament season. No amount of variable consideration in the transaction price should be recognized until the uncertainty is resolved, because it is not probable that a significant reversal of cumulative revenue recognized will not occur resulting from a change in estimate of the consideration received upon finalized prize pool, the team’s allocated proportion of revenue share and ranking.

Esports event organizer simultaneously receives and consumes the benefits provided by NIP’s performance over the contract period, hence, NIP satisfies the performance obligation to esports event

NINJAS IN PYJAMAS GAMING AB
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2022
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES —(continued)

organizer over the contract period. Furthermore, the main cost to operate an esports club is the salaries or contract consideration paid to players. Thus, NIP uses input method to measure progress, and recognizes revenues overtime on a straight-line basis during the tournament season.

Sponsorships and advertising

NIP enters into sponsorship contract with customer, to promote and publicize the customer's products, services or brands through a full range of promotional channels, including but not limited to livestream announcements, content generation, social media posts, and e-players to participate in the recording of advertising videos as customer spokesmen. In most sponsorship contracts, NIP identifies one performance obligation as the intended benefit is an association with NIP's brand and the services are not distinct within the context of the contracts. Certain contracts with customers may include multiple performance obligations when the promises are separately identifiable with one another and are indicated with standalone selling price. For such arrangements, NIP allocates transaction price to each performance obligation based on its relative standalone selling price. NIP generally determines the standalone selling prices based on the prices charged to customers.

For general promotion activities, because customer simultaneously receives and consumes the benefits from exposure of the brand as NIP diligently performs various promotion activities, revenues from sponsorship agreements are recognized ratably over the entire contract term. For extra promotion activities distinctly identified as a separate PO, revenues are recognized upon completion of such activities or service deliverables.

The service consideration is the contract amount as agreed in the contract. The contract payment is not subject to any variable consideration or subsequent adjustment. In instances where the timing of revenue recognition differs from the timing of billing, NIP has determined the brand sponsorship agreements generally do not include a significant financing component.

IP licensing

NIP enters into contract with customer, and grants the customer a right-to-access license of NIP's intellectual property ("IP") in selling digital goods such as game props, skins or stickers. The form of IP does not have stand-alone functionality associated with NIP's brand, and the utility of IP is significantly derived from the NIP's past or ongoing activities undertaken to maintain or support the IP. NIP identifies one performance obligation in each sales order of digital goods, that is, the right-to-access license of symbolic IP. The customer has the right-to-access license of NIP's symbolic IP throughout license period and benefits from it as NIP's ongoing activities will continue to support and maintain the IP's utility. Thus, revenues from IP licensing are recognized ratably over the contract term.

The service consideration is reconciled and settled on a monthly basis. The contract payment is not subject to any variable consideration or subsequent adjustment.

Player transfer fees

NIP enters into contracts with customer, mainly other esports clubs, to transfer NIP's e-players. Player transfer fee is fixed consideration as agreed in the contract. NIP recognizes revenues from player transfer fees at a point of time upon satisfaction of the performance obligation, when the e-player is released from any and all contractual rights and obligations with NIP and any such contractual rights is transferred to the customer.

NINJAS IN PYJAMAS GAMING AB
NOTES TO FINANCIAL STATEMENTS
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(In U.S. dollars, except share and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (continued)

Sales of branded merchandise

NIP also sells brand-related merchandise such as mouse, keyboard, hoodie and etc. at official online store. The transaction price is fixed. NIP recognizes revenues from sales of branded merchandise at a point of time when the merchandise is delivered to the customer in sound condition.

For all the products and services provided, NIP considers itself the principal and recognizes revenue on a gross basis as it controls the transfer of the products and services.

Principal versus Agent considerations

NIP signs contracts with E-players, in which they are obliged to conduct a series of promotion activities as required for the revenue generated from sponsorships and advertising. NIP has evaluated the terms with E-players and considers itself a principal and recognizes revenue on a gross basis in sponsorships and advertising as it controls the services through the following key considerations:

- NIP owns its brand and intellectual property, directs the E-players to conduct a series of promotion activities on NIP's behalf, and assumes primary responsibility for controlling the quality of promotion deliverables.
- As part of NIP's contracts with its E-players, NIP agrees to serve as the E-player's exclusive management company as it relates to any of the work E-players may perform, including content creation and sponsorships and advertising revenue generated from the content. While the E-player owns the content they create under the contract with NIP, the E-player grants NIP an exclusive perpetual license to the content, and NIP grants limited usage rights of that content back to the talent, conditional upon their compliance with the contract.
- NIP has discretion in setting up the price. E-players are only entitled to the monthly salary for their promotion obligation and do not participate in profit share for the revenue from sponsorships and advertising.

Contract Balances

Payment terms are established on NIP's pre-established credit requirements based upon an evaluation of customers' credit. Contract assets are recognized for in related accounts receivable.

Deferred revenue, which representing a contract liability, represents mostly unrecognized revenue amount received from customers. The balance of deferred revenue is recognized as revenue upon the completion of performance obligations. NIP's deferred revenue from sponsorships and advertising amounted to \$586,374 and \$605,497 as of December 31, 2021 and 2022. Revenue recognized in the period that was included in the beginning of the period contracts liability balance were nil and \$586,374, respectively.

Other than accounts receivable and deferred revenue, NIP had no other material contract assets, contract liabilities or deferred contract costs recorded on its balance sheet as of December 31, 2021 and 2022.

Transaction price allocated to remaining performance obligation

Revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized, which includes deferred revenue and amounts that will be invoiced and recognized as revenue in future periods.

As of December 31, 2021 and 2022, the aggregate amount of the transaction price allocated to the remaining performance obligation is \$7,060,635 and \$7,766,805, and NIP will recognize this revenue related to sponsorships and advertising over the remaining contract periods over 1 to 5 years.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (continued)

NIP has elected, as a practical expedient, not to disclose the transaction price allocated to unsatisfied or partially unsatisfied performance obligations that are part of a contract that has an original expected duration of one year or less. These performance obligations are related to the revenue of tournament participation of esports, and sponsorships and advertising.

(i) Cost of revenues

Cost of revenues consists primarily of salaries of E-players, share of prize winnings to E-players, expenditures for sponsorships and marketing deliverables, acquisition cost of E-player, cost of merchandise sold, as well as related costs that are directly attributable to NIP's principal operations.

(j) Value added tax ("VAT")

NIP is subject to VAT on revenue generated from providing goods and services. NIP records revenue net of VAT. This VAT may be offset by qualified input VAT paid by NIP to suppliers. Net VAT balance between input VAT and output VAT is recorded in the line item of other current assets on the balance sheets.

The standard VAT rate is 25% in Sweden, applicable to all the goods and services NIP provides for the years ended December 31, 2021 and 2022. Entities with a Swedish VAT number are allowed to offset qualified input VAT, paid to suppliers against their output VAT liabilities.

(k) Selling and marketing expenses

Selling and marketing expenses mainly consist of (i) advertising and promotion expenses; (ii) staff cost, rental, depreciation and amortization expenses related to selling and marketing functions; and (iii) professional service fees.

(l) General and administrative expenses

General and administrative expenses mainly consist of (i) staff cost, rental, depreciation and amortization expenses related to general and administrative functions; (ii) professional service fees; and (iii) other corporate expenses.

(m) Income taxes

NIP accounts for income taxes under ASC 740. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period including the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities.

The provisions of ASC 740-10-25, "Accounting for Uncertainty in Income Taxes," prescribe a more-likely-than-not threshold for financial statements recognition and measurement of a tax position taken (or expected to be taken) in a tax return. This interpretation also provides guidance on the recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, and related disclosures. NIP as a private company in Sweden are subject to examination by the relevant tax authorities.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES —(continued)

Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. NIP did not accrue any liability, interest or penalties related to uncertain tax positions in its provision for income taxes line of its statements of income for the years ended December 31, 2021 and 2022.

NIP does not expect that its assessment regarding unrecognized tax positions will materially change over the next 12 months.

(n) Operating lease

On January 1, 2022, NIP adopted Accounting Standards Update (“ASU”) 2016-02, Lease (FASB ASC Topic 842), using the non-comparative transition option pursuant to ASU 2018-11. Therefore, NIP has not restated comparative period financial information for the effects of ASC 842, and will not make the new required lease disclosures for comparative periods beginning before January 1, 2022. The adoption of Topic 842 resulted in the presentation of operating lease right-of-use (“ROU”) assets and operating lease liabilities on the consolidated balance sheet. NIP has elected the package of practical expedients, which allows NIP not to reassess (1) whether any expired or existing contracts as of the adoption date are or contain a lease; (2) lease classification for any expired or existing leases as of the adoption date; and (3) initial direct costs for any expired or existing leases as of the adoption date. Lastly, NIP elected the short-term lease exemption for all contracts with lease terms of 12 months or less. NIP recognizes lease expense for short-term leases on a straight-line basis over the lease term.

Right-of-use assets represent NIP’s right to use an underlying asset for the lease term and lease liabilities represent NIP’s obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the remaining future minimum lease payments. As the interest rate implicit in NIP’s leases is not readily determinable, NIP utilizes its incremental borrowing rate, determined by class of underlying asset, to discount the lease payments. The operating lease right-of-use assets also include lease payments made before commencement and exclude lease incentives. Some of NIP’s lease agreements contained renewal options; however, NIP did not recognize right-of-use assets or lease liabilities for renewal periods unless it was determined that NIP was reasonably certain of renewing the lease at inception or when a triggering event occurred. Lease expense for lease payments is recognized on a straight-line basis over the lease term. NIP’s lease agreements did not contain any material residual value guarantees or material restrictive covenants.

(o) Foreign currency transactions and translations

NIP’s principal country of operations is Sweden. The financial position and results of its operations are determined using SEK, the local currency, as the functional currency. NIP’s financial statements are reported using U.S. Dollars (“\$”). The results of operations and the statements of cash flows denominated in functional currency is translated at the average rate of exchange during the reporting period. Assets and liabilities denominated in functional currencies at the balance sheet date are translated at the applicable rates of exchange in effect at that date. The equity denominated in the functional currency is translated at the historical rate of exchange at the time of capital contribution. Because cash flows are translated based on the average translation rate, amounts related to assets and liabilities reported on the statement of cash flows will not necessarily agree with changes in the corresponding balances on the balance sheet. Translation adjustments arising from the use of different exchange rates from period to period are included as a separate component of accumulated other comprehensive income (loss) included in statement of changes in equity. Gains and losses from foreign currency transactions are included in the results of operations.

The value of SEK against \$ and other currencies may fluctuate and is affected by, among other things, changes in the Swedish political and economic conditions. Any significant revaluation of SEK may materially

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES —(continued)

affect NIP's financial condition in terms of \$ reporting. The following table outlines the currency exchange rates that were used in creating the financial statements:

	<u>As of December 31,</u>	
	<u>2021</u>	<u>2022</u>
Balance sheet items, except for equity accounts	9.0498	10.4167
	<u>For the Years Ended</u> <u>December 31,</u>	
	<u>2021</u>	<u>2022</u>
Items in the statements of income and comprehensive income (loss), and statements of cash flows	8.5812	10.1118

No representation is made that the SEK amounts could have been, or could be, converted into U.S. dollars at the rates used in translation.

(p) Foreign currency exchange rate risk

For SEK against U.S. dollar, there was depreciation of approximately 10.2% and 15.1% during the years ended December 31, 2021 and 2022. It is difficult to predict how market forces or European Union or U.S. government policy may impact the exchange rate between the SEK and the U.S. dollar in the future.

To the extent that NIP needs to convert U.S. dollar into SEK for capital expenditures and working capital and other business purposes, appreciation of SEK against the U.S. dollar would have an adverse effect on the SEK amount NIP would receive from the conversion. Conversely, if NIP decides to convert SEK into U.S. dollar for the purpose of making payments for working capital, dividends on ordinary shares, strategic acquisitions or investments or other business purposes, appreciation of U.S. dollar against SEK would have a negative effect on the U.S. dollar amount available to NIP. In addition, a significant depreciation of the SEK against the U.S. dollar may significantly reduce the U.S. dollar equivalent of NIP's earnings or losses.

(q) Segment reporting

NIP uses the management approach in determining its operating segments. NIP's chief operating decision maker ("CODM") identified as NIP's Chief Executive Officer, relies upon the results of operations as a whole when making decisions about allocating resources and assessing the performance of NIP. As a result of the assessment made by CODM, NIP has only one reportable segment. NIP does not distinguish between markets or segments for the purpose of internal reporting. As NIP's long-lived assets are substantially located in Sweden, no geographical segments are presented.

(r) Recent accounting pronouncements

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments — Credit Losses", which will require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Subsequently, the FASB issued ASU No. 2018-19, Codification Improvements to Topic 326, to clarify that receivables arising from operating leases are within the scope of lease accounting standards. Further, the FASB issued ASU No. 2019-04, ASU 2019-05, ASU 2019-10, ASU 2019-11 and ASU 2020-02 to provide additional guidance on the credit losses standard. For all other entities, the amendments for ASU 2016-13 are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, with

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES —(continued)

early adoption permitted. Adoption of the ASUs is on a modified retrospective basis. NIP will adopt ASU 2016-13 from January 1, 2023. NIP concluded that the adoption did not have a material impact on its consolidated financial statements.

In November 2021, the FASB issued ASU 2021-10, Disclosures by Business Entities about Government Assistance (Topic 832). The amendment requires a business entity to provide certain disclosures when it has entered into a legally enforceable agreement with a government to receive value, and accounts for the transaction using a grant or contribution accounting model by analogy. ASU 2021-10 is effective for fiscal years beginning after December 15, 2021 for all business entities. NIP concluded that the adoption did not have a material impact on its consolidated financial statements.

Other accounting standards that have been issued by FASB that do not require adoption until a future date are not expected to have a material impact on the financial statements upon adoption. NIP does not discuss recent standards that are not anticipated to have an impact on or are unrelated to its financial condition, results of operations, cash flows or disclosures.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	As of December 31,	
	2021	2022
Accounts receivable	\$2,956,256	\$2,090,269
Allowance for doubtful accounts	(239,680)	(211,453)
Accounts receivable, net	<u>\$2,716,576</u>	<u>\$1,878,816</u>

Bad debt expense recorded in allowance for doubtful accounts for was \$10,466 and \$3,321 for the years ended December 31, 2021 and 2022.

4. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	As of December 31,	
	2021	2022
VAT prepayment	\$249,510	\$186,996
Prepaid rental expenses	86,654	53,663
Advance to suppliers	84,912	51,291
Inventories	8,937	13,054
Others	4,856	19,737
Prepaid expenses and other current assets	<u>\$434,869</u>	<u>\$324,741</u>

Bad debt expense recorded in write-off of the uncollectible balance was nil and \$5,671 for the years ended December 31, 2021 and 2022.

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5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following:

	As of December 31,	
	2021	2022
Leasehold improvement	\$ 134,866	\$ 117,168
Electronic equipment	6,542	5,683
Subtotal	141,408	122,851
Less: accumulated depreciation	42,241	61,268
Property and equipment, net	\$ 99,167	\$ 61,583

Depreciation expense was \$29,826 and \$25,311 for the years ended December 31, 2021 and 2022.

6. INTANGIBLE ASSETS, NET

Intangible assets, net, consists of the following:

	As of December 31,	
	2021	2022
Talent acquisition costs	\$730,251	1,060,612
Less: accumulated amortization	173,287	289,359
Intangible Assets, net	\$556,964	771,253

Amortization expense was \$217,091 and \$402,334 for the years ended December 31, 2021 and 2022. Gain on transfer of a E-player was \$127,112 and \$445,790 and proceeds from transfer of a E-player was \$178,937 and \$807,586 for the years ended December 31, 2021 and 2022.

The following is a schedule, by fiscal years, of amortization amount of intangible asset as of December 31, 2022.

For the years ending December 31,	Amount
2023	\$390,487
2024	342,315
2025	38,451
Thereafter	—
Total	\$771,253

7. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

	As of December 31,	
	2021	2022
Payroll payable	\$ 129,018	\$ 155,443
Accrued expenses ⁽¹⁾	620,386	221,020
Accrued expenses and other liabilities	\$749,404	\$376,463

(1) Accrued expenses mainly consisted of supplier payables for professional services, catering reception, and rent.

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8. LEASES

NIP leases offices space under non-cancellable operating leases. NIP considers those renewal or termination options that are reasonably certain to be exercised in the determination of the lease term and initial measurement of right-of-use assets and lease liabilities.

NIP determines whether a contract is or contains a lease at inception of the contract and whether that lease meets the classification criteria of a finance or operating lease.

As of December 31, 2022, NIP had no long-term leases that were classified as a financing lease, and NIP's lease contracts only contain fixed lease payments and do not contain any residual value guarantee. NIP's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

A summary of lease expense recognized in NIP's statements of income and comprehensive income (loss) is as follows:

	For the years ended December 31,	
	2021	2022
Operating leases expense excluding short-term lease expense	\$ —	\$ 34,853
Short-term lease expense	336,900	256,897
Total	<u>\$336,900</u>	<u>\$291,750</u>

NIP's lease agreements do not have a discount rate that is readily determinable. The incremental borrowing rate is determined at lease commencement or lease modification and represents the rate of interest NIP would have to pay to borrow on a collateralized basis over a similar term and an amount equal to the lease payments in a similar economic environment.

Cash paid for amounts included in the measurement of lease liabilities was \$67,763 for the year ended December 31, 2022. Right-of-use assets obtained in exchange for new lease liabilities was \$579,806 for the year ended December 31, 2022.

As of December 31, 2022, the weighted average remaining lease term was 2.8 years, and the weighted average discount rate was 3.60% for NIP's operating leases.

The following is a schedule of future minimum payments under NIP's operating leases as of December 31, 2022:

For the years ended December 31,	Lease payment
2023	\$202,997
2024	202,997
2025	169,164
Total lease payments	<u>575,158</u>
Less: imputed interest	59,788
Total	<u>\$515,370</u>
Less: current portion	187,518
Non-current portion	<u>\$327,852</u>

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9. TAXATION

Sweden

Generally, NIP is considered Sweden resident enterprises under Sweden tax law, and is subject to enterprise income tax on their worldwide taxable income as determined under Sweden tax laws. The applicable statutory income tax rate for the years ended December 31, 2021 and 2022 is 20.6%, unless otherwise specified.

The income tax provision consists of the following components:

	For the years ended December 31,	
	2021	2022
Current income tax expenses	\$ 37,263	\$144,845
Deferred income tax expenses	429,095	—
Total income tax expenses	\$466,358	\$144,845

A reconciliation between NIP's actual provision for income taxes and the provision at the Sweden statutory rate is as follows:

	For the years ended December 31,	
	2021	2022
Income before income tax expenses	\$2,142,100	\$401,404
Income tax expenses at the Sweden statutory rate	441,273	82,689
Tax effect of non-deductible staff representation	—	16,266
Tax effect of other non-deductible expenses	8,656	3,479
Tax effect of undeclared expenses*	16,429	42,411
Total income tax expenses	\$ 466,358	\$144,845

* These items are mainly due to non-includable US GAAP adjustment

Movement of deferred tax assets for the year ended December 31, 2021 is as follow:

	For the years ended December 31,	
	2021	2022
Balance as of December 31, 2020	\$ 406,876	
Utilization of net operating loss carryforwards	(174,891)	
Recognition of revenue adjusted for timing difference	(219,481)	
Non-deductible expenses adjusted for timing difference	(34,723)	
Exchange effect	22,219	
Balance as of December 31, 2021	\$ —	
Recognition of revenue adjusted for timing difference	—	
Non-deductible expenses adjusted for timing difference	—	
Balance as of December 31, 2022	\$ —	

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9. TAXATION — (continued)

Net operating loss arising in Sweden will not expire for deduction against future taxable profit. As of December 31, 2021 and 2022, NIP had no balance in deferred tax assets and deferred tax liability.

Uncertain tax positions

NIP evaluates each uncertain tax position (including the potential application of interest and penalties) based on the technical merits, and measure the unrecognized benefits associated with the tax positions. As of December 31, 2022, NIP did not have any significant unrecognized uncertain tax positions. NIP does not believe that its uncertain tax benefits position will materially change over the next twelve months. As of December 31, 2022, income for tax returns for the tax years ended December 31, 2017 through December 31, 2021, remain open for statutory examination.

10. ORDINARY SHARES

In January, 2014, NIP was incorporated as limited liability company with maximum authorized share capital of \$313,600 divided into 6,400,000 shares with par value \$0.0490 each.

NIP presents 1,706,215 ordinary shares as of December 31, 2020. In July, 2021, F0rest Gaming AB withdrew capital contribution of \$34,600 and deregistered 22,000 ordinary shares. In December, 2021, NIP issued 48,505 ordinary shares, and proceeds from shareholders contribution were \$2,720.

NIP presents 1,732,720 ordinary shares as of December 31, 2021 and 2022, out of which, 542,740, 531,520, 498,300, and 160,160 shares are held by Diglife AS, Nyx Ventures AS, Sense Holding AB and other shareholders, respectively, proportional to the shareholders' capital injection.

11. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially expose NIP to concentrations of credit risk consist primarily of accounts receivable. NIP conducts credit evaluations of its customers, and generally does not require collateral or other security from them. NIP evaluates its collection experience and long outstanding balances to determine the need for an allowance for doubtful accounts. NIP conducts periodic reviews of the financial condition and payment practices of its customers to minimize collection risk on accounts receivable.

The following table sets forth a summary of single customers who represent 10% or more of NIP's total revenue:

	For the years ended December 31,	
	2021	2022
Customer A	39%	21%
Customer B	26%	17%
Customer C	*	11%
Total	65%	49%

* Represent percentage less than 10%

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11. CONCENTRATION OF CREDIT RISK—(continued)

The following table sets forth a summary of single customers who represent 10% or more of NIP’s total accounts receivable:

	<u>As of December 31,</u>	
	<u>2021</u>	<u>2022</u>
Customer B	40%	32%
Customer D	23%	28%
Customer E	*	13%
Customer A	15%	11%
Total	<u>78%</u>	<u>84%</u>

* Represent percentage less than 10%

12. SUBSEQUENT EVENTS

In January 10, 2023, NIP entered into a share purchase agreement (the “SPA”) with NIP Group Inc. (“NIP Group”), pursuant to which the shareholders of NIP shall subscribe for 40,705,418 shares of NIP Group in exchange for 100% shares in NIP. Upon the completion, 40,705,418 shares shall constitute 40% of the total issued shares of NIP Group, assuming the full exercise of the shares and calculation on a fully diluted and as-converted basis. NIP is in the process of evaluating the financial effect of this transaction.

NIP has performed an evaluation of subsequent events through [xxx], 2023, which was the date of the issuance of the financial statements, and did not identify any subsequent events with material financial impact on the financial statements other than those discussed in above.

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PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 6. Indemnification of Directors and Officers

[Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime.]

The post-offering memorandum and articles of association that we expect to adopt and to become effective immediately prior to the completion of this offering provide that we shall indemnify our directors and officers (each an indemnified person) against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such indemnified person, other than by reason of such person's own dishonesty, willful default or fraud, in or about the conduct of our company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such indemnified person in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere.

Pursuant to the indemnification agreements, the form of which is filed as Exhibit [10.2] to this registration statement, we agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being such a director or officer.

The underwriting agreement, the form of which will be filed as Exhibit 1.1 to this registration statement, will also provide indemnification for us and our officers and directors for certain liabilities, including liabilities arising under the Securities Act, but only to the extent that such liabilities are caused by information relating to the underwriters furnished to us in writing expressly for use in this registration statement and certain other disclosure documents.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Item 7. Recent Sales of Unregistered Securities

During the past three years, we have issued the following securities. We believe that each of the following issuances was exempt from registration under the Securities Act in reliance on Regulation S under the Securities Act regarding sales by an issuer in offshore transactions. No underwriters were involved in these issuances of securities.

Securities/Purchaser	Date of Issuance	Number of Securities	Consideration
Ordinary shares			
Osiris International Cayman Limited	February 5, 2021	1	Nominal
xiaOt Sun Holdings Limited	February 5, 2021	10,274,550	Nominal
Ayisia Zhou Holdings Limited	February 5, 2021	1,934,570	Nominal

Securities/Purchaser	Date of Issuance	Number of Securities	Consideration
RayZ Holdings Limited	February 5, 2021	679,140	Nominal
Seventh Hokage Management Limited	March 18, 2021	15,816,680	Nominal
xiaOt Sun Holdings Limited	June 29, 2021	8,854,188	Nominal
Ayisia Zhou Holdings Limited	June 29, 2021	278,974	Nominal
RayZ Holdings Limited	June 29, 2021	148,545	Nominal
Seventh Hokage Management Limited	June 29, 2021	15,613,982	Nominal
Blooming Time International Limited	July 30, 2021	4,123,826	Nominal
Seventh Hokage Management Limited	September 30, 2021	14,448,668	Nominal
SIG China Investments Master Fund IV, LLLP	September 30, 2021	1,165,314	Nominal
Danny Yu Holdings Limited	March 18, 2022	1,404,255	Nominal
Oscar Gu Holdings Limited	March 18, 2022	2,106,383	Nominal
xiaOt Sun Holdings Limited	June 30, 2023	508,799	RMB343,313
Seventh Hokage Management Limited	June 30, 2023	830,282	RMB719,319
Ayisia Zhou Holdings Limited	June 30, 2023	127,200	RMB70,385
RayZ Holdings Limited	June 30, 2023	47,562	RMB24,709
Blooming Time International Limited	June 30, 2023	236,793	RMB189,980
SIG China Investments Master Fund IV, LLLP	June 30, 2023	66,964	Nominal
Danny Yu Holdings Limited	June 30, 2023	80,694	Nominal
Oscar Gu Holdings Limited	June 30, 2023	121,042	Nominal
Class A Preferred Shares			
Shanghai Yuyun Management Partnership (Limited Partnership)	July 30, 2021	8,607,242	RMB45,000,000
Douyu Investment Limited	July 30, 2021	2,986,308	RMB35,000,000
Shenzhen Guojin Angel Venture Investment III Partnership (Limited Partnership)	July 30, 2021	2,819,639	RMB40,000,000
Glorious Year Holdings Limited	July 30, 2021	2,819,639	RMB40,000,000
True Thrive Limited	July 30, 2021	1,530,175	RMB8,000,000
Shanghai Chuyuan Enterprise Management Partnership (Limited Partnership)	July 30, 2021	1,409,873	RMB20,000,000
Jiaxing ZhenFund Tianyu Equity Investment Partnership (Limited Partnership)	July 30, 2021	956,354	RMB5,000,000
Toplead Ventures Limited	July 30, 2021	827,685	RMB5,000,000

Securities/Purchaser	Date of Issuance	Number of Securities	Consideration
Jiangxi Everbright Industry Co., Ltd.	July 30, 2021	704,930	RMB10,000,000
Shenzhen Media Group (International) Limited	September 30, 2021	704,930	US\$ equivalent of RMB10,000,000
Shanghai Yuyun Management Partnership (Limited Partnership)	June 30, 2023	494,609	45,647,755
Douyu Investment Limited	June 30, 2023	171,606	15,912,418
Shenzhen Guojin Angel Venture Investment III Partnership (Limited Partnership)	June 30, 2023	162,028	15,024,521
Wuhan Rongzhu Information Technology Service Co., Ltd	June 30, 2023	2,981,667	15,024,521
True Thrive Limited	June 30, 2023	87,930	8,115,248
Shanghai Chuyuan Enterprise Management Partnership (Limited Partnership)	June 30, 2023	81,017	7,512,550
Jiaxing ZhenFund Tianyu Equity Investment Partnership (Limited Partnership)	June 30, 2023	54,956	5,071,949
Top Lead Ventures Limited	June 30, 2023	47,562	4,410,263
Jiangxi Everbright Industry Co., Ltd.	June 30, 2023	40,508	3,756,130
Shenzhen Media Group (International)	June 30, 2023	40,508	Nominal
Class B Preferred Shares			
Digital WD., Ltd.	September 5, 2022	1,625,295	US\$10,000,000
Maison Investment Holding Limited	December 20, 2022	434,604	US\$2,674,000
AER Capital SPC	December 20, 2022	487,589	US\$3,000,000
Digital WD., Ltd	June 30, 2023	93,396	Nominal
Maison Investment Holding Limited	June 30, 2023	24,974	Nominal
AER Capital SPC	June 30, 2023	28,019	Nominal
Class B-1 Preferred Shares			
Digilife AS	January 10, 2023	12,636,248	US\$77,747,389.62
Tolsona Ltd.	January 10, 2023	11,601,582	US\$71,381,369.07
Nyx Ventures AS	January 10, 2023	12,375,021	US\$76,140,127.01
Get Right Sweden AB	January 10, 2023	822,099	US\$5,058,149.99
Shinobi Holdings Limited	January 10, 2023	2,906,798	US\$17,884,735.96
Datakrigaren Ventures ApS	January 10, 2023	363,670	US\$2,237,561.68
Digilife AS	June 30, 2023	726,133	Nominal
Tolsona Ltd	June 30, 2023	666,676	Nominal
Nyx Ventures AS	June 30, 2023	711,121	Nominal
Get Right Sweden AB	June 30, 2023	47,241	Nominal

Securities/Purchaser	Date of Issuance	Number of Securities	Consideration
Shinobi Holdings Limited	June 30, 2023	167,037	Nominal
Datakrigaren Ventures ApS	June 30, 2023	20,898	Nominal
Options			
Certain directors and employees	July 30, 2021	Options to purchase 2,492,440 ordinary shares	Past and future services provided by these individuals to us
Certain directors and employees	January 1, 2023	Options to purchase 1,631,386 ordinary shares	Past and future services provided by these individuals to us

Item 8. Exhibits and Financial Statement Schedules

(a) Exhibits

See Exhibit Index beginning on page II-7 of this registration statement.

The agreements included as exhibits to this registration statement contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties were made solely for the benefit of the other parties to the applicable agreement and (i) were not intended to be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) may have been qualified in such agreement by disclosure that was made to the other party in connection with the negotiation of the applicable agreement; (iii) may apply contract standards of “materiality” that are different from “materiality” under the applicable securities laws; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement.

We acknowledge that, notwithstanding the inclusion of the foregoing cautionary statements, we are responsible for considering whether additional specific disclosure of material information regarding material contractual provisions is required to make the statements in this registration statement not misleading.

(b) Financial Statement Schedules

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the Consolidated Financial Statements or the Notes thereto.

