2023 ANNUAL REPORT

feiyu

Feiyu Technology International Company Ltd.

飛魚科技國際有限公司

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code：1022

feiyu

To Better The Virtual World

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. YAO Jianjun *(Chairman and Chief Executive Officer)*
Mr. CHEN Jianyu *(President)*
Mr. BI Lin *(Vice President)*
Mr. LIN Zhibin *(Vice President)*

Independent Non-executive Directors
Ms. LIU Qianli
Mr. LAI Xiaoling
Mr. CAO Xi *(appointed on 17 November 2023)*
Mr. MA Suen Yee Andrew *(resigned on 17 November 2023)*

AUDIT COMMITTEE

Ms. LIU Qianli *(Chairwoman)*
Mr. LAI Xiaoling
Mr. CAO Xi *(appointed on 17 November 2023)*
Mr. MA Suen Yee Andrew *(resigned on 17 November 2023)*

REMUNERATION COMMITTEE

Ms. LIU Qianli *(Chairwoman)*
Mr. BI Lin
Mr. LAI Xiaoling

NOMINATION COMMITTEE

Mr. YAO Jianjun *(Chairman)*
Ms. LIU Qianli
Mr. CAO Xi *(appointed on 17 November 2023)*
Mr. MA Suen Yee Andrew *(resigned on 17 November 2023)*

AUTHORISED REPRESENTATIVES

Mr. BI Lin
Ms. LUI Mei Ka

JOINT COMPANY SECRETARIES

Ms. LUI Mei Ka
Ms. WEI Yulan

LEGAL ADVISERS

As to Hong Kong law:
Dentons Hong Kong LLP
Suite 3201, Jardine House
1 Connaught Place
Central, Hong Kong

As to Cayman Islands law:
Conyers Dill & Pearman (Cayman) Limited
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Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

AUDITORS

Ernst &Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road Quarry Bay
Hong Kong

REGISTERED OFFICE

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Hutchins Drive
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Grand Cayman KY1-1111
Cayman Islands

CORPORATE HEADQUARTERS

Block A, Feiyu Tower,
No. 78 Hu'an Road, Huli District
Xiamen, Fujian Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B,17/F, United Centre,
95 Queensway, Admiralty, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Industrial and Commercial Bank of China Xiamen Branch, Siming sub-branch
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Xiamen, Fujian Province
PRC

China Merchants Bank, Beijing branch Jianwaidajie sub-branch
No. 0668, Block 6, Jianwai SOHO
No. 39 Dongsanhuan Zhonglu
Chaoyang District
Beijing, PRC

INVESTOR RELATIONS

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Admiralty Centre Tower 1,
18 Harcourt Road,
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COMPANY'S WEBSITE

www.feiyuhk.com

STOCK CODE ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

1022

DATE OF LISTING

5 December 2014

FINANCIAL HIGHLIGHTS

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For The Year Ended 31 December				
	2023	2022	2021	2020	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	**226,189**	191,519	104,788	117,004	112,851
Gross profit	**194,467**	154,201	69,929	82,419	78,070
Profit/(Loss) before tax	**52,560**	(23,129)	(73,574)	(16,900)	(87,311)
Profit/(Loss) after tax	**52,180**	(24,356)	(76,561)	(18,119)	(88,699)
Profit/(Loss) for the year attributable to owners of the parent	**52,013**	(29,637)	(78,103)	(21,460)	(80,342)
Non-IFRSs Measures					
– Adjusted net profit/(loss) attributable to owners of the parent (unaudited) (1)	**52,013**	(31,543)	(76,623)	(18,344)	(78,720)
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
– Basic and Diluted	**RMB0.03**	RMB(0.02)	RMB(0.05)	RMB(0.01)	RMB(0.05)

Note:

(1). We define adjusted net profit/(loss) attributable to owners of the parent as net loss excluding share-based compensation. The term of adjusted net profit/(loss) attributable to owners of the parent is not defined under IFRSs. The use of adjusted net profit/(loss) attributable to owners of the parent has material limitations as an analytical tool as it does not include all items that would impact our net profit/(loss) attributable to owners of the parent for the year or accounting period.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2023	2022	2021	2020	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Assets					
Non-current assets	**477,672**	425,059	481,546	430,922	487,454
Current assets	**224,257**	200,598	186,954	203,141	243,276
Total assets	**701,929**	625,657	668,500	634,063	730,730
Equity and liability					
Total equity	**525,940**	456,503	493,907	489,166	509,735
Non-current liabilities	**95,148**	81,459	85,792	60,680	54,963
Current liabilities	**80,841**	87,695	88,801	84,217	166,032
Total liabilities	**175,989**	169,154	174,593	144,897	220,995
Total equity and liabilities	**701,929**	625,657	668,500	634,063	730,730

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present our annual report for the year ended 31 December 2023.

2023 was a year filled with various challenges for China's online game industry. Despite this, we managed to accomplish significant improvement in our results, solidifying our position as a leading online game developer and operator.

We achieved an impressive turnaround in our financial performance during the year. The profit attributable to owners of the parent transformed from a loss in 2022 to a gain of RMB52.0 million in 2023. Our revenue exhibited robust growth, with a year-on-year increase of 18.1%, while our gross profit margin expanded by 5.5 percentage points to 86.0%.

In 2023, we focused on leveraging our well-established intellectual property ("IP") portfolio, which has proved to be a winning strategy since our inception. Notably, we launched *Shen Xian Dao 3 (神仙道3)*, the highly anticipated sequel to our hit title series of *Shen Xian Dao (神仙道)*. Since its initial launch in 2011, the *Shen Xian Dao (神仙道)* series has garnered a dedicated following, with players remaining loyal to the title and actively engaging in its vibrant community. The new sequel enjoyed a successful debut, capturing the attention of gamers and swiftly ascending to the 11th position on the bestselling list of Apple's China App Store. This achievement underscores the enduring popularity of our IPs and serves as a testament to our unwavering commitment to IP strategy.

Additionally, we continued to optimise *Carrot Fantasy 4 (保衛蘿蔔4)*, belonging to another flagship game series in our portfolio, by introducing innovative features and consistent updates. These endeavors not only successfully retained our loyal player base but also elevated engagement levels, reinforcing the game series as a cornerstone of our success in the gaming industry.

During the year, we were also focusing on improving operational efficiency, and strategically reallocating capital and human resources to business units that yielded higher returns. This was reflected by the decrease in our operating expenses in 2023.

Looking ahead to 2024, we remain steadfast in our commitment to capitalising on our competitive advantages. We will continue to refine our existing games, ensuring they deliver unparalleled gaming experiences and thereby creating long-tail value for the Company. Meanwhile, we will actively explore new opportunities to expand our product portfolio and open up new avenues for growth. To this end, we have established several dedicated teams focusing on developing HTML5 games, with plans to launch their exciting creations in the upcoming year.

Operationally, we are determined to strengthen our game development and operation capabilities by assembling top-tier talent within our teams. By fostering a culture of excellence and empowering our employees, we are confident in our ability to innovate and navigate the complexities of the operating environment.

In conclusion, I extend my heartfelt gratitude to our dedicated team, valued shareholders, and loyal players for their unwavering support. With a solid foundation, a proven track record, and a clear strategic direction, we are well-positioned to seize the opportunities that lie ahead. Together, we will continue to drive the success of the Company and generate value for all stakeholders.

YAO Jianjun
Chairman

Hong Kong, 26 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

In 2023, the online game industry in China experienced a dynamic mix of opportunities and challenges. On one hand, the industry managed to bounce back from the adverse impacts of the COVID-19 pandemic, and the approval of new game launches returned to a normalised state providing a much-needed boost to the sector. According to China Game Industry Report for 2023 (《2023年中國遊戲產業報告》)[1], the industry witnessed impressive growth, as evidenced by a 14.0% year-on-year increase in total revenue. However, on the other hand, the weak consumer sentiment cast a shadow over the industry's progress by dampening users' willingness to pay for gaming experiences. In addition, the heightened scrutiny of game content by regulatory bodies has become the new normal.

Despite these obstacles, the Company demonstrated strong resilience and closed the year with attributable profit of approximately RMB52.2 million, turning around from a loss position in 2022. Total revenue for the year was approximately RMB226.2 million, increasing by 18.1% year-over-year. The significant improvement was primarily attributed to the launch of new games, in particular *Carrot Fantasy 4 (保衛蘿蔔4)* and *Shen Xian Dao 3 (神仙道3)*, in June 2022 and June 2023 respectively. In the meantime, the enduring popularity of the long-running existing game portfolio continued to generate decent income, further bolstering the overall financial performance of the Group.

The Company launched three new games in 2023, including *Shen Xian Dao 3 (神仙道3)*, a sequel to the Company's hit title series of *Shen Xian Dao (神仙道)*, which was a phenomenal game when it was first introduced 12 years ago and continues to captivate and engage users to this day. *Shen Xian Dao 3 (神仙道3)* has been highly anticipated by the series' 160+ million fanbase such that it ranked number 1 on both of the free download list in Apple's China App Store and Bilibili Game popularity list on the day of its launch. The successful launch of *Shen Xian Dao 3 (神仙道3)* is a testament to our steadfast commitment to in-house developed IPs and unwavering dedication to crafting innovative, top-notch games that leave a lasting impact on the industry and our players.

The strong performance of *Carrot Fantasy 4 (保衛蘿蔔4)* in 2023 further underscores the success of our strategy that we consistently adhered to. Building on the momentum since its launch in 2022, the Company continued to introduce engaging activities and content updates throughout the year. Notably, the introduction of a Player versus Player ("**PVP**") feature in the second half of 2023 enhanced the game's social aspect, fostering increased interaction among players. These new elements injected fresh excitement and ignited passion among its dedicated player base, and thereby drove growth in the number of active users and user payment statistics.

On the IP licensing front, the Company continued to collaborate with existing and new business partners who are licensed to use elements from our *Carrot Fantasy (保衛蘿蔔)* game series in their products or service offerings design. A total of 155 new stock-keeping units ("**SKU**") were introduced in 2023, encompassing a diverse range of categories including small household appliances, stationery, toys, and shoes. These SKUs include both physical and digital products, allowing us to effectively attract diverse customer segments across various online and offline channels and ensuring a broad accessibility of the *Carrot Fantasy (保衛蘿蔔)*-themed products. Additionally, the Company also collaborated with Tastien (塔斯汀), a prominent player in China's homegrown fast-food industry renowned for its Chinese-style burgers, on a joint promotional campaign to attract a wider customer base and enhance brand visibility.

[1] The report was jointly published by Game Publishers Association Publications Committee (GPC) of the China Audio-Video and Digital Publishing Association (中國音數協遊戲工委), China Game Industry Research Institute (中國遊戲產業研究院) and Gamma Data.

Principal risks relating to the Company's business

There are certain risks involved in the Company's operations and prospects, and future financial results could be materially and adversely affected by these risks. The following highlights the principal risks exposed to the Group and is not meant to be exhaustive:

- China has strict regulations and policies governing the online game industry and related businesses, and the online game industry is subject to the supervision of various authorities. Any failure of the Company to consistently obtain its license from the authorities may have an adverse impact on its business operations;

- The Company processes, stores and uses personal information and other data, and is therefore subject to governmental regulation and other legal obligations related to privacy, and the Company's actual or perceived failure to comply with such obligations could harm its business;

- Any defects, disruptions or other problems affecting the functioning of the Company's network infrastructure or information technology systems could materially and adversely affect its business;

- Delays in game launches could negatively affect the Company's operations and prospects;

- The Company's business could suffer if the Company does not successfully manage its current and future growth, which involves optimising its game portfolio, building its workforce and balancing its growth;

- The mobile game and web game industries are highly competitive. If the Company is unable to compete effectively, its business, financial condition, results of operations and prospects will be materially and adversely affected;

- The Company depends on key personnel, and its business and growth prospects may be severely disrupted if it loses their services or is unable to attract new key employees;

- The Company may not be able to continuously enhance its existing games and player experience and launch high-quality new games and services, which will materially and adversely affect its ability to continue to revenue and profitability. Due to the life cycle of games, changes in player preferences may cause uncertainties around the Company's ability to retain existing players and attract new players; and

- The Company utilises major social networking websites, online application stores and third-party payment vendors to generate a substantial portion of revenues and if the Company is unable to maintain a good relationship with these distribution and payment channels or if the use of these distribution or payment channels is adversely affected by any factor such as new measures imposed or intervention by any regulators or third parties, the business and results of operations of the Company will be adversely affected.

To mitigate the identified risks, the Company regularly monitors the risks, and reviews its business strategies and financial results. The Company has implemented the following strategies to ensure the risks are being managed:

- The Company sets up a professional team and engages external professional consultants to actively exchange views and information in relation to new policies and amendments to current policies of the game industry with relevant regulatory authorities, and takes appropriate actions to respond to the changes and ensure the Company is in compliance with the latest applicable laws and regulations;

- In order to safeguard the physical and mental health of our game players, the Company has established a game content review group to ensure the Company's game content is in strict compliance with relevant laws and regulations and does not contain inappropriate violence, gambling or nudity;

- The Company takes technical and other measures, such as encryption and access restrictions, and seeks advice from independent specialists over its data protection practices to prevent the collected personal information from any unauthorised disclosure, damage or loss;

- The Company continues to make significant investments in its technology infrastructure to maintain and improve all aspects of player experience and game performance;

- The Company adopts an OKR (Objectives and Key Results) goal system and uses third-party project management tools to closely monitors the progress of its pipeline games;

- The Company maintains and expands the game distribution platforms to deepen penetration in existing markets and expand into new markets within and outside of the PRC;

- The Company continues to manage and optimise its current game portfolio, as well as constantly enhance or upgrade its existing games, offer new and high-quality games to attract and retain players to increase player activity level and monetisation; and

- The Company attracts and retains talent, continues to manage, train, expand and motivate our workforce as well as maintains a positive corporate culture, to maintain the competitiveness of its R&D teams and operation teams.

Outlook for 2024

In the lead-up to 2024, we anticipate the business environment for China's online game industry will remain challenging. The industry will face fierce competition for users' time, as the short video and livestreaming sectors vie for attention. Additionally, the prevailing weak consumer sentiment adds another layer of complexity to the industry's profitability.

Yet, amidst the challenges, there are also notable opportunities emerging within the online game industry. Regulatory bodies have shown support for high-quality games that offer innovative content and engaging gameplay. This support acts as a filter, ensuring that players have access to games that meet certain standards, ultimately fostering a healthy development of the industry. In addition, the growth potential of HTML5 games has become increasingly evident in recent years presenting tremendous opportunities for participants in the industry. As the industry continues to evolve, it is essential for the Company to navigate the obstacles and capitalise on these opportunities by staying agile, striving for excellence and enhancing operating efficiency.

The Company plans to introduce five new games in 2024, including HTML5 games, mobile games, and console games. Alongside the launch of new titles, the Company remains committed to investing in existing games by releasing fresh and engaging content, enhancing gameplay features, as well as implementing targeted operational strategies to foster deeper connections with players. We believe the continuous investment is paramount in cultivating user loyalty, prolonging the lifecycle of games, and ultimately maximising return on investment.

In 2024, the Company's IP licensing team will not only focus on existing licensing forms, such as merchandise, promotional campaigns and offline events, but also undertake endeavours to continue developing the *Carrot Fantasy (保衛蘿蔔)* game series IP and extend the IP into more diverse formats such as short videos, animation series and music. By embracing these new avenues, we aim to bring the beloved *Carrot Fantasy (保衛蘿蔔)* IP to a wider audience and create exciting experiences across various forms of media and entertainment.

Event after the year ended 31 December 2023

There was no material subsequent event during the period from 1 January 2024 to the date of this annual report.

Final Dividend

The Board did not declare a final dividend for the year ended 31 December 2023 (for the year ended 31 December 2022: Nil).

FINANCIAL REVIEW

Operating Information

The Company's Games

In 2023, the Company remained dedicated to delivering top-notch games that cater to the ever-changing demands of gamers while also fortifying its game distribution capabilities. Additionally, the Company remained committed to the long-term operation of its esteemed IP portfolio, which includes *Carrot Fantasy (保衛蘿蔔)* and *Shen Xian Dao (神仙道)*, laying a sturdy groundwork for potential sequels. As part of the IP strategy, the Company launched *Shen Xian Dao 3 (神仙道3)*, an RPG mobile game, on 7 June 2023. The new game is a highly anticipated sequel to the Company's hit title *Shen Xian Dao (神仙道)* and has achieved great popularity in Mainland China since its launch. The Company also launched a mobile game named *Qing Kong Shuang Zi (晴空雙子)* which was developed by a third-party game developer, and a Virtual Reality game named *block hunter (方塊獵人)* in the second half of 2023.

The table below presents a breakdown of revenue from game operations in absolute amounts and as a percentage of total revenue:

	For the year ended 31 December			
	2023		2022	
	(RMB'000)	**(% of Total Revenue)**	(RMB'000)	(% of Total Revenue)
Game Operation				
Web games	**12,094**	**5.4**	13,256	6.9
Mobile games				
RPGs	**60,770**	**26.9**	71,545	37.4
Casual	**98,058**	**43.3**	59,750	31.1
PC games	**2,170**	**0.9**	4,697	2.5
HTML5 games	**258**	**0.1**	130	0.1
Console games	**1,324**	**0.6**	4,390	2.3
Total	**174,674**	**77.2**	153,768	80.3

Revenue contributed by game operations was approximately RMB174.7 million for the year ended 31 December 2023, representing an increase of approximately 13.6%, compared with approximately RMB153.8 million for the year ended 31 December 2022. The increase was primarily due to the launch of *Shen Xian Dao 3 (神仙道3)* on 7 June 2023, which had been highly anticipated and well received by the game series' fans. The increase was also attributable to the launch of *Carrot Fantasy 4 (保衛蘿蔔4)* on 30 June 2022 which had only six months of contribution for the year ended 31 December 2022 as compared with twelve months of contribution for the year ended 31 December 2023. The increase was partially offset by the decline in revenue generated by *Dougui (斗詭)*, which was launched in the first half of 2022 and entered the mature stage of its expected lifecycle in 2023.

The Company's Players

The Company assesses its operating performance using a set of key performance indicators, which include MAUs, MPUs and ARPPU. Fluctuations in operating data were primarily a result of changes in the number of players who played, downloaded (in the case of mobile games and PC games) and paid for virtual items and premium features in the games. Using these key performance indicators helps the Company monitor its ability to offer engaging online games, the popularity of its games, the monetisation potential of its player base and the degree of competition in the online game industry, and as a result, it allows the Company to continuously improve its business strategies.

As at 31 December 2023, the Company's (i) RPG mobile games and web games had approximately 234.8 million cumulative registered users, composed of approximately 173.3 million web game users and approximately 61.5 million mobile game users; (ii) casual games had approximately 711.9 million cumulative activated downloads; (iii) HTML5 games had approximately 39.4 million cumulative registered users; (iv) PC games had approximately 1.9 million cumulative copies sold; and (v) console games had approximately 493,000 cumulative copies sold. For the month of December 2023, the Company's (i) RPG mobile games and web games had approximately 0.2 million MAUs, composed of approximately 0.1 million mobile game MAUs and approximately 0.1 million web game MAUs; and (ii) casual games had approximately 5.8 million MAUs.

The following table sets forth certain operating statistics related to the Company's business for the years indicated:

	For the year ended 31 December		
	2023	2022	**Change %**
Average MPUs			
Web games (RPGs) (000's)	**6**	7	(14.3)
Mobile games (RPGs) (000's)	**94**	75	25.3
Casual (000's)	**316**	246	28.5
ARPPU			
Web games (RPGs) (RMB)	**181.4**	161.2	12.5
Mobile games (RPGs) (RMB)	**53.7**	79.5	(32.5)
Casual (RMB)	**25.9**	20.2	27.9

Note: Duplicated paying users of games published on the Company's own platforms were not eliminated during calculation.

Average MPUs for web games were approximately 6,000 for the year ended 31 December 2023, which remained steady as compared with the year ended 31 December 2022. Average MPUs for mobile RPG games increased by 25.3% from approximately 75,000 for the year ended 31 December 2022 to approximately 94,000 for the year ended 31 December 2023, primarily due to the launch of *Shen Xian Dao 3 (神仙道3)* in 2023. Average MPUs for casual games increased by 28.5% from approximately 246,000 for the year ended 31 December 2022 to approximately 316,000 for the year ended 31 December 2023, primarily due to the introduction of engaging activities and content updates such as PVP feature of *Carrot Fantasy 4 (保衛蘿蔔4)* in 2023.

ARPPU for web games increased from approximately RMB161.2 for the year ended 31 December 2022 to approximately RMB181.4 for the year ended 31 December 2023. The increase was primarily driven by higher ARPPU for the web version of *Shen Xian Dao (神仙道)* and *Da Hua Shen Xian (大話神仙)*, which have entered the mature stage of their expected lifecycle when loyal players are more willing to make in-game purchases. ARPPU for RPG mobile games decreased from approximately RMB79.5 for the year ended 31 December 2022 to approximately RMB53.7 for the year ended 31 December 2023, primarily due to the launch of *Shen Xian Dao 3 (神仙道3)*, which had lower ARPPU in the early stage of its expected lifecycle. ARPPU for casual games increased by 27.9% from approximately RMB20.2 for the year ended 31 December 2022 to approximately RMB25.9 for the year ended 31 December 2023, primarily due to the increase in ARPPU for the *Carrot Fantasy (保衛蘿蔔)* game series, which was updated frequently with new features, resulting in users being more willing to pay.

As part of its business strategy, the Company continued to launch various in-game promotions and activities, release regular updates for premium games, and offer high-quality customer service, in order to enhance in-game features and maintain user interest. The Company believes that these initiatives are vital for retaining players' engagement and expanding the active player base of the Group.