Item 9. Undertakings

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 6, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

- For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
- For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
- For the purpose of determining liability under the Securities Act to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it

is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

- For the purpose of determining any liability of the registrant under the Securities Act to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:
 - Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;
 - Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;
 - The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and
 - Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

The undersigned registrant hereby undertakes to file a post-effective amendment to the registration statement to include any financial statements required by Item 8.A of Form 20-F at the start of any delayed offering or throughout a continuous offering.

NIP Group Inc.**Exhibit Index**

Exhibit Number	Description of Document
1.1*	Form of Underwriting Agreement
3.1	Fifth Amended and Restated Memorandum and Articles of Association of the Registrant, as currently in effect
3.2*	Form of Sixth Amended and Restated Memorandum and Articles of Association of the Registrant, effective immediately prior to the completion of this offering
4.1*	Registrant's Specimen American Depositary Receipt (included in Exhibit 4.3)
4.2*	Registrant's Specimen Certificate for Ordinary Shares
4.3*	Form of Deposit Agreement, among the Registrant, the depository and the holders and beneficial owners of American Depositary Shares issued thereunder
4.4*	Fifth Amended and Restated Shareholders Agreement between the Registrant and other parties thereto dated June 30, 2023
5.1*	Opinion of Carey Olsen Singapore LLP regarding the validity of the ordinary shares being registered and certain Cayman Islands tax matters
8.1*	Form of opinion of Carey Olsen Singapore LLP regarding certain Cayman Islands tax matters (included in Exhibit 5.1)
8.2*	Opinion of CM Law Firm regarding certain PRC tax matters (included in Exhibit 99.2)
8.3*	Opinion of Baker & McKenzie Advokatbyrå KB regarding certain Sweden tax matters (included in Exhibit 99.3)
10.1	2021 Share Incentive Plan
10.2*	Form of Indemnification Agreement between the Registrant and its directors and executive officers
10.3*	Form of Employment Agreement between the Registrant and its executive officers
21.1	Significant Subsidiaries of the Registrant
23.1*	Consent of Marcum Asia CPAs, LLP, an independent registered public accounting firm
23.2*	Consent of Carey Olsen Singapore LLP (included in Exhibit 5.1)
23.3*	Consent of CM Law Firm (included in Exhibit 99.2)
23.4*	Consent of Baker & McKenzie Advokatbyrå KB (included in Exhibit 99.3)
24.1*	Powers of Attorney (included on signature page)
99.1*	Code of Business Conduct and Ethics of the Registrant
99.2*	Opinion of CM Law Firm regarding certain PRC law matters
99.3*	Opinion of Baker & McKenzie Advokatbyrå KB regarding certain Sweden law matters
99.4	Consent of Frost & Sullivan
107*	Filing Fee Table

* To be filed by amendment.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in _____, China, on _____, 2023.

NIP Group Inc.

By: _____

Name: Mario Yau Kwan Ho

Title: Co-Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints each of _____ and _____ as attorneys-in-fact with full power of substitution for him or her in any and all capacities to do any and all acts and all things and to execute any and all instruments that said attorney and agent may deem necessary or desirable to enable the registrant to comply with the Securities Act of 1933, as amended (the “Securities Act”), and any rules, regulations and requirements of the Securities and Exchange Commission thereunder, in connection with the registration under the Securities Act of ordinary shares of the registrant (the “Shares”), including, without limitation, the power and authority to sign the name of each of the undersigned in the capacities indicated below to the Registration Statement on Form F-1 (the “Registration Statement”) to be filed with the Securities and Exchange Commission with respect to such Shares, to any and all amendments or supplements to such Registration Statement, whether such amendments or supplements are filed before or after the effective date of such Registration Statement, to any related Registration Statement filed pursuant to Rule 462(b) under the Securities Act, and to any and all instruments or documents filed as part of or in connection with such Registration Statement or any and all amendments thereto, whether such amendments are filed before or after the effective date of such Registration Statement; and each of the undersigned hereby ratifies and confirms all that such attorney and agent shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on _____, 2023.

Signature	Title
_____	Chairman and Co-Chief Executive Officer (Principal Executive Officer)
Mario Yau Kwan Ho	
_____	Director and Co-Chief Executive Officer
Hicham Chahine	
_____	Director and President
Liwei Sun	
_____	Director and Executive Vice President
Heng Tang	
_____	Director and Executive Director
Yanjun Xu	
_____	Director and Senior Vice President
Lei Zhang	
_____	Director
Thomas Neslein	
_____	Director
Felix Granander	
_____	Director
Andrew Reader	
_____	Independent Director
Carter Jack Feldman	

Signature	Title
Hans Alesund	Independent Director
Zhiyong Li	Chief Financial Officer (Principal Financial and Accounting Officer)

SIGNATURE OF AUTHORIZED REPRESENTATIVE IN THE UNITED STATES

Pursuant to the Securities Act of 1933, the undersigned, the duly authorized representative in the United States of NIP Group Inc. has signed this registration statement or amendment thereto in _____ on _____, 2023.

Authorized U.S. Representative

By: _____

Name:

Title:

THE COMPANIES ACT (AS REVISED) OF THE CAYMAN ISLANDS

EXEMPTED COMPANY LIMITED BY SHARES

FIFTH AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

OF

ESVF ESPORTS GROUP INC.

(ADOPTED BY SPECIAL RESOLUTION ON 10 JANUARY 2023)

THE COMPANIES ACT (AS REVISED) OF THE CAYMAN ISLANDS
EXEMPTED COMPANY LIMITED BY SHARES
FIFTH AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION
OF
ESVF ESPORTS GROUP INC.
(ADOPTED BY SPECIAL RESOLUTION ON 10 JANUARY 2023)

1. The name of the Company is ESVF Esports Group Inc.
2. The registered office of the Company shall be at the offices of Osiris International Cayman Limited, Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman KY1-1209, Cayman Islands, or at such other place as the Directors may from time to time decide.
3. The objects for which the Company is established are unrestricted and the Company shall have full power and authority to exercise all the functions of a natural person of full capacity.
4. The liability of each Member is limited to the amount from time to time unpaid on such Member's Shares.
5. The share capital of the Company is US\$50,000 divided into 500,000,000 shares consist of: (i) 427,801,330 Ordinary Shares of a par value of US\$0.0001 each, (ii) 23,366,775 Class A Preferred Shares of a par value of US\$0.0001 each; (iii) 8,126,477 Class B Preferred Shares of a par value of US\$0.0001 each; and (iv) 40,705,418 Class B-1 Preferred Shares of a par value of US\$0.0001 each, with power for the Company, subject to the provisions of the Companies Act and the Articles of Association of the Company, (i) to redeem or purchase any of its shares and to increase or reduce the said capital and (ii) to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares whether declared to be preference or otherwise shall be subject to the powers hereinbefore contained provided always that, notwithstanding any provision to the contrary contained in this Memorandum of Association, the Company shall have no power to issue bearer shares, warrants, coupons or certificates.
6. The Company has the power to register by way of continuation outside of the Cayman Islands in accordance with the Companies Act and to de-register as an exempted company in the Cayman Islands.
7. Capitalised terms that are not defined in this Memorandum of Association have the same meaning as those given in the Articles of Association of the Company.

THE COMPANIES ACT (AS REVISED) OF THE CAYMAN ISLANDS
EXEMPTED COMPANY LIMITED BY SHARES
FIFTH AMENDED AND RESTATED ARTICLES OF ASSOCIATION
OF
ESVF ESPORTS GROUP INC.
(ADOPTED BY SPECIAL RESOLUTION ON 10 JANUARY 2023)

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1. PRELIMINARY

1.1 Table A not to apply

The regulations contained or incorporated in Table A in the First Schedule to the Companies Act shall not apply to the Company and these Articles shall apply in place thereof.

1.2 Definitions

"Affiliate(s)"

means, with respect to any person, any other person that, directly or indirectly, Controls, is Controlled by or is under common Control with that person; and "Affiliates" shall be construed accordingly, but on the basis that, (i) in respect of the VE Founders and the VE Founder Holdcos, the expressions "**Affiliate**" and "**Affiliates**" shall be taken to include any trusts or its Subsidiary Controlled by or for the benefit of such VE Founders and the VE Founder Holdcos, and (ii) in respect of any of the Members, the expressions "**Affiliate**" and "**Affiliates**" shall not be taken to include any Group Company. Without prejudice to the foregoing, in the case of a Financial Shareholder which is an investment fund, "Affiliate" shall also include (to the extent applicable):

- (a) any general partner of either such Financial Shareholder or any person which, directly or indirectly, controls, is controlled by or is under the common control of such Financial Shareholder;
- (b) any limited partner of either such Financial Shareholder or any person which, directly or indirectly, controls, is controlled by or is under the common control of such Financial Shareholder, in each case provided that such limited partner holds, directly or indirectly, more than 50 percent (50%) of the limited partnership interests;
- (c) the fund manager managing either such Financial Shareholder or any person which, directly or indirectly, controls, is controlled by or is under the common control of such Financial Shareholder (and general partners and limited partners (which hold, directly or indirectly, more than 50 percent (50%) of the limited partnership interests) thereof) and other funds managed by such fund manager; and
- (d) funds managed by any of such Financial Shareholder's Affiliates and the general partners of such funds; and
- (e) trusts controlled by or for the benefit of any such person referred to in the foregoing paragraphs of (a), (b), (c) or (d);

provided that, however, no portfolio company of any such Financial Shareholder or its Affiliates shall be deemed to be an Affiliate of such Financial Shareholder. Notwithstanding the foregoing, the term "Affiliate" with respect to any Member shall not include any Competitor or such Competitor's Affiliates.

- "Allocation Notice"** has the meaning set out in Article 5.8(a).
- "Anti-Dilution Claim"** has the meaning set out in Article 6.1.
- "Anti-Dilution Right Holders"** has the meaning set out in Article 6.1.
- "Applicable Law"** means any applicable law (whether civil, criminal and administrative), common law, statute, subordinate legislation, regulation, listing rules, decision, by-law, ministerial resolution, order, notice, decree, injunction, judgment or resolution of a Government Authority, and "Applicable Laws" shall be construed accordingly.
- "Articles"** means these articles of association of the Company, as amended from time to time.
- "Auditor"** means the person (if any) for the time being performing the duties of auditor of the Company.
- "Authorization"** means:
- (a) any consent, authorization, registration, filing, lodgement, agreement, notarization, certificate, permission, licence, approval, authority or exemption from, by or with a Government Authority; or
 - (b) in relation to anything which shall be fully or partly prohibited or restricted by Applicable Laws if a Government Authority intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.

"Board"	means the Company's board of directors as constituted from time to time.
"Business"	means the business of the Group which shall include (a) management of professional esports teams; (b) participation and organization of professional esports events, tournaments and competitions; (c) developing gaming products and services; (d) investment holding of entities in the esports industry; (e) operation of esports club; (f) anchor brokerage business; (g) live broadcasting business; and (h) brand authorization.
"Business Day"	means a day, other than a Saturday, Sunday or public holiday, on which banks are normally open for businesses in Hong Kong, the Cayman Islands, the PRC and Sweden.
"Business Plan"	means at the Effective Date the Group's Initial Business Plan in the approved terms and at any subsequent date the most recent business plan of the Group approved by the Board or otherwise approved in accordance with the Shareholders Agreement.
"Chairperson"	has the meaning set out in Article 31.5.
"Change of Control"	means: <ul style="list-style-type: none"> (a) any consolidation, amalgamation or merger of the Company with or into any other person or any other corporate reorganization, in which the Members of the Company immediately prior to such consolidation, amalgamation, merger or reorganization, own less than 50% of the voting power of the Company or the surviving entity immediately after such consolidation, merger, amalgamation or reorganization; (b) any transaction or series of related transactions to which the Company is a party in which in excess of 50% of the Company's voting power is transferred, but excluding any transaction effected solely for tax purposes or to change the Company's domicile; (c) a sale, lease or other disposition of all or substantially all of the assets of the Group; or (d) an exclusive license of all or substantially all of the intellectual property of the Group,

in each case other than (i) a consolidation with a wholly-owned Subsidiary of the Company; and (ii) a merger effected exclusively to change the domicile of the Company.

"Class A Preferred Liquidation Amount" has the meaning set forth in Article 13.1(c)(ii).

"Class A Preferred Shareholders" means, collectively, all holders of Class A Preferred Shares (each, a **"Class A Preferred Shareholder"**).

"Class A Preferred Shares" means class A preferred shares of a par value of US\$0.0001 each having the rights, preference and privileges attaching to it as set out in these Articles and the Shareholders Agreement.

"Class A Redemption Date" has the meaning set forth in Article 12.6

"Class B Preferred Liquidation Amount" has the meaning set forth in Article 13.1(a).

"Class B Preferred Shareholders" means, collectively, all holders of Class B Preferred Shares (for the avoidance of doubt, including the Warrant Holders) (each, a **"Class B Preferred Shareholder"**).

"Class B Preferred Shares" means class B preferred shares of a par value of US\$0.0001 each having the rights, preference and privileges attaching to it as set out in these Articles and the Shareholders Agreement (for the avoidance of doubt, including the Class B Preferred Shares issuable upon and assuming the full exercise of the Warrants).

"Class B Redemption Date" has the meaning set forth in Article 12.5

"Class B-1 Preferred Shareholders" means, collectively, all holders of Class B-1 Preferred Shares (each, a **"Class B-1 Preferred Shareholder"**).

"Class B-1 Preferred Shares"	means class B1 preferred shares of a par value of US\$0.0001 each having the rights, preference and privileges attaching to it as set out in these Articles and the Shareholders Agreement.
"Clear Days"	in relation to the period of a notice means that period excluding the day when the notice is served or deemed to be served and the day for which it is given or on which it is to take effect.
"Companies Act"	means the Companies Act (as revised) of the Cayman Islands, as amended or revised from time to time.
"Company"	means the above-named company.
"Company Competitors"	means any such person which carries out any business activities that are in direct competition with the Business in any country or jurisdiction where any Group Company carries on the Business.
"Competitors"	means any of the Wuhan Douyu Competitors, the NIP Competitors or Company Competitors.
"Control"	means: <ul style="list-style-type: none"> (a) in the case of a body corporate, the ownership of or the ability to direct: <ul style="list-style-type: none"> (i) a majority of the issued shares entitled to vote for election of directors (or analogous persons); or (ii) the appointment or removal of directors having a majority of the voting rights exercisable at meetings of the board of directors on all or substantially all matters; (b) in the case of any other person, the ownership of or the ability to direct a majority of the voting rights in that person; or (c) in the case of a body corporate or any other person, the direct or indirect possession of the power to direct or cause the direction of its financial and operational management and policies (including through the ownership and/or Control (directly or indirectly) of voting shares, by a management or advisory agreement, by contract, by agency or otherwise), <p>and "Controlled" shall be construed accordingly.</p>

" Conversion Shares "	means any Ordinary Shares issuable or issued upon conversion of the Preferred Shares in accordance with these Articles and the Shareholders Agreement.
" Deed of Adherence "	means a deed in the form attached to the Shareholders Agreement pursuant to which a transferee or allottee of Shares agrees to be bound by all the terms of the Shareholders Agreement as if it has been a signatory.
" Directors "	means the directors of the Company and shall include any alternate Director of the Company.
" Drag-Along Sale "	has the meaning set out in Article 11.5(a).
" Drag Completion Date "	has the meaning set out in Article 11.5(d).
" Drag Notice "	has the meaning set out in Article 11.5(d).
" Dragged Shareholders "	has the meaning set out in Article 11.5(a).
" Dragged Shares "	has the meaning set out in Article 11.5(d).
" Dividend "	shall mean an interim dividend unless such dividend is expressly stated to be a final dividend by the Directors at any time before the date of payment of such dividend.
" Dollar " or " US\$ "	means the lawful currency of the United States of America.
" Earn-Out Shares "	has the meaning given to that term in the Shareholders Agreement.
" Effective Date "	means date on which the Shareholders Agreement becomes effective in accordance with the terms and conditions set out therein.
" Encumbrance "	means any claim, mortgage, charge, pledge, debenture, lien, restriction, assignment, power of sale, hypothecation, security interest, title retention, trust arrangement, subordination arrangement, contractual right of set-off or any other agreement or arrangement the effect of which is the creation of security, or any other interest, equity or other right of any person (including any right to acquire, option, right of first refusal or right of pre-emption), in any form and in any jurisdiction, or any agreement, arrangement or obligation (formal or informal) to create any of the same and " Encumber " shall be construed accordingly.

"Equity Ratio"	means, in relation to a Member, a fraction, the numerator of which is the total number of Shares held by that Member at the time in question and the denominator of which is the total number of Shares in issue at that time (in each case, fully paid up but excluding any premium paid on subscription, assuming the full exercise of the Warrants and calculated on a fully diluted and as-converted basis), or the equivalent percentage of such fraction.
"ESOP"	has the meaning given to that term in the Shareholders Agreement .
"Fair Market Value"	means the fair market value of the relevant Securities being sold, on a going concern basis between a willing seller and a willing buyer as determined by an Independent Valuer.
"Financial Shareholders"	means, collectively, the VE Financial Shareholders and the NIP Financial Shareholders (each, a "Financial Shareholder").
"Financial Year"	means the financial year of the Company. Unless the Directors otherwise prescribe, the financial year of the Company shall end on 31 December in each year and, following the year of incorporation, shall begin on 1 January in each year.
"Founder Holdcos"	shall mean, collectively, the VE Founder Holdcos and the NIP Founder Holdcos (each, a "Founder Holdco").
"Founder Parties"	shall mean, collectively, the Founders and the Founder Holdcos (each, a "Founder Party").
"Founders"	shall mean, collectively, the VE Founders and the NIP Founders (each, a "Founder").
"Government Authority"	means (a) any federal, state or local government, (b) any governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or custodial authority or power, (c) any stock exchange, and (d) any court or governmental tribunal.

"Group"	means the Company and its Subsidiaries from time to time and the expression "Group Company" or "Group Companies" shall be construed accordingly.
"Hicham Chahine"	means the person referred to in Part B-1 of Schedule 1 of the Shareholders Agreement.
"Hong Kong"	means the Hong Kong Special Administrative Region of the People's Republic of China.
"IFRS"	means International Financial Reporting Standards.
"Independent Valuer"	means an independent certified public accounting firm of internationally recognized standing (acting as expert and not as an arbitrator) appointed by such Member(s) holding not less than two-thirds (2/3) of the total issued Shares.
"INED"	has the meaning set out in Article 29.1.
"Information Rights Holder"	has the meaning set out in Article 38.1.
"Initial Business Plan"	means the business plan for the Group in the form agreed by all the Shareholders to be adopted by the Company on the Effective Date.
"Initial Subscription Date"	means the date on which each VE Financial Shareholder invests into the VIE Company as set out in the Shareholders Agreement.
"Initial Subscription Price"	means the initial subscription price of the Shares paid by each Member as of the Effective Date as set out in the Shareholders Agreement.
"Insolvency Event"	means, in respect of any person (a) the person is unable to, or states that it is unable to, pay its debts as they fall due or stops or threatens to stop paying its debts as they fall due; (b) any indebtedness of the person is subject to a moratorium; (c) a liquidator, provisional liquidator, receiver or administrator has been appointed to any property of the person or an event occurs which gives any other person a right to seek such an appointment; (d) an order has been made, a resolution has been passed or proposed in a notice of meeting or in an announcement to any recognised securities exchange, or an application to court has been made for the winding-up or dissolution of the person or for the entry into of any arrangement, compromise or composition with, or assignment for the benefit of, creditors of the person or any class of them; (e) a trustee has been appointed to take control of the property of the person in connection with a proposal to enter into a personal insolvency agreement; (f) an order has been made or an application to court has been made for bankruptcy of the person or an event occurs which gives any other person a right to seek such an order or make such an application; (g) a security interest becomes enforceable or is enforced over, or a writ of execution, garnishee order, blocking or freezing (in whole or in part) injunction or similar order has been issued over or is affecting, all or a substantial part of the assets of the person; or (h) the person has otherwise become, or is otherwise taken to be, insolvent in any jurisdiction or an event occurs in any jurisdiction in relation to the person which is analogous to, or which has a substantially similar effect to, any of the events referred to in paragraphs (a) to (g) above.

"IPO"	means (a) a bona fide initial public offering or direct listing of the Company's Shares or any shares or securities issued by any direct or indirect parent of the Company; or (b) the merger or acquisition of the business of the Group with or by a publicly listed special purpose acquisition company (SPAC) such that the business of the Group is owned by a company with listed securities, or reverse takeover or backdoor listing.
"IPO Effective Time"	means the time at which the Board (or the board of directors of any direct or indirect parent of the Company which is the subject of the IPO) resolves to issue or transfer Securities pursuant to a Qualified IPO, or such other time and date determined by the board of such entity.
"Issue Notice"	has the meaning set out in Article 5.7(b).
"Liquidation Event"	has the meaning set out in Article 13.1.
"Liquidation Funds"	has the meaning set out in Article 13.1(c)(ii).

"Losses"	includes, in respect of or relating to any matter, event or circumstance, all demands, claims (including compensation claims), actions, proceedings, awards, judgments, settlements, damages, payments, interest, fines, penalties, losses, costs (including legal costs, professional advisers', experts' and consultants' fees and costs of investigation, defence, appeal, enforcement and remediation), expenses (including Tax), disbursements or other liabilities in any case of any nature whatsoever, but shall exclude any indirect, contingent, prospective, special, incidental or consequential loss such as but not limited to loss of profit, goodwill, reputation or loss of opportunity.
"Lower Unit Price"	has the meaning set out in Article 6.2.
"Mario Ho"	means the person referred to under Part A-1 of Schedule 1 of the Shareholders Agreement.
"Material Breach"	has the meaning given to that term in the Shareholders Agreement.
"MCN Shareholders"	means Danny Yu Holdings Limited, a company incorporated and existing under the laws of the British Virgin Islands (Registered ID: 2070114), with its registered office at Start Chambers, Wickham's Cay II, P. O. Box 2221, Road Town, Tortola, British Virgin Islands, and Oscar Gu Holdings Limited, a company incorporated and existing under the laws of the British Virgin Islands (Registered ID: 2070112), with its registered office at Start Chambers, Wickham's Cay II, P. O. Box 2221, Road Town, Tortola, British Virgin Islands.
"Necessary Actions"	means, with respect to a specified result, all actions (to the extent such actions are permitted by Applicable Laws) reasonably necessary or desirable to cause such result, including: (a) voting or providing a written consent or proxy with respect to shares; (b) causing the adoption of shareholders' resolutions and amendments to organisational documents; (c) executing agreements and instruments, and (d) using commercially reasonable efforts to obtain all consents, or similar actions that are required to achieve such result.

"New Securities"	has the meaning set out in Article 5.7(a).
"NIP Competitors"	means any such persons the principal business of which involves components or activities which compete with the business of any of the NIP Group Companies in any country or jurisdiction where any NIP Group Company carries on its business.
"NIP De-Merger"	means either the NIP Share Distribution or the NIP Share Transfer.
"NIP Directors"	has the meaning set out in Article 29.3(b).
"NIP Dividend Distribution"	has the meaning set out in Article 12.12.
"NIP Financial Shareholders"	has the meaning given to that term in the Shareholders Agreement.
"NIP Founders"	Hicham Chahine, a Norwegian national with his passport number of 32136608 and Jonas Gundersen, a Danish national with his passport number of 207300517.
"NIP Founder Holdcos"	means Diglife AS, a company incorporated in Norway with limited liability (registered number 995 287 536) whose registered office is at Tors gate 2B, 0260 Oslo, Norway, and Datakrigaren Ventures ApS, a company incorporated in Denmark with limited liability (registered number 41765496) whose registered office is at Skovhuskroen 8, 3500 Værløse, Denmark.
"NIP Founder Parties"	means, collectively, the NIP Founders and the NIP Founder Holdcos.
"NIP Group Companies"	means Ninjas in Pyjamas Gaming AB, a Swedish limited liability company having the registered number 556959-9532.
"NIP Redemption Date"	has the meaning set out in Article 12.9.
"NIP Redemption Dividend"	means such portion of the Company's distributable profits which is equivalent to the total amount of declared but unpaid dividend (whether interim or final) that the NIP Redemption Shareholders would have been entitled to receive based on its Equity Ratio in the event of a distribution pursuant to Article 35 as at the date of occurrence of a NIP Redemption Trigger Event.

"NIP Redemption Price"	has the meaning set out in Article 12.8.
"NIP Redemption Trigger Events"	means the events or circumstances as set out in Part B of Schedule 2 to these Articles.
"NIP Share Distribution"	has the meaning set out in Article 12.8.
"NIP Share Transfer"	has the meaning set out in Article 12.10.
"NIP Shareholders"	means collectively, the NIP Financial Shareholders and together with the NIP Founder Holdcos (each, an "NIP Shareholder").
"NIP Shares"	means Shares held by all NIP Shareholders in aggregate at any given time (each, an "NIP Share").
"NIP Special Redemption Trigger Events"	means the events or circumstances as set out in Part C of Schedule 2 to these Articles.
"Ordinary Board Matters"	means such matters set out in Part A-2 of Schedule 1.
"Ordinary Resolution"	means a resolution passed by a simple majority of the Members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting, and includes a unanimous written resolution.
"Ordinary Shareholder"	shall mean a holder of any number of Ordinary Shares.
"Ordinary Shares"	means ordinary shares of a par value of US\$0.0001 each having the rights, preference and privileges attaching to it as set out in these Articles and the Shareholders Agreement.
"Oversubscription Shareholder"	has the meaning set out in Article 5.7(d).
"Permitted Transferee"	has the meaning given to that term in the Shareholders Agreement.
"PRC"	means the People's Republic of China but excluding, for the purposes of these Articles, Hong Kong, Macau and Taiwan.
"PRC GAAP"	means generally accepted accounting principles in the PRC, applied on a consistent basis.

"Preferred Liquidation Amount"	has the meaning set out in Article 13.1(c)(ii)
"Preferred Shareholders"	means, collectively, all holders of Preferred Shares (for the avoidance of doubt, including the Warrant Holders, each, a "Preferred Shareholder").
"Preferred Shares"	means, collectively, the Class A Preferred Shares, the Class B Preferred Shares and the Class B-1 Preferred Shares.
"Pro-Rata Share"	has the meaning set out in Article 5.7(b).
"Proposed Transfer"	means a Transfer of any Securities by a VE Founder Holdco (including its successors and Permitted Transferees) to a Qualified Third Party which does not amount to a Drag-Along Sale.
"Qualified Exchange"	means (i) the New York Stock Exchange, the NASDAQ Stock Market's Global Market System or the Hong Kong Stock Exchange or (ii) any other exchange of recognized international reputation and standing duly approved by the Members as Reserved Matter in accordance with the Requisite Approval.
"Qualified IPO"	means an IPO on a Qualified Exchange on or before 31 January 2025. For the avoidance of doubt, only with respect to the NIP Redemption Trigger Events, Qualified IPO shall mean an IPO on a Qualified Exchange based on a pre-money valuation of the Company exceeding US\$100,000,000.
"Qualified Third Party"	mean a bona fide independent third party, who is not: (i) a Sanctioned Person and has not violated nor is in violation of any Anti-Money Laundering Laws; (ii) a Permitted Transferee; or (iii) a Competitor (unless otherwise approved pursuant to Article 11.4) and "Qualified Third Parties" shall be construed accordingly.
"Redemption Notice"	has the meaning set out in Article 12.3.
"Redemption Obligations"	has the meaning set out in Article 12.2.
"Redemption Request"	has the meaning set out in Article 12.2.

"Redemption Shareholders"	has the meaning set out in Article 12.1.
"Redemption Shares"	has the meaning set out in Article 12.1.
"Redemption Trigger Events"	means any of the VE Redemption Trigger Events, the NIP Redemption Trigger Events and the NIP Special Redemption Trigger Events (each, a "Redemption Trigger Event").
"Remaining New Securities"	has the meaning set out in Article 5.7(d).
"Register of Members"	means the register of members of the Company maintained in accordance with the Companies Act and includes (except where otherwise stated) any duplicate or branch register.
"Registered Office"	means the registered office for the time being of the Company in the Cayman Islands.
"Requisite Approvals"	means such approval(s) by the Board and/or the Shareholders as required with respect to a Reserved Matter pursuant to these Articles and the Shareholders Agreement.
"Reserved Board Matters"	means such matters set out in Part A-1 of Schedule 1 to these Articles.
"Reserved Matters"	means the Ordinary Board Matters, the Reserved Board Matters, the Shareholders Ordinary Matters and the Shareholders Reserved Matters, collectively (each, a "Reserved Matter").
"Restructuring Plan"	has the meaning given to that term in the Subscription Agreement.
"Sale Agreement"	has the meaning set out in Article 11.5(b).
"Sanctioned Person"	means a person (a) that is currently subject to or the target of Sanctions; (b) that is appearing on the Specially Designated Nationals and Blocked Persons List of the US Government's Office of Foreign Assets Control; (c) with whom a transaction is prohibited by Executive Order 13224, the USA Patriot Act, the Trading with the Enemy Act, or the foreign asset control regulations of the United States Treasury Department, in each case as amended from time to time; (d) that to the actual knowledge of a party, is controlled by any person and/or corporation described in the foregoing item (b) or (c) with ownership of 20% or more of outstanding voting securities being presumptively a control position; or (e) that has its principal place of business, or the majority of its business operations (measured by revenues), located in a country described in the foregoing item (c).

"Sanctions"	means any sanctions administered or enforced by any Government Authority or inter-governmental body, including but not limited to the United Nations Security Council, Hong Kong Monetary Authority, the People's Republic of China's Ministry of Commerce or Ministry of Foreign Affairs, the European Union, Her Majesty's Treasury, the Government of Switzerland or the US Government's Office of Foreign Assets Control.
"Seal"	means the common seal of the Company and includes every duplicate seal.
"Securities"	means any Shares, or any other securities issued by the Company, which are exercisable, convertible into, or carrying the right to subscribe for, shares in the capital of the Company.
"Series B Financing"	has the meaning given to that term in the Subscription Agreement.
"Series B SPA"	has the meaning given to that term in the Subscription Agreement.
"Shares"	means the shares in the capital of the Company together with all rights attaching thereto, including for the avoidance of doubt, the Ordinary Shares and the Preferred Shares.
"Shareholders" or "Members"	means each of the VE Founder Holdcos, the VE Financial Shareholders, SIG, MCN Shareholders and NIP Shareholders, as well as any registered holder of Shares from time to time having the benefit of this Agreement (for the avoidance of doubt, including the Warrant Holders as if they have fully exercised the Warrants), and the expression " Shareholder " or " Member " shall mean any one of them as the context requires.
"Shareholders Agreement"	means the shareholders agreement dated 10 January 2023 entered into by and among the Company, VE Founders, VE Founder Holdcos, VE Financial Shareholders, VE ESOP Platform, SIG, MCN Shareholders, NIP Founders, NIP Founder Holdcos and NIP Financial Shareholders in respect of the Company, as amended or supplemented from time to time.

"Shareholders means such matters set out in Part B-2 of Schedule 1 to these Articles.

**Ordinary
Matters"**

"Shareholders means such matters set out in Part B-1 of Schedule 1 to these Articles.

**Reserved
Matters"**

"SIG" means SIG China Investments Master Fund IV, LLLP (海纳亚州中国创 投母基金四期(有限责任有限合伙)), a company incorporated and existing under the laws of the State of Delaware, U.S., with its registered office at One Commerce Center, 1201 N. Orange Street, Suite 715 in the City of Wilmington, 19801.

**"Special
Resolution"** has the same meaning as in the Companies Act, and includes a unanimous written resolution.

**"Subscription
Agreement"** means the amended and restated subscription agreement for the subscription of shares in the Company in exchange for shares in Ninjas in Pyjamas Gaming AB dated 10 January 2023, entered into by, inter alia, the Company, the NIP Shareholders and the VE Founder Holdcos.

**"Subscription
Period"** has the meaning set out in Article 5.7(c).

**"Subscription
Unit Price"** has the meaning set out in Article 6.1.

**"Subsequent
Closings"** means the completion of any Subsequent Series B Financing by no later than 31 October 2022.

**"Subsequent
Series B
Financing"** has the meaning given to that term in the Subscription Agreement.

"Subsidiary" means, with respect to any person, (i) any corporation of which a majority of the securities entitled to vote generally in the election of directors thereof, at the time as of which any determination is being made, are owned by such person, either directly or indirectly, (ii) any joint venture, general or limited partnership, limited liability company or other legal entity in which such person is the record or beneficial owner, directly or indirectly, of a majority of the voting interests or the general partner, or (iii) any variable interest entity controlled by such person or its Subsidiary.

"Tag Notice"	has the meaning set out in Article 11.5(b).
"Tag Securities"	has the meaning set out in Article 11.5(b).
"Tag-Along Right"	has the meaning set out in 11.5(b).
"Transfer"	<p>means where any Shareholder does, or agree to do, any of the following:</p> <ul style="list-style-type: none"> (a) directly or indirectly, sell, transfer or otherwise dispose of, any of its Shares or any interest in any of its Shares or any share capital attributable to its Shares; (b) Encumber any of its Shares or any interest in any of its Shares or any share capital attributable to its Shares; (c) enter into any agreement or arrangement in respect of the voting rights or other rights attached to any of its Shares or any share capital attributable to its Shares; or (d) enter into any formal or informal agreement or arrangement to do any of the foregoing, <p>but shall not include any transfer of interests or shares of the limited partners of the VE Financial Shareholders that will not affect any necessary Authorizations for the operation of the Group Companies.</p>
"US GAAP"	means the generally accepted accounting principles in the United States, applied on a consistent basis.
"VE Directors"	has the meaning set out in Article 29.3.
"VE ESOP Platform"	Blooming Time International Limited (時盛國際有限公司), a company incorporated and existing under the laws of the British Virgin Islands, registration number 2061990, with its registered office at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

"VE Financial Shareholders"

means (a) Shanghai Yuyun Management Partnership (Limited Partnership) (上海誉贇企业管理合伙企业(有限合伙)), a partnership incorporated and existing under the laws of People's Republic of China, with its registered office at Room 368, Part 302, No. 211 North Fute Road, China (Shanghai) Pilot Free Trade Zone, (b) Douyu Investment Limited, a company incorporated and existing under the laws of the British Virgin Islands (registered ID 2042529) with its registered office at AMS Trustees Limited, Sea Meadow House, Blackburne Highway, (P. O. Box 116), Road Town, Tortola, British Virgin Islands, (c) Shenzhen Guojin Angel III Venture Capital Enterprise (Limited Partnership) (深圳国金天使三期创业投资企业(有限合伙)), a company incorporated and existing under the laws of the PRC (uniformed social credit code: 91440300MA5DN6K23Y), with its registered office at Room 201, Building A, No.1 Qianwan Road 1, Qianhai Hong Kong-Shenzhen Cooperation Zone, Shenzhen, China (in Shenzhen Qianhai Business Secretary Co., Ltd.), (d) Glorious Year Holdings Limited (荣年控股有限公司), a company incorporated and existing under the laws of British Virgin Islands (registered ID 2061989) with its registered office at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands, (e) True Thrive Limited, a company incorporated and existing under the laws of the Cayman Islands (registered ID OI-304760) with its registered office at offices of Offshore Incorporations (Cayman) Limited, Floor 4, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112, Cayman Islands, (f) Shanghai Chuyuan Enterprise Management Partnership (Limited Partnership) (上海矗源企业管理合伙企业(有限合伙)), a partnership incorporated and existing under the laws of the PRC (uniformed social credit code: 91310115MA1HB4WX9Q) with its registered office at 5th Floor, Building 7, No. 3601 Dongfang Road, Pudong New Area, Shanghai, (g) Jiaxing ZhenFund Tianyu Equity Investment Partnership (Limited Partnership) (嘉兴真格天域股权投资合伙企业(有限合伙)), a partnership incorporated and existing under the laws of the PRC (uniformed social credit code: 91330402MA29FTUF3E) with its registered office at Room 103, Building 3, Fund Town, No.1856 Nanjiang Road, Nanhu District, Jiaxing City, Zhejiang Province, China, (h) Jiangxi Everbright Industry Co., Ltd. (江西日月明实业有限公司), a company incorporated and existing under the laws of the PRC (uniformed social credit code: 91360000158285501E) with its registered office at Digital Building, No. 966, Gaoxin 5 Road, Nanchang Hi-Tech Industrial Development Zone, Nanchang City, Jiangxi Province, China (i) TOP LEAD VENTURES LIMITED (先領創投有限公司), a company incorporated and existing under the laws of the British Virgin Islands (Registered ID: 2061993), with its registered office at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands, (j) SHENZHEN MEDIA GROUP (INTERNATIONAL) LIMITED (深圳廣播電影電視集團(國際)有限公司), a company incorporated and existing under the laws of Hong Kong (Registered ID: 0576614), with its registered office at Unit A&B, 22/F, Aubin House, 171 – 172 Gloucester Road, Wanchai, Hong Kong, (k) Digital WD., Ltd, a company incorporated and existing under the laws of British Virgin Islands (Registered ID: 2063834), with its registered office at Start Chambers, Wickham's Cay II, P.O.Box 2221, Road Town, Tortola, British virgin Islands, (l) Maison Investment Holding Limited (美盛股權投資有限公司), a company incorporated and existing under the laws of Hong Kong (Registered ID: 3171874), with its registered office at 16/F, C-Bons International Center, 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong, (m) AER Capital SPC, a company incorporated and existing under the laws of the Cayman Islands (registered ID HS-372927), with its registered office at 4th Floor, Harbour Place, 103 South Church Street, PO Box 10240, Grand Cayman KY1-1002, Cayman Islands.

"VE Founders"

means (a) Mario Yau Kwan Ho, a PRC national with his passport number of K06847445, (b) Sun Liwei, a PRC national with his identification card number of 420102198602170035, (c) Zhou Rui, a PRC national with her identification card number of 640202198709200544 and (d) Zhang Lei, a PRC national with his identification card number of 422301198509010033.

"VE Founder Holdcos"

means (a) Mario Ho Holdings Limited, a company incorporated in the British Virgin Islands with limited liability whose registered office is at Start Chambers, Wickham's Cay II, P.O. Box 2221, Road Town, Tortola, British Virgin Islands, (b) xiaOt Sun Holdings Limited, a company incorporated in the British Virgin Islands with limited liability whose registered office is at Start Chambers, Wickham's Cay II, P.O. Box 2221, Road Town, Tortola, British Virgin Islands, (c) Ayisia Zhou Holdings Limited, a company incorporated in the British Virgin Islands with limited liability whose registered office is at Start Chambers, Wickham's Cay II, P.O. Box 2221, Road Town, Tortola, British Virgin Islands and (d) RayZ Holdings Limited, a company incorporated in the British Virgin Islands with limited liability whose registered office is at Start Chambers, Wickham's Cay II, P.O. Box 2221, Road Town, Tortola, British Virgin Islands.

"VE Founder Parties"

means, collectively, the VE Founders and the VE Founder Holdcos.

"VE Group Companies" means each of (a) ESVF (Hong Kong) Esports Limited, (b) Wuhan Muyecun Network Technology Co., Ltd. (武汉木叶村网络科技有限公司), and (c) the VIE Subsidiaries, each as further detailed in the Shareholders Agreement.

"VE Redemption Date" has the meaning set out in Article 12.5.

"VE Redemption Funds" has the meaning set out in Article 12.5.

"VE Redemption Price" has the meaning set out in Article 12.4.

"VE Redemption Trigger Events" means the events or circumstances as set out in Part A of Schedule 2 to these Articles.

"VE Redemption Shareholders" has the meaning set out in Article 12.1.

"VE Redemption Shares" has the meaning set out in Article 12.1.

"VE Revenue" has the meaning given to that term in the Shareholders Agreement.

"VE Share" means Shares held by all VE Shareholders in aggregate at any given time (each, a **"VE Share"**).

"VE Shareholders" means the VE ESOP Platform together with the VE Founder Holdcos, the VE Financial Shareholders, MCN Shareholders and SIG.

"VIE Company" means Wuhan Xingjingweiwu Culture & Sports Development Co., Ltd. (in Chinese: 武汉星竞威武文体发展有限公司).

"VIE Subsidiaries" means each of (a) the VIE Company, (b) Shenzhen Weiwu Esports Internet Technology Co., Ltd. (in Chinese: 深圳威武电竞网络科技有限公司), (c) Wuhan Xingjing Interactive Entertainment Co., Ltd. (in Chinese: 武汉星竞互动娱乐有限公司), (d) Shanghai Xingzhi Culture Media Co., Ltd. (in Chinese: 上海星炙文化传媒有限公司), (e) Wuhan Xinghui Culture Media Co., Ltd. (in Chinese: 武汉星晖文化传媒有限公司), (f) Hongli Culture Communications (Wuhan) Co., Ltd. (in Chinese: 红鲤文化传播(武汉)有限公司), (g) Shenzhen Daweixianglong Sports Co., Ltd. (深圳市大威翔龙体育有限公司), (h) Taicang Xingjing Culture Media Co., Ltd. (太仓星竞威武文化传媒有限公司), (i) Zhoushan Jingxi Internet Technology Co., Ltd. (舟山竞玺网络科技有限公司), (j) Zhoushan Xingjing Internet Technology Co., Ltd. (舟山星竞网络科技有限公司), (k) Chengdu Xingjing Weiwu Culture Media Co., Ltd. (成都星竞威武文化传媒有限公司) and (l) Wuhan Yingciyuan Information Technology Co., Ltd. (武汉映次元信息科技有限公司).

"Warrants"	means, collectively, the warrants exercisable for Class B Preferred Shares that have been sold by the Company in the Series B Financing (including the Subsequent Class B Financing) in accordance with the Series B SPA (each, a " Warrant ").
"Warrant Holders"	means singly or collectively, the holders of the Warrants (each, a " Warrant Holder ").
"Wuhan Douyu"	means Douyu Investment Limited, a company incorporated and existing under the laws of the British Virgin Islands (registered ID 2042529) with its registered office at AMS Trustees Limited, Sea Meadow House, Blackburne Highway, (P. O. Box 116), Road Town, Tortola, British Virgin Islands.
"Wuhan Douyu Competitors"	means such persons the principal business of which involves components or activities which compete with the current business of Wuhan Douyu and/or its Affiliates as of the date of these Articles, including (i) Bilibili Inc., (ii) Inke Limited, (iii) 北京快手科技有限公司, (iv) Baidu, Inc., (v) Alibaba Group Holding Limited, (vi) NetEase, and (vii) Huya Inc., as well as their respective Affiliates, but excluding, for the avoidance of doubt, Beijing Bytedance Technology Co., Ltd. and/or its Affiliates. For the avoidance of doubt, Wuhan Douyu's current business as of the date of the Shareholders Agreement refers to interactive entertainment services such as live broadcast and video, as well as the upstream and downstream businesses related to these businesses that Wuhan Douyu will expand to in the future.

1.3 Interpretation

Unless the contrary intention appears, in these Articles:

- (a) singular words include the plural and *vice versa*;
- (b) a word of any gender includes the corresponding words of any other gender;
- (c) references to "persons" include natural persons, companies, partnerships, firms, joint ventures, associations or other bodies of persons (whether or not incorporated);
- (d) a reference to a person includes that person's successors and legal personal representatives;
- (e) "writing" and "written" includes any method of representing or reproducing words in a visible form, including in the form of an Electronic Record;
- (f) a reference to "shall" shall be construed as imperative and a reference to "may" shall be construed as permissive;
- (g) in relation to determinations to be made by the Directors and all powers, authorities and discretions exercisable by the Directors under these Articles, the Directors may make those determinations and exercise those powers, authorities and discretions in their sole and absolute discretion, either generally or in a particular case, subject to any qualifications or limitations expressed in these Articles or imposed by law;
- (h) any reference to the powers of the Directors shall include, when the context admits, the service providers or any other person to whom the Directors may, from time to time, delegate their powers;
- (i) the term "and/or" is used in these Articles to mean both "and" as well as "or". The use of "and/or" in certain contexts in no respects qualifies or modifies the use of the terms "and" or "or" in others. "Or" shall not be interpreted to be exclusive, and "and" shall not be interpreted to require the conjunctive, in each case unless the context requires otherwise;
- (j) any phrase introduced by the terms "including", "includes", "in particular" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms;
- (k) headings are inserted for reference only and shall not affect construction;
- (l) a reference to a law includes regulations and instruments made under that law;
- (m) a reference to a law or a provision of law includes amendments, re-enactments, consolidations or replacements of that law or the provision;

- (n) "fully paid" means paid up as to the par value in respect of the issue of any Shares and includes credited as fully paid;
- (o) references to "US Dollars" or "USD" are to the lawful currency of United States, references to "RMB" are to the lawful currency of the PRC, references to "EUR" are to the lawful currency of the Euro zone, and references to "SEK" are to the lawful currency of the Kingdom of Sweden as at the date of these Articles;
- (p) where an Ordinary Resolution is expressed to be required for any purpose, a Special Resolution is also effective for that purpose; and
- (q) sections 8 and 19(3) of the Electronic Transactions Act are hereby excluded.

1.4 Shareholders Agreement

- (a) In these Articles, where there is a reference to the Shareholders Agreement:
 - (i) for such time as there is no Shareholders Agreement in force, the relevant Article will be read as if it did not contain any reference to the Shareholders Agreement, and if it is not capable of being so read, will be disregarded in its entirety;
 - (ii) where there are references to any matter being subject to the Shareholders Agreement or which turn upon whether a thing is done in accordance with the Shareholders Agreement or in contravention of the Shareholders Agreement (in each case, however expressed), if parties entitled to do so effectively waive the relevant provisions of the Shareholders Agreement (in accordance with the Shareholders Agreement) then the applicable Article will apply as if the Shareholders Agreement contained no relevant additional or inconsistent requirements or as if the relevant provisions of the Shareholders Agreement had in fact been complied with in accordance with their terms, as the case may be (provided that, if the waiver is given subject to conditions, those conditions are complied with in accordance with their terms); and
 - (iii) where an Article contains provisions to the effect that if the Shareholders Agreement is in force, a matter will be governed by the applicable provisions of the Shareholders Agreement, but the Shareholders Agreement does not in fact contain provisions governing that matter, then the Article will be read as if it did not contain any reference to the Shareholders Agreement, and if it is not capable of being so read, will be disregarded in its entirety.
- (b) Subject to Article 1.4(a), but despite any other Article, for so long as the Shareholders Agreement is in force, the Company may not (and no Member or Director may take any action to procure that the Company will) take any action that would contravene or be inconsistent with the Shareholders Agreement.

2. COMMENCEMENT OF BUSINESS

2.1 The business of the Company may be commenced as soon after incorporation as the Directors shall see fit.

2.2 The Directors may pay, out of the capital or any other monies of the Company, all expenses incurred in connection with the formation and operation of the Company, including the expenses of registration and any expenses relating to the offer of, subscription for, or issuance of Shares.

2.3 Expenses may be amortised over such period as the Directors may determine.

3. REGISTERED OFFICE AND OTHER OFFICES

3.1 Subject to the provisions of the Companies Act, the Company may by resolution of the Directors change the location of its Registered Office.

3.2 The Directors, in addition to the Registered Office, may in their discretion establish and maintain such other offices, places of business and agencies whether within or outside of the Cayman Islands.

4. SERVICE PROVIDERS

The Directors may appoint any person to act as a service provider to the Company and may delegate to any such service provider any of the functions, duties, powers and discretions available to them as Directors, upon such terms and conditions (including as to the remuneration payable by the Company) and with such powers of sub-delegation, but subject to such restrictions, as they think fit.

5. ISSUE OF SHARES

5.1 Power of Directors to issue Shares

Subject to the applicable provisions, if any, in the Companies Act, these Articles (including Article 5.7), the Memorandum, any resolution that may be passed by the Company in general meeting and subject to any rights attached to any existing Shares, the Directors may allot, issue, grant options over or otherwise deal with or dispose of Shares with or without preferred, deferred, or other rights or restrictions, whether as regards to Dividend, voting, return of capital or otherwise and to such persons, at such times and on such other terms as they think fit provided that, for so long as the Shareholders Agreement is in force, the Directors may only do any of the foregoing in accordance with any relevant provisions of the Shareholders Agreement (if any), and may not do any of the foregoing if to do so would be in contravention of, or be inconsistent with, the Shareholders Agreement.

5.2 Issue of Shares

Subject to any Requisite Approvals, the Directors may issue Shares in different classes and may establish internal accounts within the Company to permit the assets and liabilities of a class of Shares to be segregated from the assets and liabilities of any other class of Shares as an internal accounting matter.

5.3 **Payment of commission or brokerage**

Subject to the provisions of the Companies Act, the Company may pay a commission or brokerage in connection with any issue of Shares. The Company may pay the commission or brokerage in cash or by issuing Shares credited as fully paid or by a combination of both.

5.4 **No Shares to bearer**

The Company shall not issue Shares to bearer.

5.5 **Fractional Shares**

Fractional Shares may be issued and multiple fractions of the same class may be aggregated.

5.6 **Shares issued fully paid**

Shares shall only be issued as fully paid.

5.7 **Pre-emptive rights of Preferred Shareholders**

- (a) Subject to any Requisite Approvals, Article 5.9, and compliance with all Applicable Laws, if the Company proposes to issue new Securities ("**New Securities**") to any person, then the Company shall first comply with the provisions of these Articles 5.7 to 5.9 (inclusive).
- (b) The Company shall, not less than fifteen (15) Business Days prior to the proposed date of issuing any New Securities, serve a notice ("**Issue Notice**") on each Preferred Shareholder (but not the Ordinary Shareholders, for the avoidance of doubt) specifying:
 - (i) the key terms of the issue of New Securities, including the issue price (or the means by which the price will be calculated);
 - (ii) the total number of New Securities to be issued;
 - (iii) the number of New Securities for which the Preferred Shareholder is entitled to subscribe based on its then Equity Ratio ("**Pro-Rata Share**"); and
 - (iv) that the allocation of New Securities shall take place in accordance with these Articles and the Shareholders Agreement.
- (c) Within fifteen (15) Business Days after the date of the Issue Notice ("**Subscription Period**"), a Preferred Shareholder may exercise its right to subscribe (or to nominate its Affiliates to subscribe, provided that such Affiliate is not a Sanctioned Person or a Competitor) for any number of New Securities up to such Preferred Shareholder's Pro-Rata Share by way of written notice to the Company. If a Preferred Shareholder has not given notice before the expiry of the Subscription Period, then it shall have no further right to subscribe for the New Securities.
- (d) If any Preferred Shareholder fails or declines to exercise its pre-emptive right in full in accordance with Article 5.7(c) above, on the next Business Day following the expiry of the Subscription Period, the Company shall give written notice to each Preferred Shareholder who exercised its pre-emptive rights in full (each, an "**Oversubscription Shareholder**") in writing of any New Securities not being subscribed by the other Preferred Shareholder(s) pursuant to Article 5.7(c) ("**Remaining New Securities**").

- (e) Within five (5) Business Days after the receipt of the written notice issued by the Company pursuant to Article 5.7(d), each Oversubscription Shareholder may exercise its right to subscribe for the Remaining New Securities by giving written notice to the Company of the number of Remaining New Securities for which it wishes to subscribe.

5.8 Allocation

- (a) As soon as reasonably practicable after the determination of the allocation of the New Securities pursuant to Articles 5.7(b) to 5.7(e), the Company shall deliver to each Preferred Shareholder a written notice setting out the number of New Securities that each Preferred Shareholder has been allocated for subscription and the relevant subscription amount ("**Allocation Notice**"), then:
 - (i) each Preferred Shareholder shall pay to the Company the subscription monies for the New Securities by the later of:
 - (A) the date set out in the Allocation Notice; and
 - (B) the date on which all mandatory Authorizations have been obtained by the Company for the issuance of the New Securities (or the applicable waiting periods for those approvals having expired); and
 - (ii) subject to the receipt of the subscription monies, the Company shall issue share certificates and procure the register of members to be updated for the New Securities.
- (b) If any Preferred Shareholder (including any Oversubscription Shareholder) declines or fails to complete the exercise of its pre-emptive rights in full within the respective time periods specified in Article 5.7(c) and 5.7(e), the rights of such Preferred Shareholder to subscribe for such New Securities shall be extinguished and the Board shall have the discretion to allot and issue such New Securities (to which such Preferred Shareholder has declined or failed to complete the exercise of its pre-emptive rights under Article 5.7(c) and 5.7(e)) to Qualified Third Parties on such terms and conditions to be decided by the Board provided that such issuance of the New Securities to such Qualified Third Party shall be on the same or higher price and on the same terms and conditions as set out in the Issue Notice. Such Qualified Third Party must also agree in writing to be bound by the terms and conditions of the Shareholders Agreement as a Member by validly executing a Deed of Adherence.

- (c) In the event that the Company has not issued such New Securities within one hundred and twenty days (120) days of the Issue Notice, then the Company shall not thereafter issue or sell any New Securities without again first offering such New Securities to the Preferred Shareholders pursuant to Articles 5.7 to 5.9 (inclusive).
- (d) For the avoidance of doubt, the pre-emptive rights set out in Articles 5.7 and 5.8 apply in respect of any issuance of New Securities, whether to existing Members or to any other person.

5.9 Exceptions

- (a) Articles 5.7 and 5.8 do not apply to an issuance of:
 - (i) Conversion Shares;
 - (ii) Securities which are approved by way of unanimous approval by all Members to be issued other than in accordance with Articles 5.7 and 5.8.
 - (iii) Securities issued or granted in order for the Company to comply with its obligations under the Articles or the Shareholders Agreement (including as required under Applicable Laws);
 - (iv) Securities constituting all or part of the consideration for either a bona-fide acquisition of assets or business by the Group duly approved by way of the Requisite Approvals;
 - (v) Securities issued or issuable to officers, directors, employees and consultants of the Company pursuant to the ESOP or other employee ownership plan or similar arrangements approved in accordance with the Shareholders Agreement;
 - (vi) Securities issued in connection with any share split, subdivision, consolidation, share dividend, reclassification or other similar event duly approved by the Company in accordance with the Shareholders Agreement and these Articles; and
 - (vii) Securities issued or issuable in accordance with Clause 15 of the Shareholders Agreement; and
 - (viii) Securities issued or issuable in connection with the exercise of the Warrants by the relevant Warrant Holders and/or the implementation of the Restructuring Plan, subject always to the Requisite Approvals (which consent from the relevant Directors and/or Shareholders shall not be unreasonably withheld or delayed); and
 - (ix) Securities issued or issuable in connection with the proposed acquisition of Blonde INC AB (or any of its Affiliates) or Nmbrs Production AB (or any of its Affiliates) by Ninjas in Pyjamas Gaming AB (for the avoidance of doubt, the Equity Ratio of the VE Shareholders shall not be diluted due to the implementation of such acquisition), subject always to the Requisite Approvals (which consent from the relevant Directors and/or Shareholders shall not be unreasonably withheld or delayed).
- (b) The rights of the Preferred Shareholders under Articles 5.7 and 5.8 shall terminate upon the consummation of the Qualified IPO.

6. ANTI-DILUTION ADJUSTMENT

6.1 Unless otherwise approved in advance by (a) such Class A Preferred Shareholder(s) holding not less than two-thirds (2/3) of the total issued Class A Preferred Shares and (b) such Class B-1 Preferred Shareholders holding not less than two-thirds (2/3) of the total issued Class B-1 Preferred Shares, the Company shall not issue or sell any New Securities (whether to an existing Shareholder or a Qualified Third Party) either (i) without consideration or (ii) for a consideration per Share lower than the Initial Subscription Price with respect to each Preferred Share of any Preferred Shareholder (the "**Subscription Unit Price**"), and no New Securities shall be issued for a consideration which is less than the nominal value per Share.

6.2 In the event that, in any subsequent equity financing, the Company issues New Securities at a price less than the Subscription Unit Price (the calculation formula as set forth in Article 6.3 below) ("**Lower Unit Price**"; except in the case of New Securities issued in connection with the implementation of the ESOP or any anti-dilution adjustment), the Preferred Shareholders (the "**Anti-Dilution Right Holders**") shall have the right to request the Company and the VE Founders to exercise an anti-dilution adjustment as set forth in this Article 6 ("**Anti-Dilution Claim**"). For the avoidance of doubt, the VE Founder Parties are not Anti-Dilution Rights Holders and shall not have the right to request anti-dilution adjustments provided herein.

6.3 The calculation formula of the Subscription Unit Price.

(a) The calculation formula of the Subscription Unit Price for each Preferred Share and how it is recognized is as follows:

Subscription Unit Price

$$= \frac{\text{Initial Subscription Price paid by such Preferred Shareholder}}{\text{Amount of Preferred Shares held by such Preferred Shareholder}}$$

(b) The calculation formula of the anti-dilution adjustment and how it is recognized is as follows:

$$\text{Anti - Dilution Adjustment Amount} = \text{Shares Due} - \text{Preferred Shares Held at That Time}$$

where:

(i)
$$\text{Shares Due} = \frac{\text{Preferred Shares Held at That Time} \times \text{Subscription Unit Price}}{\text{Lower Unit Price}}$$

(ii) "Preferred Shares Held at That Time" means the amount of Preferred Shares held by an Anti-Dilution Right Holder prior to the anti-dilution adjustment to such Anti-Dilution Right Holder in accordance with this Article 6.

6.4 Each Anti-Dilution Right Holder shall have the right to request an Anti-Dilution Claim in one of the following methods:

(a) Method I: The Company issues New Securities at the lowest price permitted by law.

(i) The Company shall issue New Securities of the same amount as the "Anti-Dilution Adjustment Amount" (calculation formula as set forth in Article 6.3 above) and of the same class of Shares held by the Anti-Dilution Right Holder, which shall be subscribed for by the Anti-Dilution Right Holder at the lowest unit price or par value permitted by law.

(ii) The investment amount paid by such Anti-Dilution Right Holder to the Company for the subscription of such New Securities shall be borne by the Company, which may include a directed Dividend from the Company to such Anti-Dilution Right Holder or a bonus rights issue, subject to Applicable Law.

(b) Method II: Transfer by VE Founders.

The VE Founders shall transfer to such Anti-Dilution Right Holder New Securities of the same Class of Shares held by such Anti-Dilution Right Holder in the same amount as the "Anti-Dilution Adjustment Amount" (calculation formula as set forth in Article 6.3 above) at a nominal price of one (1) RMB (or such other price as may be approved by such Anti-Dilution Right Holder) in proportion to their relative shareholding percentage.

6.5 For the avoidance of doubt, notwithstanding anything to the contrary in these Articles, except for the consummation of the Qualified IPO or otherwise agreed to in writing by the NIP Shareholders, in no event shall the Equity Ratio of the NIP Shareholders be diluted to lower than 40% (if there is no issuance of any Earn-Out Shares in accordance with Clause 15 of the Shareholders Agreement) or 45% (if there is an issuance of the Earn-Out Shares in accordance with Clause 15 of the Shareholders Agreement) due to the issuance or sale of any New Securities by the Company (for the avoidance of doubt, including the issuance of sale of any New Securities by the Company in relation to the implementation of the Restructuring Plan and/or the Series B Financing, but excluding the consummation of the Qualified IPO). Notwithstanding anything to the contrary in these Articles, if the issuance or sale of any New Securities by the Company in accordance with this Article 6 will result in the Equity Ratio of the NIP Shareholders (after taking into account of the performance ratchet adjustment in accordance of Clause 15 of the Shareholders Agreement and/or consummation of the Qualified IPO) falling below 40% (if there is no issuance of any Earn-Out Shares in accordance with Clause 15 of the Shareholders Agreement) or 45% (if there is an issuance of the Earn-Out Shares in accordance with Clause 15 of the Shareholders Agreement), then unless otherwise agreed in writing by the NIP Shareholders following good faith discussion among the Members, the Company shall concurrently issue additional New Securities to the NIP Shareholders either (i) without consideration (i.e. as a fully paid bonus New Securities or otherwise in accordance with Applicable Law) or (ii) at nominal value per Share if the Company is unable to meet the requirements under Applicable Law to issue New Securities to the NIP Shareholders without consideration (i.e. as a fully paid bonus New Securities or otherwise in accordance with Applicable Law), so that the Equity Ratio of the NIP Shareholders after such issuance of New Securities will remain at 40% or 45%, as the case may be.

7. **CONVERSION RIGHTS OF PREFERRED SHARES**

7.1 The holders of Preferred Shares shall have conversion rights as follows:

(a) **Trigger Event**

- (i) Immediately before the IPO Effective Time, each Preferred Share shall without any further act of the Company or the Preferred Shareholder of any Preferred Shares automatically convert into such number of fully paid and non-assessable Ordinary Shares as is determined by dividing the Initial Subscription Price per Share for such Preferred Shares by the "**Conversion Price**" in effect for such Preferred Shares at the time of conversion. The Conversion Price per Share for Preferred Shares shall initially be the relevant Initial Subscription Price for each of the Preferred Shares. The Conversion Price for Preferred Shares shall be subject to adjustment as provided below.
- (ii) If an IPO is not consummated or concluded within five (5) Business Days of the IPO Effective Time or such other date as the Board may in its absolute discretion resolve, the foregoing automatic conversion will be deemed to have not occurred.