The year ended 31 December 2023 compared with the year ended 31 December 2022

The following table sets forth the Group's income statement for the year ended 31 December 2023 as compared with the year ended 31 December 2022.

	For the year ended 31 December		
	2023 (RMB'000) (audited)	2022 (RMB'000) (audited)	**Change %**
Revenue	**226,189**	191,519	18.1
Cost of sales	**(31,722)**	(37,318)	(15.0)
Gross profit	**194,467**	154,201	26.1
Other income and gains	**22,310**	16,181	37.9
Selling and distribution expenses	**(37,494)**	(40,444)	(7.3)
Administrative expenses	**(54,576)**	(64,389)	(15.2)
Research and development costs	**(64,092)**	(76,847)	(16.6)
Finance costs	**(3,685)**	(3,968)	(7.1)
Other expenses	**(3,970)**	(8,618)	(53.9)
Share of profits and losses of associates	**(400)**	755	N/A
PROFIT/(LOSS) BEFORE TAX	**52,560**	(23,129)	N/A
Income tax expense	**(380)**	(1,227)	(69.0)
PROFIT/(LOSS) FOR THE YEAR	**52,180**	(24,356)	N/A
Attributable to:			
Owners of the parent	**52,013**	(29,637)	N/A
Non-controlling interests	**167**	5,281	(96.8)

Revenue

The following table sets forth a breakdown of the Group's revenue for the years ended 31 December 2023 and 2022:

	For the year ended 31 December			
	2023		2022	
	(RMB'000) (audited)	**(% of Total Revenue)**	(RMB'000) (audited)	(% of Total Revenue)
Game Operations	**174,674**	**77.2**	153,768	80.3
Online game distribution	**2,672**	**1.2**	462	0.2
Licensing and IP-related income	**28,010**	**12.4**	7,747	4.0
Advertising revenue	**18,711**	**8.3**	21,557	11.3
Game development service income	**1,865**	**0.8**	7,651	4.0
Technical service income	**257**	**0.1**	334	0.2
Total	**226,189**	**100.0**	191,519	100.0

Total revenue increased by 18.1% to approximately RMB226.2 million for the year ended 31 December 2023 from approximately RMB191.5 million for the year ended 31 December 2022.

Revenue from game operations was approximately RMB174.7 million for the year ended 31 December 2023, representing an increase of approximately 13.6%, compared with approximately RMB153.8 million for the year ended 31 December 2022. The increase was primarily due to the launch of *Shen Xian Dao 3 (神仙道3)* on 7 June 2023, which had been highly anticipated and well received by the game series' fans. The increase was also attributable to the launch of *Carrot Fantasy 4 (保衛蘿蔔4)* on 30 June 2022, which had only six months of contribution for the year end 31 December 2022 as compared to twelve months of contribution for the year ended 31 December 2023. The increase was partially offset by the decline in revenue generated by *Dougui (斗詭)*, which was launched in the first half of 2022 and entered the mature stage of its expected lifecycle in 2023.

Revenue from online game distribution increased by approximately 478.4% to approximately RMB2.7 million for the year ended 31 December 2023 from approximately RMB0.5 million for the year ended 31 December 2022. The increase was mainly due to the launch of a mobile game named *Qing Kong Shuang Zi (晴空雙子)* in the second half of 2023 which was developed by a third-party game developer.

Licensing and IP-related income increased by approximately 261.6% from approximately RMB7.7 million for the year ended 31 December 2022 to approximately RMB28.0 million for the year ended 31 December 2023. The increase was primarily attributable to the recognition of a one-off licensing fee for *Shen Xian Dao 3 (神仙道3)* which was initially operated by third-party agency but transferred to self-operation at the end of 2023. The termination of the licensing agreement resulted in the recognition of a one-off licensing fee of RMB20.3 million.

Advertising revenue decreased by approximately 13.2% from approximately RMB21.6 million for the year ended 31 December 2022 to approximately RMB18.7 million for the year ended 31 December 2023. Advertising revenue was primarily generated by *Carrot Fantasy 1 (保衛蘿蔔1)*, *Carrot Fantasy 2 (保衛蘿蔔2)* and *Carrot Fantasy 3 (保衛蘿蔔3)*, which was launched in 2012, 2013 and 2016 respectively and each had a large player base. The decrease in advertising revenue was primarily attributable to the three games entering the latter stage of their expected lifecycle.

Game development service income decreased by approximately 75.6% from approximately RMB7.7 million for the year ended 31 December 2022 to approximately RMB1.9 million for the year ended 31 December 2023. The decrease was primarily due to the completion of the commissioned game development in early 2023 and there was no such commissioned game development conducted in the rest of 2023.

Technical service income was approximately RMB0.3 million for the year ended 31 December 2023, which remained steady compared with approximately RMB0.3 million for the year ended 31 December 2022.

Cost of sales

Cost of sales decreased by 15.0% to approximately RMB31.7 million for the year ended 31 December 2023 from approximately RMB37.3 million for the year ended 31 December 2022. The decrease was mainly attributable to the decrease of staff cost from approximately RMB28.4 million for the year ended 31 December 2022 to approximately RMB22.3 million for the year ended 31 December 2023 as a result of the Company's efforts to streamline its corporate structure to allocate resources to units generating higher business value.

Gross profit and gross profit margin

Gross profit increased by 26.1% to approximately RMB194.5 million for the year ended 31 December 2023 from approximately RMB154.2 million for the year ended 31 December 2022. Gross profit margin for the year ended 31 December 2023 was 86.0%, representing an increase of 5.5 percentage points from 80.5% for the year ended 31 December 2022.

Other income and gains

Other income and gains increased by approximately 37.9% from approximately RMB16.2 million for the year ended 31 December 2022, to approximately RMB22.3 million for the year ended 31 December 2023. The increase was primarily attributable to higher investment income of approximately RMB7.2 million for the year ended 31 December 2023, as compared to approximately RMB1.5 million for the year ended 31 December 2022, which was primarily driven by the fair value changes in the Company's financial assets at fair value through profit or loss.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 7.3% from approximately RMB40.4 million for the year ended 31 December 2022, to approximately RMB37.5 million for the year ended 31 December 2023. The decrease was mainly attributable to the decrease in promotional and advertising fees from approximately RMB15.3 million to approximately RMB9.7 million, as most of the promotional activities for *Dougui (斗詭)* and *Carrot Fantasy 4 (保衛蘿蔔4)* were carried out a few months before and after the launch of the games in 2022. The decrease in selling and distribution expenses was partially offset by the increase in channel fees from approximately RMB20.1 million for the year ended 31 December 2022 to approximately RMB22.9 million for the year ended 31 December 2023. The increase in channel fees was mainly due to the launch of *Carrot Fantasy 4 (保衛蘿蔔4)* on Apple Inc.'s App Store in June 2022 which we recognised its revenue on a gross basis and its App Store channel fees in selling and distribution expenses.

Administrative expenses

Administrative expenses decreased by approximately 15.2% from approximately RMB64.4 million for the year ended 31 December 2022 to approximately RMB54.6 million for the year ended 31 December 2023. The decrease was mainly attributable to the recognition of irrecoverable licensing fees and advanced revenue as bad debt of approximately RMB9.7 million in 2022, while no such expenses were recognised in 2023.

R&D costs

R&D costs decreased by approximately 16.6% from approximately RMB76.8 million for the year ended 31 December 2022 to approximately RMB64.1 million for the year ended 31 December 2023. The decrease was primarily attributable to the decline in outsourcing expenses from approximately RMB6.1 million for the year ended 31 December 2022, to approximately RMB0.6 million for the year ended 31 December 2023, as the Company reduced the outsourcing of certain aspects of game development, such as the graphic design for several pipeline games. The decrease in R&D costs was also attributable to the decrease in staff costs from approximately RMB67.0 million for the year ended 31 December 2022 to approximately RMB61.2 million for the year ended 31 December 2023 as a result of the Company's efforts to streamline its corporate structure.

Finance costs

Finance costs were approximately RMB3.7 million for the year ended 31 December 2023, which remained steady compared with approximately RMB4.0 million for the year ended 31 December 2022.

Other expenses

Other expenses were approximately RMB4.0 million for the year ended 31 December 2023, compared with approximately RMB8.6 million for the year ended 31 December 2022. The decrease was primarily due to the decrease in losses of fair value changes in the Company's financial assets at fair value through profit or loss.

Income tax expense

Income tax expense decreased by approximately 69.0% from approximately RMB1.2 million for the year ended 31 December 2022, to approximately RMB0.4 million for the year ended 31 December 2023. The decrease was primarily attributable to the change in deferred tax expenses resulting from the fair value changes of the investment properties.

Profit for the year

As a result of the above, profit for the year ended 31 December 2023 was approximately RMB52.2 million, as compared to a loss for the year ended 31 December 2022 of approximately RMB24.4 million. Profit attributable to owners of the parent for the year ended 31 December 2023 was approximately RMB52.0 million, as compared to a loss attributable to owners of the parent for the year ended 31 December 2022 of approximately RMB29.6 million.

Non-IFRSs measures – Adjusted net profit/(loss) attributable to owners of the parent

In addition to the Company's consolidated financial statements that are presented in accordance with IFRSs, Feiyu also provides further information based on the adjusted net profit/(loss) attributable to owners of the parent as an additional financial measure. The Company presents this financial measure because it is used by management to evaluate financial performance by eliminating the impact of items that the Company does not consider indicative of business performance. The Company also believes that these non-IFRSs measures provide additional information to investors and others, helping them understand and evaluate the consolidated results of operations in the same manner as management, and to compare financial results across accounting periods and with those of various peer companies.

For the years ended 31 December 2023 and 2022, the Company defined the adjusted net profit/(loss) attributable to owners of the parent as net profit/(loss) attributable to owners of the parent excluding share-based compensation. The term of adjusted net profit/(loss) attributable to owners of the parent was not defined under IFRSs. The use of adjusted net profit/(loss) attributable to owners of the parent has material limitations as an analytical tool as it did not include all items that would impact net profit/(loss) attributable to owners of the parent for the accounting period.

	For the year ended 31 December		
	2023	2022	**Change %**
	(RMB'000)	(RMB'000)	
	(audited)	(audited)	
Profit/(Loss) for the year attributable to owners of the parent	**52,013**	(29,637)	N/A
Add:			
Share-based compensation	**–**	(1,906)	N/A
Total	**52,013**	(31,543)	N/A

Financial Position

As at 31 December 2023, total equity of the Group was approximately RMB525.9 million, compared with approximately RMB456.5 million as at 31 December 2022. The increase was mainly due to the profit of approximately RMB52.2 million recorded for the year ended 31 December 2023. The increase was also attributable to the exchange differences on translation of foreign operations and changes in fair value of equity investments at fair value through other comprehensive income.

As at 31 December 2023, the Group had net current assets of approximately RMB143.4 million, representing an increase of approximately 27.0% from approximately RMB112.9 million as at 31 December 2022. The increase was mainly due to the cash inflow from the Company's operating activities, partially offset by the cash outflow for the payment of annual bonus for 2022 and repayment of part of the bank loans.

Liquidity and Capital Resources

The table below sets forth selected cash flow data from the Group's audited consolidated statement of cash flows:

	2023 (RMB'000) (audited)	2022 (RMB'000) (audited)	**Change %**
Net cash flow from/(used in) operating activities	**40,071**	(4,496)	N/A
Net cash flow (used in)/from investing activities	**(43,693)**	22,329	N/A
Net cash flow from/(used in) financing activities	**27,987**	(13,655)	N/A
NET INCREASE IN CASH AND CASH EQUIVALENTS	**24,365**	4,178	483.2
Cash and cash equivalents at the beginning of year	**133,153**	126,261	5.5
Effect of foreign exchange rate changes, net	**3,160**	2,714	16.4
Cash and cash equivalents at the end of year	**160,678**	133,153	20.7

Total cash and cash equivalents were approximately RMB160.7 million as at 31 December 2023, compared with approximately RMB133.2 million as at 31 December 2022. The increase was primarily due to the cash inflow from the Company's operating activities, which was partially offset by the utilisation of our cash and cash equivalent for investment in certificate of deposit.

As at 31 December 2023, approximately RMB7.4 million of financial resources (31 December 2022: RMB10.2 million) were held in deposits denominated in non-RMB currencies. The Company currently does not hedge transactions undertaken in foreign currencies, rather it manages foreign exchange exposure by limiting foreign currency exposure and constantly monitoring foreign currency levels. The Group adopts a prudent cash and financial management policy. In order to better control costs and minimise the cost of funds, the Group's treasury activities were centralised and cash was generally deposited at banks, denominated mostly in Renminbi, Hong Kong dollars and United States dollars.

As at 31 December 2023, the Group had aggregate bank loans of approximately RMB95.5 million (31 December 2022: RMB70.0 million), of which approximately RMB6.0 million is payable within one year, approximately RMB24.8 million is payable between one and five years and approximately RMB64.7 million is payable after five years. The Group had lease liabilities of approximately RMB1.7 million (31 December 2022: RMB4.3 million), of which approximately RMB1.6 million is payable within one year and approximately RMB0.1 million is payable between one and five years as set out in the agreements.

In May 2023, the Company replaced the original bank loans for the construction of the Company's R&D centre and headquarters building with an operation period loan, and the interest rate decreased from approximately 5.05% to approximately 4.3%. As at 31 December 2023, the Group's bank loans of approximately RMB95.5 million were used by the Company for the operation of the Company's R&D center. The loans were secured by the land use rights, investment properties and building on the Land.

Significant Debt Investments at Fair Value Through Other Comprehensive Income, Equity Investments Designated at Fair Value Through Other Comprehensive Income, and Financial Assets at Fair Value Through Profit or Loss

As at 31 December 2023, the Company had debt investments at fair value through other comprehensive income, equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss of approximately RMB147.0 million (31 December 2022: RMB126.3 million), which represented the Company's investment in straight bonds and a bond fund issued by banks or reputable companies with coupon rates ranging from 2.25% to 4.5% per annum, and interest held by the Group in six unlisted companies and one company listed on the National Equities Exchange And Quotations of the PRC.

The principal of the debt investments at fair value through other comprehensive income, equity investments designated at fair value through other comprehensive income, and financial assets at fair value through profit or loss as at 31 December 2023 were not protected.

According to the Company's current internal investment management policies, no less than 50% of total investments can be invested in risk-free or principal protected investments, while for the remainder, up to 50% of the total investments is invested in low-risk products. The Company has a diversified investment portfolio to mitigate risks. In addition, the abovementioned investments were made in line with the Company's effective capital and investment management policies and strategies.

Performance and Future Prospect of Significant Debt Investments at Fair Value Through Other Comprehensive Income, Equity Investments Designated at Fair Value Through Other Comprehensive Income, and Financial Assets at Fair Value Through Profit or Loss

Details of the Group's debt investments at fair value through other comprehensive income, equity investments designated at fair value through other comprehensive income, and financial assets at fair value through profit or loss as at 31 December 2023 are presented as follows:

(A) Straight Bonds

Name of the straight bonds	*Notes*	Interest income recognised in consolidated statement of profit or loss for the year ended 31 December 2023 (RMB'000)	Gain/(loss) on fair value changes recognised in consolidated statement of comprehensive income for the year ended 31 December 2023 (RMB'000)	Fair value as at 31 December 2023 (RMB'000)	Percentage of total FVOCI and FVPL Investments at 31 December 2023	Percentage of total assets of the Group as at 31 December 2023
CHINLP Medium Term Note Programme ("**CHINLP**")	*2*	553	1,199	21,012	14.3%	3.0%
POLHON Guaranteed Notes ("**POLHON**")	*3*	786	(267)	18,436	12.5%	2.6%
NWDEVL Medium Term Note Programme ("**NWDEVL**")	*4*	1,106	(1,348)	18,729	12.7%	2.7%

Notes:

1. The Group's investment in straight bonds has been accounted for as debt investments at fair value through other comprehensive income. The fair value of the straight bonds was estimated using a discounted cash flow valuation model based on the assumptions that were supported by observable market inputs. Please refer to note 12 to the financial statements for details of the investment in straight bonds.

2. On 15 July 2021, the Group invested in a bond issued by CLP Power Hong Kong Financing Limited ("**CLP Financing**") and guaranteed by CLP Power Hong Kong Limited ("**CLP HK**") with a nominal amount of US$3,500,000 at a consideration of US$3,542,000 (equivalent to approximately RMB23.0 million). The bond has a coupon interest rate of 2.25% per annum with a maturity period of 10 years.

   CLP Financing, the issuer, incorporated in the British Virgin Islands, is a wholly-owned subsidiary of the guarantor CLP HK. CLP Financing was established to raise financing for CLP HK. The net proceeds from the issue of CHINLP will be on-lent by CLP Financing to CLP HK to be used for general corporate purposes. CLP HK, established in 1901 in Hong Kong, is one of the only two electricity providers in Hong Kong, which supplies approximately 77% of the electricity consumed in Hong Kong. CLP Holdings Limited, the parent company of CLP HK was listed on the Main Board of the Stock Exchange in 1998 with the stock code of 00002. CLP Holdings Limited, together with its subsidiaries, namely the CLP Group, is an investor and operator in the Asia-Pacific energy sector. In Hong Kong, through CLP HK, it operates a vertically-integrated electricity supply business providing a highly-reliable supply of electricity. Outside Hong Kong, CLP Group holds investments in the energy sector in Mainland China, India, Southeast Asia, Taiwan, and Australia. Its diversified portfolio of power generation assets include coal, gas, nuclear and renewables (wind, hydro, solar).

   According to the annual report for the year ended 31 December 2023 of CLP Holdings Limited, group operating earnings before fair value movements for 2023 increased 33.2% to HK$10,127 million, attributable to dependable contributions from its core businesses in Hong Kong and Mainland China and significant improvement in overseas businesses. Consolidated revenue decreased 13.4% to HK$87,169 million, including a 5.1% reduction from the deconsolidation of Apraava Energy and the impact from softer wholesale spot prices in Australia. The net profit after tax for the year ended 31 December 2023 was HK$7,670 million, a strong rebound from HK$1,487 million one year ago.

   Over a long history, CLP Group has been well positioned to navigate the many opportunities and uncertainties that lie ahead. The energy transition journey demands bold actions, and it stand ready to Power Brighter Tomorrows for its future generations. As long as Hong Kong thrives and acts to attract more businesses and tourists from around the world, the reliability and sustainability of electricity supply will become even more crucial in supporting the city's growth. The Group is therefore optimistic about the future prospect of the bond CHINLP.

3. During the second half of July 2021, the Group successively invested in a bond issued by Ease Trade Global Limited ("**Ease Trade**") and guaranteed by Poly Property Group Co. Limited ("**Poly Property**") with an accumulated nominal amount of US$2,800,000 at an accumulated consideration of US$2,883,000 (equivalent to approximately RMB18.6 million). The bond has a coupon interest rate of 4.0% per annum with a maturity period of 5 years.

   Ease Trade, the issuer, is the direct wholly owned subsidiary of the guarantor Poly Property, which is a limited liability company incorporated in Hong Kong and is listed on the Main Board of the Stock Exchange with the stock code of 00119. Poly Property, together with its subsidiaries, namely the Poly Group, is a prominent property developer in the PRC. It is principally engaged in the business of property development, investment and management. Its projects typically comprise various types of developments, including apartments, villas, offices and commercial properties. As at 30 June 2023, China Poly Group Corporation Limited, being one of the large-scale state-owned enterprises under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (SASAC), is deemed to be interested in 48.09% of the issued share capital of Poly Property under the Securities and Futures Ordinance (Cap. 571) of the law of Hong Kong.

   According to the annual results announcement for the year ended 31 December 2023 issued by Poly Property, the profit attributable to owners of Poly Property for the year ended 31 December 2023 was RMB1,445 million, representing a year-on-year increase of 77.0%. Poly Property achieved cost reduction and efficiency gains by strengthening operational and tax control. The core net profit attributable to parent company of Poly Property after deducting the changes in fair value of investment property and financial assets and exchange gains and losses was RMB1,761 million, representing a year-on-year increase of 15.9%. During the year, Poly Property realized a net cash inflow from operating activities of approximately RMB5.4 billion and proactively adjusted its leverage level. As at the end of 2023, total debt decreased by 7.7% year-on-year to RMB73.9 billion and the net gearing ratio decreased by 22.8 percentage points year-on-year to 93.1%. The structure of existing debts continued to be optimized through replacement.

   Poly Property controlled leverage to prevent risks, stabilised operations and then sought development. Ply Property has a strong development resilience despite the weak market confidence and intensive industry competition. Therefore, the Group is optimistic about the future prospect of the bond POLHON.

4. On 15 July 2021, the Group invested in a bond issued by NWD (MTN) Limited ("**NWD**") and guaranteed by New World Development Company Limited ("**New World**") with a nominal amount of US$3,500,000 at a consideration of US$3,783,000 (equivalent to approximately RMB24.5 million). The bond has a coupon interest rate of 4.5% per annum with a maturity period of 10 years.

   The issuer NWD is one of wholly owned subsidiaries of New World, the guarantor. New World is the holding company of one of the largest Hong Kong-based property developers. Established in 1970, New World was listed on the Main Board of the Stock Exchange in 1972 (Stock code: 00017) and its shares are currently a constituent stock of the Hang Seng Index. New World, together with its subsidiaries, namely New World Group is one of the major property developers in Hong Kong and is engaged in the development of residential, retail, office and hotel properties. NWS Holdings Limited, one of New World's subsidiaries, engaged in road construction and aviation infrastructure, is also listed on the Main Board of the Stock Exchange (Stock Code:00659). New World China Land Limited, wholly owned by New World, is one of the largest foreign property developers and investors in the PRC.

   According to the interim results announcement for the six months ended 31 December 2023 of New World Group, recorded revenue from continuing operations was approximately HK$17,066 million for the six months ended 31 December 2023, representing a year-over-year decrease of 25.1% compared to HK$22,786 million in 2022, due to less bookings from property development in both Hong Kong and mainland China; however, gross profit was up by 2.4% to HK$7,257 million contributed by higher margin from property investment in K11 portfolio. Net profit after tax from continuing operation for the six months ended 31 December 2023 amounted to HK$1,543 million, representing an increase of 15.8% compared to the HK$1,332 million for the corresponding period in 2022.

   In the second half of 2024, New World Group will successively launch a number of residential projects in phases and provide over 2,500 units. It will also continuously solicit sales for its Grade A office projects including remaining units at NCB Innovation Centre and projects at both Wing Hong Street and King Lam Street, Cheung Sha Wan. Therefore, the Group is optimistic about the future prospect of the bond NWDEVL.

(B) Bond Fund

Name of the perpetual bonds	*Notes*	Interest income recognised in consolidated statement of profit or loss for the year ended 31 December 2023 (RMB'000)	Loss on fair value changes recognised in consolidated statement of profit or loss for the year ended 31 December 2023 (RMB'000)	Fair value as at 31 December 2023 (RMB'000)	Percentage of total FVOCI and FVPL Investments as at 31 December 2023	Percentage of total assets of the Group as at 31 December 2023
UBS Asian Bonds Series 5 (USD)	*2*	460	(366)	7,347	5.0%	1.0%

Notes:

1. The Group's investment in bond fund, UBS Asian Bonds, has been accounted for as financial assets at fair value through profit or loss. The fair value of the bond fund represented the net asset value of the sub-fund determined by UBS Asset Management (Singapore) Ltd, as manager (the "**Manager**") in consultation with HSBC Trustee (Cayman) Limited as trustee (the "**Trustee**"). Please refer to note 12 to the financial statements for details of the UBS Asian Bonds.

2. On 23 January 2020, the Group invested in 16,000 units of the UBS (CAY) Investment Fund Series – UBS Asian Bonds Series 5 (USD) Class A-qdist (USD) Units (the "**Sub-Fund**") at the subscription price of US$100 per unit with a consideration of US$1,614,000 (equivalent to approximately RMB11.1 million). The Sub-Fund has a maturity period of 4.5 years and a target yield to maturity of 4.8% to 5.3% per annum, assuming no defaults and is held to maturity.

   UBS (CAY) Investment Fund Series is an open-ended unit trust established under the Trusts Law (as amended) of the Cayman Islands as an umbrella fund by the Trust Deed dated 24 May 2017 between the Manager and the Trustee. The investment objective of the Sub-Fund is to achieve total return by investing primarily in a portfolio of USD-denominated fixed income securities issued by Asia Pacific ex-Japan issuers.

   Pursuant to UBS (CAY) Investment Fund Series Reports and Financial Statements for the year ended 31 December 2022, the Sub-Fund recorded income of approximately USD – 60 million and a decrease in net assets attributable to unitholders from operations of approximately USD80 million.

   The Sub-Fund in general takes a buy-and-hold to maturity approach, investing in a diversified USD bond portfolio. Given the short maturity of the portfolio, it has relatively low interest risk. Besides, compared to global peers, Asian bonds usually provide higher yields with lower duration risk. Finally, it is operated by a professional Asian fixed maturity funds team consisted of managers with more than 10 years of experience. The Manager, in general, actively monitors and reviews all the securities in the Sub-Fund's portfolio on a regular basis and takes appropriate action where necessary (including but not limited to re-investing proceeds from securities that have matured prior to the Sub-Fund's maturity date). Therefore, the Group is optimistic about the Sub-Fund operated by the Manager in the future.

(C) Unlisted Equity Investments

Company Name	*Notes*	**Percentage of Shareholdings as at 31 December 2023**	**Gain on fair value changes recognised in consolidated statement of comprehensive income for the year ended 31 December 2023** (RMB'000)	**Fair value as at 31 December 2023** (RMB'000)	**Percentage of total FVOCI and FVPL investments as at 31 December 2023**	**Percentage of the total assets of the Group as at 31 December 2023**
Xiamen eName Technology Co., Ltd. ("**eName**")	*2*	2%	10,707	22,763	15.5%	3.2%
Others	*3*	–	193	11,441	7.8%	1.6%

Notes:

1. The Group's unlisted equity investments have been accounted for as equity investments designated at fair value through other comprehensive income. The fair value of the unlisted equity investments was assessed by management or employed by other available methods.

2. eName is a company listed on China New Third Board (Stock Code: 838413) principally engaged in domain related businesses and providing domain registration, transfer and transaction services for internet customers. It is a well-known domain service provider in China.

   Pursuant to eName's interim report for the six months ended 30 June 2023, eName recorded revenue of approximately RMB146.9 million, representing an increase of 197.0% compared with the corresponding period in 2022, and net profit attributable to the shareholders of approximately RMB11.5 million, representing an increase of 574.8% compared with RMB1.7 million for the six months ended 30 June 2022. The abovementioned increase in net profit attributable to the shareholders was mainly attributable to the acquisition of a subsidiary in the second half of 2022.

   eName has established a leading position in the domain transaction and service sector through mature technical support, convenient transaction procedure and humanized service management. eName adhered to expanding its domain name business and it has actively increased promotional efforts and successfully maintained its transactions despite a gloomy economic environment. The Group is therefore optimistic about the domain service market in China and the performance of eName in the future.

3. Others comprised four unlisted limited liability companies and none of these investments accounted for more than 1.0% of the total assets of the Group as at 31 December 2023.

(D) Unlisted Debt Investments

Company Name	*Notes*	**Percentage of Shareholdings as at 31 December 2023**	**Gain on fair value changes recognised in consolidated statement of profit or loss for the year ended 31 December 2023** (RMB'000)	**Fair value as at 31 December 2023** (RMB'000)	**Percentage of total FVOCI and FVPL investments as at 31 December 2023**	**Percentage of the total assets of the Group as at 31 December 2023**
Future Capital Discovery Fund II, L.P. ("**Future Capital**")	*2*	1.8797%	4,889	45,420	30.9%	6.5%
Others	*3*	–	49	1,877	1.3%	0.3%

Notes:

1. The Group's unlisted debt investments have been accounted for as financial assets at fair value through profit or loss. The fair value of the unlisted debt investments was assessed by management or employed by other available methods.

2. Future Capital is an unlisted limited partnership principally engaged in investment in companies which are primarily in the sectors of intelligent system, auto system and information technology to achieve gains in the form of medium to long term capital appreciation. The aggregate investment cost of the investment in Future Capital was USD1,452,197.91. As at 31 December 2023, the Company held approximately 1.8797% partnership interests in Future Capital.

   Pursuant to Future Capital's financial statements for the year ended 31 December 2023, Future Capital recorded income of approximately US$19,587 and net increase in partners' capital resulting from operations of approximately US$49.2 million. The substantial increase in partners' capital resulting from operations was primarily due to an increase in fair value changes on several Future Capital's investments. Future Capital expected to realise its investments at a later stage in order to attain a higher capital appreciation.

   The Group believes that Future Capital has sufficient capital and is managed by an experienced management team and the sectors it invests in have promising future and its business prospect is positive.

3. Others represented one unlisted debt investment which accounted for 0.3% of the total assets of the Group as at 31 December 2023.

There was no impairment made for any investments in debt instruments for the year ended 31 December 2023. Investments in equity instruments did not involve any separate impairment accounting under IFRS 9 – Financial Instruments.

Other significant investments held, significant acquisitions and disposal of subsidiaries, associates and joint ventures and future plans for material investments or capital assets

Save as disclosed in this annual report, there were no other significant investments held, nor were there material acquisitions or disposals of subsidiaries, associates and joint ventures for the year ended 31 December 2023. Except for those disclosed in this annual report, there was no plan authorised by the Board for other significant investments or acquisitions of major capital assets or other businesses in 2023. However, the Group will continue to identify new opportunities for business development.

Gearing ratio

The Group's gearing ratio, which is calculated based on total liabilities divided by total assets, was 25.1% as at 31 December 2023 and 27.0% as at 31 December 2022.

Capital expenditures

The following table sets forth the Group's capital expenditures for the years ended 31 December 2023 and 2022 respectively:

	For the year ended 31 December		
	2023 (RMB'000)	2022 (RMB'000)	**Change %**
Property, plant and equipment	**2,614**	5,579	(53.1)
Intangible assets	**–**	13	(100.0)
Total	**2,614**	5,592	(53.3)

Capital expenditures consisted of property, plant and equipment, including but not limited to office equipment, company vehicles for employees' use and leasehold improvements. The total capital expenditures for the year ended 31 December 2023 were approximately RMB2.6 million, compared with RMB5.6 million for the year ended 31 December 2022, representing a decrease of approximately 53.3%. The decrease was mainly attributable to the decrease in leasehold improvements for our offices.

Pledge of Assets

As at 31 December 2023, bank loans of approximately RMB95.5 million were used for the operation of the Company's R&D center. The bank loans were secured by the land use rights, investment properties and building on the Land with a total carrying value of approximately RMB241.4 million.

Contingent liabilities and guarantees

As at 31 December 2023, the Company did not have any unrecorded significant contingent liabilities, guarantees or any litigation with claims made against it.

Use of Net Proceeds from Subscription of New Shares by THL H Limited

Net proceeds of the Subscription by Tencent (through its wholly-owned subsidiary named THL H Limited) in 2021 were approximately HK$119.1 million after deducting the relevant expenses of the Subscription.

As at 31 December 2023, the utilisation of the net proceeds from the Subscription are as follows:

	Intended use of net proceeds (HK$ million)	Actual use of net proceeds up to 31 December 2023 (HK$ million)	Unutilised net proceeds up to 31 December 2023 (HK$ million)
Supporting new product development	119.1	43.1	–
Attracting suitable personnel		45.4	
Increase the publishing and marketing budget		30.6	
Total	119.1	119.1	–

During the year ended 31 December 2023, the net proceeds from the Subscription were utilised according to the intentions previously disclosed by the Company. As at 31 December 2023, the Company had utilised all of the net proceeds of the Subscription.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Company had 334 full-time employees, the majority of whom were based in Xiamen, Fujian Province of the PRC. The following table sets forth the number of employees categorised by function as at 31 December 2023:

	Number of Employees	% of Total
Development	190	56.9
Operations	70	21.0
Administration	59	17.7
Sales and marketing	15	4.4
Total	334	100.0

The remuneration of the Group's employees is determined based on their performance, experience, competence and market comparables. Their remuneration package includes salaries, bonuses related to the Group's performance, allowances, equity settled share-based payments and state-managed retirement benefit schemes for employees in the PRC. The Company also provides customised training to its staff to enhance their technical and product knowledge.

The remuneration of Directors and members of senior management is determined on the basis of each individual's responsibilities, qualifications, position, experience, performance, seniority and time devoted to the Group's business. They receive compensation in the form of salaries, bonuses, share options, RSUs, and other allowances and benefits-in-kind, including the Company's contribution to their pension scheme on their behalf. The remuneration policy of the Directors and the senior management is reviewed by the Remuneration Committee and approved by the Board.

In addition, the Group has currently adopted the Post-IPO Share Option Scheme and RSU Plan II as long-term incentive schemes.

Foreign currency risk
For the year ended 31 December 2023, the Group did not encounter significant foreign currency risk from its operations and did not hedge against any fluctuation in foreign currency.

Interest rate risk
Other than interest-bearing bank deposits and bank loans, the Group has no other significant interest-bearing assets or liabilities. The Directors do not anticipate any significant impact on the interest-bearing bank deposits resulting from changes in interest rates, because the bank deposit interest rates are not expected to change significantly. In addition, the Directors do not anticipate any significant impact on the bank loans resulting from changes in interest rates, because the interest rates are primarily determined with reference to the loan prime rate as at the drawdown date, which have a low likelihood of wide fluctuation in the short run. Therefore, the Group has not adopted any hedging policy to mitigate interest rate risk. However, the Group will continue to monitor the long-term interest rate fluctuations in the market and take appropriate actions to minimise interest rate risk.

Corporate Social Responsibility
The Group has sought to operate in a responsible, transparent and sustainable way. The Group is committed to promoting the long-term sustainability of the environment by advocating green office practices such as using double-sided printing and copying, setting up recycling bins, installing energy-efficient lighting systems, growing plants in the office, attempting to provide good air quality on company premises and promoting the use of public transport and video conferencing in lieu of business travel to reduce the carbon footprint. The Group also improves employee awareness of environmental protection and encourages them to bring their own plants to make the office greener.

The Group has adopted a 3Rs (Reduce, Reuse and Recycle) strategy and taken effective measures for waste management, such as installing an efficient water flushing system in the restrooms and performing regular checks to prevent leakages.

The Group is determined to review and improve its policies and practices related to environmental protection from time to time to continuously contribute to making the earth a better planet.

The Group has also been committed to enhancing its contribution to local communities by participating in community services, supporting people in need and sponsoring educational activities. In addition, the Group also encourages its employees at all levels to participate in the activities by way of a charity bazaar. The Group will continue to invest in social activities to develop a better future for its community.

Compliance with Relevant Laws and Regulations

To the best of the Directors' knowledge, information and belief, as at the date of this annual report, the Company has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

In relation to game development and operation, the Company is committed to complying with the laws and regulations such as Regulation on the Protection of Minors in Cyberspace (2024), Personal Information Protection Act of the PRC (2021), Data Security Act of the PRC (2021), Notice by the National Press and Publication Administration of Further Imposing Strict Administrative Measures to Prevent Minors from Becoming Addicted to Online Games (2021), Civil Code of the PRC (2020), Law on the Protection of Minors (2020 Amendment), the Copyright Law of the PRC (2020 Amendment), Regulation on the Administration of Publication (2020 Revision), Trademark Law of the People's Republic of China(2019 Revision), Provisions on Ecological Governance of Network Information Content (2019), Notice by the General Administration of Press and Publication of Preventing Minors from Indulging in Online Games (2019) and Online Publishing Service Management Rules (2016).

In addition, as a company listed on the Main Board of the Stock Exchange, the Company is subject to, among others, the requirements under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Listing Rules, the Takeovers Code, and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Any changes in the applicable laws and regulations are brought to the attention of the relevant departments from time to time.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

We are pleased to present our annual Environmental, Social and Governance ("ESG") Report (the "Report") for the year ended 31 December 2023, depicting our initiatives and performance on the sustainability of Feiyu Technology International Company Limited ("Feiyu", or the "Company"), together with its subsidiaries (the "Group" or "We", "Us"). The Board recognises the importance of and acknowledge the responsibility for formulating strategies and reporting on the environmental and social areas of the Group. While striving to achieve our goals and business objectives, the Company works to minimise and manage environmental and social impacts arising from its daily operation and contribute to the long-term wellbeing of the communities in which it operates.

REPORTING PERIOD AND SCOPE

Unless otherwise stated, this ESG Report covers the Group's core business and performance in our major offices in the People's Republic of China (the"PRC") and Singapore in two subject areas, namely, Environmental and Social from 1 January 2023 to 31 December 2023 (the "Year"). The scope and boundaries of this ESG Report remain unchanged compared to the prior year.

REPORTING STANDARDS AND PRINCIPLES

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") as set out in Appendix C2 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited ("HKEx"). The Report has been prepared in full compliance with the mandatory disclosure requirements and "comply or explain" provisions stipulated in the Guide and has been approved by the board of directors (the "Board") of the Group. The Report strictly adheres to the following reporting principles:

Reporting Principles	Definition	Response from the Group
Materiality	The ESG Report should disclose the issues that have significant impacts on the economy, environment, and society, as well as the assessment and decisions of stakeholders of the Group.	Materiality assessments have been carried out to identify material environmental and social issues that have major impacts on investors and other stakeholders. The significant stakeholders, procedures, and results of the engagement are presented in the section "Stakeholder Engagement" and "Materiality Assessment" in the Report.
Quantitative	Key performance indicators ("KPI") in the ESG Report should be measurable to provide comparative data where appropriate.	The Group has disclosed its environmental and social KPI by calculation and numerical presentation.
Balance	Both positive and negative information should be presented in the ESG Report to provide an unbiased and objective picture of the Group's performance.	The Group's performance during the reporting period has been presented impartially, avoiding choices, omissions, or presentation formats that may unduly influence readers' decisions or judgements.
Consistency	Consistent method should be adopted in the preparation of the ESG report to enable stakeholders to compare the Group's ESG performance year on year.	Consistent statistical methodologies and presentation of KPIs have been used to allow meaningful comparisons of related data over time.

For details of our corporate governance, please refer to the section "Corporate Governance Report" of our 2023 Annual Report.

STAKEHOLDERS' FEEDBACK

The Group highly values stakeholders' opinions and suggestions, and understands that the feedback enables us to continually strengthen our sustainability performance. You are welcome to provide us with your valuable opinions on our ESG report or the Group's sustainability performance or strategies via email at IR@feiyu.com.

ABOUT FEIYU

Business Overview

Feiyu is a leading developer and operator in the mobile and web game industry in the PRC. With "Marvellously Creative with Simple Way (用簡單創造精彩)" being our philosophy all along, we strive to develop high-quality games and new products serving a wide range of players. In this Year, we have launched several games, such as Shen Xian Dao 3 (神仙道3), Qing Kong Shuang Zi (晴空雙子), Block Hunter (方塊獵人). To further enhance the competitiveness of China's games in international markets, we remain committed to our mission "To Better the Virtual World (讓虛擬世界更美好)" and create a healthy virtual gaming environment based on the interests and expectations of our players.

Awards and Recognitions

Top 50 Companies in Fujian Province of Comprehensive Strength Year 2023

Most Innovative Internet Companies in Fujian Province in 2023

The most promising cultural enterprise in Fujian Province Year 2023

10th Annual Xiamen Cultural Industry Top List Companies

Fujian Province Cultural Industry Demonstration Base

MAJOR FEIYU'S HIGHLIGHTS

- 2011 May Shen Xian Dao (神仙道) launched
- 2012 July Carrot Fantasy (保衛蘿蔔) launched
- 2013 November Carrot Fantasy 2 (保衛蘿蔔2) launched
- 2014 August San Guo Zhi Ren (三國之刃) launched
- 2016 January Super Phantom Cat (超級幻影貓) launched
- 2017 January Push Heroes (推拉英雄) launched
- 2017 June Eat Fatty (你胖你先吃) launched
- 2017 August Super Phantom Cat 2 (超級幻影貓2) launched
- 2017 September Sprites Legend (靈妖記—神仙道外傳) launched
- 2017 November I Am The Hero (英雄就是我) launched
- 2018 August Demon Tower (魔界塔) launched
- 2019 February Peace in Chang An (天下長安) launched
- 2019 October Horcrux College (魂器學院) launched
- 2020 July Neon Abyss (霓虹深淵) launched
- 2020 July Kaki Raid (咔嘰探險隊) launched
- 2021 May MyTurn (逆轉回合) launched
- 2021 July Zombie Virus: Strike (喪屍倖存者) launched
- 2022 May Mushroom Wars 2 (蘑菇戰爭2) launched
- 2022 May Dougui (斗詭) launched
- 2022 June Carrot Fantasy 4 (保衛蘿蔔4) launched
- 2023 June Shen Xian Dao 3 (神仙道3) launched
- 2023 August Qing Kong Shuang Zi (晴空雙子) launched
- 2023 October Block Hunter (方塊獵人) launched

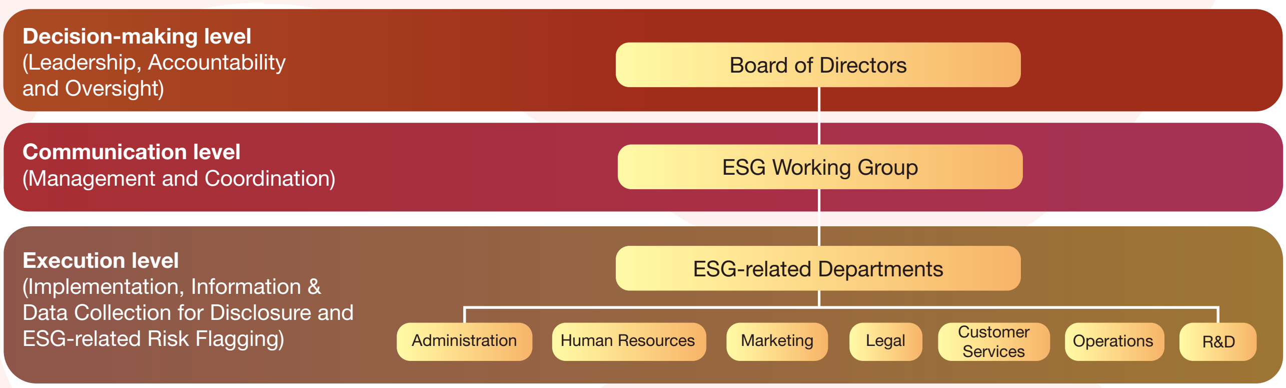
SUSTAINABILITY GOVERNANCE

The Group believes that good ESG governance strategies and practices are essential for corporate success. The Group has integrated the ESG concept into the corporate governance management and during the decision-making process, hoping to create more positive long-term values for the society and environment.

The Group has established a ESG governance structure to strengthen our management of environmental, social and governance issues. The Board is the highest decision-making level of the Group and is fully responsible for ESG decision making and reporting. The Board monitors the sustainable development performance and progress of the Group, and reviews and approves the ESG management policies, strategies, objectives, and annual work of the Group, including the evaluation, prioritization and management of important ESG issues, risks and opportunities. The Board also regularly reviews the ESG performance of the Group and its progress in achieving relevant objectives.