(b) **Fractional Shares.** No fractions of Ordinary Shares shall be issued upon the conversion of Preferred Shares.

(c) **Mechanics of Conversion.**

- (i) **Procedural Requirements in the event that Preferred Shares have been issued in Certificated Form.** All holders of record of Preferred Shares to be converted to Ordinary Shares shall be sent written notice of the conversion and the place designated for conversion of all such Preferred Shares pursuant to this Article 7. Upon receipt of such notice, each holder of such Preferred Shares being converted pursuant to this Article 7 shall surrender his, her or its certificate or certificates for all such Preferred Shares (or, if such holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Company to indemnify the Company against any claim that may be made against the Company on account of the alleged loss, theft or destruction of such certificate) to the Company at the place designated in such notice. If so required by the Company, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Company, duly executed by the registered holder or by his, her or its attorney duly authorised in writing. As soon as practicable after the IPO Effective Time and the surrender of the certificate or certificates (or lost certificate affidavit and agreement) for Preferred Shares converted pursuant to this Article 7 the Company shall issue and deliver to such holder, or to his, her or its nominees, a certificate or certificates for the number of full Ordinary Shares issuable on such conversion in accordance with the provisions hereof. Notwithstanding the foregoing, any failure to deliver the foregoing notice or to surrender the certificate or certificates of Preferred Shares shall not prevent their automatic conversion
- (ii) **Notice Requirements in the event that Preferred Shares remain in Uncertificated Form.** All holders of record of Preferred Shares to be converted to Ordinary Shares shall be sent written notice of the conversion and the anticipated IPO Effective Time.
- (iii) All rights with respect to Preferred Shares converted pursuant to this Article 7 including the rights, if any, to receive notices and vote (other than as a holder of Ordinary Shares), will terminate at the IPO Effective Time (notwithstanding any failure of the holder or holders thereof to surrender the certificates, if any, at or prior to such time), except the right of the holders thereof (i) to receive the payment of any declared but unpaid dividends on the Preferred Shares converted and (ii) upon surrender of their certificate or certificates (or lost certificate affidavit and agreement) therefor, to receive the appropriate number of Ordinary Shares (certificated or otherwise, as appropriate).
- (iv) Any Preferred Shares converted to Ordinary Shares pursuant to this Article 7 may not be reissued by the Company. Converted Preferred Shares shall be cancelled and may not be reissued as shares of such series, and the Company may thereafter take such appropriate action (without the need for Member action) as may be necessary to reduce the authorised number of Preferred Shares accordingly.

(v) **Reservation of Shares.** The Company shall at all times when Preferred Shares are issued, reserve and keep available out of its authorised but unissued Ordinary Shares, for the purpose of effecting the conversion of Preferred Shares, such number of its duly authorised Ordinary Shares as shall from time to time be sufficient to effect the conversion of all outstanding Preferred Shares. If at any time the number of authorised but unissued Ordinary Shares shall not be sufficient to effect the conversion of all then outstanding Preferred Shares, the Company and its Members shall take such corporate action as may be necessary to increase its authorised but unissued Ordinary Shares to such number of Shares as shall be sufficient for such purposes. Before taking any action which would cause an adjustment reducing the Conversion Price for the Preferred Shares below the then par value of the Ordinary Shares issuable upon conversion of such Preferred Shares, the Company and its Members will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and non-assessable Ordinary Shares at such adjusted Conversion Price.

(vi) **Taxes.** The Company shall pay any and all issuance and other similar taxes that may be payable in respect of any issuance or delivery of Ordinary Shares upon conversion of Preferred Shares pursuant to Article 7. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of Ordinary Shares in a name other than that in which the Preferred Shares so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that such tax has been paid.

(d) **Conversion Price Adjustments for Dilutive Issuances.**

(i) **Special Definitions.** For purposes of this Article 7, the following definitions shall apply:

(A) **"Option"** shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Ordinary Shares or Convertible Securities.

(B) **"Original Issuance Date"** shall mean the date on which the first Share of Preferred Shares was issued.

(C) **"Convertible Securities"** shall mean any evidences of indebtedness, Shares or other securities directly or indirectly convertible into or exchangeable for Ordinary Shares, including, but not limited to, Preferred Shares, and excluding Options.

- (D) "**Additional Ordinary Shares**" shall mean all Ordinary Shares issued or deemed to be issued pursuant to Article 7.1(d) (ii) by the Company after the Original Issuance Date, other than (a) the Ordinary Shares listed below and (b) Ordinary Shares deemed issued pursuant to the Options and Convertible Securities listed below (together, the "**Exempted Securities**"):
- i. Ordinary Shares, Options or Convertible Securities issued as a dividend or distribution on Preferred Shares;
 - ii. Ordinary Shares, Options or Convertible Securities issued by reason of division, consolidation or combination of Shares in accordance with the Companies Act, or other distribution on Ordinary Shares covered by Article 7.1(e);
 - iii. Ordinary Shares or Options issued to employees or Directors of, or consultants or advisors to, the Company or any of its subsidiaries pursuant to a plan, agreement or arrangement approved by the Board, including, but not limited to, the ESOP;
 - iv. Ordinary Shares or Convertible Securities issued upon the exercise of Options or Ordinary Shares issued upon the conversion or exchange of Convertible Securities; provided, that in each case such issuance is pursuant to the terms of such Option or Convertible Security;
 - v. Earn-Out Shares issued to the VE Shareholders;
 - vi. New Securities issued pursuant to Clause 10.13 (*Anti-Dilution Adjustments*) of the Shareholders Agreement;
 - vii. Ordinary Shares issued pursuant to the Restructuring Plan (as defined in the Subscription Agreement),
- (E) References in this Article 7.1 to a "**conversion**" or "**exchange**" of Preferred Shares shall be construed to mean the compulsory redemption of the Preferred Shares of any Member and, on behalf of such Member, automatic application of the proceeds of redemption (calculated on the basis that the Ordinary Shares to be issued as part of the conversion or exchange will be issued at par) in paying for the new Ordinary Shares into which such Preferred Shares have been converted or exchanged. The new Ordinary Shares shall be registered in the name of the redeeming Member or in such name as the redeeming Member shall direct.

- (ii) **Deemed Issuance of Additional Ordinary Shares.**
- (A) If the Company at any time or from time to time after the Original Issuance Date issues any Option or Convertible Security (excluding Options or Convertible Securities which are Exempted Securities), then the maximum number of Ordinary Shares (as set forth in the instrument relating thereto, assuming the satisfaction of any conditions to exercisability, convertibility or exchangeability but without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise, conversion or exchange of such Option or Convertible Security, shall be deemed to be Additional Ordinary Shares issued as of the time of such issuance.
- (B) If the terms of any Option or Convertible Security (excluding Exempted Securities), the issuance of which did not result in an adjustment to the Conversion Price for Preferred Shares in accordance with Article 6, are revised after the Original Issuance Date as a result of an amendment or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security) to provide for either (1) an increase in the number of Ordinary Shares issuable upon the exercise, conversion or exchange of such Option or Convertible Security or (2) a decrease in the consideration payable to the Company upon such exercise, conversion or exchange, then such Option or Convertible Security, as so amended or adjusted, and the Additional Ordinary Shares subject thereto (determined in the manner provided in Article 7.1(d)(ii)(A)) shall be deemed to have been issued effective upon such increase or decrease becoming effective.
- (iii) **No Adjustment of Conversion Price.** No adjustment in the Conversion Price for Preferred Shares shall be made as the result of the issuance or deemed issuance of Additional Ordinary Shares if the Company receives written notice from the holders of at least a majority of the then outstanding Preferred Shares agreeing that no such adjustment shall be made as the result of the issuance or deemed issuance of such Additional Ordinary Shares.

(iv) **Subsequent Conversion Price Adjustment for Deemed Issuances of Additional Ordinary Shares.**

- (A) If the terms of any Option or Convertible Security, the issuance of which resulted in an adjustment to the Conversion Price for the Preferred Shares in accordance with Article 6 (the "**Original Option or Convertible Issuance**"), are revised as a result of an amendment or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security) to provide for either (1) an increase or decrease in the number of Ordinary Shares issuable upon the exercise, conversion and/or exchange of any such Option or Convertible Security or (2) an increase or decrease in the consideration payable to the Company upon such exercise, conversion and/or exchange, then, effective upon such increase or decrease becoming effective, the Conversion Price for the Preferred Shares computed based on the terms of the Original Option or Convertible Issuance shall be readjusted to equal the Conversion Price for the Preferred Shares as would have been obtained had such revised terms been in effect on the date of the Original Option or Convertible Issuance. Notwithstanding the foregoing, no readjustment pursuant to Article 7.1(d)(iv)(A) shall have the effect of increasing the Conversion Price for the Preferred Shares to an amount exceeding the lower of the Conversion Price for the Preferred Shares (1) in effect immediately prior to the adjustment made as a result of the Original Option or Convertible Issuance and (2) that would have been in effect if the Original Option or Convertible Issuance had not occurred.
- (B) Upon the expiration or termination of any unexercised Option or unconverted or unexchanged Convertible Security (or portion thereof) which resulted (either upon its original issuance or upon a revision of its terms) in an adjustment to the Conversion Price for the Preferred Shares in accordance with Article 6 the Conversion Price for the Preferred Shares shall be readjusted to equal such Conversion Price for the Preferred Shares as would have been in effect had such Option or Convertible Security (or portion thereof) never been issued.
- (C) If the number of Ordinary Shares issuable upon the exercise, conversion or exchange of any Option or Convertible Security, or the consideration payable to the Company upon such exercise, conversion or exchange, cannot be calculated at the time such Option or Convertible Security is issued or amended, any adjustment to the Conversion Price for the Preferred Shares that would have resulted under the terms of Article 7.1(d)(ii) or Article 7.1(d)(iv)(A) at the time of such issuance or amendment shall instead be effected at the time such number of Shares and/or amount of consideration is first calculable (even if subject to subsequent adjustments), assuming for purposes of calculating such adjustment to the Conversion Price for the Preferred Shares that such issuance or amendment took place at the time such calculation can first be made.

- (v) **Determination of Consideration.** For purposes of Article 7.1(d) the consideration received by the Company for the issuance of any Additional Ordinary Shares shall be computed as follows:
- (A) **Cash and Property:** Such consideration shall:
- i. insofar as it consists of cash, be computed at the aggregate amount of cash received by the Company, excluding amounts paid or payable for accrued interest;
 - ii. insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issuance, as determined in good faith by the Board; and
 - iii. in the event Additional Ordinary Shares are issued together with other Shares or Securities or other assets of the Company for consideration which covers both cash and property other than cash, be the proportion of such consideration so received, computed as provided in Articles 7.1(d)(v)(A)i and 7.1(d)(v)(A)ii, above, as determined in good faith by the Board.
- (B) **Options and Convertible Securities.** The consideration per Share received by the Company for Additional Ordinary Shares deemed to have been issued pursuant to Article 7.1(d)(ii), relating to Options and Convertible Securities, shall be determined by dividing:
- i. the total amount, if any, received or receivable by the Company as consideration for the issuance of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Company upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by

- ii. the maximum number of Ordinary Shares (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities.
- (vi) **Multiple Closing Dates.** In the event the Company shall issue on more than one date Additional Ordinary Shares that are a part of one transaction or a series of related transactions and that would result in an adjustment to the Conversion Price for the Preferred Shares in accordance with Article 6, then, upon the final such issuance, the Conversion Price for such Preferred Shares shall be readjusted to give effect to all such issuances as if they occurred on the date of the first such issuance (and without giving effect to any additional adjustments as a result of any such subsequent issuances within such period).
- (e) **Conversion Price Adjustment for Division or Combination of Shares.**
- (i) If the Company shall at any time or from time to time after the Original Issuance Date effect a subdivision of the issued Ordinary Shares, the Conversion Price for the Preferred Shares in effect immediately before such subdivision shall be proportionately decreased so that the number of Ordinary Shares issuable on conversion of each Share shall be increased in proportion to such increase in the aggregate number of Ordinary Shares outstanding.
 - (ii) If the Company shall at any time or from time to time after the Original Issuance Date combine or consolidate the issued Ordinary Shares, the Conversion Prices for the Preferred Shares in effect immediately before such combination shall be proportionately increased so that the number of Ordinary Shares issuable on conversion of each Share shall be decreased in proportion to such decrease in the aggregate number of Ordinary Shares issued.
 - (iii) Any adjustment under this Article 7.1(e) shall become effective at the close of business on the date the subdivision or combination/consolidation becomes effective.

8. REGISTER OF MEMBERS

8.1 The Company shall maintain or cause to be maintained a Register of Members.

8.2 Upon request, the Directors shall confirm to any Member the entry of the name of such Member in the Register of Members and the number of Shares held by such Member. No Member (not being a Director) shall have any right to inspect the Register of Members except as conferred by the Companies Act or as authorised by the Directors.

9. CLOSURE OF THE REGISTER OF MEMBERS AND FIXING A RECORD DATE

9.1 Power of Directors to close the Register of Members

For the purpose of determining Members entitled to notice of, or to vote at any meeting of Members or any adjournment of a meeting, or Members entitled to receive payment of any Dividend, or in order to make a determination of Members for any other proper purpose, the Directors may provide that the Register of Members shall be closed for transfers for a stated period which shall not in any case exceed 40 days.

9.2 Power of Directors to fix a record date

In lieu of, or apart from, closing the Register of Members, the Directors may fix in advance a date as the record date for any such determination of Members entitled to notice of or to vote at a meeting of the Members, and for the purpose of determining the Members entitled to receive payment of any Dividend or in order to make a determination of Members for any other purpose.

9.3 Circumstances where Register of Members is not closed and no fixed record date

If the Register of Members is not closed and no record date is fixed for the determination of Members entitled to notice of, or to vote at, a meeting of Members or Members entitled to receive payment of a Dividend, the date on which notice of the meeting is sent or the date on which the resolution of the Directors declaring such Dividend is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this Article, such determination shall apply to any adjournment of that meeting.

10. SHARE CERTIFICATES

10.1 Issue of share certificates

A Member shall only be entitled to a share certificate if the Directors resolve that share certificates shall be issued.

10.2 Form of share certificates

Share certificates, if any, shall be in such form as the Directors may determine and shall be signed by one or more Directors or any other person so authorised by the Directors. The Directors may authorise share certificates to be issued with the authorised signature(s) affixed by mechanical process. All share certificates shall be consecutively numbered or otherwise identified and shall specify the number and class of Shares to which they relate. All share certificates surrendered to the Company for transfer shall be cancelled and subject to these Articles no new certificate shall be issued until the former certificate evidencing a like number of relevant Shares shall have been surrendered and cancelled. Where only some of the Shares evidenced by a share certificate are transferred, the old certificate shall be surrendered and cancelled and a new certificate for the balance of the Shares shall be issued in lieu without charge.

10.3 Certificates for jointly-held Shares

If the Company issues a share certificate in respect of Shares held jointly by more than one person, delivery of a single share certificate to one joint holder shall be a sufficient delivery to all of them.

10.4 Replacement of share certificates

If a share certificate is defaced, worn-out or alleged to have been lost, stolen or destroyed, a new share certificate shall be issued on the payment of such expenses reasonably incurred by the Company and the person requiring the new share certificate shall first surrender the defaced or worn-out share certificate or give such evidence of the loss, theft or destruction of the share certificate and such indemnity to the Company as the Directors may require.

11. TRANSFER OF SHARES

11.1 Written instrument of transfer

(a) Subject to these Articles, a Share is transferable by means of a written instrument of transfer in any usual or common form for use in the Cayman Islands or any other form approved by the Directors and which:

- (i) has been executed by or on behalf of the transferor; and
- (ii) is accompanied by such documentation that the Directors may request.

(b) The Directors shall exercise their powers to ensure that Shares are only transferred in accordance with the Shareholders Agreement.

11.2 Refusal to register transfers

(a) The Directors may resolve to refuse to register any transfer of Shares.

(b) If the Directors refuse to register a transfer of Shares they must, within two months of such refusal (i) give notice of the refusal to the registered holder of the Shares and the proposed transferee named on the transfer and (ii) at their election, either destroy any instrument of transfer provided to them in respect of such proposed transfer, or return such instrument to the person who provided it to them. Failure to provide such notice or to destroy or return such instrument does not invalidate the decision of the Directors to refuse to register that transfer.

- (c) If the Shareholders Agreement is in force, and notwithstanding Articles 11.2(a) or (b) or any other Article, the Directors must not decline to register a transfer of a Share or suspend the registration of a transfer of a Share to the extent that such transfer is permitted or required by, or otherwise complies with, the terms of the Shareholders Agreement, and must refuse to register a transfer if such proposed transfer would result in a breach of any term of the Shareholders Agreement or which otherwise would not be permitted by, or would not comply with, the terms of the Shareholders Agreement.

11.3 **Effect of registration**

The transferor shall be deemed to remain the holder of the Share transferred until the name of the transferee is entered in the Register of Members in respect of that Share.

11.4 **Transfer Restrictions**

Notwithstanding anything to the contrary contained in these Articles, no Party shall Transfer any Securities to any of the Competitors, unless:

- (a) with respect to any Proposed Transfer to a Wuhan Douyu Competitor, prior written consent has been obtained from Wuhan Douyu;
- (b) with respect to any Proposed Transfer to a NIP Competitor, prior written consent has been obtained from either the NIP Founder Holdcos or the NIP Founders; and
- (c) with respect to any Proposed Transfer to a Company Competitor, prior written consent has been obtained either from all of the Founder Holdcos or from all of the Founders.

11.5 **Drag Along Right**

- (a) If any of the Members (the "**Dragging Shareholders**") proposes to Transfer, whether through a single transaction or a series of related transactions, such number of Securities held by them which in aggregate would constitute a Change of Control (a "**Drag-Along Sale**"), the Dragging Shareholders may require all other Shareholders (other than (i) the NIP Shareholders, unless the Dragging Shareholders include all of the NIP Founder Holdcos; and (ii) the VE Financial Shareholders unless the Dragging Shareholders include all of the VE Founder Holdcos) (the "**Dragged Shareholders**") to participate in such Drag-Along Sale in accordance with this Article 11.5, provided that the Drag-Along Sale (including such price and terms thereof) has been approved as a Shareholders Reserved Matter following the Requisite Approvals and agreed to by all of the Founder Parties in writing.

- (b) Within five (5) calendar days after entering into any binding agreement (in the form approved as a Shareholders Reserved Matter for purposes of the Drag-Along Sale) (the "**Sale Agreement**"), the Dragging Shareholders shall deliver a written notice (the "**Tag Notice**") to all other Shareholders (the "**Tag Holders**") stating:
- (i) the name and address of the proposed Qualified Third Party(ies) for the Drag-Along Sale (the "**Tag Transferee**");
 - (ii) the number of Securities to be Transferred;
 - (iii) the expected date of consummation of the proposed Drag-Along Sale;
 - (iv) a representation that the Tag Transferee has been informed of the Tag-Along Right;
 - (v) a representation that no consideration is being provided to any Dragging Shareholder that is not reflected in the price to be paid to such Tag Holder (if it exercises the Tag-Along Right); and
 - (vi) a representation that the Tag Transferee is a Qualified Third Party.
- (c) The Tag Notice shall be accompanied by true and complete copies of all agreements (including the Sale Agreement) between the Dragging Shareholders and the Tag Transferee regarding the proposed Drag-Along Sale. For the purposes of this Article 11.5, the Members who have a Tag-Along Right are the same Members who may be subject to the Drag Notice.
- (d) The Dragging Shareholders may, within five (5) calendar days after the date of the Tag Notice, by delivering a notice in writing (a "**Drag Notice**") on each of the Dragged Shareholders, require each Dragged Shareholder to participate in the Drag-Along Sale by Transferring all of such Securities registered in the name of such Dragged Shareholder (the "**Dragged Shares**"), subject to the terms and on the date of completion of the Sale Agreement (which shall not be less than thirty (30) calendar days after the date of the Drag Notice) (the "**Drag Completion Date**") as stipulated in the Drag Notice. If the Drag-Along Sale contemplated in the Sale Agreement is not completed on or prior to the Drag Completion Date, the Drag Notice shall lapse.
- (d) The price for each Dragged Share shall: (a) be equal to the highest consideration offered for each Security in the Company in the Sale Agreement; (b) be in the same form as that offered for each Security in the Company in the Sale Agreement; and (c) shall be paid at the same time as the consideration is payable under the Sale Agreement (or, if later, on the Drag Completion Date) and shall be subject to the same payment terms.
- (f) All Dragged Shareholders' obligations under this Article 11.5 to Transfer the Dragged Shares shall apply regardless of whether the Dragged Shares are of the same class or type of Securities of the Company which the Dragging Shareholders propose to Transfer, provided that, to the extent such a difference in class or type exists, the consideration payable to the Dragged Shareholders for the Dragged Shares shall be calculated as if all Securities of the Company held by the applicable Dragging Shareholders and the Dragged Shareholders which will be subject to a Transfer under this Article 11.5 (assuming the Dragging Shareholders exercise their drag-along rights in full) had been converted into Ordinary Shares on the date immediately prior to the date of the Drag Notice (to the extent not already in the form of Ordinary Shares) at the conversion price which would be applicable on such date had such conversion occurred on such date.

- (g) Any Transfer by a Dragged Shareholder shall be made on substantially the same terms and conditions as described in the Sale Agreement. However, the Dragged Shareholders shall not be required to make any representation or warranty to the proposed Qualified Third Party(ies), other than as to good title to any Dragged Shares, absence of liens with respect to such Dragged Shares, customary representations and warranties concerning the Dragged Shareholder's power and authority to undertake the proposed Transfer and the validity and enforceability of the Dragged Shareholder's obligations in connection with it. If any or all Dragged Shareholders are required to provide any indemnity under the Sale Agreement, each Dragged Shareholder's liability under such indemnity shall be several only and limited in amount to the proportion of its Dragged Shares that bears to the total number of Dragged Shares that are the subject of the Sale Agreement.
- (h) Article 11.5(a) to (g) (inclusive) shall not apply to the extent that the price, in cash or cash equivalents, for each Dragged Share does not represent a Fair Market Value for an arm's length sale as determined by an Independent Valuer, or is not in cash or cash equivalents.
- (i) The provisions of this Article 11.5 shall be terminated upon the consummation of the Qualified IPO.

11.6 **Tag Along Right**

- (a) If the Dragging Shareholders do not deliver the Drag Notice to any Tag Holders within ten (10) calendar days after entering into the Sale Agreement, each Tag Holder shall have the right (the "**Tag-Along Right**") but not the obligation to require the Tag Transferee in a Drag-Along Sale to purchase from such Tag Holder (and its Permitted Transferees and Affiliates, if applicable), for the same consideration that would be payable to such Tag Holder had it been a Dragged Shareholder, up to all of the Securities held by such Tag Holder, its Permitted Transferees and Affiliates. The Tag-Along Right shall be exercisable by a Tag Holder by delivering a written notice of exercise of the Tag-Along Right to the Dragging Shareholders within ten (10) calendar days after the delivery of the Tag Notice specifying the number of Securities (the "**Tag Securities**") with respect to which the Tag Holder has elected to exercise the Tag-Along Right. The terms and conditions applicable to the Transfer by the Tag Holder pursuant to this Article 11.6 shall be the same as those applicable to a Dragged Shareholder pursuant to Article 11.5. If any Tag Holder has properly elected to exercise the Tag-Along Right, the number of Securities (calculated on as-converted basis) proposed to be Transferred by each Dragging Shareholder shall be reduced by a number equal to (i) the number of Tag Securities (on an as-converted basis) multiplied by (ii) a fraction, the numerator of which is the total number of Securities (on an as-converted basis) proposed to be Transferred by such Dragging Shareholder and the denominator of which is the total number of Securities (on an as-converted basis) proposed to be transferred by all of the Dragging Shareholders. If any Tag Holder has properly elected to exercise the Tag-Along Right and the Tag Transferee fails to purchase the Securities from such Tag Holder, the Dragging Shareholder(s) shall not consummate the Drag-Along Sale, and if purported to be made, such Drag-Along Sale shall be void.

12. REDEMPTION RIGHT BY PREFERRED SHAREHOLDERS

12.1 For purposes of this Article 12:

- (a) any Class A Preferred Share(s) requested by a VE Financial Shareholder for redemption by the Company pursuant to this Article 12 are hereinafter referred to as the "**Class A Redemption Shares**"; any Class B Preferred Share(s) requested by a VE Financial Shareholder for redemption by the Company pursuant to this Article 12 are hereinafter referred to as the "**Class B Redemption Shares**" (collectively with the Class A Redemption Shares, the "**VE Redemption Shares**", and such requesting VE Financial Shareholder(s), the "**VE Redemption Shareholders**");
- (b) any Class B-1 Preferred Shares requested by the NIP Shareholders (in the case of a NIP Redemption Trigger Event) or by the VE Founder Holdcos (in the case of a NIP Special Redemption Trigger Event) for redemption by the Company pursuant to this Article 12 are hereinafter referred to as the "**NIP Redemption Shares**" and the NIP Shareholder(s) holding such NIP Redemption Shares, the "**NIP Redemption Shareholders**";
- (c) "**Redemption Shares**" means, collectively, the NIP Redemption Shares and the VE Redemption Shares; and
- (d) "**Redemption Shareholder**" means, collectively, the NIP Redemption Shareholders and the VE Redemption Shareholders.

12.2 Within thirty (30) days after the VE Financial Shareholder(s) and/or the NIP Shareholder(s) become(s) aware of occurrence of a Redemption Trigger Event:

- (a) in the case of a VE Redemption Trigger Event, each VE Financial Shareholder may, by written notice to the Company, specify the relevant VE Redemption Trigger Event and request the Company to redeem any or all of the outstanding Class A Preferred Shares and/or Class B Preferred Shares (as the case may be, including any Warrants) held by such VE Financial Shareholder in accordance with this Article 12; and/or
- (b) in the case of a NIP Redemption Trigger Event, the NIP Shareholders (acting collectively) may, by written notice to the Company, specify the relevant NIP Redemption Trigger Event

- (c) and request the Company to redeem all (but not some) of the outstanding Class B-1 Preferred Shares held by all NIP Shareholders in accordance with this Article 12; and in the case of a NIP Special Redemption Trigger Event, the VE Founder Holdcos may (acting collectively), by written notice to the NIP Shareholders and the Company, specify the relevant NIP Special Redemption Trigger Event and request the Company to redeem all (but not some) of the outstanding Class B-1 Preferred Shares held by all NIP Shareholders in accordance with this Article 12.

(in each case, a "**Redemption Request**").

12.3 Following receipt of any Redemption Request, the Company shall within thirty (30) days thereafter deliver a written notice (the "**Redemption Notice**") to all other Preferred Shareholders, at the address last shown on the register of members of the Company for such holders. A Redemption Notice shall:

- (a) with respect to the redemption of VE Redemption Shares, specify the proposed VE Redemption Date and the VE Redemption Price (including the basis of its calculation pursuant to Article 12.4);
- (b) with respect to the redemption of NIP Redemption Shares, specify the proposed NIP Redemption Date and include drafts of all necessary documents required under Applicable Laws to be to be signed, executed and/or delivered by the NIP Redemption Shareholders (if any) for effecting the redemption of all NIP Redemption Shares in accordance with Articles 12.8 to 12.13; and
- (c) direct each Redemption Shareholder to submit its share certificate(s) (or Warrants or an affidavit in respect of any lost certificates or Warrants) with respect to its Redemption Shares to the Company on or before the VE Redemption Date or the NIP Redemption Date (as the case may be).

Redemption by VE Redemption Shareholders

12.4 The redemption price for each VE Redemption Share (the "**VE Redemption Price**") redeemed pursuant to this Article 12 shall be equal to the higher of the following:

- (a) an amount calculated as follows:

$$\mathbf{A + B - C}$$

Whereas:

"**A**" = Initial Subscription Price of the VE Redemption Share;

"B" = $A \times 8\% \times (\text{number of days between the Initial Subscription Date and the VE Redemption Date})/365$, being the amount of guaranteed return accrued with respect to the VE Redemption Share as of the VE Redemption Date by applying an annual interest rate of eight percent (8%); and

"C" = the total amount of cash distributed by the Company and received by the VE Redemption Shareholder per VE Redemption Share (whether by way of dividend or other forms of distribution to Members as permitted by Applicable Laws) during the period between the Initial Subscription Date and the VE Redemption Date; or

(b) an amount calculated as follows:

$$D \times (E / F) / G$$

Whereas:

"D" = the net asset value of the Company (as audited by an Independent Valuer);

"E" = an amount equivalent to such portion of the Company's issued share capital that is attributable to the total subscription monies paid by the VE Redemption Shareholders in respect of the total outstanding VE Redemption Shares in issue;

"F" = the total amount of issued share capital in the Company; and

"G" = the total number of VE Redemption Shares in issue.

12.5 The redemption of any Class B Redemption Shares pursuant to this Article 12 shall take place at such date and location designated by all the VE Directors, but shall in any event take place after the NIP Redemption Date (the "**Class B Redemption Date**"). On the Class B Redemption Date, subject to Applicable Laws, the Company shall, from any source of assets (other than the shares of the NIP Group Companies) or funds legally available therefor (the "**VE Redemption Funds**"), redeem each Class B Redemption Share that has been submitted for redemption by paying in cash therefor the VE Redemption Price, against such certificates or Warrants representing such Class B Redemption Shares (or an affidavit in respect of any lost certificates or Warrants) as surrendered by the VE Redemption Shareholder (by way of delivery of such original copies of the same to the Company's registered office). For the avoidance of doubt, none of the assets and funds of the NIP Group Companies shall form part of the VE Redemption Funds.

- 12.6 The redemption of any Class A Redemption Shares pursuant to this Article 12 shall take place at such date and location designated by all the VE Directors, but shall in any event take place after the NIP Redemption Date and the Class B Redemption Date (the "**Class A Redemption Date**", collectively with the Class B Redemption Date, the "**VE Redemption Date**"). On the Class A Redemption Date, subject to Applicable Laws, the Company shall, from any remaining VE Redemption Funds, redeem each Class A Redemption Share that has been submitted for redemption by paying in cash therefor the VE Redemption Price, against such certificates representing such Class A Redemption Shares (or an affidavit in respect of any lost certificates) as surrendered by the VE Redemption Shareholder (by way of delivery of such original copies of the same to the Company's registered office).
- 12.7 All VE Redemption Funds shall be paid and applied on the VE Redemption Date for payment to the VE Redemption Shareholders. From and after a respective VE Redemption Date, if the VE Redemption Price has been received in full by the VE Redemption Shareholder, all rights of such VE Redemption Shareholder shall cease with respect to such VE Redemption Shares, and such VE Redemption Shares shall be cancelled and not thereafter be transferred or be deemed outstanding for any purpose whatsoever.