The ESG working group, which comprises of the senior management and representatives from various departments, including Administration Department, Human Resources Department, Marketing Department, Legal Department, Customer Service Department, Operation Department, and Research and Development ("R&D") Department, has been established to formulate, plan, and coordinate ESG initiatives within the Group. The ESG working group has an overarching role in supporting the Board on the matters of ESG and oversees the implementation of the ESG initiatives of the Group, including reviewing the related policies and practices, and assessing and making recommendations on matters concerning the Group's ESG governance, strategy, planning and risks. The ESG working group review issues and policies related to the Group's sustainable development and coordinate ESG data management and disclosure in a timely manner.

In order to better govern the ESG performance of the Group, environmental targets for greenhouse gas emissions, waste management, energy consumption, and water management have been established. The Group will continue to strive towards achieving these targets. The Group's management will review the progress of these targets, take measures to achieve them, report on the progress, and make suitable suggestions to the Board at least annually.



United Nations Sustainable Development Goals ("UNSDGs")

The Sustainable Development Goals are a series of international development goals announced by the United Nations aimed at making improvements in social, environmental, and economic aspects. The Group's vision is aligned with the UNSDGs. We strive to play a proactive role in implementing UNSDGs in our business activities. Among 17 sustainable development goals, 7 UNSDGs below are the most relevant to our focus areas on sustainability. In particular, we have also set specific strategies and goals to each sustainability focus area. Details of our contributions to each focus area can be found in relevant chapters of this ESG Report.

Sustainability Focus Areas

Strategy: Commit to practicing responsible operation, leading the way to a healthy and green lifestyle

Goal: Offer healthy and quality products by strictly complying with corporate governance standards and promoting sustainable procurement

Strategy: Implement green operation policy to mitigate climate change

Goal: Reduce environmental footprint, including greenhouse gas emissions and waste, while improving energy and water efficiency

Strategy: Focus on youth development and contribution to society

Goal: Listen to the needs of community to set a scope for community investment and collaborate with charities to provide more community resources and employees engagement events

Strategy: Commit to providing a working environment that promotes fairness and equality

Goal: Identify the best talents, pay attention to employees' wellbeing and help them to build a sense of belonging to the Company

Strategy: Cultivate an innovative team, stimulate creativity and inject more innovative ideas into our business

Goal: Strengthen staff career development training and focus more on research and development to create quality products

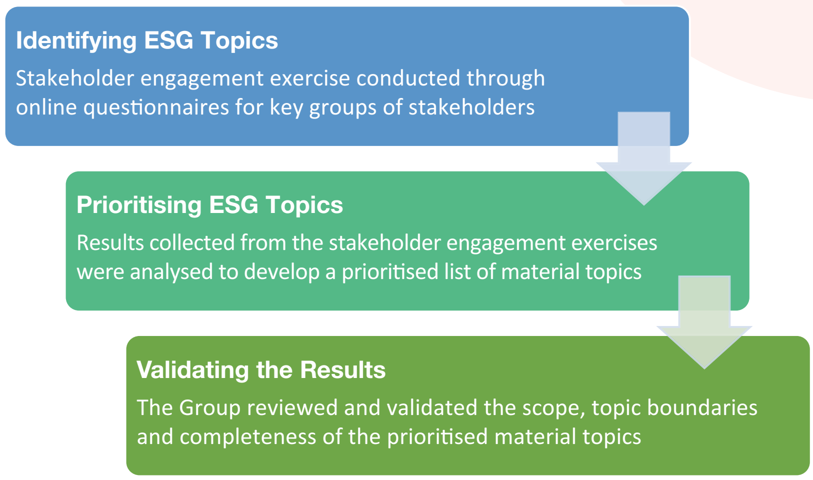
STAKEHOLDER ENGAGEMENT

The Group believes stakeholders have a significant impact on the Group's sustainability development and therefore attaches great importance to stakeholder engagement and communication. We maintain close communication with key stakeholders through various channels and proactively collect their opinions and expectations to assist us in formulating operational and ESG strategies, enhancing the Group's governance capabilities and ESG performance, as well as continuing to create greater value.

Stakeholders	Means of communication	Expectations
Employees	• Performance appraisals • Regular briefing • Training sessions including seminars and workshops • Meeting and discussion on work performance • Online platform	• Safeguard the interests of employees • Concern for employee occupational health • Ensure workplace safety • Career development • Improvement in employee's remuneration and welfare
Players/Customers	• Complaint and feedback channels • WeChat page • QQ surveying system • Weibo social media page	• High quality product and service quality • Meet the diversified customer needs
Suppliers and business partners	• Supplier selection and assessment system • Continuous direct communication	• Open, fair, and equitable procurement • Compliance with contracts to achieve win-win situation with mutual benefits • Stable demand and common development
Shareholders	• Company's website • Annual and interim reports • Regular meetings • Company's announcements • Postal correspondences, emails or telephone communications	• Operating results improvement • Sound corporate governance • Timely and complete information disclosure • Considerable return on investment
Regulatory authorities	• Statutory filings and notification • Ad-hoc enquiries • Seminars • E-mails	• Compliance with laws and regulations and the Listing Rule • Business integrity
Community	• Donations and voluntary activities • Corporate website • WeChat page • Weibo social media page • Mailbox	• Supporting public welfare activities • Improving community environment • Promoting employment

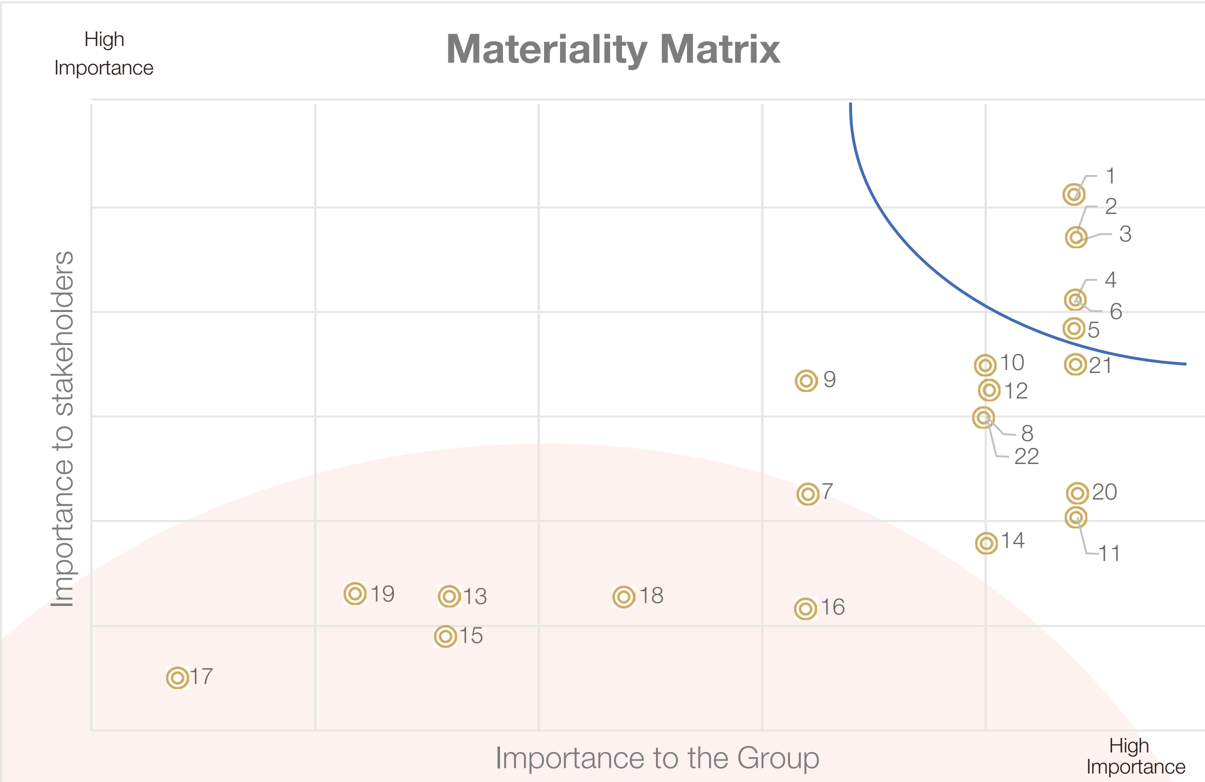
Materiality Assessment

For the development of a clear and effective ESG management approach, the Group has conducted a materiality assessment to identify ESG issues that are material to the Group's business and stakeholders. The materiality assessment was conducted with the following steps:



Taking these steps enhances the understanding of the expectations and concerns of the Group's stakeholders on various ESG issues, which enable the Board to plan the sustainable development direction to address material ESG related issues in the future.

The materiality matrix below shows the result of the Group's materiality assessment process:



ESG issues

1. Game creativity and development ability
2. Quality, health and safety of gaming
3. Protection of player's data
4. Product liability
5. Handling of player's complaint
6. Player's satisfaction level
7. Equality, diversification and anti-discrimination
8. Employment relationship
9. Occupational health and safety
10. Training and development
11. Anti-child and forced labour
12. Employee benefits
13. Emission management
14. Resource management
15. Waste handling
16. Green Procurement
17. Climate change
18. Supplier management of environmental and social risks
19. Supply chain management
20. Anti-corruption
21. Intellectual property
22. Community contributions

As shown on the top-right corner of the materiality matrix, "game creativity and development ability", "quality, health and safety of gaming", "protection of player's data", "product liability", "player's satisfaction level", and "handling of player's complaint" are considered the most important to the stakeholders and the Group. The Group strives to review these issues from time to time to achieve continuous improvement and sustainable business development.

Sustainable FEIYU

Fair Employer, Great Workplace Environment

Environmentally Friendly

Investment in Creativity

Youth Support and Giving Back to our Society

Undertaking Responsibilities

FAIR EMPLOYER, GREAT WORKPLACE ENVIRONMENT

Our employees are our most valuable assets and we prioritise their career development. We are committed to providing equal and transparent employment prospects for all individuals within our organization. We actively seek out individuals who possess a genuine passion for the industry, and hire talented individuals who demonstrate creativity, expertise, and experience.

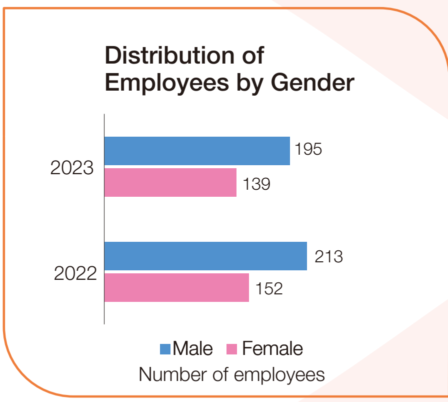
We adhere strictly to local legislation and regulations, which encompass the Labour Law of the PRC (《中華人民共和國勞動法》), the Prohibition of Using Child Labour (《禁止使用童工規定》), the Employment Promotion Law of the PRC《中華人民共和國就業促進法》and the Law on the Prevention and Control of Occupational Diseases of the PRC (《中華人民共和國職業病防治法》). Moreover, we conduct regular assessments to ensure ongoing compliance with relevant laws and regulations.

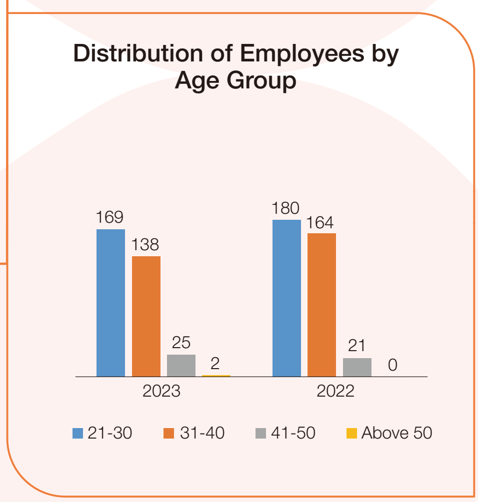
The Group did not identify any instances of significant non-compliance with laws and regulations regarding the Group's employment and labour practices including compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare during the Year.

Our effort on "Fair Employer, Great Workplace Environment" contributes to the following UNSDGs:

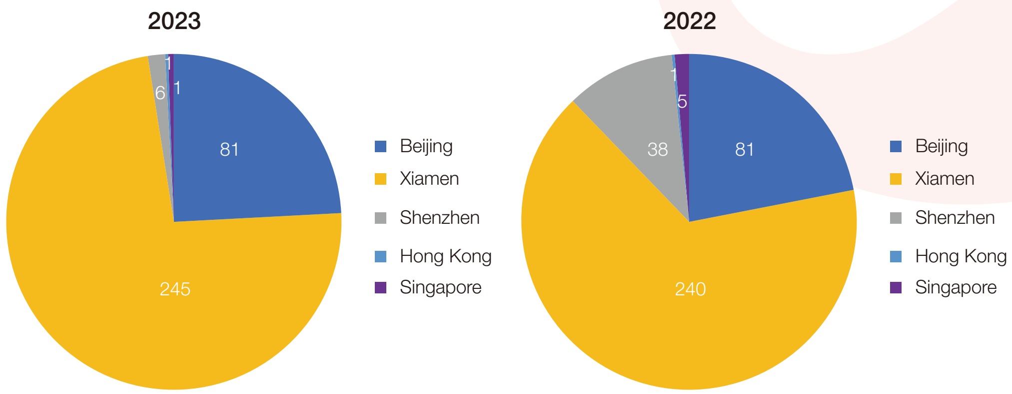
WORKFORCE

The Group had a total of 334 (2022: 365) employees as of 31 December 2023, of whom all (2022: 100%) employees are full time. The table below illustrate the detailed distribution of the workforce.





Distribution of Employees by Geographical Location[1]



	2023	2022
Employee turnover rate[1]		
By gender		
Male	**31%**	66%
Female	**36%**	36%
By geographical region		
Hong Kong	**–**	–
The PRC	**32%**	54%
Singapore	**500%**	–
By age		
21–30	**37%**	72%
31–40	**32%**	35%
41–50	**8%**	33%
Above 50	**100%**	–
Overall turnover rate	**33%**	53%

1 Employee turnover rate was calculated by dividing the number of employees who left in the year by the number of employees as of the end of the year.

Talent Recruitment and Retention

The Group employs a robust, transparent, and equitable recruitment process to effectively address both the current and future requirements of the Group. The Group actively implements strategies to enhance its human resources and consistently develops and enhances its talent recruitment and selection procedures. We utilize various channels, including online recruitment platforms, campus recruitment, job fairs, and collaboration with headhunting agencies, to identify potential candidates. Selection methods such as interviews, written tests, aptitude tests, and scenario assessments are employed to identify the most qualified individuals.

We provide enticing benefits and compensation packages, which encompass a five-day work week, paid annual leave, discretionary bonuses, provident fund, social insurance, transportation allowance, training subsidies, and awards for long-serving employees. Additionally, we have developed a mechanism to offer incentives to employees based on their individual work performance.

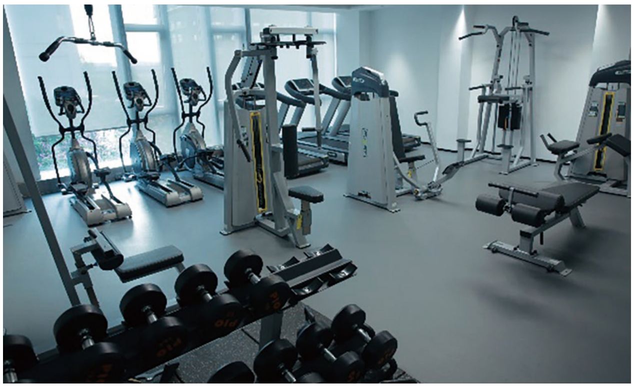
The promotion of employees depends on their performances, working ability, intrinsic potential, and the needs of the company, and can only be carried out with the appropriate approval.

Equal Opportunities, Diversity, and Anti-discrimination

The Group's sustainable growth depends on the diversity of its people. The Group is committed to creating and maintaining an inclusive, collaborative, and cooperative workplace culture in which all can thrive. As an equal opportunity employer, we do not discriminate any personnel based on their gender, age, marital status, ethnicity, or religious belief during our recruiting and employee appraisal processes. During the Year, the Group did not receive any complaints regarding inequality at work.

Safety, Health and Wellbeing

The Group places paramount importance on the health and safety of our employees. We have implemented a range of measures to protect their physical and mental well-being, including conducting annual health check-ups and installing air purifiers in our offices. Below are some examples of the measures we have taken. Furthermore, to foster social inclusivity, we have incorporated user-friendly designs. For example, we have created more accessible lift button designs for wheelchair users in our office buildings.



Fitness Room

Yoga Room

Gaming Room

Snack Station with ice cream and snacks

Employees' Lounge

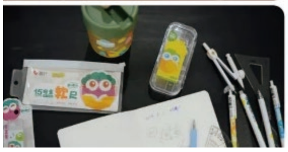
Baby Care Room

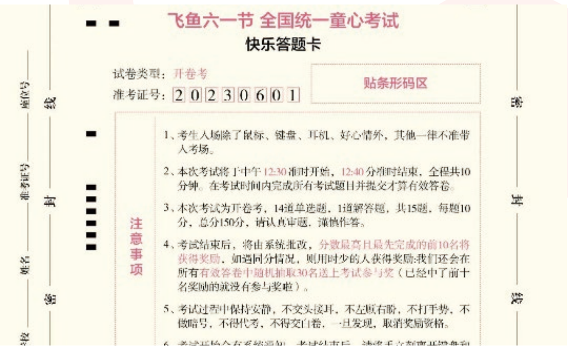
During the Year, the Company organized various activities to promote work-life balance, boost adhesiveness, and sense of belonging. Below are some of the highlights:

Annual Party Livestream

Valentine's Day Celebration

Women's Day Celebration



飞鱼六一节 全国统一童心考试

快乐答题卡

试卷类型：开卷考

准考证号：2 0 2 3 0 6 0 1

贴条形码区

注意事项

1、考生入场除了鼠标、键盘、耳机、好心情外，其他一律不准带入考场。

2、本次考试将于中午 12:30 准时开始，12:40 分准时结束，全程共10分钟。在考试时间内完成所有考试题目并提交才算有效答卷。

3、本次考试为开卷考，14道单选题，1道解答题，共15题，每题10分，总分150分，请认真审题，谨慎作答。

4、考试结束后，将由系统批改，分数最高且最先完成的前10名将获得奖励，如遇同分情况，则用时少的人获得奖励;我们还会在所有有效答卷中随机抽取30名送上考试参与奖（已经中了前十名奖励的就没有参与奖啦）。

5、考试过程中保持安静，不交头接耳，不左顾右盼，不打手势，不做暗号，不得代考，不得交白卷，一旦发现，取消奖励资格。

Children's Day Celebration

Feiyu 15th Anniversary


Mid-Autumn Festival Celebration

Christmas Celebration

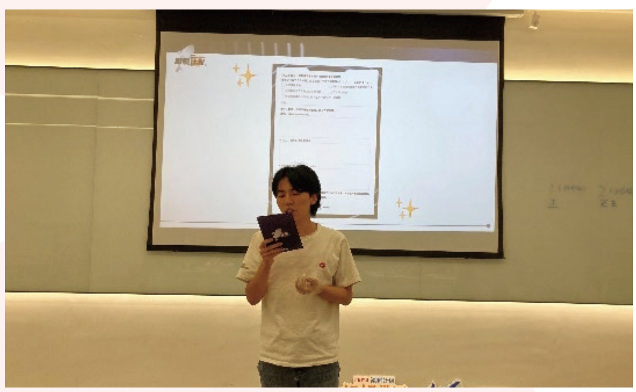
During the past three years including this Year, there were no reported work-related fatalities that occurred. In this Year, there were no lost days due to work injury recorded by the Group. Also, for the Year, to the best of our Board's knowledge, the Group was not aware of any material non-compliance with health and safety-related laws and regulations such as the Law on the Prevention and Control of Occupational Diseases of the PRC (《中華人民共和國職業病防治法》).

Training and Development

Cultivating knowledge, skills, and attitude are integral parts of long-term development and growth of employees. As such, the Group delivers all-rounded training programmes to its employees for the success and long-term growth of employees and the Group itself. We strive to promote an innovative work culture and encourage creativity at work, so that employees can keep learning and unleash their potentials.

We also provide middle management with training opportunities, such as internal sharing sessions to enhance their technical and management skills. To ensure that our employees are equipped with the latest knowledge and skills required to succeed in the dynamic industry, we consistently provide a range of training opportunities that cover essential areas such as creativity, game compliance, and e-sports management.

Fry rearing projects ("魚苗計劃") Training for fresh graduates



Roc Bird Project ("鯤鵬計畫") Leadership training

Throughout the year, we delivered a total of 1,375 (2022: 1,690) training hours to our employees.

Training data by categories[2]	**2023** % of trained employees	**2023** Average training hours	2022 % of trained employees	2022 Average training hours
By gender				
Male	**57.14%**	**2.04**	63.71%	2.85
Female	**42.86%**	**4.52**	36.29%	3.32
By employee category				
Senior management	**16.43%**	**5.06**	6.33%	3.14
Middle management	**17.86%**	**2.29**	12.24%	4.30
General staff	**65.71%**	**3.08**	81.43%	2.84

Labour Standards

The Group ensures that no employee is made to work against his/her will, or work under forced labour, or subject to coercion related to work. There was no incident of child and forced labour in the year.

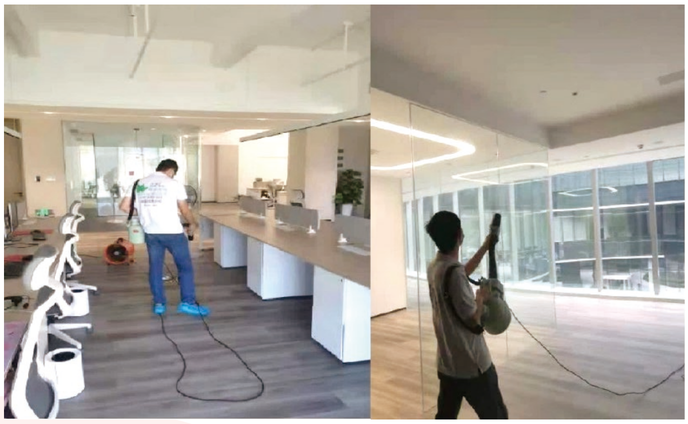
The Group was not aware of any material non-compliance with the Law of the PRC on the Protection of Minors (《中華人民共和國未成年人保護法》) and the Prohibition of Using Child Labour (《禁止使用童工規定》) that would have a significant impact on the Group. We also require our suppliers to comply with relevant national labour policies and legislations. During the recruitment process, candidates are required to present their identification documents for legal working age verification. Information, including working hours, benefits and rights on termination, is clearly stated in the employment contract to prevent forced labour. If any violation against laws and regulations in relation to labour standards is found, we will investigate the incident and review any defects in the human resources system.

[2] The total training hours, training ratio and average training hours completed include the relevant training data on the employees who left employment during the Year, to reflect the actual training resources invested by the Group.

ENVIRONMENTALLY FRIENDLY

The Environment and Natural Resources

In our office spaces, we have integrated several sustainable design elements. These include the utilization of natural lighting to minimize energy usage, the installation of air purification systems to enhance indoor air quality, and the incorporation of interior and exterior greenery designs. Environmental-friendly reminders on energy saving, water saving and waste recycling have been displayed around the office areas to educate our staffs about green habits.



Climate Change

The Group is committed to mitigating the climate change and enhancing its resilience to adapt to the increasing threat of climate-related consequences. The Group pays close attention to the impact of climate change on our business and operations. The Group identified the rising mean temperature and increasing severity and likelihood of extreme weather events such as flooding and super typhoons as major physical risks and change in environmental-related regulations or change in customer preferences as major transition risks impacting our daily operation.

Upon evaluation of the potential physical risk that may cause disruption to our operations and supply network, the Group could adopt remote work arrangements under extreme weather conditions such as black rainstorm warning, flooding and typhoon signal No. 8 and that the Group maintain an appropriate supplier base so we can source from alternative suppliers in the event of our suppliers being affected by extreme weather conditions. In addition, we maintain close collaboration with the property management companies of our office buildings, and place sandbags and emergency supplies to cope with extreme weather situations. Furthermore, we install a building automation management system in our office building to monitor water level and prevent any damage to our facilities, further enhancing Feiyu's operational resilience towards climate change.

While sustained high temperature may result in an elevation of electricity consumption, the Group has adopted energy conservation measures to minimise our carbon emission. As for the potential transition risk, the Group continues to monitor the regulatory environment and the product market to ensure that our products and services meet customers and regulatory demand and expectations. Although the above risks mentioned do not have significant impacts to the Group's operations, the Group continues to monitor and evaluate the climate-related risks and implement relevant measures to minimize the potential physical and transition risks.

In an effort to combat climate change, the Group set a series of environmental targets by incorporating UNSDGs in our sustainability focus areas, as set out below:

Our Environmental Targets

Emissions	To minimize our air emissions and greenhouse gas emissions of our daily operations
Waste	To reduce waste generation and promote "3R" concept of Reduce, Reuse and Recycle
Energy	To improve energy efficiency and reduce unnecessary energy consumption by implementing energy conservation measures
Water	To enhance water efficiency by implementing water conservation measures

Our effort on protecting our environment contributes to the following UNSDG:

13 CLIMATE ACTION

Reducing Emissions

Air and Greenhouse Gas Emissions[3]

As a mobile and web game developer, our indirect greenhouse gas ("GHG") emissions mainly generated by usage of motor vehicles for transportation and indirect emission from electricity consumption. Comparison figures on air and greenhouse gas emissions during the Year are presented below:

	Unit	2023	2022
Air emission			
Nitrogen oxides	kg	**2.3**	2.7
Sulphur oxides	kg	**0.05**	0.04
Particulate matters	kg	**0.17**	0.20
Greenhouse gas (GHG) emission			
Scope 1[4]	tonnes of CO_2e	**8.65**	6.87
Scope 2[5]	tonnes of CO_2e	**508.37**	547.80
Total (Scope 1 and 2)	tonnes of CO_2e	**517.02**	554.67
Intensity of GHG emission (per floor area)	tonnes of CO_2e/m^2	**0.07**	0.06

We strive to reduce our carbon footprint by minimising GHG emissions. To achieve this, Feiyu has carried out the following measures:

1. Educate employees to make use of video and teleconferencing systems to reduce GHG emissions caused by business travels

2. Encourage use of public transport to lower carbon footprint

3 The emission factors used in calculating the environmental key performance indicators ("KPIs") in this ESG Report are based on the "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the HKEx.

4 Scope 1 includes the emissions from the fuel combustion in vehicles.

5 Scope 2 includes the emissions from purchased electricity.

Waste Management

Through our business operations, we generate non-hazardous solid waste, such as general refuse from our office. To alleviate the burden on landfills, we have implemented a responsible waste management policy. This policy encompasses waste reduction at its source, promoting waste avoidance, reusing materials, recycling, and ensuring the responsible disposal of waste. We are responsible for collecting and handling non-hazardous waste such as our office general refuse. Collection points for food waste, recyclables, and other general wastes are placed in our office buildings.

Regarding hazardous waste, such as used batteries, toner cartridges, and ink cartridges, we ensure proper disposal by engaging licensed organizations to collect them after use. In our Xiamen building, we have displayed reminders and guidance on waste sorting and recycling next to the waste collection facilities. This serves to educate our staff about the appropriate recycling practices.

Given the nature of our business, we have not identified any significant generation of hazardous waste. Comparison figures of our waste information is stated below:

	Unit	2023	2022
Total waste produced[6]	tonnes	**535.56**	318.98
Intensity of total waste produced (per floor area)	kg/m^2	**70.19**	34.60
Total waste disposed	tonnes	**292.88**	161.49
Total waste collected for recycling	tonnes	**242.68**	157.49

To effectively reduce waste generation, we have implemented the following measures:

1. Create a paperless office environment through various means, such as promoting use of electronic communication channels, double-sided printing and paper recycling etc.

2. Assign beverage suppliers to collect and recycle used glass bottles

3. Encourage employees to bring their own reusable cutleries

During the Year, the Group was not aware of any non-compliance with any local laws and regulations related to air, greenhouse gas emissions and waste emissions, including the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》).

[6] The increase in total waste produced during the Year is primarily due to improvements in data collection systems for the food waste from Xiamen.

Packaging Materials

Packaging materials are used for game merchandise. The use of packaging materials is summarized as follows:

Type of packaging materials	Unit	2023	2022
Paper	tonnes	**7.63**	6.59
Plastic	tonnes	**4.90**	1.88
Expanded polyethylene foam	tonnes	**0.15**	0.07
Total use of packaging materials	tonnes	**12.68**	8.54
Packaging material used intensity	kg/thousands CNY in game merchandise sales	**4.41**	4.27

Saving Resources

Energy Consumption

The energy consumption within the Group's operations encompasses the use of petrol for vehicles and purchased electricity for office operations. Below are the comparison figures indicating our energy consumption levels:

	Unit	2023	2022
Total energy consumption	MWh	**862.86**	921.42
Intensity of total energy consumption (per floor area)	kWh/m^2	**113.09**	99.93
Purchased electricity[7]	MWh	**833.26**	897.89
Unleaded petrol	MWh	**29.6**	23.53

To improve energy efficiency and minimise energy consumption, the Group adopts the following measures:

1. Preferable to purchase electrical appliances with high-level energy efficient labels to save energy

2. Remind employees of turning off idling lights, air-conditioners and computers to avoid any unnecessary energy consumption

3. Use appliances with timer control or automatic power-off function to save energy

4. Adopt natural ventilation system and LED lighting system to increase energy efficiency

[7] Since the purchased electricity consumption data from certain offices was managed by their management offices, it is not feasible for the Group to include such information for the Year.

Water Consumption

Considering the nature of the Group's business, the wastewater generated by our offices primarily consists of commercial wastewater resulting from cleaning and sanitation activities in office areas and pantries. This wastewater is discharged directly into the urban sewage pipe network. As our water supply is obtained directly from local water supply companies, we did not encounter any water supply issues during the Year. Here are the comparison figures representing our water consumption levels:

	Unit	2023	2022
Total water consumption[8]	m^3	**2,973.00**	2,724.40
Intensity of total water consumption (per floor area)	m^3/m^2	**0.39**	0.30

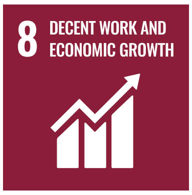
To conserve water, we conduct inspection to prevent water leakage and monitor office water usage on a regular basis. Furthermore, we have installed dual flush systems in washrooms, allowing users to choose a lower water flow option while flushing, thereby reducing water consumption. To promote water-saving practices among our staff, we have displayed reminders next to water taps, providing guidance and raising staff's awareness about the importance of conserving water.

8 Since the water consumption data from some of the offices was managed by their management offices, it is not feasible for the Group to include such information for the Year.

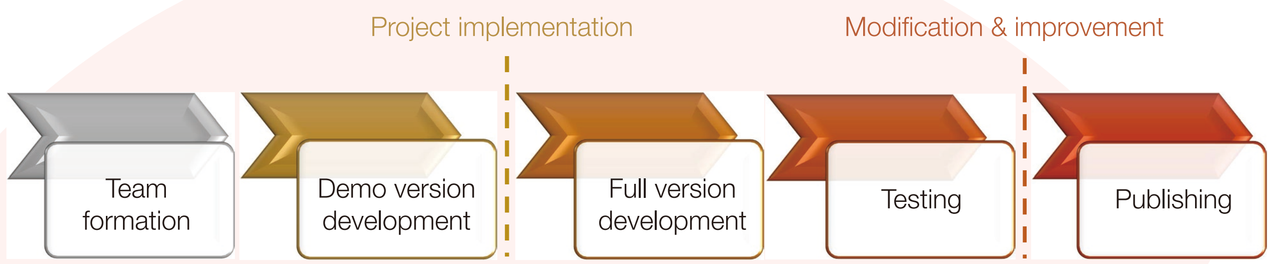
INVESTMENT IN CREATIVITY

The Group attaches great importance to the cultivation of talents, and adheres to our corporate spirit "Marvellously Creative with Simple Way".

Our effort on Investment in Creativity contribute to the following UNSDGs:



In our workplace, we foster a culture of innovation by actively investing in research and development processes. To harness the creative ideas of our employees, we have established a guideline outlining game development procedures. This guideline enables our employees to submit their final products in a consistent and systematic manner. The following are the general procedures for game development:



As of 31 December 2023, Feiyu has obtained over 453 software copyrights, over 36 patents, over 471 music and art copyrights and over 516 trademarks licensing. Moreover, the Group has published over 60 mobile, PC and web games. We will continue to seek for more opportunities to stimulate innovations and produce quality games for our players in future.

Enriching Player Experience

Being a developer of mobile and online games, we place great importance on feedback from our players. To ensure smooth communication between our customers and the company, we have established various channels for receiving complaints and feedback. These channels include WeChat customer service, a customer service hotline, in-game instant chat rooms, as well as official accounts on Weibo and WeChat. These platforms enable us to foster effective communication and engagement with our valued customers.

During the Year, we received 13 (2022: 5) complaints from the players relating to our products and services. The complaints have been handled in a professional and timely manner by our dedicated customer service team.

In addition, we invited our game players to provide feedbacks through regular customer satisfaction survey using an auto-generated surveying system of QQ during the Year, in which the players' satisfaction level can be rated from 1 (very unsatisfied) to 5 (very satisfied). The result of the players' satisfaction is shown as below:

Over 6,903 users rated on their satisfaction level

Approximately 84% of the users rated 4 or above

YOUTH SUPPORT AND GIVING BACK TO OUR SOCIETY

Community investment plays a vital role in the strategic development of our Group. We are dedicated to cultivating long-term relationships with our stakeholders and making a positive impact on society. To achieve this, we consistently organize community and charity activities, with a particular focus on youth development and education, as well as community health and wellness.

Our effort on Youth Support and Giving Back to our Society contributes to the following UNSDGs:

Youth Development and Education

We believe that supporting young people to learn and develop is essential for creating a sustainable community. Our Feiyu Student Sponsorship Scheme has been launched since 2018. It aims to provide financial support to underprivileged teenagers from Yunnan Province to get access to education. In this Year, we have financially sponsored 40 high school students with a total sponsorship of RMB56,000 for the Year. We will continue our efforts in supporting young talents in receiving education and building a better future for them.

Community Contribution

We actively participated in different kinds of charitable activities. During the Year, we have donated 2 computers, 50 sets of stationery, and 1 projector for a charity event named as Gaming for a better life (游益生輝), organised by China Audio-video and Digital Publishing Association. The event aimed to support the youth in developing region.

In June 2023, we initiated the Project Galaxy with Carrot Fantasy, with the objective of providing support to children with autism. As part of this project, we conducted a clay workshop at the Autism Children Rehabilitation Center and organized an online forum to raise awareness, foster care, and garner community support.

Moveover, we have created two videos titled "Civilized tourism, Apo takes the lead (文明旅遊　阿波帶頭)" and "Apo's Science Exploration Journey – Aerospace Exhibition Episode (阿波的科探之旅－航天展篇)" with the aim of promoting Xiamen culture and fostering aerospace education among teenagers.

Gaming for a better life donation
遊益生輝捐贈活動

Project Galaxy with Carrot Fantasy
保衛蘿蔔星海計劃

Civilized tourism, Apo takes the lead
《文明旅遊　阿波帶頭》系列宣傳片

Apo's Science Exploration Journey –
Aerospace Exhibition Episode
《阿波的科探之旅－航天展篇》系列短片

UNDERTAKING RESPONSIBILITIES

Our effort on undertaking responsibility contributes to the following UNSDG:

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Supply Chain Management

The Group recognizes the potential benefits of a sustainable supply chain for all stakeholders. Our commitment lies in fostering enduring connections with our suppliers and actively seeking to establish long-lasting partnerships with them. Key suppliers for the Group encompass payment vendors, cloud service providers, and internet data center providers.

Our procurement practices will adhere to the principles of fairness and transparency. We will engage exclusively with suppliers who demonstrate robust environmental and social responsibility management practices, in alignment with our shared ethical values and standards. Furthermore, we also encourage our suppliers to promote efficient use of resources and environmental protection and fulfil their corporate social responsibilities.

All suppliers are carefully selected based on their price, quality, suitability, experience, environmental and social responsibility managements. We require selected suppliers to sign the Suppliers' Code of Conduct, indicating their willingness to protect human rights and reserve natural resources in their business. Our Suppliers' Code of Conduct covers areas on occupational health and safety, ethical work conditions, environmental protection, anti-corruption and business ethics, product and service quality, etc. We support and encourage our suppliers to consider the usage of accredited environmental preferable products and equipment of all types to further minimize environmental impact.

During the Year, we engaged with 33 (2022: 93) major suppliers, of which all of them are located in the PRC so as to minimise greenhouse gas emissions generated from transportation.

The Group carefully selects its suppliers based on the following procedures:

Procedures	Description
1. **Suppliers' Code of Conduct**	Our suppliers and business partners are encouraged to promote sustainable practices and maintain high standards of ethics as stipulated in our Suppliers' Code of Conducts. ➢ Management structure • Suppliers shall maintain risk management policy and complaint handling mechanism ➢ Occupational health and safety • Suppliers shall provide a working environment that fully complies with local laws and regulations. Employees shall have access to clean drinking water, washrooms and bathroom facilities. • Suppliers shall provide safety training and set up contingency measures to protect employees' health and safety. ➢ Ethical work conditions • Suppliers shall ensure equal opportunities and no discrimination at workplace. Employment procedures, working hours and employee benefits shall align with the local laws and regulations • No forced labour and child labour are allowed • Employees shall have the rights to enjoy freedom of association ➢ Environmental protection • Suppliers shall comply with local environmental laws and regulations • Suppliers shall minimise negative environmental impacts and reduce wastes at their best effort ➢ Anti-corruption and business ethics • Any events of fraud and bribery are strictly prohibited
2. **Supplier Assessment**	We evaluate and select suppliers and business partners based on the following criteria: • Production ability • Quality assurance • Payment requirement • After-sales services • Specialty of products
3. **Site Inspection**	• On-site assessments are carried out to understand suppliers' operational standards
4. **Follow Up**	• We constantly provide feedbacks to our suppliers to further improve their product and service quality • If suppliers fail to develop improvement plans to mitigate the potential risks identified, we will terminate our partnership and seek for new suppliers as soon as possible to avoid any disruptions to our business operation

Health and Safety of Game Players and Game Quality

We prioritize the well-being of players and actively promote healthy game content. In order to protect the physical and mental health of our game players, we have established a game content review team. This team ensures that our game content strictly adheres to applicable laws and regulations, and does not include any inappropriate elements such as violence, gambling, or nudity. In order to enhancing cybersecurity awareness among citizens, our staff has participated in Wuyuan Bay Star Tide Glow Night Run (五緣灣星潮熒光夜跑) for the National Cybersecurity Awareness Campaign (國家網絡安全宣傳周) during the Year.

2023 Wuyuan Bay Star Tide Glow Night Run (五緣灣星潮熒光夜跑)

Besides, vision problems are common complaints of gamers. The most prevalent issue is eye strain, which can lead to headaches and reduced concentration. To prevent game addiction among players, we occasionally send wellness reminders to players, reminding them to take breaks after a certain period of gaming. Additionally, healthy gaming advices are displayed on the main page of all games to help players develop positive gaming habits. Furthermore, we have set up the following measures to ensure full compliance with the Implementation on Preventing Minors Being Addicted to Online Games (《關於防止未成年人沉迷網絡遊戲的通知》), the Cybersecurity Law of the PRC《中華人民共和國網路安全法》and the Advertising Law of the PRC《中華人民共和國廣告法》:

1. All players are required to register with their real identifications to provide the most suitable gaming experience based on their ages and gaming records.

2. The Group has developed its own anti-addiction system, so that our players' gaming time and top-up activities are limited based on their ages to prevent game addiction.

3. Health and safety messages are displayed to protect their wellbeing.

4. Our gaming system ensures that underaged players can gain access to our services within a restricted timeframe on Fridays and in weekends, to combat gaming addiction.

During the Year, we did not receive any cases that violated any laws or regulations in relation to players' health and safety.

On the other hand, we place significant emphasis on the quality of our games. Prior to their release, we conduct a comprehensive series of game testing to guarantee a seamless and enjoyable gaming experience for our players. This meticulous testing process ensures that any potential issues or glitches are identified and resolved, enabling us to deliver high-quality games to our audience. In particular, testing procedures include time domain reflectometry ("TDR") tests, technical docking, basic data tests, product stability tests etc. Players are the most important stakeholders in the games and it is therefore crucial to collect their feedbacks. In order to effectively identify areas of improvement from a player's perspective, we regularly invite players to participate in our new games to collect their feedbacks.

INTELLECTUAL PROPERTY PROTECTION

The Group respects and protects intellectual property. Given that we have developed numerous online games featuring original characters, settings, and audio, we are committed to ensuring that all our products adhere to legal standards and procedures. This dedication ensures that our creations are protected and that we operate in full compliance with intellectual property laws. Prior to developing new designs, in-depth research is carried out by our business development team to prevent infringement of intellectual property rights. The Group has appointed specialised staff to handle matters related to intellectual property rights. In the meantime, dedicated staff will carry out patent application procedures based on our Intellectual Property Rights Guidebook (《知識產權使用規範》).

The Group is committed to upholding strict compliance with the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》). To ensure adherence to relevant laws and regulations, we have implemented comprehensive procedures specifically designed to handle cases related to the infringement of intellectual property rights. These procedures serve as a robust framework for addressing any instances of infringement, thereby safeguarding and enforcing the protection of intellectual property rights in full accordance with the law. In case of any disputes in relation to intellectual property rights, our legal department will immediately follow up and take corrective actions in order to minimise the negative impacts caused.

PRIVACY PROTECTION

We are committed to protecting privacy and confidentiality of the personal data. To strengthen information protection and handle customer's data with care, such as players' account information and payment details, the following measures have been implemented to prevent the threat of cyber-attacks and the risks of the loss and leakage of personal data:

1. Without authorisation, employees are not allowed to view player's information.

2. To ensure players' personal data is kept in strict confidentiality, an intellectual property and privacy protection agreement has to be signed by employees. They have to make a pledge to maintain players' data confidential.

3. Employees can always refer to the guidelines on handling confidential information in our Employees Handbook when they have questions about personal data privacy protection.

4. Server rooms which involve sensitive information can only be accessed by authorised employee through fingerprint identification.

5. The Group has implemented a set of data security and protection measures, including access authorisation, password and sensitive data encryption, so as to prevent any loss and leakage of data due to cyber-attacks. The data will be stored in more than one location on our internal server and further backup is available in our disaster recovery system.

6. A professional 24-hours operational team has been set up to monitor and ensure the servers' stability.

7. The Group has purchased commercial cyber security systems, such as DDoS and WAF, to prevent cyberattacks.

8. Training and drills on protecting cyber security are conducted to ensure that our employees can quickly respond to cyberattacks.

9. The Group has set up an internal group regarding new regulations of risk and compliance measures imposed by the government, ensuring all the employees realize the changes promptly and there is effective communication between employees.

Promoting cyber security awareness

During the Year, the Group was not aware of any complaints related to any breaches of relevant laws in the PRC, for instance, the Decision on Strengthening Network Information Protection (《關於加強網絡信息保護的決定》), the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人資訊保護規定》), the Personal Information Protection Law of the PRC《中華人民共和國個人資訊保護法》, the Data Security Law of the PRC《中華人民共和國資料安全法》, the Cybersecurity Law of the PRC《中華人民共和國網路安全法》, the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law to Trial of Cases of Patent Disputes《最高人民法院關於審理網路消費糾紛案件適用法律若干問題的規定(一)》.