Redemption by NIP Redemption Shareholders

- 12.8 The total redemption price for all NIP Redemption Shares (the "**NIP Redemption Price**") shall be equivalent to the then net asset value of all NIP Group Companies in aggregate as of the NIP Redemption Date. Payment of the NIP Redemption Price shall be settled by way of redemption in kind of all the shares held by the Company in the NIP Group Companies to the NIP Redemption Shareholders (the "**NIP Share Distribution**"). For the avoidance of doubt, the NIP Share Distribution constitutes full settlement of the NIP Redemption Price, and no cash, other assets or funds of the Company shall be payable by the Company whatsoever to satisfy the payment of the NIP Redemption Price.
- 12.9 The NIP Share Distribution shall take place within thirty (30) days of the date of the Redemption Notice (or such later date as may be agreed in writing by the NIP Redemption Shareholders and the Company may mutually agree in writing), but shall in any event take place prior to the VE Redemption Date (the "**NIP Redemption Date**"). On the NIP Redemption Date, subject to Applicable Laws, the Company shall take all Necessary Actions to effect the NIP Share Distribution (including but not limited to obtaining all necessary corporate approval for the NIP Share Distribution and procuring the due execution of all requisite instruments and documents by the relevant parties).
- 12.10 In the event that the Company is unable to effect the NIP Share Distribution under the Applicable Laws, the Company shall, subject to Applicable Laws, transfer the shares in each of the NIP Group Companies to the NIP Redemption Shareholders at nil consideration, on a pro-rata basis with respect to the Equity Ratio of such NIP Redemption Shareholders (the "**NIP Share Transfer**") and concurrently redeem the NIP Redemption Shares at nominal value in accordance to Applicable Laws.
- 12.11 Upon completion of the NIP De-Merger, all rights of the NIP Redemption Shareholders shall cease with respect to the NIP Redemption Shares, and such NIP Redemption Shares shall be cancelled and not thereafter be transferred or be deemed outstanding for any purpose whatsoever (save in relation to the rights of such NIP Redemption Shareholders under Article 12.12, where applicable).

- 12.12 In the case of a NIP Redemption Trigger Event (but not a NIP Special Redemption Trigger Event, for the avoidance of doubt), the Company agrees and undertakes to pay the NIP Redemption Dividend (if any) in cash to the NIP Redemption Shareholders based on their respective Equity Ratio as of the date of occurrence of the NIP Redemption Trigger Event (the "**NIP Dividend Distribution**"), provided that if the Company does not have sufficient funds to satisfy payment of the NIP Dividend Distribution and the VE Redemption Price for all VE Redemption Shares at the same time, then the NIP Dividend Distribution shall only take place after completion of the redemption of all VE Redemption Shares, and the Company shall thereafter use all of its remaining assets or funds (to the extent legally available) to settle the NIP Dividend Distribution.

Insufficient funds for redemption

- 12.13 If:
- (a) following the NIP Redemption Date, the Company is unable to (i) effect the NIP De-Merger, (ii) settle payment of the NIP Redemption Dividend, and/or (iii) otherwise fulfil any of its obligations under this Article 12 (collectively, the "Redemption Obligations"), whether due to restrictions under Applicable Laws or any other reasons; and/or
 - (b) following the VE Redemption Date, there remain any outstanding VE Redemption Shares to be redeemed by the Company, or the Company has yet to pay all VE Redemption Shareholders in full with respect to all outstanding VE Redemption Shares by reason of insufficient VE Redemption Funds,

then:

- (a) to the extent permitted by applicable Law, the Company shall, and each Member shall approve the Company to:
 - (i) use all assets or funds of the Company that becomes legally available following the NIP Redemption Date to effect the NIP De-Merger; and
 - (ii) take any other Necessary Actions permissible under Applicable Laws to fulfil its Redemption Obligations.
- (b) to the extent permitted by applicable Law and in any event after the NIP Redemption Date, the Company shall, and each Shareholder shall procure the Company to:
 - (i) first, use all the VE Redemption Funds to pay to the Class B Preferred Shareholders who have made the Redemption Request on a pro-rata basis with reference to the amount of the VE Redemption Price each such Class B Preferred Shareholders is otherwise entitled to receive;

- (ii) second, after the distributions in foregoing (i) are made in full and if there are any remaining VE Redemption Funds, pay to the Class A Preferred Shareholders who have made the Redemption Request (the "**Class A Redemption Shareholders**") on a pro-rata basis with reference to the amount of Redemption Price each such Class A Redemption Shareholders is otherwise entitled to receive; and
- (iii) take any other Necessary Actions permissible under Applicable Laws to fulfil its Redemption Obligations.

- 12.14 Upon the completion of distribution of the available redemption funds or upon the completion of the sale and purchase of the VE Redemption Shares to be acquired by the VE Founder Parties in accordance with Clause 16.17 of the Shareholders Agreement, all rights of such VE Redemption Shareholders shall cease with respect to such VE Redemption Shares, and such VE Redemption Shares shall be cancelled and not thereafter be transferred or be deemed outstanding for any purpose whatsoever in case of redemption.
- 12.15 The redemption rights provided under this Article 12 shall be terminated upon the consummation of a Qualified IPO or the occurrence of a Liquidation Event.

13. LIQUIDATION PREFERENCE

- 13.1 Upon any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary (a "**Liquidation Event**"):
- (a) The Company shall redeem all of the outstanding Class B-1 Preferred Shares held by all NIP Shareholders by completing the NIP De-Merger in accordance with Article 12.
 - (b) For the avoidance of doubt, except for all shares of the NIP Group Companies, no other assets or funds shall be payable for the redemption of the Class B-1 Preferred Shares in case of Liquidation Event.
 - (c) Upon completion of the NIP De-Merger for purposes of Article 13.1(a), all assets and funds of the Company thereafter legally available for distribution to the remaining Shareholders (the "**Liquidation Funds**") shall be distributed as follows:
 - (i) prior and in preference to any distribution or payment to the Class A Preferred Shareholders and the Ordinary Shareholders, each Class B Preferred Shareholder shall be entitled to receive, on parity with all other Class B Preferred Shareholders and on a pro rata basis (assuming the full exercise of the Warrants and calculated on a fully diluted and as-converted basis), an amount equal to the aggregate total of the Initial Subscription Price with respect to each Preferred Share held by such Class B Preferred Shareholder ("**Class B Preferred Liquidation Amount**"). If, upon such Liquidation Event, the Liquidation Funds are insufficient to pay all of the Class B Preferred Shareholders their respective Class B Preferred Liquidation Amount, then the Liquidation Funds shall be distributed among the Class B Preferred Shareholders on a pro rata basis (assuming the full exercise of the Warrants and calculated on a fully diluted and as-converted basis) with respect to the full Class B Preferred Liquidation Amount which each Class B Preferred Shareholder shall otherwise be entitled to receive under this Article 13.1.

- (ii) after distribution or payment in full of the Class B Preferred Liquidation Amount pursuant to Article 13.1(c)(i), each Class A Preferred Shareholder shall be entitled to receive, on parity with all other Class A Preferred Shareholders and on a pro rata basis, an amount equal to the aggregate total of the Initial Subscription Price with respect to each Preferred Share held by such Class A Preferred Shareholder ("**Class A Preferred Liquidation Amount**", together with Class B Preferred Liquidation Amount, "**Preferred Liquidation Amount**"); if, upon such Liquidation Event, the Liquidation Funds are insufficient to pay all of the Class A Preferred Shareholders their respective Class A Preferred Liquidation Amount, then the Liquidation Funds shall be distributed among the Class A Preferred Shareholders on a pro-rata basis with respect to the full Class A Preferred Liquidation Amount which each Preferred Class A Shareholders shall otherwise be entitled to receive under this Article 13.1; and
- (iii) after distribution or payment in full of the Preferred Liquidation Amount of all Preferred Shareholders in accordance with this Article 13.1, any remaining amount of the Liquidation Funds shall be distributed among all the Shareholders in proportion to such number of Ordinary Shares (assuming the full exercise of the Warrants and calculated on an as-converted basis) held by them.

13.2 A Change of Control shall be treated as a Liquidation Event pursuant to Article 13.1 unless it is a Drag-Along Sale. All the proceeds or consideration received as a result of a Change of Control shall be distributed pursuant to Article 13.1.

14. TRANSMISSION OF SHARES

14.1 Transmission of Shares

If a Member dies, becomes bankrupt, commences liquidation or is dissolved, the only person that the Company will recognise as having any title to, or interest in, that Member's Share (other than the Member) are:

- (a) if the deceased Member was a joint holder, the survivor;
- (b) if the deceased Member was a sole or the only surviving holder, the personal representative of that Member; or

(c) any trustee in bankruptcy or other person succeeding to the Member's interest by operation of law,

but nothing in these Articles releases the estate of a deceased Member, or any other successor by operation of law, from any liability in respect of any Share held by that Member solely or jointly.

14.2 Election by persons entitled on transmission

Any person becoming entitled to a Share as a result of the death, bankruptcy, liquidation or dissolution of a Member (or in any other way than by transfer) may, upon such evidence being produced as may from time to time be required by the Directors, elect either to become registered as the holder of the Share or nominate another person to be registered as the holder of that Share.

14.3 Manner of election

A person who makes an election under the preceding Article shall give written notice to the Company to that effect, but the Directors shall, in either case, have the same right to refuse registration as they would have had in the case of a transfer of the Share by that Member before his death, bankruptcy, liquidation or dissolution, as the case may be.

14.4 Rights of persons entitled by transmission

A person becoming entitled to a Share by reason of the death, bankruptcy, liquidation or dissolution of a Member (or in any other case than by transfer) shall be entitled to the same Dividends and other rights to which he would be entitled if he were the registered holder of the Share. However, the person shall not, before being registered as a Member in respect of the Share, be entitled in respect of it to attend or vote at any meeting of the Company and the Directors may at any time give notice requiring any such person to elect either to be registered himself or to have some person nominated by him registered as the holder (and the Directors shall, in either case, have the same right to refuse registration as they would have had in the case of a transfer of the Share by that Member before his death, bankruptcy, liquidation or dissolution, as the case may be). If the notice is not complied with within 90 days the Directors may withhold payment of all Dividends, bonuses or other monies payable in respect of the Share until the requirements of the notice have been complied with.

14.5 No surviving Member or Director

Notwithstanding the foregoing, where there is no Director in office and the only persons interested in the issued Shares are entitled on transmission, such persons shall be treated as if already registered as the holders of such Shares, but solely for the purpose of passing an Ordinary Resolution appointing one or more Directors.

15. FORFEITURE OF SHARES

- (a) If a Member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of such call or instalment remains unpaid, serve a notice on such Member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued.
- (b) Such notice shall name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and shall state that, in the event of non-payment at or before the time appointed, the Shares in respect of which the call was made will be liable to be forfeited.
- (c) If the requirements of such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect.
- (d) A forfeited Share may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit, and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors think fit.
- (e) A person whose Shares have been forfeited shall cease to be a Member in respect of the forfeited Shares, but shall, notwithstanding, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the Shares, but his liability shall cease if and when the Company receives payment in full of the nominal amount of the Shares.
- (f) A statutory declaration in writing that the declarant is a Director of the Company, and that a Share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share. The Company may receive the consideration, if any, given for the Share on any sale or disposition thereof and may execute a transfer of the Share in favour of the person to whom the Share is sold or disposed of and he shall thereupon be registered as the holder of the Share, and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the Share.
- (g) The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a Share becomes payable at a fixed time, whether on account of the amount of the Share, or by way of premium, as if the same had been payable by virtue of a call duly made and notified.
- (h) The Company may, by Ordinary Resolution, convert any paid-up Shares into stock, and reconvert any stock into paid-up Shares of any denomination.
- (i) The holders of stock may transfer the same, or any part thereof, in the same manner and subject to the same terms as and subject to which the Shares from which the stock arose might prior to the conversion have been transferred, or as near thereto as circumstances admit; but the Directors may, from time to time, fix the minimum amount of stock transferrable and restrict or forbid the transfer of fractions of that minimum, but the minimum shall not exceed the nominal amount of the Shares from which the stock arose.

- (j) The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company and other matters as if they held the Shares from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the Company) shall be conferred by any such aliquot part of stock as would not, if existing Shares, have conferred that privilege or advantage.
- (k) Such of the regulations of the Company as are applicable to paid-up Shares shall apply to stock, and the words “share” and “member” therein shall include “stock” and “stockholder”.

16. SURRENDER AND PURCHASE OF SHARES

16.1 Surrender of Shares

Shares may be surrendered in accordance with the relevant provisions of the Companies Act.

16.2 Power of the Company to purchase its Shares

Subject to the provisions of the Companies Act, any Requisite Approvals and to any rights conferred on the holders of any class of Shares, the Company shall have the power to purchase all or any of its Shares on such terms as the Directors may agree with the holders of such Shares. The Company may make a payment in respect of the purchase of its own Shares in any manner permitted by the Companies Act, including out of capital. Purchase proceeds may be paid in cash and/or in-kind.

16.3 Holding Shares in treasury

The Directors may hold and dispose of any repurchased, redeemed or surrendered Shares in treasury in accordance with the relevant provisions of the Companies Act.

17. FINANCIAL ASSISTANCE

The Company may give financial assistance directly or indirectly for the purpose of, or in connection with, the acquisition made or to be made by any person of any Shares or of shares in any Member.

18. CLASS RIGHTS AND CLASS MEETINGS

18.1 Variation of class rights

Subject to the Companies Act and to any rights conferred on the holders of any class of Shares, whether or not Shares are divided into more than one class, all or any of the rights attached to a class of Shares may be varied in such manner as those rights may provide or, if no such provision is made, either:

by the Directors, provided that such variation is not materially adverse to the rights of the holders of such Shares (as determined by the Directors);

with the consent in writing of holders of two-thirds of the issued Shares of that class; or

with the sanction of a resolution passed at a separate meeting of the holders of the Shares of that class by a two-thirds majority of the holders of the Shares of that class present and voting at such meeting (whether in person or by proxy).

18.2 Treatment of classes of Shares by Directors

The Directors may for the purposes of this Article, treat two or more, or all, of the classes of Shares as forming one class of Shares if the Directors consider that such classes of Shares would be affected by the proposed variation in the same way.

18.3 Class rights not deemed to be varied

Except where expressly provided by the terms of the issue of the Shares of that class, the rights attached to any class of Shares are not taken to be varied by:

- (a) the creation or issue of further Shares ranking equally with or subordinate to them; or
- (b) the repurchase, redemption or surrender of any Shares.

18.4 Class meetings

The provisions of these Articles relating to general meetings of the Company shall apply *mutatis mutandis* to any class meeting, except that the quorum shall be one or more Members that together hold at least one third of the Shares of that class.

19. NO RECOGNITION OF TRUSTS OR THIRD PARTY INTERESTS

Except as required by these Articles or the Companies Act, the Company:

- (a) is not required to recognise a person as holding any Share on any trust, even if the Company has notice of the trust; and
- (b) is not required to recognise, and is not bound by, any interest in or claim to any Share, except for the registered holder's absolute legal ownership of the Share, even if the Company has notice of that interest or claim.

20. LIEN ON SHARES

20.1 Lien on Shares generally

The Company shall have a first and paramount lien on all Shares registered in the name of a Member (whether solely or jointly with others) for all debts, liabilities or amounts payable to or with the Company (whether presently payable or not) by such Member or his estate, either alone or jointly with any other person, whether a Member or not, but the Directors may at any time determine any Share to be wholly or in part exempt from the provisions of this Article. The Company's lien on a Share is released if a transfer of that Share is registered.

20.2 Enforcement of lien

The Company may sell, on such terms and in such manner as the Directors think fit, any Share on which the Company has a lien, if a sum in respect of which the lien exists is presently payable, and is not paid within 14 Clear Days after notice has been given by the Company to the holder of the Share (or to any other person entitled to the Share by reason of the death, bankruptcy, liquidation or dissolution of the holder of the Shares) demanding payment of that amount and giving notice of intention to sell the Share if such payment is not made.

20.3 Completion of sale under lien

To give effect to a sale of Shares under a lien the Directors may authorise any person to execute an instrument of transfer in respect of the Shares to be sold to, or in accordance with the directions of, the relevant purchaser. The purchaser or his nominee shall be registered as the holder of the Shares comprised in any such transfer, and he shall not be bound to see to the application of any consideration provided for the Shares, nor will the purchaser's title to the Shares be affected by any irregularity or invalidity in connection with the sale or the exercise of the Company's power of sale under these Articles.

20.4 Application of proceeds of sale

The net proceeds of a sale made under a lien after payment of costs, shall be applied in payment of such part of the amount in respect of which the lien exists as is presently payable and any balance shall (subject to a like lien for sums not presently payable as existed upon the Shares before the sale) be paid to the person who was entitled to the Shares immediately prior to the sale.

21. CALLS ON SHARES

- (a) The Directors may, from time to time, make calls upon the Members in respect of any moneys unpaid on their Shares.
- (b) Each Member shall (subject to receiving at least fourteen days' notice specifying the time or times of payment) pay to the Company at the time or times so specified the amount called on his Shares.
- (c) The joint holders of a Share shall be jointly and severally liable to pay calls in respect thereof.
- (d) If a sum called in respect of a Share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest upon the sum at the rate of six per cent per annum from the day appointed for the payment thereof to the time of the actual payment, but the Directors shall be at liberty to waive payment of that interest wholly or in part.
- (e) The provisions of these Articles as to the liability of joint holders and as to payment of interest shall apply in the case of non-payment of any sum which, by the terms of issue of a Share, becomes payable at a fixed time, whether on account of the amount of the Share, or by way of premium, as if the same had become payable by virtue of a call duly made and notified.

- (f) The Directors may make arrangements on the issue of Shares for a difference between the holders in the amount of calls to be paid and in the times of payment.
- (g) The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the moneys uncalled and unpaid upon any Shares held by him; and upon all or any of the moneys so advanced may (until the same would, but for such advance, become presently payable) pay interest at such rate as may be agreed upon between the Member paying the sum in advance and the Directors.

22. ALTERATION OF SHARE CAPITAL

Subject to the provisions of the Companies Act, and these Articles (including Articles 27.3 and 31.1), the Company may:

- (a) increase its share capital by the creation of new Shares of such amount as the relevant resolution prescribes;
- (b) consolidate, or consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares;
- (c) subdivide its Shares, or any of them, into Shares of a smaller amount than is fixed by the Memorandum; and
- (d) cancel any Shares which, at the date of the passing of the relevant resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of its share capital by the amount of the Shares so cancelled.

All new Shares created in accordance with the provisions of this Article shall be subject to the same provisions of these Articles with reference to liens, transfer, transmission and otherwise as the Shares in the original share capital.

23. SPECIAL RESOLUTIONS

Subject to the provisions of the Companies Act and these Articles (including Articles 27.3 and 31.1), the Company may by Special Resolution:

- (a) change its name;
- (b) alter or add to these Articles;
- (c) alter or add to the Memorandum with respect to any objects, powers or other matters specified therein;
- (d) reduce its share capital and any capital redemption reserve;
- (e) commence a voluntary winding up; and
- (f) merge or consolidate with any one or more constituent companies (as defined in the Companies Act).

24. CONVENING GENERAL MEETINGS

24.1 Convening a general meeting

- (a) The Directors may convene a general meeting of the Company whenever the Directors think fit, and must do so if required to do so pursuant to a valid Members' requisition.
- (b) If at any time there are no Directors then any one Member shall be entitled to convene a general meeting of the Company in the same manner as if such Member were the Directors.
- (c) The Directors may, in their absolute discretion (save for general meetings convened at the requisition of one or more Members), postpone or cancel a general meeting before the date on which it is to be held, with or without reason.

24.2 Members' requisition

A Members' requisition is a requisition of Members holding at the date of deposit of the requisition at the Registered Office not less than 10% of the issued Shares which as at that date carry the right to vote at general meetings of the Company.

24.3 Requirements of Members' requisition

- (a) The requisition must state the objects of the general meeting and must be signed by the requisitionists and deposited at the Registered Office, and may consist of several documents in like form each signed by one or more requisitionists.
- (b) If the Directors do not within 21 days from the date of the deposit of a valid requisition (the "**Convening Deadline**") duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing a majority of the total voting rights of all of them, may themselves convene a general meeting of the Company, but any meeting so convened shall not be held after the expiration of three months after the Convening Deadline.
- (c) A general meeting convened in accordance with this Article by requisitionists shall be convened (insofar as is possible) in the same manner as that in which general meetings are to be convened by Directors and the Directors shall, upon demand, provide the names and addresses of each Member to the requisitionists for the purpose of convening such meeting.

25. NOTICE OF GENERAL MEETINGS

25.1 Length and form of notice

Each Member shall be given not less than twenty-one (21) days' written notice of annual general meetings (if any) and not less than fourteen (14) days' written notice of all other meetings of Members (or to the extent legally permitted, such shorter notice period in respect of any particular meeting as may be agreed in writing by all the Members entitled to participate in such meeting) specifying the date, time and place of the meeting and the business to be transacted thereat shall be given to each Member.

26. PROCEEDINGS AT GENERAL MEETINGS

26.1 Requirement and number for a quorum

The quorum for any meeting of the Members (including a general meeting) shall consist of such Member(s) holding not less than two-thirds (2/3) of the total issued Shares in aggregate, whether present in person or by proxy or representative, provided that such Members present shall include at least one (1) NIP Founder Holdco and at least one (1) VE Founder Holdco. No meeting of the Members may proceed nor transact any business unless a quorum is present at the start of and throughout such meeting.

26.2 General meetings by telephone or other communications device

Meetings of the Members may be held at two (2) or more places using any technology that enables the Members who are not together at the same place to listen, speak and vote at the meeting, and a Member shall be deemed to be present at such meeting if such Member (or its proxy or representative) participates by telephone or other electronic means and all Members participating in the meeting are able to hear one another. Unless otherwise determined by resolution of the Members present, the meeting shall be deemed to be held at the place where the chairman is physically present.

26.3 Adjournment if quorum not present

If within twenty (20) minutes of the time appointed for a meeting of the Members a quorum is not present, the meeting shall stand adjourned until the same time and place on the same day in the next week and if at such adjourned meeting a quorum is not present within twenty (20) minutes from the time appointed for such adjourned meeting (or such longer interval as the Members present may unanimously agree), the attendance by such Members holding more than fifty-percent (50%) of the total issued Shares in aggregate (whether present in person or by proxy or representative) shall constitute a quorum, provided that such Members present shall include at least one (1) NIP Founder Holdco and at least one (1) VE Founder Holdco.

26.4 Appointment of chairman of general meeting

The Members present shall determine a Members' representative who shall preside as chairman of general meeting at the start of the same, but such chairman shall not have a casting vote in case of an equality of votes.

26.5 Adjournment of general meeting

The chairman may, with the consent of a meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. The chairman may, without the consent of the meeting, adjourn the meeting if it is necessary to ensure that all Members are able to participate in the meeting in an orderly fashion. When a general meeting is adjourned for 30 days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Otherwise it shall not be necessary to give any such notice.

26.6 No casting vote for chairman

If there is an equality of votes on a poll, the chairman is not entitled to a second or casting vote.

26.7 Voting on a poll

At any general meeting a resolution put to the vote of the meeting must be decided on a poll.

27. VOTES OF MEMBERS

27.1 Written resolutions of Members

A resolution (including a Special Resolution) in writing (in one or more counterparts) signed by or on behalf of all Members for the time being entitled to vote at general meetings of the Company shall be as valid and effective as if the resolution had been passed at a general meeting of the Company duly convened and held. A resolution in writing is adopted when all Members entitled to do so have signed it.

27.2 Registered Members to vote

No person shall be entitled to vote at any general meeting unless he is registered as a Member in the Register of Members on the record date for such meeting.

27.3 Voting rights

- (a) Subject to these Articles and to any rights or restrictions for the time being attached to any class or classes of Shares, every Member present (whether in person or by proxy or representative) shall have one vote for every Share (whether an Ordinary Share or a Preferred Share) of which he is a holder. Subject at all times to the quorum requirements set out in these Articles and Applicable Laws:
 - (i) any Shareholders Ordinary Matter shall be approved at a duly convened Members' meeting by a simple majority of the total voting rights present at the meeting and entitled to be cast on such resolution; and
 - (ii) any Shareholders Reserved Matter shall be approved at a duly convened Members' meeting by not less than two-thirds (2/3) of the total voting rights present at the meeting and entitled to be cast on such resolution.
- (b) Each fractional Share shall carry the applicable fraction of one vote.

27.4 Voting rights of joint holders

If a Share is held jointly and more than one of the joint holders votes in respect of that Share, only the vote of the joint holder whose name appears first in the Register of Members in respect of that Share counts.

27.5 Voting rights of Members incapable of managing their affairs

A Member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in matters concerning mental disorder, may vote whether on a show of hands or on a poll by his receiver, *curator bonis*, or other person on such Member's behalf appointed by that court, and any such receiver, *curator bonis* or other person may vote by proxy.

28. REPRESENTATION OF MEMBERS AT GENERAL MEETINGS

28.1 How Members may attend and vote

(a) Subject to these Articles, each Member entitled to vote at a general meeting may attend and vote at the general meeting:

- (i) in person, or where a Member is a company or non-natural person, by a duly authorised representative; or
- (ii) by one or more proxies.

(b) A proxy or a duly authorised representative may, but not need be, a Member of the Company.

28.2 Appointment of proxies

The instrument appointing a proxy shall be in writing and be executed by or on behalf of the Member appointing the proxy.

28.3 Form of instrument of proxy

The instrument appointing a proxy may be in any usual or common form (or in any other form approved by the Directors) and may be expressed to be for a particular general meeting (or any adjournment of a general meeting) or generally until revoked.

28.4 Receipt of proxy appointment

The instrument appointing a proxy shall be deposited at the Registered Office or at such other place as is specified in the notice convening the meeting (or in any instrument of proxy sent out by the Company) prior to the time set out in such notice or instrument (or if no such time is specified, no later than the time for holding the meeting or adjourned meeting). Notwithstanding the foregoing, the chairman may, in any event, at his discretion, direct that an instrument of proxy shall be deemed to have been duly deposited.

28.5 Validity of votes cast by proxy

Votes given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument of proxy or of the authority under which the instrument of proxy was executed, or the transfer of the Share in respect of which the proxy is appointed unless notice in writing of such death, insanity, revocation or transfer was received by the Company at the Registered Office before the commencement of the general meeting, or adjourned meeting at which the proxy voted.

28.6 Corporate representatives

Any non-natural person which is a Member may authorise such person as it thinks fit to act as its representative at any general meeting, and the person so authorised shall be entitled to exercise the same powers on behalf of the non-natural person which he represents as the non-natural person could exercise if it were itself a natural person.

28.7 Shares that may not be voted

Shares that are beneficially owned by the Company shall not be voted, directly or indirectly, at any general meeting or class meeting (as applicable) and shall not be counted in determining the total number of outstanding Shares at any given time.

29. APPOINTMENT, REMOVAL AND RETIREMENT OF DIRECTORS

29.1 Number of Directors

The total maximum number of Directors shall eleven (11). Subject to Article 29.3(c), the Board shall consist of five (5) VE Directors, four (4) NIP Directors and two (2) independent non-executive directors (each an "INED"). Directors shall be entitled to receive notice of any general meeting.

29.2 Corporate Directors

The Company may appoint any non-natural person as a Director. Any such non-natural person may exercise any of its powers and authorities as a Director through any duly authorised representative.

29.3 Appointment and removal of Directors

- (a) VE Shareholders shall, have the right to appoint up to five (5) Directors (collectively, the "**VE Directors**") and remove and/or replace any of the VE Directors, provided that:
 - (i) the VE Founder Holdcos collectively shall have the right to appoint three (3) VE Directors ("**VE Founder Directors**") (as well to remove and/or replace such VE Founder Directors) collectively (by simple majority vote according to their pro-rata shareholding) and decide the composition of the VE Founder Directors;
 - (ii) each of the two VE Financial Shareholders with largest shareholding of the Company among the VE Financial Shareholders (assuming the full exercise of the Warrants and calculated on a fully diluted and as-converted basis) shall have the right to appoint one (1) VE Director respectively ("**VE Financial Directors**") (as well to remove and/or replace such VE Financial Directors). The other VE Financial Shareholders shall not have the right to appoint, remove and/or replace any Director;

- (iii) in case of any vacancy of VE Financial Directors, the VE Founders may collectively appoint such number of VE Director(s) such that, subject to Article 23.3(c), the total number of VE Directors is maintained at five (5) at any given time; and
 - (iv) the VE Shareholders shall effect the appointment or removal of any VE Directors by sending (i) a written notice to the Company at its registered office address, (ii) a copy of such notice to the other Members.
- (b) The NIP Shareholders shall, acting collectively, have the right to appoint up to four (4) Directors (collectively, the "**NIP Directors**") and remove and/or replace any of the NIP Directors, provided that:
- (i) the NIP Shareholders shall discuss and collectively decide (by simple majority vote according to their pro-rata shareholding) as to the composition of the NIP Directors; and
 - (ii) the NIP Shareholders shall, acting collectively, effect the appointment or removal of any NIP Directors by sending (i) a written notice to the Company at the Company's registered office address and (ii) a copy of such notice to the other Members.
- (c) In the event that (i) the VE Shareholders collectively cease to hold more than forty-five percent (45%) of the total issued share capital of the Company, and/or (ii) the NIP Shareholders collectively cease to hold more than thirty percent (30%) of the total issued share capital of the Company, then such Members with an Equity Ratio of not less than three percent (3%) each shall discuss and collectively decide (by simple majority vote according to their pro-rata shareholding, assuming the full exercise of the Warrants and calculated on a fully diluted and as-converted basis) as to the composition of the Board, provided that: (a) the VE Shareholders (acting collectively) shall in any event have the right to appoint at least four (4) VE Directors; and (b) the NIP Shareholders (acting collectively) shall in any event have the right to appoint at least three (3) NIP Directors.
- (d) The appointment of any INED is subject to the approval of such (s) holding not less than two-thirds (2/3) of the total issued Shares in aggregate. Such VE Shareholders owning more than fifty percent (50)% of all VE Shares in aggregate shall be entitled to nominate one (1) candidate for appointment as INED, and such NIP Shareholders owning more than fifty percent (50%) of all NIP Shares in aggregate shall be entitled to nominate one (1) candidate for appointment as INED.