ADVERTISING AND LABELLING

To ensure the published materials (e.g.: press releases, labels, articles, and web contents) is not misleading or deceptive, the Group's legal department is responsible to perform strict review of the material according to the Advertising Law of the PRC (《中華人民共和國廣告法》) before launching. Our legal department has also establish the Standards and Requirements for Performance-based Advertising (《效果營銷部廣告規範》) to avoid any misleading content and breach of the law. During the Year, we were not aware of any material non-compliance for advertising and none of our games were subjected to recall for safety and health reasons.

ANTI-CORRUPTION

The Group regards the importance of honesty, integrity and fair play. It must always be obeyed by all directors and employee of the Group. We strictly comply with the Criminal Law of the PRC (《中華人民共和國刑法》) and the Anti-unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》).

In order to uphold ethical practices in our daily business operations, the Company has implemented an anonymous whistle-blowing system. This system provides a platform for individuals to report any suspected illegal activities or misconduct through various communication channels, including email and other anonymous reporting methods. The purpose of this system is to encourage transparency and accountability, ensuring that any potential wrongdoing is promptly identified and addressed to maintain the Company's commitment to ethical conduct. Upon encounter of any suspicious activities, a throughout investigation process would be conducted. We would ensure all details are kept confidential, and follow-up actions with relevant departments will be made promptly. For more serious cases, termination, appropriate punishment, or legal actions may be undertaken. During the Year, there was no legal case regarding corrupt practices brought against the Group or its employees.

To motive our employee's self-learning and create a learning-oriented corporate culture, the Company organizes the Code of Conduct (廉潔自律公約) and anti-corruption training material and distributes to the employees by uploading in our Feiyu online platform. This minimizes the limitation on training venue and provides a convenient and efficient way of learning to our employee. Our Code of Conduct has clearly stated anti-corruption policies and procedures to prevent incidents of bribery, corruption, or unethical activities. No staff shall accept advantages, gifts, or entertainment from our business partners, including suppliers and contractors. Our legal department has also organised compliance training for our directors and employees to raise their awareness of the risks of corruption from time to time. Our anti-corruption training has covered a variety of topics, including Introduction to the Group's Anti-corruption Policy, the Insider Trading, the Regulations on Prohibiting Infringement of Commercial Secrets, etc.

2023 Compliance Training

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

Subject Areas, Aspects, General Disclosures and KPIs			Section
Aspect A1: Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		Environmentally Friendly
	KPI A1.1	The types of emissions and respective emissions data.	Reducing Emissions
	KPI A1.2	Direct and energy indirect greenhouse gas emissions and intensity.	Reducing Emissions
	KPI A1.3	Total hazardous waste produced and intensity.	The Group does not generate significant amount of hazardous waste.
	KPI A1.4	Total non-hazardous waste produced and intensity.	Waste management
	KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Our Environmental Targets
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Our Environmental Targets

Subject Areas, Aspects, General Disclosures and KPIs			Section
Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.		Saving Resources
	KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Saving Resources
	KPI A2.2	Water consumption in total and intensity.	Water Consumption
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Saving Resources
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water Consumption
	KPI A2.5	Total packaging material used for finished products and with reference to per unit produced.	Packaging Materials
Aspect A3: The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.		The Group does not generate significant impact on the environment and natural resources
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Group does not generate significant impact on the environment and natural resources
Aspect A4: Climate Change	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		Climate Change
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change

Subject Areas, Aspects, General Disclosures and KPIs			Section
Aspect B1: Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		Fair Employer, Great Workplace Environment
	KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Workforce
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Workforce
Aspect B2: Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		Safety, Health and Well-being
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Safety, Health and Well-being
	KPI B2.2	Lost days due to work injury.	Safety, Health and Well-being
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Safety, Health and Well-being

Subject Areas, Aspects, General Disclosures and KPIs			Section
Aspect B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.		Training and Development
	KPI B3.1	The percentage of employees trained by gender and employee category.	Training and Development
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Training and Development
Aspect B4: Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		Labour Standards
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards

Subject Areas, Aspects, General Disclosures and KPIs			Section
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.		Supply Chain Management
	KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

Subject Areas, Aspects, General Disclosures and KPIs			Section
Aspect B6: Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		Undertaking Responsibilities
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Health and Safety of Game Players and Game Quality
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Enriching Player Experience
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Protection of Intellectual Property
	KPI B6.4	Description of quality assurance process and recall procedures.	Health and Safety of Game Players and Game Quality
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Privacy Protection

Subject Areas, Aspects, General Disclosures and KPIs			Section
Aspect B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		Anti-corruption
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
Aspect B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		Youth Support and Giving Back to our Society
	KPI B8.1	Focus areas of contribution.	Youth Support and Giving Back to our Society
	KPI B8.2	Resources contributed to the focus area.	Youth Support and Giving Back to our Society

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Directors during the year ended 31 December 2023 and up to the date of this annual report were:

Executive Directors
Mr. YAO Jianjun *(Chairman and Chief Executive Officer)*
Mr. CHEN Jianyu *(President)*
Mr. BI Lin *(Vice President)*
Mr. LIN Zhibin *(Vice President)*

Independent Non-executive Directors
Ms. LIU Qianli
Mr. LAI Xiaoling
Mr.CAO Xi *(appointed on 17 November 2023)*
Mr. MA Suen Yee Andrew *(resigned on 17 November 2023)*

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors
YAO Jianjun (姚劍軍), aged 42, is a founder of the Group and a Controlling Shareholder. He joined the Group on 12 January 2009 and was appointed as Chairman, Chief Executive Officer and Executive Director on 6 March 2014. He is also the chairman of the Nomination Committee. Mr. Yao is responsible for the overall management and strategic planning and development of the Group. Mr. Yao currently also sits on the boards of various companies within the Group, including acting as the director of Xiamen Feiyu Technology Co., Ltd. (廈門飛魚科技有限公司) (previously named as Xiamen Feiyou Information Technology Co., Ltd. (廈門飛遊信息科技有限公司)) since 24 June 2014, director of Xiamen Yidou Internet Technology Co., Ltd. (廈門翼逗網絡科技有限公司) since 3 September 2014, director of Xiamen Zhangxin Interactive Technology Co., Ltd. (廈門掌心互動科技有限公司) since 27 October 2014, director of Xiamen Xiyu Internet Technology Co., Ltd. (廈門喜魚網絡科技有限公司) since 27 May 2015, director of Milin Feiyu Technology Co., Ltd. (米林飛魚科技有限公司) since 10 July 2015, director of Jiaxi Global Limited (家喜環球有限公司) since 20 August 2015, director of Xiamen Haohaowan Information Technology Co., Ltd. (廈門好好玩信息科技有限公司) since 4 January 2016, director of Shenzhen Feiyu Xingkong Technology Company Ltd. (深圳飛魚星空科技有限公司) since 23 February 2017, director of Shenzhen Feiyu Digital Technology Co., Ltd. (深圳飛魚數字科技有限公司) from 10 July 2017 to 29 June 2023 and director of FEIYU TECHNOLOGY PTE. LTD. since 1 February 2022.

Mr. Yao also acts as director of Xiamen Zhangxin Internet Technology Co., Ltd. (廈門掌信網絡科技有限公司) (a company directly held as to 18.4966%, 30.7177% and 5.7857% equity interests by each of Mr. Yao, Mr. Chen Jianyu and Mr. Bi Lin as at 31 December 2023) since 18 December 2015, director of Xiamen Kangaroo Family Information Technology Company Ltd. (廈門袋鼠家信息科技有限公司) (a company developing parenting education app) since 4 January 2016, and the general partner of Xiamen Xiao Yu Fei Fei Investment Partnership (limited partnership) since 17 October 2016. Mr. Yao is also director of YAO Holdings Limited, a controlling shareholder (as defined in the Listing Rules) of the Company.

Mr. Yao has more than 22 years of experience in the internet industry, including establishing and operating various websites and developing online games. From April 2018 to December 2022, he has been the vice chairman of the Xiamen Animation and Game Industry Association (廈門市動漫遊戲產業協會), an industry association established by Xiamen Software Association (廈門軟件行業協會). He had founded a number of websites, including CNZZ.com (站長統計) (a website providing statistical services for PRC websites; the website subsequently received venture capital investments from IDG and Google and was eventually acquired by Alibaba), Chinaz.com (站長之家) (a website providing various technology and other services to PRC webmasters), Wo Ai Wo Wang (我愛我網), Yongchun Information Harbour (永春信息港) and Changan City Gaming Community (長安城遊戲社區) (a website operating martial arts multiple user domain games). In 2012, Mr. Yao was elected as one of the 30 representative entrepreneurs under age 30 by Forbes China. In 2016, Mr. Yao was granted Hurun Entrepreneurship & Innovation Award by Hurun Report.

Mr. Yao is a founder of Xiamen Guanghuan. Since August 2013, he has also been the executive director of Xiamen Xianglian, an internet technology development and services company listed on National Equities Exchange and Quotations on 11 January 2017 and delisted on 24 October 2018 and served as its chairman from 11 July 2016 to 17 April 2020, and served as its general manager in charge of its website operation and the overall management from July 2005 to August 2013. Prior to that, from March 2002 to July 2005, Mr. Yao devoted himself to the development of Chinaz.com (站長之家).

Mr. Yao graduated from the Financial and Trading School of Wanzhou District of Chongqing City (重慶萬縣財政貿易學校) in July 2000 with a senior high school diploma.

CHEN Jianyu (陳劍瑜), aged 41, joined the Group on 31 December 2013 and was appointed as an Executive Director and President of the Company on 6 March 2014. He is responsible for strategic planning, product research and development, and operations of the Group. Mr. Chen also acts as director of various companies within the Group, including acting as director of Xiamen Kailuo Tianxia Information Technology Co., Ltd. (廈門凱羅天下信息科技有限公司) (previously named as Xiamen Heihuo Internet Technology Co., Ltd. (廈門黑火網絡科技有限公司)) from 10 March 2020 to 10 May 2023, director of Milin Feiyou Technology Co., Ltd. (米林飛遊科技有限公司) since 1 July 2015, director of Beijing Bai Cai Tian Xia Technology Co., Ltd. (北京白菜天下科技有限公司) (previously named as Beijing Feiyu Wuxian Cultural Media Co., Ltd. (北京飛娛無限文化傳媒有限公司)) from 10 June 2015 to 16 January 2023 and director of Beijing Feiyu Xingkong Technology Co., Ltd. (北京飛魚星空科技有限公司) since 24 August 2015. Mr. Chen is director of Fishchen Holdings Limited, a substantial shareholder of the Company for the purpose of the SFO.

Mr. Chen currently also acts as director of Beijing Feiyu Interactive Cultural Media Co., Ltd. (北京飛娛互動文化傳媒有限公司), an indirect subsidiary of Xiamen Zhangxin Internet Technology Co., Ltd. (廈門掌信網絡科技有限公司) (a company directly held as to 18.4966%, 30.7177% and 5.7857% equity interests by each of Mr. Yao, Mr. Chen and Mr. Bi Lin as at 31 December 2023) since 5 April 2016, director of Guangzhou Huazhan Tiancheng Technology Co., Ltd. (廣州華棧天城科技有限公司) (an animation company previously named as Guangzhou Popcorn Animation Technology Co., Ltd. (廣州市爆米花動畫科技有限公司)) since 26 August 2016, and director of Xiamen Plump Fish Cultural Media Co., Ltd. (廈門小魚飛飛文化傳媒有限公司) since 22 March 2021.

Mr. Chen has over 22 years of experience in the internet industry. He has developed and are responsible for developing a number of internet software products, including Shengshengkan Software (省省看公益軟件) (a free power management software for promoting environmental protection concept), IQ Browser (IQ瀏覽器) (an internet browser software) and Meitu Viewer (美圖看看) (an image viewing software).

Mr. Chen is one of the founders of Kailuo Tianxia and has served as its chief executive officer and the head of the research and development department since August 2013, primarily responsible for its product development and overall management. In July 2010, Mr. Chen co-founded Beijing Meitu Creative Advertisement Co., Ltd. (北京美圖創想廣告有限公司), a wholly-owned subsidiary of Meitu Networks (美圖網) and the developer of Meitu Viewer (美圖看看) (an image viewing software), and served as its general manager from its inception to July 2013, during which he was primarily responsible for its overall management. From April 2008 to May 2010, Mr. Chen worked at Kulanuo Information Technology (Beijing) Co., Ltd. (庫拉諾信息技術(北京)有限公司), a social networking website and software product developing company, and served as the general manager of its internet browser project, IQ Browser (IQ瀏覽器). Prior to that, from July 2006 to March 2008, Mr. Chen served as the head of the design department of Trend Media Corporation Limited (網際快車信息技術有限公司), a company developing internet download managing software, including Flashget, a leading internet download managing software, primarily responsible for managing its product design department and user experience department. From May 2005 to June 2006, he was the head of the design department of Beijing Zhitong Wuxian Technology Co., Ltd (北京智通無限科技有限公司), a company developing and operating internet electronic magazine publishing platforms, including ZCOM electronic magazine software, primarily responsible for managing the software's product design department and user experience department.

Mr. Chen graduated from Beijing Institute of Fashion Technology (北京服裝學院) in July 2005 with a bachelor's degree in computer art design.

BI Lin (畢林), aged 42, is a founder of the Group and one of the Controlling Shareholders. He joined the Group on 12 January 2009 and was appointed as an Executive Director and Vice President of the Company on 6 March 2014. He is also a member of the Remuneration Committee. Mr. Bi is in charge of the Group's research and development of games.

Mr. Bi currently also sits on the boards of various companies within the Group, including acting as director of Xiamen Guanghuan since 16 August 2011, director of Feiyu Technology Hong Kong since 25 March 2014, director of Xiamen Feixin since 1 November 2014, director of Xiamen Guangling since 10 November 2014, director of Sea Star Entertainment Co., Limited since 31 December 2018, director of Xiamen 8384 Information Technology Company Limited (廈門八三八四信息科技有限公司) since 22 February 2019, director of Xiamen Feiyu Tianxia Information Technology Co., Ltd. (廈門飛魚天下信息科技有限公司) since 21 July 2021, director of Xiamen Youli and Xiamen Fei Xiang Yue Investment Management Co., Ltd. (廈門飛享悅投資管理有限公司) since 9 September 2022, and director of Hainan Feiyi Internet Technology Company Limited (海南飛翼網絡科技有限公司) since 3 November 2022.

Mr. Bi also acts as director of Xiamen Chenxing Interactive Technology Co., Ltd. (廈門辰星互動信息科技有限公司), an associated company of the Group, since 25 October 2017.

Mr. Bi has over 19 years of experience in the internet industry. He has been the vice chairman of the Xiamen Animation and Game Industry Association (廈門市動漫遊戲產業協會), an industry association established by Xiamen Software Association (廈門軟件行業協會), from March 2014 to March 2018. He is a co-founder of Xiamen Guanghuan and has served as its executive director and general manager since August 2011, primarily responsible for coordinating management discussions and shareholder meetings on business development plans, operating strategies and investment plans. In April 2007, Mr. Bi co-founded Xiamen Creative Times Technology Co., Ltd. (廈門創想時代科技有限公司), an internet technology, electronic commerce, graphic design and exhibition planning services company, with Mr. Lin Jiabin and Mr. Lin Zhibin, and served as its general manager from its inception to December 2008, primarily responsible for its business development. In July 2004, Mr. Bi founded Xiamen Visual Parameters Design Co., Ltd. (廈門視覺參數設計有限公司), a graphics art design company, and served as its general manager from its inception to May 2006, primarily responsible for its business development.

Mr. Bi graduated from Xiamen Yingcai School (廈門英才學校) in July 2000 with a senior high school diploma.

LIN Zhibin (林志斌), aged 42, is a founder of the Group. He joined the Group on 12 January 2009 and was appointed as an Executive Director and Vice President of the Company on 26 August 2014. He is in charge of the Group's product design and management.

Mr. Lin Zhibin has more than 18 years of experience in the internet industry. He is a co-founder of Xiamen Guanghuan and has served as its chief designer since its inception in January 2009. Mr. Lin Zhibin co-founded China Badminton Online (中羽在線網), a badminton internet portal in the PRC with his brother, Mr. Lin Jiabin. In April 2007, Mr. Lin Zhibin also co-founded Xiamen Creative Times Technology Co., Ltd. (廈門創想時代科技有限公司), an internet technology, electronic commerce, graphic design and exhibition planning services company, with Mr. Bi Lin and Mr. Lin Jiabin, and served as its chief designer from its inception to January 2009, primarily responsible for product design, research and development. Prior to that, from July 2005 to December 2006, Mr. Lin Zhibin served as website designer of Xiamen Advantage Interactive Network Technology Company Limited (廈門優勢互動網絡科技有限公司) (formerly known as Xiamen Youwang Technology Company Limited (廈門優網科技有限公司)), a website designing company.

Mr. Lin Zhibin graduated from Xiamen University (廈門大學) in July 2005, majoring in electronic commerce.

Independent Non-executive Directors

LIU Qianli (劉千里), aged 48, was appointed as an Independent Non-executive Director on 17 November 2014. She is the chairwoman of the Audit Committee and the Remuneration Committee, as well as a member of the Nomination Committee.

Ms. Liu has over 20 years of experience in investment banking and corporate finance. She has been an independent non-executive director of Luckin Coffee Inc., a leading coffee provider in China (OTC: LKNCY), since May 2022; an independent non-executive director of XD Inc., a game developer and operator listed on the Main Board of the Stock Exchange (Stock Code: 2400), since December 2020; and an independent non-executive director of BAIOO Family Interactive Limited, a children's web game developer listed on the Main Board of the Stock Exchange (Stock Code: 2100), since March 2014. Since July 2020, she also has been a vice principal of school of Keystone Academy, an outstanding school providing international education from foundation year to grade 12. From December 2010 to July 2013, Ms. Liu served as the chief financial officer of Phoenix New Media Limited, a media company listed on the New York Stock Exchange (Stock Symbol: FENG). Prior to that, she served as the chief financial officer of China EDU Corp. from October 2008 to November 2010. From June 2007 to August 2008, she served as the chief financial officer of Main One Information Technology Company Ltd. (銘萬資訊技術有限公司), an information technology company. Ms. Liu worked as a vice president at Lehman Brothers investment banking in Hong Kong and as an associate at Lehman Brothers investment banking in New York from July 2003 to June 2007.

Ms. Liu received her MBA degree from MIT Sloan School of Management in June 2003 and her bachelor of arts degree from Dartmouth College in June 1997.

LAI Xiaoling (賴曉凌), aged 48, was appointed as an Independent Non-executive Director on 17 November 2014. He is a member of each of the Audit Committee and the Remuneration Committee.

Mr. Lai has over 20 years of experience in investment and business management. He has been an independent non-executive director of Meitu, Inc., which is listed on the Main Board of the Stock Exchange (Stock Code: 1357) since 1 January 2019. From January 2018 to May 2021, he had been a partner of Shunwei Capital (順為資本), a venture capital fund, and was primarily responsible for investment strategy, team formation and management and portfolio management. From June 2013 to December 2017, he was a partner of Innovation Ark (Beijing) Investment Management Consulting Company Limited (創新方舟(北京)投資管理諮詢有限公司), a venture capital fund, primarily responsible for investment strategy, personnel recruitment and training and portfolio management. Between June 2012 and April 2013, he served as a principal for Chengwei Investment Advisory (Shanghai) Co., Ltd. (成為投資諮詢(上海)有限公司), a venture capital fund. From October 2007 to February 2012, he worked as an investment manager and vice president for Morningside TMT (Shanghai) Limited (晨創啟興(上海)投資管理諮詢有限公司), a venture capital fund, primarily responsible for deal sourcing, execution and portfolio management.

Mr. Lai received his MBA degree from Chinese University of Hong Kong in December 2007 and a bachelor of engineering degree in engineering physics from Tsinghua University (清華大學) in July 1999.

MA Suen Yee Andrew (馬宣義), aged 51, was appointed as an Independent Non-Executive Director on 17 November 2014. He was a member of each of the Audit Committee and the Nomination Committee. He resigned as an Independent Non-Executive Director, a member of the Audit Committee and a member of the Nomination Committee on 17 November 2023.

CAO Xi (曹曦), aged 39, was appointed as an Independent Non-Executive Director on 17 November 2023. He is a member of each of the Audit Committee and the Nomination Committee.

Mr. Cao has over 16 years of experience in investment and management. He has been an independent director of DouYu International Holdings Limited, a game-centric live streaming platform in China, listed on the National Association of Securities Dealers Automated Quotations (NASDAQ: DOYU) since November 2014. Since January 2020, he has been a director of Hero Entertainment Co., Ltd, a game developer and publisher, which was previously listed on the National Equities Exchange and Quotations (original Stock Code: 430127) and was delisted on 1 June 2022. Mr.Cao has been the founding partner of Hainan Monolith Private Fund Management Limited Company* (海南礪思私募基金管理有限公司) since May 2021, where he has been mainly responsible for investment projects and their management. From August 2013 to May 2021, he served as the partner of Beijing Sequoia Kun Tak Investment Management Center (Limited Partnership), where he was mainly responsible for investment projects related to technology, media and telecommunications. Between August 2011 and August 2013, he was the investment director of Shenzhen Cowin Asset Management Co., Ltd., where he led multiple internet-related investment projects and their management. From March 2010 to August 2011, he served as the operating director in charge of the operations of internet products of Beijing Kingsoft Office Software, Inc., a software company listed on The Science and Technology Innovation Board of the Shanghai Stock Exchange (Stock Code: 688111). Between July 2008 and March 2010, he served as the product manager, responsible for commercialization of internet products and data analysis, at Shenzhen Tencent Computer Systems Company Limited, a subsidiary of Tencent Holdings Limited listed on the Main Board of the Stock Exchange (Stock Code: 700).