29.4 Other circumstances in which a Director ceases to hold office

A Director ceases to hold office as a Director if the Director:

- (a) is removed from office by the Member appointing him;
- (b) resigns as Director by giving notice in writing to the Company;
- (c) is not present personally or by proxy or represented by an alternate Director at three consecutive meetings of the Directors without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;
- (d) dies, becomes bankrupt, commences liquidation, dissolves or makes any arrangement or composition with his creditors generally; or
- (e) is found to be or becomes of unsound mind.

29.5 Director Ineligibility

Notwithstanding any other provision of these Articles, no person nominated for appointment as Director and no person acting as an alternate of any Director shall hold the position of, engage in or work for a Competitor (whether as a director, manager, key employee or other similar senior executive positions), unless:

- (a) prior written consent has been obtained from Wuhan Douyu with respect to any work or engagement with a Wuhan Douyu Competitor;
- (b) prior written consent has been obtained from the Founder Parties with respect to any work or engagement with a Company Competitor; and
- (c) prior written consent has been obtained from the NIP Founder Parties with respect to any work or engagement with a NIP Competitor.

30. POWERS OF DIRECTORS

30.1 General powers to manage the Company's business

- (a) Subject to the Shareholders Agreements, the provisions of the Companies Act, the Memorandum and these Articles and to any directions given by Special Resolution, business of the Company shall be managed by the Directors, who may exercise all the powers of the Company save in respect of (a) the Shareholders Ordinary Matters and Shareholders Reserved Matters; and (b) matters concerning the direction, management and day-to-day operation of the NIP Group Companies and the VE Group Companies which shall be managed in accordance with the Shareholders Agreement. No alteration of the Memorandum or Articles and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.
- (b) The powers given by this Article shall not be limited by any special power given to the Directors by these Articles and a duly convened meeting of Directors at which a quorum is present may exercise all powers exercisable by the Directors.

30.2 Borrowing powers of Directors

Subject to these Articles, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking and property and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

31. PROCEEDINGS OF DIRECTORS

31.1 Special Voting Procedures of the Board

Each Director is entitled to one (1) vote on all matters to be voted upon by the Board. Subject at all times to the quorum requirements and Applicable Laws:

- (a) any Ordinary Board Matter shall be approved at a duly convened Board meeting upon affirmative votes from a simple majority of the Directors who are present and eligible to vote; and
- (b) any Reserved Board Matter shall be approved at a duly convened Board meeting upon affirmative votes from not less than two-thirds (2/3) of the Directors who are present and eligible to vote.

31.2 Convening a Directors' meeting

Meetings of the Board shall be properly convened and held at such times as may be determined by the Board (but in any event shall at least be held once every six (6) months). No Board meeting shall be convened on less than five (5) Business Days' notice unless at least one (1) VE Director and one (1) NIP Director agree to waive such notice period requirement in writing. Any notice of a Board meeting shall include an agenda identifying in reasonable detail the matters to be discussed at the meeting and shall be accompanied by any relevant papers to be discussed at the meeting.

31.3 Quorum

The quorum for meetings of the Board shall consist of seven (7) Directors, of whom at least four (4) shall be VE Directors (whom shall include Mario Ho) and three (3) shall be NIP Directors (whom shall include Hicham Chahine). No meeting of the Board may proceed nor transact any business unless a quorum is present at the start of and throughout such meeting. A Director shall be regarded as present for the purposes of a quorum if represented by an alternate. If within thirty (30) minutes of the time appointed for a meeting a quorum is not present, the meeting shall stand adjourned until the same time and place on the same day in the next week and if at such adjourned meeting a quorum is not present within twenty (20) minutes from the time appointed for such adjourned meeting (or such longer interval as the Chairperson of the meeting may think fit to allow), the attendance by five (5) Directors present in person or by his alternate shall constitute a quorum, provided that of whom two (2) shall be VE Directors (whom shall include Mario Ho) and two (2) shall be NIP Directors (whom shall include Hicham Chahine).

31.4 Power to act notwithstanding vacancies

The continuing Directors or sole continuing Director may act notwithstanding any vacancies in their number, but if the number of Directors is less than the number fixed as the quorum, the continuing Directors or Director may act only for the purpose of filling vacancies in that number, or for calling a general meeting of the Company.

31.5 Chairperson

One of the Directors, as selected by no less than two-thirds (2/3) of the members of the Board, shall preside as the chairperson of meetings of the Board ("**Chairperson**") for a term of three (3) years and shall serve consecutive terms as the Chairperson unless he/she is replaced by two-thirds (2/3) of the members of the Board. If the Chairperson is not present at any meeting of the Board, the Directors present may appoint another Director to act as Chairperson the purposes of the meeting. In the case of an equality of votes at any meeting of the Board, the Chairperson shall not have a second or casting vote.

31.6 Validity of acts of Directors in spite of a formal defect

All acts done bona fide by a meeting of the Directors or of a committee of Directors (including any person acting as an alternate Director) shall, notwithstanding that it be afterwards discovered that there was a defect in the appointment of any Director or alternate Director, or that they or any of them were disqualified from holding office (or had vacated office) or were not entitled to vote, be as valid as if every such person had been duly appointed and qualified to be a Director or alternate Director as the case may be and had been entitled to vote.

31.7 Directors' meetings by telephone or other communication device

Meetings of the Board may be held at two (2) or more places using any technology that enables the Directors who are not together at the same place to listen, speak and vote at the meeting, and any Director shall be deemed to be present at such meeting if such Director (or his alternate) participates by telephone or other electronic means and all Directors participating in the meeting are able to hear one another.

31.8 Written resolutions of Directors

Resolutions of the Board may be passed without a meeting by way of written resolutions, provided that, in respect of any written resolutions relating to:

- (a) an Ordinary Board Matter, such resolutions shall be approved and signed by a simple majority of all Directors or a simple majority of members of a committee of Directors (an alternate Director or a proxy being entitled to sign such a resolution on behalf of his appointor) eligible to vote on such matters;

- (b) a Reserved Board Matter, such resolutions shall be approved and signed by not less than two-thirds (2/3) of all Directors (an alternate Director or a proxy being entitled to sign such a resolution on behalf of his appointor) eligible to vote on such matters; and
- (c) all resolution in writing shall be sent to each Director and shall require a response within a period specified in the notice of such resolution, being not less than ten (10) Business Days after its date of dispatch or else it shall lapse, and no written resolutions (despite being duly signed by such number of persons as required under Articles 31.8(a) and/or 31.8(b) as applicable) shall take effect until the expiry of such period unless such notice period requirement has been waived by at least two (2) VE Directors (whom shall include Mario Ho), two (2) NIP Directors (whom shall include Hicham Chahine), and one (1) INED.

31.9 Appointment of a proxy

A Director but not an alternate Director may be represented at any meeting of the Directors by a proxy appointed in writing by him. The proxy shall count towards the quorum and the vote of the proxy shall for all purposes be deemed to be that of the appointing Director. The authority of any such proxy shall be deemed unlimited unless expressly limited in the written instrument appointing him.

31.10 Directors' interests

Subject to the provisions of the Companies Act and provided that he has declared to the Directors the nature and extent of any personal interest of his in a matter, transaction or arrangement, a Director or alternate Director notwithstanding his office may:

- (a) hold any office or place of profit in the Company, except that of Auditor;
- (b) hold any office or place of profit in any other company or entity promoted by the Company or in which it has an interest of any kind;
- (c) enter into any contract, transaction or arrangement with the Company or in which the Company is otherwise interested;
- (d) act in a professional capacity (or be a member of a firm which acts in a professional capacity) for the Company, except as Auditor;
- (e) sign or participate in the execution of any document in connection with matters related to that interest;
- (f) participate in, vote on and be counted in the quorum at any meeting of the Directors that considers matters relating to that interest; and

- (g) do any of the above despite the fiduciary relationship of the Director's office:
 - (i) without any liability to account to the Company for any direct or indirect benefit accruing to the Director; and
 - (ii) without affecting the validity of any contract, transaction or arrangement.

For the purposes of this Article, a general notice given to the Directors that a Director is to be regarded as having an interest of the nature and extent specified in the notice in any matter, transaction or arrangement for which a specified person or class of persons is interested shall be deemed to be a disclosure that the Director has an interest in any such matter, transaction or arrangement of the nature and extent so specified.

31.11 Minutes of meetings to be kept

The Directors shall cause minutes to be made in books kept for the purpose of all appointments of officers made by the Directors, all proceedings at general and class meetings of the Company and meetings of the Directors or committees of the Directors, including the names of the Directors or alternate Directors present at each meeting.

32. DELEGATION OF DIRECTORS' POWERS

32.1 Power of Directors to delegate

The Directors may:

- (a) delegate any of their powers, authorities and discretions to any committee of the Directors consisting of one or more Directors and any other person the Directors think fit to any Director or to any other person in each case to such extent, by such means (including by power of attorney) and on such terms and conditions as the Directors think fit;
- (b) authorise any person to whom powers, authorities and discretions are delegated under this Article by the Directors to further delegate some or all of those powers, authorities and discretions;
- (c) delegate their powers, authorities and discretions under this Article either collaterally with or to the exclusion of their own powers, authorities and discretions; and
- (d) at any time revoke any delegation made under this Article by the Directors in whole or in part or vary its terms and conditions.

32.2 Committees

A committee to which any powers, authorities and discretions have been delegated under the preceding Article must exercise those powers, authorities and discretions in accordance with the terms of delegation and any other regulations that may be imposed by the Directors on that committee. The proceedings of a committee of the Directors must be conducted in accordance with any regulations imposed by the Directors, and, subject to any such regulations, to the provisions of these Articles dealing with proceedings of Directors insofar as they are capable of applying.

32.3 Appointing an attorney, agent or authorised signatory of the Company

- (a) The Directors may, by power of attorney or otherwise, appoint any person, to be the attorney, agent or authorised signatory of the Company for such purpose and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they think fit.
- (b) Any such power of attorney or other appointment may contain such provisions for the protection and convenience of persons dealing with any such attorney, agent or authorised signatory as the Directors think fit and may also authorise any such attorney, agent or authorised signatory to delegate all or any of the powers, authorities and discretions vested in such person.

32.4 Officers

- (a) Subject to Articles 32.4(b) and 32.4(c), the Directors may appoint such officers as they consider necessary on such terms, at such remuneration and to perform such duties, and subject to such provisions as to disqualification and removal as the Directors think fit. Unless otherwise specified in the terms of his appointment, an officer may be removed from that office by resolution of the Directors.
- (b) An individual nominated by the NIP Directors and an individual nominated by the VE Founders shall each be appointed as co-chief executive officer of the Company.
- (c) An officer ceases to hold office if such officer:
 - (i) is removed from office in accordance with paragraph (a) above;
 - (ii) resigns its office by giving notice in writing to the Company;
 - (iii) dies, becomes bankrupt, commences liquidation, dissolves or makes any arrangement or composition with his creditors generally; or
 - (iv) is found to be or becomes of unsound mind.

32.5 Alternate Directors

- (a) Subject to Article 29.5, any Director may nominate any person to act as alternate Director in his place by way of written notice to the Company, and may remove such alternate Director at any time in the same manner. Such alternate Director shall be permitted to attend all Board meetings and to vote on behalf of such Director for whom he is serving as an alternate. The alternate Director shall (except as regards the power to appoint an alternate Director pursuant to this Article 32.5) exercise and discharge all the functions, powers and duties of the Director he represents, and shall look solely to the Director he represents for remuneration (if any) for his services as an alternate Director. Every person acting as alternate Director shall have one vote for each Director for whom he acts as alternate (in addition to his own vote if he is also a Director).

- (b) An alternate Director ceases to hold office as an alternate Director at the time specified in his appointment (if applicable) or if the alternate Director:
 - (i) is removed from office by his appointor;
 - (ii) resigns as alternate Director by giving notice in writing to the Company;
 - (iii) dies, becomes bankrupt, commences liquidation, dissolves or makes any arrangement or composition with his creditors generally; or
 - (iv) is found to be or becomes of unsound mind.

33. REMUNERATION OF DIRECTORS

33.1 Directors' Remuneration

The Company may pay to each Director for his services as a Director such remuneration (if any) as the Directors shall determine.

33.2 Expenses

A Director is entitled to be reimbursed out of the funds of the Company for such reasonable travelling, accommodation and other expenses as the Director may properly incur in travelling to, attending and returning from meetings of Directors or committees of Directors and general meetings of the Company or otherwise in attending to the business of the Company.

33.3 Additional or special duties

If a Director at the request of the Directors performs additional or special duties for the Company, the Company may pay or provide to that Director such remuneration or other benefits as the Directors may determine.

34. SEAL

34.1 Directors to determine use of Seal

The Company may, if the Directors so determine, have a Seal. The Seal shall only be used with the authority of the Directors or a committee of the Directors established for such purpose. Every document to which the Seal is affixed shall be signed by at least one person who shall be either a Director or some officer or other person appointed by the Directors for that purpose.

34.2 Duplicate Seal

The Company may have for use in any place or places outside the Cayman Islands a duplicate Seal or Seals each of which shall be a facsimile of the common Seal of the Company and, if the Directors so determine, with the addition on its face of the name of every place where it is to be used.

35. DIVIDENDS, DISTRIBUTIONS AND RESERVES

35.1 Payment of Dividends

Subject to the Companies Act, these Articles, the Directors may declare and/or pay Dividends and distributions on Shares in issue and authorise payment of the Dividends or distributions out of the funds of the Company lawfully available therefor provided that, for so long as the Shareholders Agreement is in force, the Directors may only do any of the foregoing in accordance with any relevant provisions of the Shareholders Agreement (if any), and may not do any of the foregoing if to do so would be in contravention of, or be inconsistent with, the Shareholders Agreement. No Dividend or distribution shall be paid except out of the realised or unrealised profits of the Company, or out of the share premium account, or as otherwise permitted by the Companies Act. Unless the Directors resolve that a Dividend shall be a final dividend, any Dividend shall be deemed an interim Dividend and consequently may be cancelled by the Directors at any time before the date of payment of such Dividend.

35.2 Calculation of Dividends

Except in relation to the NIP Share Distribution or the NIP Dividend Distribution, distributions to be made to the Members shall be pro-rated based on their respective Equity Ratio, subject to any Applicable Laws, the Requisite Approvals, and any agreement or restriction binding on the Company.

35.3 Dividend satisfied by distribution of specific assets

Subject to the Requisite Approvals, the Directors may resolve or declare that any Dividend or distribution be paid wholly or partly by the distribution of specific assets and in particular of shares, debentures, or securities of any other company or in any one or more of such ways and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional Shares and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the basis of the value so fixed in order to adjust the rights of all Members and may vest any such specific assets in trustees as may seem expedient to the Directors.

36. CAPITALISATION OF RESERVES AND PROFITS

36.1 Subject to the Companies Act, these Articles and to any rights and restrictions for the time being attached to any class of Shares, the Directors may resolve to capitalise all or any part of any amount standing to the credit of any of the Company's reserve accounts (including share premium account and capital redemption reserve fund) or the profit and loss account or otherwise available for distribution to Members and:

- (a) apply all or part of any amount so capitalised for the benefit of Members in the proportions to which those Members would have been entitled in a distribution of that sum by way of Dividend in paying up any amounts unpaid on Shares held by Members or in paying up in full unissued Shares to be issued to Members as fully paid; or
- (b) apply all or part of any amount so capitalised in paying up Shares for the benefit of any person in satisfaction of any obligation of the Company to issue paid up Shares to such person.

In such event the Directors shall take any action required to give effect to such capitalisation, and may make such provisions as they think fit in the event that Shares become distributable in fractions (including providing for fractional entitlements to accrue to the Company rather than to the Members concerned).

36.2 The Directors may authorise any person to enter into an agreement with the Company on behalf of all of the Members interested providing for such capitalisation and matters incidental to the capitalisation and any such agreement shall be effective and binding on all the Members concerned.

37. BOOKS OF ACCOUNT

37.1 Books of account to be kept

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the affairs of the Company and to explain its transactions.

37.2 Inspection by Members

Subject to these Articles, the Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them will be open to the inspection of Members (not being Directors). No Member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act, the Shareholders Agreement or authorised by the Directors.

37.3 Accounts required by law

The Directors may from time to time cause to be prepared and to be laid before the Company in general meeting profit and loss accounts, balance sheets, group accounts (if any) and such other reports and accounts as may be required by law.

37.4 Retention of records

All books of account maintained by the Company shall be retained for a period of at least five years, or such longer period required by any applicable law or regulation from time to time.

38. INFORMATION RIGHTS

38.1 The Company covenants and agrees, and each Preferred Shareholder (an "**Information Rights Holder**") agrees with the Company, that, unless otherwise agreed between such Information Rights Holder and the Company, commencing on the date hereof, the Company will deliver to each Information Rights Holder:

- (a) unaudited consolidated monthly financial statements in accordance with the PRC GAAP, US GAAP or IFRS (as applicable) and the key operating data of the Group Companies within fifteen (15) days after the end of each fiscal month;
- (b) unaudited consolidated quarterly financial statements of the Group Companies within fifteen (15) days after the end of each fiscal quarter in accordance with the PRC GAAP, US GAAP or IFRS (as applicable);
- (c) the annual consolidated financial statements of the Group Companies audited and certified by an independent certified public accounting firm of internationally recognized standing, including the balance sheet as of the end of such fiscal year and statements of income, shareholders' equity, and cash-flow for such fiscal year, within forty-five (45) days after the end of each fiscal year, all prepared in accordance with the US GAAP or IFRS;
- (d) a copy of the Group Companies' Business Plan for the following fiscal year duly approved by the Board, setting forth (1) the projected balance sheets, income statements and statements of cash flows for such fiscal year of the Company on a quarterly basis; (2) the projected budgets; and (3) all other material matters relating to the operation, development and business of the Group Companies, at least thirty (30) days prior to the beginning of each fiscal year;
- (e) the capitalization table of the Company, within ten (10) days after the end of each calendar quarter, and the latest updated capitalization table within five (5) Business Days after any change to the capital structure of the Company;
- (f) the key operating data of the Group Companies within twenty (20) days after the end of each fiscal month; and
- (g) promptly upon the written request by an Information Rights Holder but in any event within ten (10) days after the date of such written request, such other information relating to the financial condition and the Business of the Group Companies as such holder shall reasonably request;

provided, however, that the Company shall not be obligated under this Article 38.1 to provide information (i) that the Board has reasonably determined in good faith is a trade secret or (ii) the disclosure of which would prejudice the attorney-client privilege between any of the Group Companies and their counsel.

38.2 The Company further covenants and agrees that, each Information Rights Holder shall have (i) the right to inspect properties and facilities and inspect and audit records and books, compliance policies and procedures and related documents and correspondences in the possession of the Company, and to make copies or extracts therefrom, at any time during regular working hours on reasonable prior notice to the Company, and (ii) the right to discuss the business, operations and conditions of the Company with its directors, officers, accountants, legal counsel and investment bankers.

39. AUDITOR

39.1 Appointment of Auditor

The Directors may appoint an Auditor who shall hold office until removed from office by a resolution of the Directors, and may fix the Auditor's remuneration.

39.2 Rights of Auditor

The Auditor shall have a right of access at all times to the books and accounts and vouchers of the Company and shall be entitled to require from the Directors and officers of the Company such information and explanation as may be necessary for the performance of the duties of the Auditor.

39.3 Reporting requirements of Auditor

The Auditor shall, if so required by the Directors, make a report on the accounts of the Company during the Auditor's tenure of office at the next general meeting following their appointment, and at any other time during the Auditor's term of office, upon request of the Directors or any general meeting of the Company.

40. NOTICES

40.1 Form and method of giving notices

- (a) Notices shall be in writing and may be given by:
 - (i) any Member to the Company by delivering such notice at the Registered Office. Notices may be delivered in person, by post, email or facsimile but shall only be validly served on the Company if such notice is actually received by the Registered Office on behalf of the Company; and
 - (ii) the Company to any Member either personally or by sending it by post, email or facsimile to his address as shown in the Register of Members, and where such a notice is:
 - (A) sent by post, service of the notice shall be deemed to be effected by properly addressing, pre-paying and posting a letter containing the notice, and shall be deemed to have been received on the fifth day (not including Saturdays or Sundays or public holidays) following the day on which the notice was posted;

- (B) sent by facsimile, service of the notice shall be deemed to be effected by transmitting the facsimile to the number provided by the intended recipient and shall be deemed to have been received on the same day that it was sent; and
- (C) given by email, service shall be deemed to be effected by transmitting the email to the email address provided by the intended recipient and shall be deemed to have been received on the same day that it was sent, and it shall not be necessary for the receipt of the e-mail to be acknowledged by the recipient.

(b) Any notice, if posted from one country to another, is to be sent by airmail.

40.2 Persons entitled to Shares by transmission

A notice may be given by the Company to any person the Company has been advised is entitled to any Share in consequence of the death, bankruptcy, liquidation or dissolution of a Member in the same manner as other notices which are required to be given under these Articles and shall be addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description at the address supplied for that purpose by the persons claiming to be so entitled, or at the option of the Company by giving the notice in any manner in which the same might have been given if the death, bankruptcy, liquidation or dissolution had not occurred.

41. WINDING UP

41.1 Distribution of assets in a winding up

Subject to these Articles and any rights or restrictions for the time being attached to any class of Shares, on a winding up of the Company the liquidator may, with the sanction of a Special Resolution of the Company and any other sanction required by the Companies Act, distribute among the Members the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for that purpose:

- (a) decide how the assets are to be distributed as between the Members or different classes of Members;
- (b) value the assets to be distributed in such manner as the liquidator thinks fit; and
- (c) vest the whole or any part of any assets in such trustees and on such trusts for the benefit of the Members entitled to the distribution of those assets as the liquidator sees fit, but so that no Member shall be obliged to accept any assets in respect of which there is any liability.

42. INDEMNITY AND INSURANCE

42.1 Indemnity and limitation of liability of Directors and officers

- (a) To the maximum extent permitted by law, every current and former Director and officer of the Company (excluding an Auditor but including an alternate Director and the proxy of a Director) (each an "**Indemnified Person**"), shall be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses, including legal expenses (each a "**Liability**"), which such Indemnified Person may incur in that capacity unless such Liability arose as a result of the actual fraud or wilful default of such person.
- (b) No Indemnified Person shall be liable to the Company for any loss or damage resulting (directly or indirectly) from such Indemnified Person carrying out his or her duties unless that liability arises through the actual fraud or wilful default of such Indemnified Person.
- (c) For the purpose of these Articles, no Indemnified Person shall be deemed to have committed "actual fraud" or "wilful default" until a court of competent jurisdiction has made a final, non-appealable finding to that effect.

42.2 Advance of legal fees

The Company shall advance to each Indemnified Person reasonable legal fees and other costs and expenses incurred in connection with the defence of any action, suit, proceeding or investigation involving such Indemnified Person for which indemnity will or could be sought. In connection with any such advance of expenses, the Indemnified Person shall execute an undertaking to repay the advanced amount to the Company if it is determined that the Indemnified Person was not entitled to indemnification under these Articles.

42.3 Indemnification to form part of contract

The indemnification and exculpation provisions of these Articles are deemed to form part of the employment contract or terms of appointment entered into by each Indemnified Person with the Company and accordingly are enforceable by such persons against the Company.

42.4 Insurance

The Directors may purchase and maintain insurance for or for the benefit of any Indemnified Person including (without prejudice to the generality of the foregoing) insurance against any Liability incurred by such persons in respect of any act or omission in the actual or purported execution or discharge of their duties or the exercise or purported exercise of their powers or otherwise in relation to or in connection with their duties, powers or offices in relation to the Company.

43. REQUIRED DISCLOSURE

If required to do so under the laws of any jurisdiction to which the Company (or any of its service providers) is subject, or in compliance with the rules of any stock exchange upon which any Shares are listed, or to ensure the compliance by any person with any anti-money laundering legislation in any relevant jurisdiction, any Director, officer or service provider (acting on behalf of the Company) shall be entitled to release or disclose any information in its possession regarding the affairs of the Company or a Member, including, without limitation, any information contained in the Register of Members or subscription documentation of the Company relating to any Member.

44. FINANCIAL YEAR

Unless the Directors resolve otherwise, the financial year of the Company shall end on 31 December in each year and, following the year of incorporation, shall begin on 1 January in each year.

45. TRANSFER BY WAY OF CONTINUATION

The Company shall, with the approval of a Special Resolution, have the power to register by way of continuation to a jurisdiction outside of the Cayman Islands in accordance with the Companies Act.

46. TAX TRANSPARENCY REPORTING

46.1 Each Member shall provide the Company on a timely basis with any documents, tax certifications, financial and other information (collectively "**Tax Reporting Information**") as the Company may request in connection with the Company's compliance with any legal and tax information reporting and exchange obligations applicable to it under the laws of the Cayman Islands or any other applicable jurisdiction (collectively, "**Tax Reporting Obligations**"), including, without limitation, any Tax Reporting Obligations under any Cayman Islands laws, regulations or guidance notes that give effect to: (i) the United States' Foreign Account Tax Compliance Act; (ii) the Organisation for Economic Co-operation and Development's Common Reporting Standard; and (iii) any additional inter-governmental agreement or treaty entered into by, or otherwise binding upon the Cayman Islands that provides for the exchange of tax information with another jurisdiction.

46.2 The Company shall have the power to release, report or otherwise disclose to the Department for International Tax Cooperation in the Cayman Islands (or any other authority as may be required under the Tax Reporting Obligations) any Tax Reporting Information provided by a Member to the Company and any other information held by the Company in respect of the Member's investment in the Company, in connection with the Tax Reporting Obligations, including, without limitation, in relation to the identity, address, tax identification number, tax status and interest in the Company of the Member (and any of its direct or indirect owners or affiliates).

47. WARRANTS

Subject to these Articles and notwithstanding anything herein to the contrary, for the avoidance of doubt, each Warrant Holder (as defined in the Shareholders Agreement) shall be entitled to all the rights, preferences and privileges as set forth herein as the Class B Preferred Shareholder, as if it has fully exercised its Warrant and purchased the corresponding number of Class B Preferred Shares pursuant to the Warrant. Each Warrant Holder agrees to be bound by these Articles and shall comply with all the obligations and restrictions applicable to the Class B Preferred Shareholders.

Schedule 1

Reserved Matters

PART A-1 – RESERVED BOARD MATTERS

- (1) Subject to any anti-dilution adjustments under these Articles and the applicable Requisite Approvals by the Members, formulate any proposals to allot, or make any change to the authorised or issued share or loan capital of the Company from time to time, or issue or agree to issue or grant any Securities, or consolidate, subdivide or convert any of its Securities (including, for the avoidance of doubt, any such actions that may result in dilution to a Member's shareholding in the Company), save where it is pursuant to the ESOP or otherwise to comply with the provisions of the Shareholders Agreement.
- (2) Formulate plans for the merger, demerger or dissolution of the Company or any alteration of the form of the Company's organization, subject to the applicable Requisite Approvals by the Members.
- (3) Create, or cause or permit to be created, any Encumbrance whatsoever over the whole or any part of the undertaking, property or assets of the Group in favour of an entity other than a Group Company (subject to the applicable Requisite Approvals by the Members if the creation of such Encumbrance is not within the ordinary course of business of the Group).
- (4) Provide any loan(s) or other form of financial assistance to an entity other than a Group Company amounting, on its own or in the aggregate, to more than USD 300,000.
- (5) Approve any equity investments by the Company, such as the investments in any joint venture with third parties.
- (6) Approve any borrowing or otherwise incurring any indebtedness (save as otherwise approved in the annual budget of the Company) which amounts to (whether as a single transaction or a series of transactions) to more than USD 4,500,000 in aggregate within a quarter of a Financial Year.
- (7) Approve any transactions involving the Company taking out one or more loan(s) or otherwise incur such amount of indebtedness which in aggregate exceeds USD 4,500,000 within a quarter of a Financial Year.
- (8) Provide any loan, guarantees or financing arrangements to any director, member of the senior management personnel or employee of any Group Company.
- (9) Approve any transaction(s) between any Group Company (on one hand) and any directors, members of the senior management personnel or employees (or their respective Affiliates) of any Group Companies (on the other hand) which exceed USD 75,000 (whether as a single transaction or a series of transactions).

- (10) Formulate terms and particulars of the ESOP, subject to approval by the Members and any additional approval requirement set out in the Shareholders Agreement.
- (11) Approve major investment and financing plans of the Company (including but not limited to IPO proposals).
- (12) Approve appointment or replacement of the Company's auditors or auditing firm, and material changes to the accounting policies and auditing procedures.
- (13) Approve appointment or engagement of employees or members of senior management of the Company whose monthly salary exceeds USD 15,000, but excluding esports players.
- (14) Approve investment in, or financial assistance to, third parties outside of the ordinary course of business of the Company.

PART A-2 – ORDINARY BOARD MATTERS

- (1) Convene a meeting of Members and any reporting to be made at such meeting.
- (2) Implement any resolutions passed by the Members.
- (3) Formulate and implement day-to-day business decisions for the Company.
- (4) Formulate the Company's proposed annual budget and final accounts for approval by the Members.
- (5) Formulate the Company's plans for dividend distribution and deficit management for approval by the Members.
- (6) Establish of internal management committees of the Company.
- (7) Adopt rules of procedures, protocols and other management regulations of the Company.
- (8) Any other matters eligible for determination by the Board in accordance with Applicable Laws (but excluding any Reserved Board Matter).

PART B-1 - SHAREHOLDERS RESERVED MATTERS

- (1) Allot, any change to the authorised or issued share or loan capital of the Company from time to time, or issue or agree to issue or grant any Securities, or consolidate, subdivide or convert any of its Securities (including, for the avoidance of doubt, (i) any such actions that may result in dilution to a Member's shareholding in the Company, ; and (ii) any such actions relating to the implementation of the Restructuring Plan and/or the Series B Financing, in which case the approval from the relevant Shareholders shall not be unreasonably withheld or delayed) save where it is pursuant to the ESOP, or otherwise to comply with the provisions of 15 (*Performance Ratchet*), 16 (*Redemption right by Preferred Shareholders*) and 16 (*Liquidation Preference*) of the Shareholders Agreement.
- (2) Alter the Articles of the Company.
- (3) Alter or vary any rights attaching to the issued or unissued Securities, save where it is pursuant to the ESOP.
- (4) Cease to carry on, or materially alter the nature or scope of, the Business or commence any business or operational activities other than the Business.
- (5) Create, or cause or permit to be created, any Encumbrance whatsoever over the whole or any part of the undertaking, property or assets of the Group in favour of an entity other than a Group Company which is not within the ordinary course of business of the Group.
- (6) Dispose of the whole or a substantial part of the business, undertaking, property or assets of the Group, including but not limited to a Drag-Along Sale or any disposal of the right of participation in esports tournaments and league spots.
- (7) Acquire any other assets or business by the Group which involve an issuance of New Securities by the Company as consideration (partial or otherwise).
- (8) Appoint a receiver, administrator or other form of external manager for the liquidation or dissolution or winding up of the Company or any Group Company, or the passing of any resolution of the Directors or the Members in respect thereof.
- (9) Approve or permit an increase in the maximum number of the Directors as set out in the Articles (subject to any additional approval requirements as required under the Shareholders Agreement).
- (10) Approve decisions on the Company's Business Plan.
- (11) Approve and adopt the Company's annual budget and final accounts.
- (12) Approve the Company's plan for profit distribution and deficit management.