Mr. Cao obtained Dual Bachelors of Fundamental Medicine and Economic from Peking University in July 2008.

Biographical Details of the Senior Management

The senior management is responsible for the day-to-day management of the Group's business.

XU Yiqing (許藝清), aged 46, joined the Group on 10 December 2014, and was appointed as one of our vice presidents on the same day. She is responsible for human resources development and administrative and organisational management.

Ms. Xu has over 26 years of corporate management experience in the internet industry and information technology industry. From January 2011 to December 2014, Ms. Xu worked at Xiamen Jizhi Hudong Online Technology Company Limited (廈門極致互動網絡技術有限公司), a company which develops and operates online games. She served as the vice general manager and was responsible for human resources, administrative management and strategic planning. From March 2007 to December 2010, Ms. Xu worked at Gillion New Software Co., Ltd. (吉聯新軟件股份有限公司), an information technology and logistics information technology services company, and served as the general manager of its integrated management department. She was responsible for the company's human resources, administrative management and strategic planning. From December 2005 to March 2007, Ms. Xu worked at Xiamen Longtop System Co., Ltd. (廈門東南融通系統有限公司), a company specialising in providing software support and services to financial institutions. She served as the supervisor of the human resources department and was responsible for recruitment and training. From August 1997 to December 2005, Ms. Xu worked at Top (Xiamen) Computer System Co., Ltd. (鼎盛(廈門)電腦系統有限公司), a company specialising in providing software support and services to financial institutions. She was the manager of its human resources and administration department and was responsible for personnel and administrative management.

Ms. Xu graduated from the Faculty of Computer Science of Xiamen Zhongxin International Computer Institute (廈門中新國際電腦學院) in July 1996.

LUI Mei Ka (雷美嘉), aged 39, was appointed as Chief Financial Officer, joint company secretary and authorized representative of the Group on 27 September 2018, and is responsible for the Group's overall financial reporting and management.

Ms. Lui has over 17 years of experience in financial management and corporate finance. She acted as the company secretary and financial controller of LT Commercial Real Estate Limited (Stock code: 112), a company engaged in property development and investment and listed on the Main Board of the Stock Exchange, from 2013 to 2016 and acted as the company secretary and chief financial officer of GR Properties Limited (Stock code: 108), a company engaged in property development and investment and listed on the Main Board of the Stock Exchange, from 2016 to 2018. Prior to that, Ms. Lui also had about seven years of experience in auditing and accounting at Deloitte Touche Tohmatsu from 2006 to 2013.

Ms. Lui holds a bachelor's degree in business administration from The Chinese University of Hong Kong and is a member of Hong Kong Institute of Certified Public Accountants.

WEI Yulan (魏郁嵐), aged 38, joined the Group in July 2014, and was appointed as a joint company secretary of the Company on 27 September 2018. She is currently the financial controller of the Group.

Ms. Wei also acts as director of Feiyu Asset Management (Dongyang) Company Limited (飛魚資產管理(東陽)有限公司) which is a subsidiary of the Company from 28 March 2018 to 4 April 2023.

Ms. Wei has over 15 years of experience in financial and accounting. She had one-year experience in risk assessment at Xiamen International Bank from 2013 to 2014. She also had about five years of experience in auditing and accounting at KPMG from 2008 to 2013.

Ms. Wei holds a bachelor's degree in Accounting from Xiamen University and is a member of the Association of Chartered Certified Accountants.

REPORT OF DIRECTORS

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The principal activity of the Group is the development and operation of mobile games, web games, PC games, console games and HTML 5 games, with a strategic focus on mobile games. The activities of its principal subsidiaries are set out in Note 1 to the financial statements.

Details of the activities during the year ended 31 December 2023 as required by Schedule 5 of the Companies Ordinance, including a description of the principal risks and uncertainties facing the Group, an indication of likely future development in the Group's business, and the Group's environmental policies and performance, as well as compliance with relevant laws and regulations which have a significant impact on the Company, are set out under the section headed "Management Discussion and Analysis" and "Environmental, Social and Governance Report" of this annual report.

Particulars of important events affecting the Company that have occurred since the end of the financial year 2023 if any, can also be found in the section headed "Management Discussion and Analysis" of this annual report. The outlook of the Company's business is also discussed throughout this annual report including in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. An account of the Company's relationships with its key stakeholders is included in the "Report of Directors" and "Environmental, Social and Governance Report" of this annual report.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2023, and the state of the Company's and the Group's financial affairs as at that date are set out on pages 135 to 215 of this annual report.

FINANCIAL SUMMARY

A summary of the results, and assets and liabilities of the Group for the last five financial years is set out on page 4 of this annual report.

USE OF NET PROCEEDS FROM SUBSCRIPTION OF NEW SHARES BY THL H LIMITED

Net proceeds of the Subscription by Tencent (through its wholly-owned subsidiary named THL H Limited) in 2021 were approximately HK$119.1 million after deducting the relevant expenses of the Subscription.

As at 31 December 2023, the utilisation of and expected timeline for the intended use of the net proceeds from the Subscription are as follows:

	Intended use of net proceeds (HKD million)	Actual use of net proceeds up to 31 December 2023 (HKD million)	Unutilised net proceeds up to 31 December 2023 (HKD million)
Supporting new product development	**119.1**	43.1	–
Attracting suitable personnel		45.4	
Increase the publishing and marketing budget		30.6	
Total	**119.1**	119.1	–

During the year ended 31 December 2023, the net proceeds from the Subscription were utilised according to the intentions previously disclosed by the Company. As at 31 December 2023, the Company had utilised all of the net proceeds of the Subscription.

RESERVES

Changes to the reserves of the Group during the year ended 31 December 2023 are set out in the Consolidated Statements of Changes in Equity on page 139 of this annual report. Changes to the reserves of the Company during the year ended 31 December 2023 are set out in Note 37 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's reserves, including the share premium account, available for distribution and calculated in accordance with the Companies Act, amounted to approximately RMB259,386,000 (as at 31 December 2022: RMB253,053,000). Under the Companies Act, a company may make distribution to its shareholders out of the share premium account under certain circumstances.

PROPERTY, PLANT AND EQUIPMENT

Changes to the property, plant and equipment of the Group and the Company during the year ended 31 December 2023 are set out in Note 13 to the financial statements.

SHARE CAPITAL AND SHARE INCENTIVE SCHEMES

Details of the Company's share capital and share incentive schemes are respectively set out in Note 28 and Note 29 to the financial statements and the sections headed "Share Option Schemes" and "Restricted Share Unit Plans" below.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2023 are set out in Note 1 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The customers of the Group consist of individual game players and licensees of games of the Group and the percentage of the aggregate revenue attributable to the Group's five largest customers accounted for approximately 27.6% of the Group's total revenue for the year ended 31 December 2023 and of which, sales from the largest customer accounted for approximately 19.6% of the Group's total sales.

During the year ended 31 December 2023, the percentage of the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 18.7% of the Group's cost of sales, among which the largest supplier accounted for approximately 8.2% of the Group's cost of sales.

None of the Directors or any of their close associates or any Shareholders (which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital) had a material interest in the Group's five largest suppliers.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2023 are set out in Note 26 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the financial year are set out in Note 28 to the financial statements.

CHARITABLE DONATIONS

During the year, the Company made charitable contributions approximately HK$5,000 (2022: HK$8,000) to not-for-profit organisations.

PERMITTED INDEMNITY PROVISION

Under the Articles, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses for acts done, concurred in or omitted in when discharging their duties in the affairs of the Company, other than any matter in respect of any fraud or dishonesty.

In addition, the Company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for legal actions brought against the Directors. The level of the coverage is reviewed annually.

DIRECTORS

The Directors during the year and up to the date of this annual report are:

Executive Directors
Mr. YAO Jianjun *(Chairman and Chief Executive Officer)*
Mr. CHEN Jianyu *(President)*
Mr. BI Lin *(Vice President)*
Mr. LIN Zhibin *(Vice President)*

Independent Non-executive Directors
Ms. LIU Qianli
Mr. LAI Xiaoling
Mr. CAO Xi *(appointed on 17 November 2023)*
Mr. MA Suen Yee Andrew *(resigned on 17 November 2023)*

In accordance with article 83(3) of the Articles, Mr. CAO Xi who was appointed as an independent non-executive Director on 17 November 2023, shall hold office until the date of the forthcoming AGM. He will retire and, being eligible, will offer himself for re-election at the forthcoming AGM.

In accordance with article 84(1) of the Articles, at every annual general meeting of the Company, one third of the Directors for the time being or, if their number is not three or a multiple of three (3), then the number nearest to but not less than one-third shall retire from office by rotation. Accordingly, Mr. YAO Jianjun, Ms. LIU Qianli and Mr. LAI Xiaoling will retire by rotation at the forthcoming AGM, and being eligible, offer themselves for re-election thereat.

Pursuant to code provision B.2.3 of the CG Code, if an Independent Non-executive Director has served an issuer more than nine years, any further appointment of such an Independent Non-executive Director should be subject to a separate resolution to be approved by the Shareholders. As each of Ms. LIU Qianli and Mr. LAI Xiaoling has served as an Independent Non-executive Director for more than nine years, a separate resolution will be proposed at the forthcoming AGM to re-elect each of Ms. LIU Qianli and Mr. LAI Xiaoling as an Independent Non-executive Director.

BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 69 to 76 of this annual report.

DISCLOSURE OF INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

The changes in Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

- Mr. MA Suen Yee Andrew resigned as an Independent Non-executive Director, a member of the Audit Committee and a member of the Nomination Committee from 17 November 2023. For details, please refer to the announcement dated November 17, 2023 published by the Company on the websites of the Hong Kong Stock Exchange and the Company;

- Mr. CAO Xi was appointed as an Independent Non-executive Director, a member of the Audit Committee and a member of the Nomination Committee from 17 November 2023. For details, please refer to the announcement dated November 17, 2023 published by the Company on the websites of the Hong Kong Stock Exchange and the Company.

Save as disclosed in this annual report, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

Each of the Executive Directors has entered into a service agreement with the Company to renew the Director's appointment for a term of three years commencing from 17 November 2023 unless terminated by either party giving not less than three months' notice in writing to the other.

Each of the Independent Non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from 17 November 2023 unless terminated by either party giving not less than three months' notice in writing to the other.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming AGM has or is proposed to have a service agreement or a letter of appointment with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration of the Directors and senior management are set out in Note 8 and Note 33 to the financial statements in this annual report. The annual remuneration of the Directors and senior management fell within the following bands:

Remuneration band (RMB)	**Number of individuals in year 2023**
Below 1,000,000	10
1,000,000–2,000,000	3
2,000,001–3,000,000	–
3,000,001–4,000,000	–
4,000,001–5,000,000	–
Over 5,000,000	–

REMUNERATION POLICY

The remuneration of the Group's employees is determined based on their performance, experience, competence and market comparables. Their remuneration package includes salaries, bonus related to the Group's performance, allowances, equity – settled share-based payment and state-managed retirement benefit schemes for employees in the PRC. The Company also provides customised training to its staff to enhance their technical and product knowledge.

The remuneration package of the Directors and the senior management is determined on the basis of each individual's responsibilities, qualification, position, experience, performance, seniority and time devoted to the Group's business. They receive compensation in the form of salaries, bonuses, share options, RSUs, and other allowances and benefits-in-kind, including the Company's contribution to their pension scheme on their behalf. The remuneration policy of the Directors and the senior management is reviewed by the Remuneration Committee and approved by the Board.

In addition, the Group has currently adopted the Post-IPO Share Option Scheme and the RSU Plan II as its long-term incentive schemes. Details of the incentive schemes are set out under the sections headed "Share Option Scheme" and "Restricted Share Unit Plan" below and Note 29 to the financial statements.

During the year ended 31 December 2023, the Company considered the relationship with employees was well and the turnover rate is acceptable.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. LIU Qianli and Mr. LAI Xiaoling have served as independent non-executive Directors for more than nine years and the Nomination Committee and the Board have reviewed and assessed their independence pursuant to code provision B.2.3 of the CG Code. Given that (a) Ms. LIU Qianli and Mr. LAI Xiaoling meet the independence factors set out in Rule 3.13 of the Listing Rules and have provided written confirmation of independence to the Company; (b) they do not have any interest in the business activities of the Group, and are not involved in any relationships or circumstances which would interfere with the exercise of their independent judgment; and (c) they continue to demonstrate the attributes of independent non-executive director to be able to exercise their independent professional judgment and draw upon their extensive knowledge, expertise and experience and there is no evidence that their tenure has had any impact on their independence, the Board is of the opinion that Ms. LIU Qianli and Mr. LAI Xiaoling remain independent notwithstanding the length of their service. In addition, taking into account their in-depth knowledge in the Group's business together with their integrity, character, professional knowledge, expertise and general business acumen, the Board considers that Ms. LIU Qianli and Mr. LAI Xiaoling should be re-elected as the Company's independent non-executive Directors to continue making contributions to the Company.

Each of the Independent Non-executive Directors, namely, Ms. LIU Qianli, Mr. LAI Xiaoling and Mr.CAO Xi, has confirmed to the Company their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has reviewed the independence of each of the Independent Non-executive Directors and considers that the Independent Non-executive Directors have been independent from the date of their appointment to 31 December 2023.

MODEL CODE FOR SECURITIES TRANSACTION

The Company has adopted the Model Code for securities transactions by the Directors. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the year ended 31 December 2023.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the year ended 31 December 2023.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2023, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

Long positions in Shares

Name of Director/ chief executive	Capacity	Number of ordinary shares held (long position)	Approximate percentage of shareholding[6] %
YAO Jianjun	Founder of a Discretionary Trust Interest of Controlled Corporation and Beneficial owner[1 and 2]	489,884,500	28.01
CHEN Jianyu	Founder of a Discretionary Trust Interest of Controlled Corporation[1 and 3]	161,538,000	9.24
BI Lin	Founder of a Discretionary Trust Interest of Controlled Corporation[1 and 4]	77,470,000	4.43
LIN Zhibin	Founder of a Discretionary Trust Interest of Controlled Corporation[1 and 5]	37,390,500	2.14

1 TMF (Cayman) Ltd. is the trustee of The Yao Family Trust, The Bi Family Trust, The Chen Family Trust, The Lin Family Trust and The Zhi Family Trust.

2 These interests represented:

(a) 8,485,500 Shares held directly by Mr. Yao; and

(b) 481,399,000 Shares held by YAO Holdings Limited. The entire share capital of YAO Holdings Limited is wholly owned by Jolly Spring International Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Mr. YAO Jianjun (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. YAO and his family members. Mr. YAO (as founder of The Yao Family Trust) and Jolly Spring International Limited are taken to be interested in 481,399,000 Shares held by YAO Holdings Limited pursuant to Part XV of the SFO.

3 The entire share capital of Fishchen Holdings Limited is wholly owned by Honour Gate Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Chen Family Trust, which was established by Mr. CHEN (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. CHEN and his family members. Mr. CHEN Jianyu (as founder of The Chen Family Trust) and Honour Gate Limited are taken to be interested in 161,538,000 Shares held by Fishchen Holdings Limited pursuant to Part XV of the SFO.

4 The entire share capital of BILIN Holdings Limited is wholly owned by Rayoon Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Bi Family Trust, which was established by Mr. BI (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. BI and his family members. Mr. BI Lin (as founder of The Bi Family Trust) and Rayoon Limited are taken to be interested in 77,470,000 Shares held by BILIN Holdings Limited pursuant to Part XV of the SFO.

5 The entire share capital of LINCHEN Holdings Limited is wholly owned by Sheen Field Limited, as the nominee of TMF (Cayman) Ltd., the trustee of The Zhi Family Trust, which was established by Mr. LIN Zhibin on 13 August 2014 as a discretionary trust for the benefit of Mr. LIN and his family members. Mr. LIN (as founder of The Zhi Family Trust) and Sheen Field Limited are taken to be interested in 37,390,500 Shares held by LINCHEN Holdings Limited pursuant to Part XV of the SFO.

6 The percentage is calculated on the basis of 1,749,166,062 Shares in issue as at 31 December 2023.

Save as disclosed above, as at 31 December 2023, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, the following persons (other than the Directors and chief executives of the Company) had or were deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company.

Long position in Shares

Name of Shareholder	Capacity	Number of Ordinary Shares held (long position)	Approximate percentage of shareholding[6] %
TMF (Cayman) Ltd.[1]	Trustee of the family trusts	817,627,500	46.74
YAO Holdings Limited[2]	Beneficial owner	481,399,000	27.52
Jolly Spring International Limited[2]	Interest in a controlled corporation	481,399,000	27.52
Mr. YAO Jianjun[3]	Founder of a discretionary trust Interest in a controlled corporation and Beneficial owner	489,884,500	28.01
Fishchen Holdings Limited[4]	Beneficial owner	161,538,000	9.24
Honour Gate Limited[4]	Interest in a controlled corporation	161,538,000	9.24
Mr. CHEN Jianyu[4]	Founder of a discretionary trust Interest in a controlled corporation	161,538,000	9.24
Tencent Holdings Limited[5]	Interest in a controlled corporation	261,882,607	14.97

Notes:

1 As at 31 December 2023, TMF (Cayman) Ltd. is the trustee of The Yao Family Trust, The Bi Family Trust, The Chen Family Trust and The Zhi Family Trust.

2 The entire share capital of YAO Holdings Limited is wholly owned by Jolly Spring International Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Mr. YAO Jianjun (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. YAO and his family members. Mr. YAO (as founder of The Yao Family Trust) and Jolly Spring International Limited are taken to be interested in 481,399,000 shares held by YAO Holdings Limited pursuant to Part XV of the SFO.

3 These interests represented:

(a) 8,485,500 Shares held directly by Mr. YAO Jianjun; and

(b) 481,399,000 Shares held by YAO Holdings Limited. The entire share capital of YAO Holdings Limited is wholly owned by Jolly Spring International Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Yao Family Trust, which was established by Mr. YAO Jianjun (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. YAO and his family members. Mr. YAO (as founder of The Yao Family Trust) and Jolly Spring International Limited are taken to be interested in 481,399,000 shares held by YAO Holdings Limited pursuant to Part XV of the SFO.

4 The entire share capital of Fishchen Holdings Limited is wholly owned by Honour Gate Limited, as nominee of TMF (Cayman) Ltd., the trustee of The Chen Family Trust, which was established by Mr. CHEN Jianyu (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. CHEN and his family members. Mr. CHEN (as founder of The Chen Family Trust) and Honour Gate Limited are taken to be interested in 161,538,000 Shares held by Fishchen Holdings Limited pursuant to Part XV of the SFO.

5 Tencent holds 261,882,607 Shares indirectly through its wholly-owned subsidiary, THL H Limited, a company incorporated under the laws of British Virgin Island.

6 The percentage is calculated on the basis of 1,749,166,062 Shares in issue as at 31 December 2023.

Other than as disclosed above, as at 31 December 2023, the Directors have not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Directors' and chief executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or its Associated Corporations" above, at no time during the year ended 31 December 2023 and up to the date of this annual report was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or anybody corporate, and none of the Directors or any of their spouses or children under the age of 18 was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised such right.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Save for their respective interests in the Group, none of the Directors was interested in any business which competes or is likely to compete with the businesses of the Group at any time during the year ended 31 December 2023 and up to the date of this annual report.

IMPLEMENTATION OF THE DEED OF NON-COMPETITION

Each of the Controlling Shareholders (together with Mr. CHEN Jianyu, Fishchen Holdings Limited and Honour Gate Limited) undertook to the Company in the deed of non-competition dated 17 November 2014 that each of them will not and will procure his/its respective close associates and/or controlled persons and/or controlled companies not to be interested or engage in business which competes with or is similar to the Group's business and to refer any potential business opportunity to the Company for consideration before engaging in or becoming interested in a restricted business. Please refer to the section headed "Relationship with Controlling Shareholders" in the Prospectus for further details of the deed of non-competition.

The Independent Non-executive Directors have conducted an annual review of the implementation of the deed of non-competition and any decision in relation to new business opportunities referred to the Company during the year ended 31 December 2023. There was no particular situation rendering compliance with and implementation of the deed of non-competition questionable.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor any connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which a Controlling Shareholder of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2023 and up to the date of this annual report.

SHARE OPTION SCHEME

Post-IPO Share Option Scheme

The Company has currently adopted a share option scheme, namely the Post-IPO Share Option Scheme.

Proposal to terminate the Post-IPO Share Option Scheme and adopt a new share option scheme will be put forward to the Shareholders for approval at the forthcoming EGM.

No options were granted under the Post-IPO Share Option Scheme during the year ended 31 December 2023. As at 31 December 2023, out of the 146,160,000 options granted under the Post-IPO Share Option Scheme; (i) 30,340,000 options had been exercised; (ii) 107,520,000 options had lapsed or cancelled; and (iii) the total number of Shares in respect of which options were granted and remained outstanding was 8,300,000 Shares, all of which had been vested to the named grantees. The number of options available for grant under the existing scheme mandate of the Post-IPO Share Option Scheme as at 31 December 2023 was 111,360,000 Shares (as at 1 January 2023: 41,700,000 Shares).