- (13) Approve the formulation or amendment of the ESOP as proposed by the Board (subject to any additional approval requirement set out in the Shareholders Agreement).
- (14) Approve the provision of any guarantees by the Company to any of its Affiliates.

PART B-2 – SHAREHOLDERS ORDINARY MATTERS

- (1) Approve the election and replacement of Directors, and as well as decisions relating to the remuneration of Directors (subject to any additional approval requirement set out in the Shareholders Agreement).
- (2) Approve the Directors' report.
- (3) Any other matters which are required to be approved by the Members in accordance with Applicable Laws (but excluding any Shareholders Reserved Matters).

Schedule 2

Redemption Trigger Events

Part A – VE Redemption Trigger Event

The occurrence of any of the following shall constitute a VE Redemption Trigger Event:

- (1) (i) The Company fails to obtain a receipt from the China Securities Regulatory Commission, the Hong Kong Securities Regulatory Commission, the SEC or Qualified Exchange accepting the Company's application for IPO by 31 January 2024; or (ii) the Company fails to achieve the Qualified IPO on or before 31 January 2025.
- (2) Any Material Breach by any of the VE Founder Parties of its obligations hereunder.
- (3) Any VE Group Company conducting any off-account sales and causing material impacts on the financial performance of the Group and damage to the interests of the Group or any Preferred Shareholders accordingly.
- (4) Material violation of any Applicable Laws by the operation of any VE Group Companies which in turn materially impacts the financial performance of the Group.
- (5) Any breach by a VE Founder of his non-compete obligations hereunder, resulting in material Losses by the Group and/or any of the VE Financial Shareholders.
- (6) Sale of the whole or a substantial part of the business, undertaking, property or assets of the VE Group Companies (including but not limited to the right of participation in esports tournaments and league spots) without the Requisite Approvals.
- (7) Any act of dishonesty, fraud, wilful default, or gross negligence committed by any of the VE Founder Parties which in turn materially impacts the financial performance of the Group.
- (8) Any request by any VE Financial Shareholder for redemption of any Class A or Class B Preferred Shares upon occurrence of any events listed in items (1) to (7) above.

Part B – NIP Redemption Trigger Event

The occurrence of any of the following shall constitute a NIP Redemption Trigger Event:

- (1) (i) The Company fails to obtain a receipt from the China Securities Regulatory Commission, the Hong Kong Securities Regulatory Commission, the SEC or a Qualified Exchange accepting the Company's application for IPO by 31 January 2024; or (ii) the Company fails to achieve the Qualified IPO on or before 31 January 2025.
- (2) The valuation of the Company, as determined by an Independent Valuer, does not exceed USD 250 million by 31 December 2023.
- (3) Any Material Breach by any of the VE Founder Parties of its obligations hereunder.

- (4) Any VE Group Company conducting any off-account sales and causing material impacts on the financial performance of the Group and damage to the interests of the Group or any Preferred Shareholders accordingly.
- (5) Material violation of any Applicable Laws by the operation of any VE Group Companies which in turn materially impacts the financial performance of the Group.
- (6) Any breach by a VE Founder of his non-compete obligations hereunder, resulting in material Losses by the Group and/or any of the Preferred Shareholders (including, for the avoidance of doubt, the VE Financial Shareholders).
- (7) Sale of the whole or a substantial part of the business, undertaking, property or assets of the VE Group Companies (including but not limited to the right of participation in esports tournaments and league spots) without the Requisite Approvals.
- (8) Any act of dishonesty, fraud, wilful default, or gross negligence committed by any of the VE Founder Parties which in turn materially impacts the financial performance of the Group.
- (9) The relevant VE Group Companies fail to obtain the formal league approvals for the change of ownership in respect of the league slots related to League of Legends LOL, Honor of Kings and/or CrossFire Pro League, which results in the loss or suspension of any of such league slots or otherwise materially impacts the financial performance of the Group.
- (10) The implementation of the Restructuring Plan (including any material breach of the Applicable Laws in connection with the implementation of the Restructuring Plan) or the failure of the Company to implement the dismantling of its VIE structure in accordance with the Restructuring Plan has resulted in or might reasonably be expected to material impact on the financial performance of the Group.
- (11) The amount of the VE Revenue based on the audit by an independent certified public accounting firm of internationally recognized standing according to the US GAAP for the purpose of the application for IPO is lower than USD 41,400,000.

Part C – NIP Special Redemption Trigger Event

The occurrence of any of the following shall constitute a NIP Special Redemption Trigger Event:

- (1) Any Material Breach by any of the NIP Founder Parties of its obligations under the Shareholders Agreement.
- (2) Any NIP Group Company conducting any off-account sales and causing material impacts on the financial performance of the Group and damage to the interests of the Group or any Preferred Shareholders accordingly.
- (3) Material violation of any Applicable Laws by the operation of any NIP Group Companies which in turn materially impacts the financial performance of the Group.
- (4) Sale of the whole or a substantial part of the business, undertaking, property or assets of the NIP Group Companies without the Requisite Approvals.

- (5) Any act of dishonesty, fraud, wilful default, or gross negligence committed by any NIP Shareholder which in turn materially impacts the financial performance of the Group.
- (6) (A) Ninjas in Pyjamas Gaming AB or any of its Affiliates failing to acquire 51% or more of the total issued shares of (i) Blonde INC AB (or any of its Affiliates), or (ii) Nmbrs Production AB (or any of its Affiliates), or (ii) any other target company engaging in similar type of business, having a projected annual revenue of not less than 42,000,000 Danish Krone in the financial year of 2023 (i.e., the period from 1 January 2023 to 31 December 2023), by no later than 31 December 2023, provided, however, that such failure shall not constitute a NIP Special Redemption Trigger Event if the VE Directors and/or the VE Shareholders have unreasonably withheld or delayed in providing the Requisite Approvals for the aforesaid acquisition; or (B) the Equity Ratio of the VE Shareholders have been diluted due to the implementation of the aforesaid acquisition (unless such dilution has been agreed by the VE Shareholders).

ESVF Esports Group Inc.

2021 SHARE INCENTIVE PLAN

ARTICLE 1
PURPOSE

The purpose of this ESVF Esports Group Inc. 2021 Share Incentive Plan (the “Plan”) is to promote the success and enhance the value of ESVF Esports Group Inc. (the “Company”) by linking the personal interests of the members of the Board and Employees to those of Company shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Company shareholders. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of members of the Board and Employees upon whose judgment, interests and special efforts the successful conduct of the Company’s operation is largely dependent.

ARTICLE 2
DEFINITIONS AND CONSTRUCTION

Wherever the following terms are used in the Plan, they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

2.1 “Administrator” shall mean the entity or person that conducts the general administration of the Plan as provided in Article 9. With reference to the duties of the Committee under the Plan which have been delegated to one or more persons pursuant to Section 9.1, or as to which the Board has assumed, the term “Administrator” shall refer to such person(s) unless the Committee or the Board has revoked such delegation or the Board has terminated the assumption of such duties.

2.2 “Applicable Accounting Standards” shall mean Generally Accepted Accounting Principles in the United States, International Financial Reporting Standards, or such other accounting principles or standards as may apply to the Company’s financial statements under Applicable Laws.

2.3 “Applicable Laws” shall mean (i) the laws of the Cayman Islands as they relate to the Company and its Shares; (ii) the legal requirements relating to the Plan and the Awards under applicable provisions of the corporate, securities, tax and other laws, rules, regulations and government orders of any jurisdiction applicable to Awards granted to residents; and (iii) the rules of any applicable securities exchange, national market system or automated quotation system on which the Shares are listed, quoted or traded.

2.4 “Article” shall mean an article of this Plan.

2.5 “Articles of Association” shall mean Company’s Amended and Restated Memorandum of Association and Articles of Association, as such may be amended from time to time.

2.6 “Award” shall mean an Option, a Restricted Share award, a Restricted Share Unit award or other types of awards, in the form of cash or otherwise, which may be awarded or granted under the Plan (collectively, “Awards”).

2.7 “Award Agreement” shall mean any written notice, agreement, terms and conditions, contract or other instrument or document evidencing the grant of an Award, including through electronic medium, which shall contain such terms and conditions with respect to an Award as the Administrator shall determine consistent with the Plan.

2.8 “Board” shall mean the Board of Directors of the Company.

2.9 “Cause” shall mean (unless otherwise expressly provided in the applicable Award Agreement or another applicable contract with the Holder that defines such term for purposes of determining the effect that a “for cause” termination has on the Holder’s Awards) a termination of employment or service based upon a finding by the Service Recipient, acting in good faith and based on its reasonable belief at the time, that the Holder:

(a) has been negligent in the discharge of his or her duties to the Service Recipient, has refused to perform stated or assigned duties or is incompetent in or (other than by reason of a Disability or analogous condition) incapable of performing those duties;

(b) has been dishonest or committed or engaged in an act of theft, embezzlement or fraud, a breach of confidentiality, an unauthorized disclosure or use of inside information, customer lists, trade secrets or other confidential information;

(c) has breached a fiduciary duty, or materially violated any other duty, law, rule, regulation or policy of the Service Recipient; or has been convicted of, or plead guilty or *nolo contendere* to, a felony or misdemeanor (other than minor traffic violations or similar offenses);

(d) has materially breached any of the provisions of any agreement with the Service Recipient;

(e) has engaged in unfair competition with, or otherwise acted intentionally in a manner injurious to the reputation, business or assets of, the Service Recipient; or

(f) has improperly induced a vendor or customer to break or terminate any contract with the Service Recipient or induced a principal for whom the Service Recipient acts as agent to terminate such agency relationship.

2.10 “Code” shall mean the United States Internal Revenue Code of 1986, as amended from time to time.

2.11 “Committee” shall mean the Compensation Committee of the Board, or another committee or subcommittee of one or more members of the Board, appointed as provided in Section 9.1.

2.12 “Company” shall mean ESVF Esports Group Inc., an exempted company incorporated under the laws of the Cayman Islands with limited liability.

2.13 “Corporate Transaction” shall mean any of the following transactions, *provided, however*, that the Committee shall determine under (f) and (g) whether multiple transactions are related, and its determination shall be final, binding and conclusive:

(a) an amalgamation, arrangement, consolidation or scheme of arrangement in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the jurisdiction in which the Company is incorporated or which following such transaction the holders of the Company’s voting securities immediately prior to such transaction own fifty percent (50%) or more of the surviving entity;

(b) the direct or indirect acquisition by any person or related group of persons (other than an acquisition from or by the Company or by a Company-sponsored employee benefit plan or by a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company’s outstanding securities pursuant to a tender or exchange offer made directly to the Company’s shareholders which a majority of the Incumbent Board (as defined below) who are not affiliates or associates of the offeror under Rule 12b-2 promulgated under the Exchange Act do not recommend such shareholders accept;

(c) the individuals who, as of the Effective Date, are members of the Board (the “Incumbent Board”), cease for any reason to constitute at least fifty percent (50%) of the Board; *provided, that* if the election, or nomination for election by the Company’s shareholders, of any new member of the Board is approved by a vote of at least fifty percent (50%) of the Incumbent Board, such new member of the Board shall be considered as a member of the Incumbent Board.

- (d) the sale, transfer or other disposition of all or substantially all of the assets of the Company (other than to a Parent, Subsidiary or Related Entity);
- (e) the completion of a voluntary or insolvent liquidation or dissolution of the Company;
- (f) any reverse takeover, scheme of arrangement, or series of related transactions culminating in a reverse takeover or scheme of arrangement (including, but not limited to, a tender offer followed by a reverse takeover) in which the Company survives but (A) the Shares of the Company outstanding immediately prior to such transaction are converted or exchanged by virtue of the transaction into other property, whether in the form of securities, cash or otherwise, or (B) in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such transaction culminating in such takeover or scheme of arrangement, but excluding any such transaction or series of related transactions that the Committee determines shall not be a Corporate Transaction; or
- (g) acquisition in a single or series of related transactions by any person or related group of persons (other than the Company or by a Company-sponsored employee benefit plan) of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities but excluding any such transaction or series of related transactions that the Committee determines shall not be a Corporate Transaction.

Notwithstanding anything in the foregoing to the contrary, with respect to compensation (A) that is subject to Section 409A of the Code and (B) for which a Corporate Transaction would accelerate the timing of payment thereunder, the term "Corporate Transaction" shall mean an event that is both (x) a Corporate Transaction (as defined above) and (y) a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, as defined in Section 409A of the Code and authoritative guidance thereunder, but only to the extent necessary to comply with Section 409A of the Code as determined by the Company.

2.14 "Director" shall mean a member of the Board, as constituted from time to time.

2.15 "Disability", unless otherwise defined in an Award Agreement, shall mean that the Holder qualifies to receive long-term disability payments under the Service Recipient's long-term disability insurance program, as it may be amended from time to time, to which the Holder provides services regardless of whether the Holder is covered by such policy. If the Service Recipient to which a Holder provides service does not have a long-term disability plan in place, "Disability" shall mean that the Holder is unable to carry out the responsibilities and functions of the position held by the Holder by reason of any medically determinable physical or mental impairment for a period of not less than ninety (90) consecutive days. A Holder will not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Committee in its discretion.

2.16 "Effective Date" shall have the meaning set forth in Section 10.1.

2.17 "Eligible Individual" shall mean any person who is an Employee, as determined by the Committee, provided that such person (i) has not been sentenced to imprisonment or re-education through labor; (ii) has not been subjected to administrative penalties for major violations of law within the last 36 months; (iii) does not have a case filed or investigated by judicial or administrative department which has not yet been concluded; and (iv) has not violated the employment agreement or employee code of conduct within the last 36 months.

2.18 "Employee" shall mean any person who is in the employ of a Service Recipient, subject to the control and direction of the Service Recipient as to both the work to be performed and the manner and method of performance. The payment of a Director's fee by a Service Recipient shall not be sufficient to constitute "employment" by the Service Recipient.

2.19 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

2.20 “Fair Market Value” shall mean, as of any date, the value of Shares determined as follows:

(a) If the Shares are listed on one or more established and regulated securities exchanges, national market systems or automated quotation system on which Shares are listed, quoted or traded, its Fair Market Value shall be the closing sales price for such shares (or the closing bid, if no sales were reported) as quoted on the principal exchange or system on which the Shares are listed (as determined by the Committee) on the date of determination (or, if no closing sales price or closing bid was reported on that date, as applicable, on the last trading date such closing sales price or closing bid was reported), as reported in *The Wall Street Journal* or such other source as the Committee deems reliable;

(b) If the Shares are not listed on an established securities exchange, national market system or automated quotation system, but are regularly quoted by a recognized securities dealer, its Fair Market Value shall be the closing sales price for such shares as quoted by such securities dealer on the date of determination, but if selling prices are not reported, the Fair Market Value of a Share shall be the mean between the high bid and low asked prices for the Shares on the date of determination (or, if no such prices were reported on that date, on the last date such prices were reported), as reported in *The Wall Street Journal* or such other source as the Committee deems reliable; or

(c) In the absence of an established market for the Shares of the type described in (a) and (b), above, the Fair Market Value thereof shall be determined by the Committee in good faith and in its discretion by reference to (i) the placing price of the latest private placement of the Shares and the development of the Company’s business operations and the general economic and market conditions since such latest private placement, (ii) other third party transactions involving the Shares and the development of the Company’s business operation and the general economic and market conditions since such sale, (iii) an independent valuation of the Shares, or (iv) such other methodologies or information as the Committee determines to be indicative of Fair Market Value.

2.21 “Holder” shall mean a person who has been granted an Award.

2.22 “Incentive Option” shall mean an Option that is intended to meet the applicable provisions of Section 422 of the Code.

2.23 “Non-Qualified Option” shall mean an Option that is not an Incentive Option.

2.24 “Option” shall mean a right to purchase Shares at a specified exercise price, granted under Article 5. An Option shall be either a Non-Qualified Option or an Incentive Option; *provided, however*, that Incentive Options may only be granted to Employees.

2.25 “Parent” shall mean any entity whether domestic or foreign, in an unbroken chain of entities ending with the Company, if each of the entities other than the first entity in the unbroken chain beneficially owns, at the time of the determination, securities or interests representing more than fifty percent (50%) of the total combined voting power of all classes of securities or interests in one of the other entities in such chain.

2.25 “Plan” shall mean this ESVF Esports Group Inc. 2021 Share Incentive Plan, as it may be amended or restated from time to time.

2.27 “Related Entity” shall mean any business, corporation, partnership, limited liability company or other entity in which the Company, a Parent or Subsidiary of the Company holds a substantial economic interest, directly or indirectly, through ownership or contractual arrangements but which is not a Subsidiary and which the Board designates as a Related Entity for purposes of the Plan.

2.28 “Restricted Shares” shall mean Shares awarded under Article 6 that is subject to certain restrictions and may be subject to risk of forfeiture or repurchase.

2.29 “Restricted Share Units” shall mean the right to receive Shares awarded under Section 7.1.

2.30 “Rule 16b-3” shall mean Rule 16b-3 promulgated under the Exchange Act.

2.31 “Securities Act” shall mean the Securities Act of 1933, as amended.

2.32 “Service Recipient” shall mean the Company, any Parent or Subsidiary of the Company, or their consolidated variable interest entity and its subsidiary, to which an Eligible Individual provides services as an Employee.

2.33 “Share” shall mean a Class A ordinary share of the Company, and such other securities of the Company that may be substituted for Shares pursuant to Article 11.

2.34 “Subsidiary” shall mean any entity (other than the Company), whether domestic or foreign, in an unbroken chain of entities beginning with the Company if each of the entities other than the last entity in the unbroken chain beneficially owns, at the time of the determination, securities or interests representing more than fifty percent (50%) of the total combined voting power of all classes of securities or interests in one of the other entities in such chain.

2.35 “Substitute Award” shall mean an Award granted under the Plan upon the assumption of, or in substitution for, outstanding equity awards previously granted by a company or other entity in connection with a Corporate Transaction; *provided, however, that* in no event shall the term “Substitute Award” be construed to refer to an award made in connection with the cancellation and repricing of an Option.

2.36 “Termination of Service” shall mean,

The time when the employee-employer relationship between a Holder and the Service Recipient is terminated for any reason, with or without Cause, including, without limitation, a termination by resignation, discharge, death, Disability or retirement, but excluding terminations where the Holder simultaneously commences or remains in employment or service with the Company, any Subsidiary or any Related Entity.

The Administrator, in its sole discretion, shall determine the effect of all matters and questions relating to Terminations of Service, including, without limitation, the question of whether a Termination of Service resulted from a discharge for Cause and all questions of whether particular leaves of absence constitute a Termination of Service; provided, however, that, with respect to Incentive Options and Awards subject to Section 409A of the Code, unless the Administrator otherwise provides in the terms of the Award Agreement or otherwise, a leave of absence, change in status from an employee to an independent contractor or other change in the employee-employer relationship shall constitute a Termination of Service only if, and to the extent that, such leave of absence, change in status or other change interrupts employment for the purposes of Section 422(a)(2) or 409A of the Code and the then applicable regulations and revenue rulings under said Sections. For purposes of the Plan and subject to the requirements of Section 409A of the Code, a Holder’s employee-employer relationship shall be deemed to be terminated in the event that the Subsidiary or Related Entity employing or contracting with such Holder ceases to remain a Subsidiary or Related Entity following any merger, sale of securities or other corporate transaction or event (including, without limitation, a spin-off).

2.37 “Trading Date” shall mean the closing of the first sale to the general public of the Shares pursuant to an effective registration statement under Applicable Laws, which results in the Shares being publicly traded on one or more established stock exchanges or national market systems.

ARTICLE 3
SHARES SUBJECT TO THE PLAN

3.1 Number of Shares.

(a) Subject to Section 3.1(b) and Section 11.1, the aggregate number of Shares which may be issued or transferred pursuant to Awards under the Plan is the sum of (i) 4,123,826 and (ii) such increase as deemed appropriate by the Board; *provided, however*, that the aggregate number of Shares initially reserved and subsequently increased during the term of the Plan shall not be more than 7.5952% of the total number of Shares issued and outstanding on each [month and day] immediately preceding the most recent increase.

(b) To the extent that an Award terminates, expires, or lapses for any reason, or is settled in cash and not Shares, then any Shares subject to the Award shall again be available for the grant of an Award pursuant to the Plan. Shares delivered by the Holder or withheld by the Company upon the exercise of any Award under the Plan, in payment of the exercise price thereof or tax withholding thereon, may again be optioned, granted or awarded hereunder, subject to the limitations of Section 3.1(a). If any Shares forfeited by the Holder or repurchased by the Company are again returned to the Company, these shares may again be optioned, granted or awarded hereunder, subject to the limitations of Section 3.1(a). To the extent permitted by Applicable Laws, Shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by the Company, any Parent or any Subsidiary or Related Entity shall not be counted against Shares available for grant pursuant to the Plan; *provided*, that such assumed or substituted awards issued in connection with the assumption of, or in substitution for, any outstanding options intended to qualify as “incentive stock options” within the meaning of Section 422 of the Code shall be counted against the aggregate number of Shares available for Awards of Incentive Options under the Plan. Notwithstanding the provisions of this Section 3.1(b), no Shares may again be optioned, granted or awarded if such action would cause an Incentive Option to fail to qualify as an incentive stock option under Section 422 of the Code.

3.2 Shares Distributed. Any Shares distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares, treasury Shares (subject to Applicable Laws) or Shares purchased on the open market. Additionally, in the discretion of the Committee, American Depository Shares in an amount equal to the number of Shares which otherwise would be distributed pursuant to an Award may be distributed in lieu of Shares in settlement of any Award. If the number of Shares represented by an American Depository Share is other than on a one-to-one basis, the limitations of Section 3.1 shall be adjusted to reflect the distribution of American Depository Shares in lieu of Shares.

ARTICLE 4
GRANTING OF AWARDS

4.1 Participation. The Administrator may, from time to time, select from among all Eligible Individuals, those to whom an Award shall be granted and shall determine the nature and amount of each Award, which shall not be inconsistent with the requirements of the Plan. No Eligible Individual shall have any right to be granted an Award pursuant to the Plan, and the granting of an Award in one year shall not be deemed the right to receive a grant of an Award in any subsequent year.

4.2 Award Agreement. Each Award shall be evidenced by an Award Agreement. Award Agreements evidencing Incentive Options shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 422 of the Code.

4.3 Jurisdictions. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in the jurisdictions in which the Service Recipients operate or have Eligible Individuals, or in order to comply with the requirements of any securities exchange, the Administrator, in its sole discretion, shall have the power and authority to: (a) determine which Subsidiaries and Related Entities shall be covered by the Plan; (b) determine which Eligible Individuals are eligible to participate in the Plan; (c) modify the terms and conditions of any Award granted to Eligible Individuals to comply with Applicable Laws; (d) establish subplans and modify exercise procedures and other terms and conditions, to the extent such actions may be necessary or advisable (any such subplans and/or modifications shall be attached to the Plan as appendices); *provided, however*, that no such subplans and/or modifications shall increase the share limitations contained in Section 3.1; and (e) take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any Applicable Laws including necessary local governmental regulatory exemptions or approvals or listing requirements of any such securities exchange. Notwithstanding the foregoing, the Administrator may not take any actions hereunder, and no Awards shall be granted, that would violate any Applicable Laws.

4.4 Stand-Alone and Tandem Awards. Awards granted pursuant to the Plan may, in the sole discretion of the Administrator, be granted either alone, in addition to, or in tandem with, any other Award granted pursuant to the Plan. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

ARTICLE 5
OPTIONS

5.1 General. The Committee is authorized to grant Options to Eligible Individuals on the following terms and conditions:

(a) Exercise Price. The exercise price per Share subject to an Option shall be determined by the Administrator and set forth in the Award Agreement which may be a fixed or variable price related to the Fair Market Value of the Shares; *provided, however*, that no Option may be granted to an individual subject to taxation in the United States at less than the Fair Market Value on the date of grant, without compliance with Section 409A of the Code, or the Holder's consent. The exercise price per Share subject to an Option may be amended or adjusted in the absolute discretion of the Administrator, the determination of which shall be final, binding and conclusive. For the avoidance of doubt, to the extent not prohibited by Applicable Laws (including any applicable exchange rule and Section 409A of the Code), a downward adjustment of the exercise prices of Options mentioned in the preceding sentence shall be effective without the approval of the Company's shareholders or the approval of the affected Holders.

(b) Vesting. The period during which the right to exercise, in whole or in part, an Option vests in the Holder shall be set by the Administrator and the Administrator may determine that an Option may not be exercised in whole or in part for a specified period after it is granted. Such vesting may be based on service with the Service Recipient or any other criteria selected by the Administrator. At any time after grant of an Option, the Administrator may, in its sole discretion and subject to whatever terms and conditions it selects, accelerate the period during which an Option vests. No portion of an Option which is unexercisable at a Holder's Termination of Service shall thereafter become exercisable, except as may be otherwise provided by the Administrator either in the Award Agreement or by action of the Administrator following the grant of the Option.

(c) Time and Conditions of Exercise. The Administrator shall determine the time or times at which an Option may be exercised in whole or in part, including exercise prior to vesting and that a partial exercise must be with respect to a minimum number of shares. The Administrator shall also determine any conditions, if any, that must be satisfied before all or part of an Option may be exercised.

(d) Partial Exercise. An exercisable Option may be exercised in whole or in part. However, an Option shall not be exercisable with respect to fractional shares and the Administrator may, in its discretion, require that, by the terms of the Option, a partial exercise must be with respect to a minimum number of shares.

(e) Manner of Exercise. All or a portion of an exercisable Option shall be deemed exercised upon delivery of all of the following to the Secretary of the Company, or such other person or entity designated by the Administrator, or his, her or its office, as applicable:

(i) A written or electronic notice complying with the applicable rules established by the Administrator stating that the Option, or a portion thereof, is exercised. The notice shall be signed by the Holder or other person then entitled to exercise the Option or such portion of the Option;

(ii) Such representations and documents as the Administrator, in its sole discretion, deems necessary or advisable to effect compliance with all Applicable Laws or regulations, and the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded. The Administrator may, in its sole discretion, also take whatever additional actions it deems appropriate to effect such compliance including, without limitation, placing legends on share certificates and issuing stop-transfer notices to agents and registrars;

(iii) In the event that the Option shall be exercised pursuant to Section 8.3 by any person or persons other than the Holder, appropriate proof of the right of such person or persons to exercise the Option, as determined in the sole discretion of the Administrator; and

(iv) Full payment of the exercise price and applicable withholding taxes to the share administrator of the Company for the Shares with respect to which the Option, or portion thereof, is exercised, in a manner permitted by Sections 9.1 and 9.2.

(f) Term. The term of any Option granted under the Plan shall not exceed ten years. Except as limited by the requirements of Section 409A or Section 422 of the Code and regulations and rulings thereunder, in its sole discretion, the Administrator may extend the term of any outstanding Option, and may extend the time period during which vested Options may be exercised, in connection with any Termination of Service of the Holder, and may amend any other term or condition of such Option relating to such a Termination of Service.

(g) Evidence of Grant. All Options shall be evidenced by an Award Agreement between the Company and the Holder. The Award Agreement shall include such additional provisions as may be specified by the Committee.

5.2 Incentive Options. Incentive Options may be granted to Employees of the Company, a Parent or Subsidiary of the Company (which qualify as a parent or subsidiary corporation under Sections 424(e) and (f) of the Code respectively). Incentive Options may not be granted to Employees of a Related Entity. The terms of any Incentive Options granted pursuant to the Plan, in addition to the requirements of Section 5.1, must comply with the following additional provisions of this Section 5.2:

(a) Expiration of Option. An Incentive Option may not be exercised to any extent by anyone after the first to occur of the following events, unless otherwise approved by the Administrator in a separate resolution:

(i) Ten years from the date it is granted, unless an earlier time is set in the Award Agreement;

(ii) Three months after the Holder's Termination of Service as an Employee (save in the case of termination on account of Disability or death); and

(iii) One year after the date of the Holder's Termination of Service on account of disability or death. Upon the Holder's Disability or death, any Incentive Options exercisable at the Holder's Disability or death may be exercised by the Holder's legal representative or representatives, by the person or persons entitled to do so pursuant to the Holder's last will and testament, or, if the Holder fails to make testamentary disposition of such Incentive Option or dies intestate, by the person or persons entitled to receive the Incentive Option pursuant to the applicable laws of descent and distribution as determined under Applicable Laws.

(b) Individual Dollar Limitation. The aggregate Fair Market Value (determined as of the time the Option is granted) of all Shares with respect to which Incentive Options are first exercisable by a Holder in any calendar year may not exceed US\$100,000 or such other limitation as imposed by Section 422(d) of the Code, or any successor provision. To the extent that Incentive Options are first exercisable by a Holder in excess of such limitation, the excess shall be considered Non-Qualified Options.

(c) Ten Percent Owners. An Incentive Option shall be granted to any Eligible Individual who, at the date of grant, owns Shares possessing more than ten percent of the total combined voting power of all classes of shares of the Company only if such Option is granted at a price that is not less than 110% of Fair Market Value on the date of grant and the Option is exercisable for no more than five years from the date of grant.

(d) Transfer Restriction. Unless otherwise approved by the Administrator, the Holder shall give the Company prompt notice of any disposition of Shares acquired by exercise of an Incentive Option within (i) two years from the date of grant of such Incentive Option or (ii) one year after the transfer of such Shares to the Holder.

(e) Expiration of Incentive Options. No Award of an Incentive Option may be made pursuant to this Plan after the tenth anniversary of the Effective Date.

(f) Right to Exercise. During a Holder's lifetime, an Incentive Option may be exercised only by the Holder.

5.3 Substitute Awards. Notwithstanding the foregoing provisions of this Article 5 to the contrary, in the case of an Option that is a Substitute Award, the price per share of the shares subject to such Option may be less than the Fair Market Value per share on the date of grant, *provided*, that the excess of: (a) the aggregate Fair Market Value (as of the date such Substitute Award is granted) of the shares subject to the Substitute Award, over (b) the aggregate exercise price thereof does not exceed the excess of: (x) the aggregate fair market value (as of the time immediately preceding the transaction giving rise to the Substitute Award, such fair market value to be determined by the Administrator) of the shares of the predecessor entity that were subject to the grant assumed or substituted for by the Company, over (y) the aggregate exercise price of such shares.

ARTICLE 6
AWARD OF RESTRICTED SHARES

6.1 Award of Restricted Shares.

(a) The Administrator is authorized to grant Restricted Shares to Eligible Individuals, and shall determine the amount of, and the terms and conditions, including the restrictions applicable to each award of Restricted Shares, which terms and conditions shall not be inconsistent with the Plan, and may impose such conditions on the issuance of such Restricted Shares as it deems appropriate.

(b) The Administrator shall establish the purchase price, if any, and form of payment for Restricted Shares; *provided, however*, that such purchase price shall be no less than the par value of the Shares to be purchased, unless otherwise permitted by Applicable Laws. In all cases, legal consideration shall be required for each issuance of Restricted Shares.

6.2 Rights as Shareholders. Subject to Section 6.4, upon issuance of Restricted Shares, the Holder shall have, unless otherwise provided by the Administrator, all the rights of a shareholder with respect to said shares, subject to the restrictions in his or her Award Agreement, including the right to receive all dividends and other distributions paid or made with respect to the shares; *provided, however*, that, (i) such dividends shall be withheld by the Company for the Holder's account and shall be subject to vesting and forfeiture to the same degree as the Restricted Shares to which such dividends relate and (ii) in the sole discretion of the Administrator, any extraordinary distributions with respect to the Shares shall be subject to the restrictions set forth in Section 6.3.

6.3 Restrictions. All Restricted Shares (including any shares received by Holders thereof with respect to Restricted Shares as a result of share dividends, share splits or any other form of recapitalization) shall, in the terms of each individual Award Agreement, be subject to such restrictions and vesting requirements as the Administrator, in its sole discretion, shall provide. Such restrictions may include, without limitation, restrictions concerning voting rights and transferability and such restrictions may lapse separately or in combination at such times and pursuant to such circumstances or based on such criteria as selected by the Administrator, including, without limitation, criteria based on the Holder's duration of employment or directorship with the Service Recipient, or other criteria selected by the Administrator. By action taken after the Restricted Shares are issued, the Administrator may, on such terms and conditions as it may determine to be appropriate, accelerate the vesting of such Restricted Shares by removing any or all of the restrictions imposed by the terms of the Award Agreement. Restricted Shares may not be sold or encumbered until all restrictions are terminated or expire.

6.4 Repurchase or Forfeiture of Restricted Shares. If no price was paid by the Holder for the Restricted Shares, upon a Termination of Service the Holder's rights in unvested Restricted Shares then subject to restrictions shall lapse, and such Restricted Shares shall be surrendered to the Company and cancelled without consideration. If a purchase price was paid by the Holder for the Restricted Shares, upon a Termination of Service the Company shall have the right to repurchase from the Holder the unvested Restricted Shares then subject to restrictions at a cash price per share equal to the price paid by the Holder for such Restricted Shares or such other amount as may be specified in the Award Agreement. The Administrator in its sole discretion may provide that in the event of certain events the Holder's rights in unvested Restricted Shares shall not lapse, such Restricted Shares shall vest and shall be non-forfeitable, and if applicable, the Company shall not have a right of repurchase.

6.5 Certificates for Restricted Shares. Restricted Shares granted pursuant to the Plan may be evidenced in such manner as the Administrator shall determine. Certificates or book entries evidencing Restricted Shares must include an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Shares, and the Company may, in its sole discretion, retain physical possession of any share certificate until such time as all applicable restrictions lapse.

ARTICLE 7
RESTRICTED SHARE UNITS

7.1 Restricted Share Units. The Administrator is authorized to grant Restricted Share Units to any Eligible Individual. The number and terms and conditions of Restricted Share Units shall be determined by the Administrator. The Administrator shall specify the date or dates on which the Restricted Share Units shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate, including service to the Service Recipients, in each case on a specified date or dates or over any period or periods, as the Administrator determines. The Administrator shall specify, or permit the Holder to elect, the conditions and dates upon which the Shares underlying the Restricted Share Units which shall be issued, which dates shall not be earlier than the date as of which the Restricted Share Units vest and become nonforfeitable and which conditions and dates shall be subject to compliance with Section 409A of the Code, to the extent applicable to the Holder. Restricted Share Units may be paid in cash, Shares or both, as determined by the Administrator. On the distribution dates, the Company shall issue to the Holder one unrestricted, fully transferable Shares (or the Fair Market Value of one such Share in cash) for each vested and nonforfeitable Restricted Share Unit.

7.2 Exercise or Purchase Price. The Administrator may establish the exercise or purchase price of shares distributed pursuant to a Restricted Share Unit award; *provided, however*, that the value of the consideration shall not be less than the par value of the Shares underlying such Award, unless otherwise permitted by Applicable Laws.

7.3 Exercise upon Termination of Service. A Restricted Share Unit award is exercisable or distributable only while the Holder is an Employee or Director, as applicable. The Administrator, however, in its sole discretion may provide that the Restricted Share Unit award may be exercised or distributed subsequent to a Termination of Service in certain events, subject to compliance with Section 409A of the Code, to the extent applicable to the Holder.

ARTICLE 8
ADDITIONAL TERMS OF AWARDS

8.1 Payment. The Administrator shall determine the methods by which payments by any Holder with respect to any Awards granted under the Plan shall be made, including, without limitation: (a) cash or check, (b) Shares (including, in the case of payment of the exercise price of an Award, Shares issuable pursuant to the exercise of the Award) or Shares held for such period of time as may be required by the Administrator in order to avoid adverse accounting consequences under Applicable Accounting Standards, in each case, having a Fair Market Value on the date of delivery equal to the aggregate payments required, (c) following the Trading Date, delivery of a notice that the Holder has placed a market sell order with a broker with respect to Shares then issuable upon exercise or vesting of an Award, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the aggregate payments required, *provided*, that payment of such proceeds is then made to the Company upon settlement of such sale, or (d) other form of legal consideration acceptable to the Administrator in its sole discretion. The Administrator shall also determine the methods by which Shares shall be delivered or deemed to be delivered to Holders. Notwithstanding any other provision of the Plan to the contrary, no Holder shall be permitted to make payment with respect to any Awards granted under the Plan to the extent prohibited by Applicable Laws.

8.2 Tax Withholding. No Shares shall be delivered under the Plan to any Holder until such Holder has made arrangements acceptable to the Administrator for the satisfaction of any income, employment, social welfare or other tax withholding obligations under Applicable Laws. Each Service Recipient shall have the authority and the right to deduct or withhold, or require a Holder to remit to the applicable Service Recipient, an amount sufficient to satisfy federal, state, local and foreign taxes (including the Holder's employment, social welfare or other tax obligations) required by Applicable Laws to be withheld with respect to any taxable event concerning a Holder arising as a result of the Plan. The Administrator may in its sole discretion and in satisfaction of the foregoing requirement allow a Holder to elect to have the Company withhold Shares otherwise issuable under an Award (or allow the surrender of Shares). The number of Shares which may be so withheld or surrendered shall be limited to the number of Shares which have a Fair Market Value on the date of withholding or repurchase up to the maximum expected aggregate amount of such liabilities based on the maximum statutory withholding rates for tax purposes that are applicable to such taxable income, provided that such withholding does not result in adverse tax or accounting consequences to the Company. The Administrator shall determine the Fair Market Value of the Shares, consistent with Applicable Laws, for tax withholding obligations due in connection with a broker-assisted cashless Option exercise involving the sale of shares to pay the Option exercise price or any tax withholding obligation.

8.3 Transferability of Awards.

(a) Except as otherwise provided in Section 8.3(b) or as agreed by the Administrator:

(i) No Award under the Plan may be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution or, subject to the consent of the Administrator, as required under applicable domestic relations laws, unless and until such Award has been exercised, or the Shares underlying such Award have been issued, and all restrictions applicable to such Shares have lapsed;

(ii) No Award or interest or right therein shall be liable for the debts, contracts or engagements of the Holder or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, hypothecation, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of Applicable Law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence; and

(iii) During the lifetime of the Holder, only the Holder may exercise an Award (or any portion thereof) granted to him under the Plan, unless it has been disposed of pursuant to applicable domestic relations law. After the death of the Holder, any exercisable portion of an Award may, prior to the time when such portion becomes unexercisable under the Plan or the applicable Award Agreement, be exercised by his personal representative or by any person empowered to do so under the deceased Holder's will or under the then Applicable Laws of descent and distribution.

(b) Notwithstanding Section 8.3(a), the Administrator, in its sole discretion, may determine to permit a Holder to transfer an Award other than an Incentive Option to certain persons or entities related to the Holder, including but not limited to members of the Holder's family, charitable institutions, or trusts or other entities whose beneficiaries or beneficial owners are members of the Holder's family and/or charitable institutions, or to such other persons or entities as may be expressly approved by the Committee, pursuant to such conditions and procedures as the Administrator may establish, including the following conditions: (i) an Award transferred shall not be assignable or transferable other than by will or the laws of descent and distribution; (ii) an Award transferred shall continue to be subject to all the terms and conditions of the Award as applicable to the original Holder (other than the ability to further transfer the Award); and (iii) the Holder and the permitted transferee shall execute any and all documents requested by the Administrator, including, without limitation documents to (A) confirm the status of the transferee as a permitted transferee, (B) satisfy any requirements for an exemption for the transfer under Applicable Laws and (C) evidence the transfer.

(c) Notwithstanding Section 8.3(a), a Holder may, in the manner determined by the Administrator, designate a beneficiary to exercise the rights of the Holder and to receive any distribution with respect to any Award upon the Holder's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Holder, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Administrator. If the Holder is married and resides in a community property jurisdiction, a designation of a person other than the Holder's spouse as his or her beneficiary with respect to more than 50% (or such other percentage as specified under Applicable Law) of the Holder's interest in the Award shall not be effective without the prior written or electronic consent of the Holder's spouse. If no beneficiary has been designated or survives the Holder, payment shall be made to the person entitled thereto pursuant to the Holder's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Holder at any time provided the change or revocation is filed with the Administrator prior to the Holder's death.

8.4 Conditions to Issuance of Shares.

(a) Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates or make any book entries evidencing Shares pursuant to the exercise of any Award, unless and until the Board has determined, with advice of counsel, that the issuance of such Shares is in compliance with all Applicable Laws and the Shares are covered by an effective registration statement or applicable exemption from registration. In addition to the terms and conditions provided herein, the Board or Committee may require that a Holder make such reasonable covenants, agreements, and representations as the Board or Committee, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements.

(b) All Share certificates delivered pursuant to the Plan and all Shares issued pursuant to book entry procedures are subject to any stop-transfer orders and other restrictions as the Administrator deems necessary or advisable to comply with all Applicable Laws. The Administrator may place legends on any Shares certificate or book entry to reference restrictions applicable to the Shares.

(c) The Administrator shall have the right to require any Holder to comply with any timing or other restrictions with respect to the settlement, distribution or exercise of any Award, including a window-period limitation, as may be imposed in the sole discretion of the Administrator.

(d) No fractional Shares shall be issued and the Administrator shall determine, in its sole discretion, whether cash shall be given in lieu of fractional shares or whether such fractional shares shall be eliminated by rounding down.

(e) Notwithstanding any other provision of the Plan, unless otherwise determined by the Administrator or required by any Applicable Laws, the Company shall not deliver to any Holder certificates evidencing Shares issued in connection with any Award and instead such Shares shall be recorded in the books of the Company (or, as applicable, the Administrator or the transfer agent of the Company).

8.5 Forfeiture Provisions. Pursuant to its general authority to determine the terms and conditions applicable to Awards under the Plan, the Administrator shall have the right to provide, in the terms of Award Agreement made under the Plan, or to require a Holder to agree by separate written instrument, that: (a)(i) any proceeds, gains or other economic benefit actually or constructively received by the Holder upon any receipt or exercise of the Award, or upon the receipt or resale of any Shares underlying the Award, must be paid to the Company, and (ii) the Award shall terminate and any unexercised portion of the Award (whether or not vested) shall be forfeited, if (b)(i) a Termination of Service occurs prior to a specified date, or within a specified time period following receipt or exercise of the Award, or (ii) the Holder at any time, or during a specified time period, engages in any activity in competition with the Company, or which is inimical, contrary or harmful to the interests of the Company, as determined by the Administrator in its discretion, or (iii) the Holder incurs a Termination of Service for Cause.

8.6 Applicable Currency. Unless otherwise required by Applicable Laws, or as determined in the discretion of the Administrator, all Awards shall be designated in U.S. dollars. A Holder may be required to provide evidence that any currency used to pay the exercise price of any Award were acquired and taken out of the jurisdiction in which the Holder resides in accordance with Applicable Laws, including foreign exchange control laws and regulations. In the event the exercise price for an Award is paid in Chinese Renminbi or another foreign currency, as permitted by the Administrator, the amount payable will be determined by conversion from U.S. dollars at the official rate promulgated by the People's Bank of China for Chinese Renminbi, or for jurisdictions other than the Peoples Republic of China, the exchange rate as selected by the Administrator on the date of exercise.

ARTICLE 9 ADMINISTRATION

9.1 Administrator. The Plan shall be administered by the Committee to whom the Board shall delegate the authority to grant or amend Awards to Holders other than members of the Committee and independent directors of the Company. Reference to the Committee shall refer to the Board in absence of the Committee. Notwithstanding the foregoing, the full Board, acting by majority of its members in office, shall conduct the general administration of the Plan if required by Applicable Laws, and with respect to Awards granted to members of the Committee and independent directors of the Company and for purposes of such Awards, the term "Committee" as used in the Plan shall be deemed to refer to the Board. The Committee may further delegate, to the extent permitted by applicable law, to one or more officers of the Company, its powers under this Plan (a) to designate officers or employees of the Company and its Subsidiaries who will receive grants of Awards under this Plan, and (b) to determine the number of shares subject to, and the other terms and conditions of, such Awards, in each case within the limits established by the Board or the Committee.

9.2 Duties and Powers of Committee. It shall be the duty of the Committee to conduct the general administration of the Plan in accordance with its provisions. The Committee shall have the power to interpret the Plan and the Award Agreement, and to adopt such rules for the administration, interpretation and application of the Plan as are not inconsistent therewith, to interpret, amend or revoke any such rules and to amend any Award Agreement; *provided* that the rights or obligations of the Holder of the Award that is the subject of any such Award Agreement are not affected adversely by such amendment, unless the consent of the Holder is obtained or such amendment is otherwise permitted under Section 10.10. Any such grant or award under the Plan need not be the same with respect to each Holder. Any such interpretations and rules with respect to Incentive Options shall be consistent with the provisions of Section 422 of the Code. In its sole discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan except with respect to matters which under Applicable Laws are required to be determined in the sole discretion of the Committee.

9.3 Action by the Committee. Unless otherwise established by the Board or in any charter of the Committee, a majority of the Committee shall constitute a quorum and the acts of a majority of the members present at any meeting at which a quorum is present, and acts approved in writing by all members of the Committee in lieu of a meeting, shall be deemed the acts of the Committee. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of a Service Recipient, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

9.4 Authority of Administrator. Subject to any specific designation in the Plan and the requirements of Applicable Laws, the Administrator has the exclusive power, authority and sole discretion to:

- (a) Designate Eligible Individuals to receive Awards;
- (b) Determine the type or types of Awards to be granted to each Eligible Individual;
- (c) Determine the number of Awards to be granted and the number of Shares to which an Award will relate;

(d) Determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the date of grant, the exercise price, grant price, or purchase price, any reload provision, any restrictions or limitations on the Award, any schedule for vesting, lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, and any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Administrator in its sole discretion determines;

(e) Determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

- (f) Prescribe the form of each Award Agreement, which need not be identical for each Holder;

(g) Decide all other matters that must be determined in connection with an Award, including without limitation, cancel or redeem an outstanding Award (including but not limited to an outstanding Option with an exercise price exceeding the Fair Market Value of the underlying Shares), in exchange for cash, another Award or a combination of Awards, on terms and conditions the Administrator determines and communicates to the Holder of such outstanding Award;

(h) Establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan, including the establishment of any "blackout period";

- (i) Interpret the terms of, and any matter arising pursuant to, the Plan or any Award Agreement;

- (j) Adjust the exercise price per Share subject to an Option;

- (k) Establish trusts for the purpose of managing the Plan; and

(l) Make all other decisions and determinations that may be required pursuant to the Plan or as the Administrator deems necessary or advisable to administer the Plan.

9.5 Decisions Binding. The Administrator's interpretation of the Plan, any Awards granted pursuant to the Plan, any Award Agreement and all decisions and determinations by the Administrator with respect to the Plan are final, binding, and conclusive on all parties.

ARTICLE 10 MISCELLANEOUS PROVISIONS

10.1 Effective Date. This Plan shall become effective as of the date on which the Board adopts the Plan, if the Company seeks a home country practice exemption from shareholder approval pursuant to the relevant U.S. stock exchange rules applicable to foreign private issuers (the "Effective Date"). If the Board decides to submit the Plan or any amendment to the Plan to shareholder approval, the Plan or the amendment, as applicable, shall be approved by the shareholders at a meeting duly held in accordance with the applicable provisions of the Company's Memorandum of Association and Articles of Association or unanimous written approval by all the shareholders of the Company.

10.2 Expiration Date. The Plan will expire on, and no Award may be granted pursuant to the Plan after December 31, 2023. Any Awards that are outstanding on December 31, 2023 shall remain in force according to the terms of the Plan and the applicable Award Agreement.

10.3 Amendment, Suspension or Termination of the Plan. At any time and from time to time, the Board may amend, suspend or terminate the Plan; *provided, however*, that (a) to the extent necessary and desirable to comply with Applicable Laws, the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required, unless the Company decides to follow home country practice, and (b) unless the Company decides to follow home country practice, shareholder approval is required for any amendment to the Plan that (i) increases the number of Shares available under the Plan (other than in accordance with Section 3.1(a) and any adjustment as provided by Article 11), or (ii) permits the Administrator to extend the term of the Plan or the exercise period for an Option beyond ten years from the date of grant. Except as provided in the Plan or any Award Agreement, no amendment, suspension or termination of the Plan shall, without the consent of the Holder, impair any rights or obligations under any Award theretofore granted or awarded.

10.4 No Shareholders Rights. Except as otherwise provided herein, a Holder shall have none of the rights of a shareholder with respect to Shares covered by any Award until the Holder becomes the record owner of such Shares.

10.5 Paperless Administration. In the event that the Company establishes, for itself or using the services of a third party, an automated system for the documentation, granting or exercise of Awards, such as a system using an internet website or interactive voice response, then the paperless documentation, granting or exercise of Awards by a Holder may be permitted through the use of such an automated system.

10.6 Effect of Plan upon Other Compensation Plans. The adoption of the Plan shall not affect any other compensation or incentive plans in effect for a Service Recipient. Nothing in the Plan shall be construed to limit the right of a Service Recipient: (a) to establish any other forms of incentives or compensation for Eligible Individuals, or (b) to grant or assume options or other rights or awards otherwise than under the Plan in connection with any proper corporate purpose including without limitation, the grant or assumption of options in connection with the acquisition by purchase, lease, merger, consolidation or otherwise, of the business, securities or assets of any corporation, partnership, limited liability company, firm or association.

10.7 Compliance with Laws. The Plan, the granting and vesting of Awards under the Plan and the issuance and delivery of Shares and the payment of money under the Plan or under Awards granted or awarded hereunder are subject to compliance with all Applicable Laws (including but not limited to securities law and margin requirements), and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. Any securities delivered under the Plan shall be subject to such restrictions, and the person acquiring such securities shall, if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with all applicable legal requirements. To the extent permitted by Applicable Laws, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such Applicable Laws.

10.8 Titles and Headings, References to Sections of the Code or Exchange Act. The titles and headings of the sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control. References to sections of the Code or the Exchange Act shall include any amendment or successor thereto.

10.9 Governing Law. The Plan and any agreements hereunder shall be administered, interpreted and enforced under the internal laws of the Cayman Islands without regard to conflicts of laws thereof.

10.10 Section 409A. To the extent that the Administrator determines that any Award granted under the Plan is subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Administrator determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Administrator may adopt such amendments to the Plan and the applicable Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Administrator determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance and thereby avoid the application of any penalty taxes under such Section. Notwithstanding the foregoing or anything elsewhere in the Plan or an Award Agreement to the contrary, if a Holder is a "specified employee" as defined in Section 409A of the Code at the time of Termination of Service with respect to an Award, then solely to the extent necessary to avoid the imposition of any additional tax under Section 409A of the Code, the commencement of any payments or benefits under the Award shall be deferred until the date that is six (6) months plus one (1) day following the date of the Holder's Termination of Service or, if earlier, the Participant's death (or such other period as required to comply with Section 409A). The Company makes no representations or warranties as to an Award's tax treatment under Section 409A of the Code or otherwise. No Service Recipient will have any obligation under this Section 11.10 or otherwise to avoid the taxes, penalties or interest under Section 409A of the Code with respect to any Award and will have no liability to any Holder or any other person if any Award, compensation or other benefits under the Plan are determined to constitute noncompliant "nonqualified deferred compensation" subject to taxes, penalties or interest under Section 409A of the Code.

10.11 No Rights to Awards. No Eligible Individual or other person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Administrator is obligated to treat Eligible Individuals, Holders or any other persons uniformly.

10.12 No Right to Employment or Services. Nothing in the Plan or any Award Agreement shall interfere with or limit in any way the right of the Service Recipient to terminate any Holder's employment or services at any time, nor confer upon any Holder any right to continue in the employ or service of any Service Recipient.

10.13 Unfunded Status of Awards. The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Holder pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Holder any rights that are greater than those of a general creditor of the Company, any Subsidiary or any Related Entity.

10.14 Indemnification. To the extent allowable pursuant to Applicable Laws, each member of the Committee or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; *provided* he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Articles of Association, as a matter of Applicable Law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

10.15 Relationship to other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of any Service Recipient except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

10.16 Expenses. The expenses of administering the Plan shall be borne by the Service Recipients.

10.17 Claw-back Provisions. All Awards (including any proceeds, gains or other economic benefit the Holder actually or constructively receives upon receipt or exercise of any Award or the receipt or resale of any Shares underlying the Award) will be subject to any Company claw-back policy, including any claw-back policy adopted to comply with Applicable Laws (including the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder) as set forth in such claw-back policy or the Award Agreement.

10.18 Section 16 Compliance. The provisions of this Plan are intended to ensure that no transaction under this Plan is subject to (and not exempt from) the short-swing recovery rules of Section 16(b) of the Exchange Act ("Section 16(b)"). Accordingly, the composition of the Committee shall be subject to such limitations as the Board deems appropriate to permit transactions pursuant to this Plan to be exempt (pursuant to Rule 16b-3) from Section 16(b), and no delegation of authority by the Committee shall be permitted if such delegation would cause any such transaction to be subject to (and not exempt from) Section 16(b).

10.19 Subsidiary Employees. In the case of a grant of an Award to any Employee of a Subsidiary of the Company, the Company may, if the Committee so directs, issue or transfer the Shares, if any, covered by the Award to the Subsidiary, for such lawful consideration as the Committee may specify, upon the condition or understanding that the Subsidiary will transfer the Shares to the Employee in accordance with the terms of the Award specified by the Committee pursuant to the provisions of this Plan. All Shares underlying Awards that are forfeited or cancelled shall revert to the Company.

ARTICLE 11 CHANGES IN CAPITAL STRUCTURE

11.1 Adjustments. In the event of any distribution, share split, combination or exchange of Shares, amalgamation, arrangement or consolidation, reorganization of the Company, including the Company becoming a subsidiary in a transaction not involving a Corporate Transaction, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to its shareholders, or any other change affecting the Shares or the share price of a Share, the Administrator shall make such proportionate and equitable adjustments, if any, to reflect such change with respect to (a) the aggregate number and type of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1 and substitutions of shares in a parent or surviving company); (b) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (c) the grant or exercise price per Share for any outstanding Awards under the Plan. The form and manner of any such adjustments shall be determined by the Administrator in its sole discretion.

11.2 Corporate Transactions. Except as may otherwise be provided in any Award Agreement or any other written agreement entered into by and between the Company and a Holder, or as approved by the Administrator, if a Corporate Transaction occurs, all outstanding Awards shall be converted, assumed, or replaced by a successor as provided in Section 11.3. To the extent a Holder's Awards are not converted, assumed, or replaced by a successor as provided in Section 11.3, such Awards shall vest and become fully exercisable and all forfeiture restrictions on such Awards shall lapse, unless otherwise provided in any Award Agreement or any other written agreement entered into by and between the Company and a Holder, or as approved by the Administrator. Upon, or in anticipation of, a Corporate Transaction, the Administrator may in its sole discretion provide for (a) any and all Awards outstanding hereunder to terminate at a specific time in the future and shall give each Holder the right to exercise such Awards during a period of time as the Administrator shall determine, (b) either the cancellation of any Award for an amount of cash, property, or a combination thereof with an aggregate value equal to the amount that could have been attained upon the exercise of such Award or realization of the Holder's rights had such Award been currently exercisable or payable or fully vested (and, for the avoidance of doubt, (i) if as of such date the Committee determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Holder's rights, then such Award may be terminated by the Company without payment and (ii) in the case of a Corporate Transaction with respect to which holders of Shares receive consideration other than publicly traded equity securities of the ultimate surviving entity, any such determination by the Administrator that the value of an Option shall for this purpose be deemed to equal the excess, if any, of the value of the consideration being paid for each Share pursuant to such Corporate Transaction over the exercise price of such Option shall conclusively be deemed valid)), or (c) the replacement of such Award with other rights or property selected by the Administrator in its sole discretion or the assumption of or substitution of such Award by the successor or surviving corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of Shares and exercise prices.

11.3 Assumption of Awards — Corporate Transactions. In the event of a Corporate Transaction, each Award may be assumed by the successor entity or Parent thereof in connection with the Corporate Transaction. Except as provided otherwise in an individual Award Agreement, an Award will be considered assumed if the Award either is (a) assumed by the successor entity or Parent thereof or replaced with a comparable award (as determined by the Administrator) with respect to capital shares (or equivalent) of the successor entity or Parent thereof or (b) replaced with a cash incentive program of the successor entity which preserves the compensation element of such Award existing at the time of the Corporate Transaction and provides for subsequent payout in accordance with the same vesting schedule applicable to such Award, with any performance targets deemed achieved at the greater of target and actual performance (as such performance targets are determined by the Administrator immediately prior to the Corporate Transaction). If an Award is assumed in a Corporate Transaction, then such Award, the replacement award or the cash incentive program automatically shall become fully vested, exercisable and payable and be released from any restrictions on transfer (other than transfer restrictions applicable to Options) and repurchase or forfeiture rights, immediately upon termination of the Holder's employment or service with all Service Recipients within twelve (12) months of the Corporate Transaction without Cause.

11.4 Outstanding Awards — Other Changes. In the event of any other change in the capitalization of the Company or corporate change other than those specifically referred to in this Article 11, the Committee may, in its absolute discretion, make such adjustments in the number and class of shares subject to Awards outstanding on the date on which such change occurs and in the per share grant or exercise price of each Award as the Administrator may consider appropriate to prevent dilution or enlargement of rights.

11.5 No Other Rights. Except as expressly provided in the Plan, no Holder shall have any rights by reason of any subdivision or consolidation of shares of any class, the payment of any dividend, any increase or decrease in the number of shares of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or pursuant to action of the Administrator under the Plan, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of Shares subject to an Award or the grant or exercise price of any Award.

11.6 Section 409A. Notwithstanding anything in this Article 11 to the contrary: (i) any adjustments made pursuant to this Article 11 to Awards that constitute a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Section 409A of the Code, and (ii) any adjustments made pursuant to this Article 11 to Awards that do not constitute a "nonqualified deferred compensation plan" subject to Section 409A of the Code shall be made in such a manner as to ensure that after such adjustment, the Awards either (A) continue not to be subject to Section 409A of the Code or (B) comply with the requirements of Section 409A of the Code.

Principal Subsidiaries of the Registrant*

Principal Subsidiaries	Place of Incorporation
Ninjas in Pyjamas Gaming AB	Sweden
ESVF (Hong Kong) Esports Limited	Hong Kong
Wuhan Muyecun Network Technology Co., Ltd.	PRC
Wuhan Xingjingweiwu Culture & Sports Development Co., Ltd.	PRC
Shenzhen Weiwu Esports Internet Technology Co., Ltd.	PRC
Hongli Culture Communications (Wuhan) Co., Ltd.	PRC

* Other entities of NIP Group Inc. have been omitted from this list since, consolidated in the aggregate as a single entity, they would not constitute a significant subsidiary.



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August 9, 2023
NIP Group Inc.
Rosenlundsgatan 31
11 863, Stockholm
Sweden

Re: Consent of Frost & Sullivan

Ladies and Gentlemen,

Reference is made to the registration statement on Form F-1 (the "Registration Statement") filed by NIP Group Inc. (the "Company") with the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, in connection with its proposed initial public offering (the "Proposed IPO").

We hereby consent to the use of and references to our name and the inclusion of information, data and statements from our research reports and amendments thereto, including, without limitation, the industry report titled "Global Esports Industry Independent Market Research" (collectively, the "Reports"), and any subsequent amendments to the Reports, as well as the citation of our independent industry reports and amendments thereto, (i) in the Registration Statement and any amendments thereto, including, but not limited to, under the "Prospectus Summary", "Industry" and "Business" sections; (ii) in any written correspondence with the SEC, (iii) in any other future filings with the SEC by the Company, including, without limitation, filings on Form 20-F, Form 6-K and other SEC filings (collectively, the "SEC Filings"), (iv) on the websites or in the publicity materials of the Company and its subsidiaries and affiliates, (v) in institutional and retail roadshows and other activities in connection with the Proposed IPO, and (vi) in other publicity and marketing materials in connection with the Proposed IPO.

We further hereby consent to the filing of this letter as an exhibit to the Registration Statement and any amendments thereto and as an exhibit to any other SEC Filings by the Company for the use of our data and information cited for the above-mentioned purposes.

[Signature page follows]



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Yours faithfully,

For and on behalf of
Frost & Sullivan Limited

/s/ Charles Lau

Name: Charles Lau

Title: Executive Director