The table below sets out details of the outstanding options granted to the grantees under the Post-IPO Share Option Scheme and movements during the year ended 31 December 2023:

						Number of Shares					
Name	Date of Grant	Vesting schedule	Option period	Exercise price	Closing price immediately before the date on which the options were granted	Granted on the date of grant	Outstanding as at 1/1/2023	Granted during the year ended 31/12/2023	Exercised during the year ended 31/12/2023	Cancelled/ Lapsed during the year ended 31/12/2023	Outstanding as at 31/12/2023
Senior management											
XU Yiqing ("Ms. Xu")	27/3/2017	25% of options on 31 December 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK$1.256	HK$1.24	3,000,000[3]	3,000,000	3,000,000	–	–	3,000,000
Ms. Xu	21/1/2020	7,000,000 options (5,250,000 of which are subject to performance targets) on 31 December 2020, and 31 December 2021 respectively and 8,000,000 options (6,000,000 of which are subject to performance targets) on 31 December 2022	8 May 2020 to 21 January 2024	HK$0.1804	HK$0.154	22,000,000[6]	22,000,000	–	(19,500,000)	–	2,500,000
Ms. WEI Yulan	27/3/2017	25% of options on 31 December 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK$1.256	HK$1.24	600,000[3]	600,000	–	–	–	600,000

						Number of Shares					
Name	Date of Grant	Vesting schedule	Option period	Exercise price	Closing price immediately before the date on which the options were granted	Granted on the date of grant	Outstanding as at 1/1/2023	Granted during the year ended 31/12/2023	Exercised during the year ended 31/12/2023	Cancelled/ Lapsed during the year ended 31/12/2023	Outstanding as at 31/12/2023
Ms. LUI Mei Ka	21/1/2020	10% of options on 31 December 2020, 40% of options on 31 December 2021 and 50% of options on 31 December 2022, subject to performance targets	4 years from the date of grant	HK$0.1804	HK$0.164	10,000,000[6]	5,000,000	–	–	(5,000,000)	–
Mr. SHENG Xiang[9]	21/1/2020	1/3 of options (i.e. 4,000,000, among which 3,000,000 are subject to performance targets) on 31 December 2020, 2021, 2022 respectively	4 years from the date of grant	HK$0.1804	HK$0.164	12,000,000[6]	10,500,000	–	(10,500,000)	–	–
Other Grantees											
1 other grantee	10/6/2015	25% of options on 10 June 2016, 2017, 2018 and 2019 respectively	10 years from the date of grant	HK$3.934	HK$3.62	3,000,000[1]	–	–	–	–	–
1 other grantee	5/7/2016	25% of options on 31 December 2016, 2017, 2018 and 2019 respectively	10 years from the date of grant	HK$1.634	HK1.57	1,000,000[2]	–	–	–	–	–
1 other grantee	27/3/2017	50% of options on 30 June 2017 and 25% of options on 30 June 2018 and 2019 respectively	10 years from the date of grant	HK$1.256	HK$1.24	3,000,000[3]	–	–	–	–	–
9 other grantee	27/3/2017	25% of options on 31 December 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK$1.256	HK$1.24	3,560,000[3]	2,200,000	–	–	–	2,200,000
2 other grantees	15/5/2017	25% of options on 15 May 2018, 2019, 2020 and 2021 respectively	10 years from the date of grant	HK$1.10	HK$1.11	5,000,000[4]	–	–	–	–	–

Name	Date of Grant	Vesting schedule	Option period	Exercise price	Closing price immediately before the date on which the options were granted	Number of Shares: Granted on the date of grant	Outstanding as at 1/1/2023	Granted during the year ended 31/12/2023	Exercised during the year ended 31/12/2023	Cancelled/ Lapsed during the year ended 31/12/2023	Outstanding as at 31/12/2023
1 other grantee	13/11/2017	1/3 of options on 13 November 2018, 2019 and 2020 respectively	10 years from the date of grant	HK$1.026	HK$1.00	15,000,000[5]	15,000,000	–	–	(15,000,000)[8]	–
1 other grantee	21/1/2020	8,000,000 options on 31 December 2021 and 10,000,000 options on 31 December 2022, subject to performance targets	8 May 2020 to 21 January 2024	HK$0.1804	HK$0.154	18,000,000[6]	–	–	–	–	–
1 other grantee	21/1/2020	10,000,000 options on 31 December 2020, 15,000,000 options on 31 December 2021 and 25,000,000 options on 31 December 2022, subject to performance targets	8 May 2020 to 21 January 2024	HK$0.1804	HK$0.154	50,000,000[6]	50,000,000	–	(340,000)	(49,660,000)[7]	–
Total						**146,160,000**					**8,300,000**

Notes:

1) On 10 June 2015, 3,000,000 share options were granted to a senior management with exercise price of HK$3.934 per Share, which represents the highest of: (i) the closing price of HK$3.69 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 10 June 2015; (ii) the average of the closing price of HK$3.934 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US$0.0000001.

2) On 5 July 2016, 1,000,000 share options were granted to an eligible participant with exercise price of HK$1.634 per Share, which represents the highest of: (i) the closing price of HK$1.42 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 5 July 2016; (ii) the average of the closing price of HK$1.634 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US$0.0000001.

3) On 27 March 2017, 10,160,000 share options were granted to three senior management and other 9 eligible participants with exercise price of HK$1.256 per Share, which represents the highest of: (i) the closing price of HK$1.23 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 27 March 2017; (ii) the average of the closing price of HK$1.256 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US$0.0000001.

4) On 15 May 2017, 5,000,000 share options were granted to two eligible participants with exercise price of HK$1.10 per Share, which represents the highest of: (i) the closing price of HK$1.10 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 15 May 2017; (ii) the average of the closing price of HK$1.096 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US$0.0000001.

5) On 13 November 2017, 15,000,000 share options were granted to a senior management with exercise price of HK$1.026 per Share, which represents the highest of: (i) the closing price of HK$0.99 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 13 November 2017; (ii) the average of the closing price of HK$1.026 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of a Share of US$0.0000001.

6) On 21 January 2020, 112,000,000 share options, of which 90,000,000 share options (the "Conditional Grant") were subject to the approval of the independent Shareholders, were granted to 5 senior management with exercise price of HK$0.1804 per Share, which represents the highest of: (i) the closing price of HK$0.165 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of offer of the Share Options, i.e. 21 January 2020; (ii) the average of the closing price of HK$0.1804 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of offer of the Share Options, i.e. 21 January 2020; and (iii) the nominal value of a Share of US$0.0000001. At the extraordinary general meeting of the Company held on 8 May 2020, the resolutions in respect of approving the Conditional Grant were duly passed by the independent Shareholders. For details, please refer to the Company's announcement dated 21 January 2020, circular dated 8 April 2020 and poll results announcement dated 8 May 2020.

7) 49,660,000 share options granted to a senior management lapsed during the year ended 31 December 2023 upon the annual performance targets for the year ended 31 December 2023 not having been fulfilled.

8) 15,000,000 share options granted to a senior management lapsed immediately upon her resignation as Chief Operating Officer of the Company on 10 February 2023.

9) Mr. SHENG Xiang has tendered his resignation as vice president of the Company effective from 31 March 2023.

Summary of the Post-IPO Share Option Scheme

1.	Purpose	To provide an incentive or reward for the participants for their contribution or potential contribution to the Company and/or any of its subsidiaries.
2.	Eligible Participants	Full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive, non-executive and independent non-executive Directors) of the Company or any of its subsidiaries, and suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, has contributed or will contribute to the Group and whom the Board may in its absolute discretion select and think fit.
3.	Maximum number of shares	The total number of Shares in respect of which options may be granted under the Post-IPO Share Option Scheme shall not exceed 10% of the total number of Shares in issue immediately upon completion of the Global Offering, being 150,000,000 Shares, which is equivalent to 10% and 8.57% of the issued Shares as at the Listing Date and the date of this annual report respectively. As at the date of this annual report, the total number of Shares available for issue under the Post-IPO Share Option Scheme was 113,584,000 Shares, representing approximately 6.49% of the total number of issued Shares as at the date of this annual report. The maximum number of Shares that may be issued upon exercise of all outstanding options granted and yet to be granted under the Post-IPO Share Option Scheme and any other schemes must not in aggregate exceed 30% of the total number of Shares in issue from time to time.
4.	Maximum entitlement of each participant	1% of the issued share capital of the Company from time to time within any 12-month period up to the date of offer
5.	Option period	An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during the period as notified by the Board to each grantee provided that such period of time shall not exceed a period of ten years from the date of grant.
6.	Vesting period	The Board may in its absolute discretion specify vesting conditions or performance targets at the time of grant of options which shall be satisfied by the grantee before his options may be exercised.
7.	Amount on acceptance of the option	HK$1.00, which shall be paid not later than 14 days from the date of offer
8.	Basis of determining the exercise price	Exercise price shall be higher of: (1) the official closing price of the Shares as stated on the Stock Exchange's daily quotations sheets on the date of offer of option; (2) average of the official closing prices of the Shares stated on the Stock Exchange's daily quotation sheets for the 5 business days before the date of offer and (3) nominal value of a Share.
9.	Remaining life of the scheme	It shall be valid and effective from 17 November 2014 to the 10th anniversary of the Listing Date (i.e. 5 December 2024) (both dates inclusive).

RESTRICTED SHARE UNIT PLAN

RSU Plan II

The Company has currently adopted a RSU plan, namely the RSU Plan II.

The annual mandate given to the Directors for granting 45,000,000 RSUs under the RSU Plan II at the annual general meeting of the Company held on 27 May 2022 had expired upon conclusion of the annual general meeting of the Company held on 25 May 2023. As at 31 December 2023, no annual mandate had been given by the Shareholders to the Directors for granting any RSUs under the RSU Plan II. Proposal to terminate the RSU Plan II and adopt a new restricted share units plan will be put forward to the Shareholders for approval at the forthcoming EGM.

No RSU had been granted under the RSU Plan II from the date of its adoption up to the date of this annual report.

Summary of the RSU Plan II

1.	Purpose	To reward the participants for their contribution to the success of the Group and to provide incentives to them to further contribute to the Group, and to attract suitable personnel for further development to the Group.
2.	Eligible Participants	(i) Full-time employees or officers (including executive, non-executive and independent non-executive Directors) of the Company; (ii) Full-time employees of any subsidiaries and the PRC Operating Entities; (iii) Suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, have contributed or will contribute to the Group; and (iv) Any other person who, in the absolute discretion of the Board, has contributed or will contribute to the Group.
3.	Maximum number of shares	No award shall be granted pursuant to the RSU Plan II if as a result of such grant the aggregate number of Shares (being in a board lot or an integral multiple thereof) (or, where cash is awarded in lieu of Shares, the aggregate number of Shares as are equivalent to the amount of cash so awarded) underlying all grants made pursuant to the RSU Plan II (excluding awards that have lapsed or been cancelled in accordance with the rules of the RSU Plan II) will exceed 3% of the total issued Shares at the relevant date of Shareholders' approval (i.e. 28 May 2018). If the limit of the RSU Plan II is refreshed with prior approval of the Shareholders, the total number of Shares underlying the awards shall not exceed 3% of the number of issued Shares as at the date of approval of the refreshed limit.

4.	Maximum entitlement of each participant	The RSU Plan II does not stipulate any maximum entitlement of each participant.
5.	Award period	An award shall remain open for acceptance by the participant to whom a grant is made for a period to be determined by the Board, provided that no such grant shall be open for acceptance after the tenth anniversary of the adoption date of the RSU Plan II or after the RSU Plan II has been terminated in accordance with the provisions of the RSU Plan II.
6.	Vesting	Subject to the terms of the RSU Plan II and the specific terms and conditions applicable to each award, the RSUs granted in an award shall be subject to a vesting period, to the satisfaction of performance and/or other conditions to be determined by the Board. An Award of RSUs under the RSU Plan II gives a grantee in the RSU Plan II a conditional right to vest the RSUs to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of vesting, as determined by the Board in its absolute discretion.
7.	Amount on acceptance of the award	No acceptance price of the award will be payable on the acceptance of such an award.
8.	Remaining life of the RSU Plan II	It shall be valid and effective for a period of 10 years commencing from 28 May 2018 (i.e. until 28 May 2028).

MANAGEMENT CONTRACTS

Other than the service agreements and letters of appointment of the Directors, the Company has not entered into any contract with any individuals, firms or corporate entities to manage or regulate the whole or any substantial part of any business of the Company during the year ended 31 December 2023.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, there were no contract of significance in relation to the Group's business in which the Company, or any of its subsidiaries or fellow subsidiaries or a Controlling Shareholder was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at as 31 December 2023 or at any time during the year ended 31 December 2023.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into a number of continuing agreements and arrangements with our connected persons in our ordinary and usual course of business, which constitute continuing connected transactions under the Listing Rules. We set out below details of the continuing connected transactions for our Group, in compliance with the requirements of Chapter 14A of the Listing Rules.

Contractual Arrangements

Background

According to the Administration of Foreign Invested Telecommunications Enterprises, which was issued on 11 December 2001 and subsequently amended on 10 September 2008 and 6 February 2016, foreign ownership of companies that provide value-added telecommunication services, including the operation of online games and mobile games, is limited to 50%. In addition, a foreign investor who invested in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the “Qualification Requirement”). On 29 March 2022, the Administration of Foreign Invested Telecommunications Enterprises has been amended to remove the Qualification Requirement. Therefore, in order for the Company to be able to carry on its business in the PRC, the Group has entered into the Contractual Arrangements to enable the Company to exercise and maintain control over operations of the PRC Contractual Entities and to consolidate these companies’ financial results into the Company’s results under IFRSs as if they were wholly-owned subsidiaries of the Company.

Further, each of the Contractual Arrangements is binding on the parties thereto and none of them would be deemed as “concealment of illegal intentions within a lawful form”, nor be void under Contract Law of the People’s Republic of China nor violate the mandatory provisions of the Civil Code of the PRC (《中華民共和國民法典》) (the“Civil Code”) which would render the agreements become invalid pursuant to the Civil Code.

Particulars of principal PRC Operating Entities

Particulars of principal PRC Operating Entities as at 31 December 2023 are presented as follows:

Name of the PRC Operating Entities	Type of legal entity/ place of establishment and operation	Registered owners as at 31 December 2023	Business activities
Xiamen Guanghuan	Limited liability company/ PRC	Messrs. YAO Jianjun, BI Lin, LIN Zhibin, LIN Jiabin, CAI Wensheng (subsequently transferred to Ms. CAI Shuting on 21 February 2019), Mr. SUN Zhiyan, Mr. CHEN Jianyu and Ms. CHEN Yongchun hold 39.200%, 10.560%, 3.720%, 3.720%, 5.752%, 11.624%, 22.424% and 3.000% equity interest of Xiamen Guanghuan, respectively	Investment holding, game development and distribution (no actual business for the year ended 31 December 2023)
Xiamen Youli	Limited liability company/ PRC	100% held by Xiamen Guanghuan	Operation and distribution of webgames, mobile games and PC games
Kailuo Tianxia	Limited liability company/ PRC	100% held by Xiamen Guanghuan	Development and operation of carrot fantasy series mobile casual games, and animation
Xiamen Fei Xiang Yue Investment Management Co., Ltd. ("Xiamen Fei Xiang Yue")	Limited liability company/ PRC	100% held by Xiamen Youli	Development of real estate, property management

The Board considers the above PRC Operating Entities as significant to the Group in view that (i) Xiamen Youli and Kailuo Tianxia hold certain licences and permits that are essential to the operation of the business of the Group, such as the Internet Content Provider Licence, Permit to Produce and Distribute Radio or Television Programs, Value-added Telecommunication Operation Licence and the Online Publishing Service License; (ii) some important intellectual property rights, such as software copyright, trademarks of Carrot Fantasy series are held by Kailuo Tianxia; and (iii) Xiamen Fei Xiang Yue holds the land use rights and properties on the Land.

Revenue, net loss and total assets subject to the structured contracts under the Contractual Arrangements
Pursuant to the Exclusive Business Cooperation Agreements entered into between Xiamen Feiyu and the PRC Operating Entities, the services provided by Xiamen Feiyu and other parties designated by Xiamen Feiyu to the PRC Operating Entities (including provision of technical support and product development services) amounted to an aggregate of approximately RMB7,908,000 for the year ended 31 December 2023. The above transactions carried out during the year ended 31 December 2023 have been eliminated in the consolidated financial statements of the Group.

The revenue and net profit of the PRC Operating Entities subject to the Contractual Arrangements amounted to approximately RMB136.8 million and RMB23.8 million for the year ended 31 December 2023, respectively. The total assets and total liabilities of the PRC Operating Entities subject to the Contractual Arrangements amounted to approximately RMB505.2 million and RMB319.2 million as at 31 December 2023, respectively.

The Contractual Arrangements which were in place during the year ended 31 December 2023 are as follows:

1. Exclusive Business Cooperation Agreement dated 4 September 2014 pursuant to which Xiamen Feiyu agreed to provide exclusive technical and management consulting services to Xiamen Guanghuan, and Xiamen Guanghuan agreed to pay service fees to Xiamen Feiyu;

2. Exclusive Business Cooperation Agreements dated 31 October 2014 pursuant to which Xiamen Feiyu agreed to provide exclusive technical and management consulting services to Xiamen Youli and Kailuo Tianxia, and Xiamen Youli and Kailuo Tianxia agreed to pay service fees to Xiamen Feiyu;

3. Powers of Attorney dated 4 September 2014 pursuant to which the Relevant Shareholders irrevocably delegated the voting rights and other shareholder rights of Xiamen Guanghuan to Xiamen Feiyu or designee(s) of Xiamen Feiyu;

4. Powers of Attorney dated 31 October 2014 pursuant to which Xiamen Guanghuan irrevocably delegated the voting rights and other shareholder rights of Xiamen Youli and Kailuo Tianxia to Xiamen Feiyu or designee(s) of Xiamen Feiyu;

5. Equity Interest Pledge Agreement dated 4 September 2014 pursuant to which the Relevant Shareholders pledged all their equity interests in Xiamen Guanghuan to Xiamen Feiyu to provide security on the performance of contractual obligations of the Relevant Shareholders under the Contractual Arrangements;

6. Equity Interest Pledge Agreements dated 31 October 2014 pursuant to which Xiamen Guanghuan pledged all its equity interests in Xiamen Youli and Kailuo Tianxia to Xiamen Feiyu to provide security on the performance of contractual obligations of Xiamen Guanghuan under the Contractual Arrangements;

7. Exclusive Option Agreement dated 4 September 2014 pursuant to which the Relevant Shareholders and Xiamen Guanghuan agreed to irrevocably, unconditionally and exclusively grant an exclusive option to Xiamen Feiyu which entitles Xiamen Feiyu to elect to purchase, when permitted by the then applicable PRC laws, all or any part of the equity interests of Xiamen Guanghuan from the Relevant Shareholders by itself or through its appointee(s); and

8. Exclusive Option Agreements dated 31 October 2014 pursuant to which Xiamen Guanghuan, Xiamen Youli and Kailuo Tianxia agreed to irrevocably, unconditionally and exclusively grant an exclusive option to Xiamen Feiyu which entitles Xiamen Feiyu to elect to purchase, when permitted by the then applicable PRC laws, all or any part of the equity interests of Xiamen Youli and Kailuo Tianxia from Xiamen Guanghuan by itself or through its appointee(s).

Apart from the above, no new Contractual Arrangement was entered into, renewed or reproduced among the Group, the PRC Contractual Entities, Xiamen Guanghuan and the Relevant Shareholders during the year ended 31 December 2023.

The extent to which the Contractual Arrangements relate to requirements other than the foreign ownership restrictions

In addition to the foreign ownership restrictions, investment activities in the PRC by foreign investors and foreign-owned enterprises shall comply with the Special Management Measures (Negative List) for the Access of Foreign Investment (2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》) promulgated by the National Development and Reform Commission and the Ministry of Commerce on 27 December 2021 and became effective on 1 January 2022 (the "Negative List") and the Catalogue of Industries for Encouraging Foreign Investment (2022) (《鼓勵外商投資產業目錄(2022年版)》) promulgated by the National Development and Reform Commission and the Ministry of Commerce on 26 October 2022 and became effective on 1 January 2023 (the "Catalogue"). The Negative List and the Catalogue contains specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries, restricted or prohibited foreign invested industries. According to the Negative List, the webgame business and mobile game business that the Company currently operates are regarded as value-added telecommunications services (except for e-commerce, domestic multi-party communications, storage and forwarding categories, call centers) and internet cultural operation (except for music), the animation is regarded as production and operation of radio and television programs, and fall within the restricted or prohibited industry category.

On 15 March 2019, the National People's Congress of the PRC approved the foreign investment law (the "Foreign Investment Law"), and on 26 December 2019, the State Council promulgated the Regulation for Implementing the Foreign Investment Law ("Regulation"), both of which came into effect on 1 January 2020 and replaced the trio of existing laws regulating foreign investment in the PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations.

The Foreign Investment Law and the Regulation embodies the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, since it is relatively new, uncertainties still exist in relation to its interpretation and implementation. For instance, under the Foreign Investment Law, "foreign investment" refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in the PRC. Though it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities under the aforementioned definition of "foreign investment" in the future. In addition, the aforementioned definition of "foreign investment" contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the Stale Council to provide for contractual arrangements as a form of foreign investment.

Impact of the Foreign Investment Law on VIE

The "variable interest entity" (the "VIE") structure has been adopted by many fully or partially foreign-owned companies which, through its subsidiaries in the PRC, assumes control over an operating company incorporated in the PRC which holds the necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in the PRC. It will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations.

In addition, the Foreign Investment Law further specifies that foreign investments shall be conducted in line with the negative list issued by or approved to be issued by the State Council. If a foreign invested enterprise or a foreign invested entity (the "FIE") proposes to conduct business in an industry subject to foreign investment "restrictions" in the "negative list", the FIE must meet certain conditions under the "negative list" before being established. An FIE shall not conduct or engage in business in an industry subject to foreign investment "prohibitions" in the "negative list". It is uncertain whether the businesses operated by the PRC Operating Entities from time to time will be or continue to be subject to the foreign investment restrictions or prohibitions under the "negative list" to be issued in future.

Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, there will be substantial uncertainties as to whether such actions can be completed by the Group in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance requirements could materially and adversely affect the current corporate structure and business operations of the Group, as well as the ability of the Group to be or continue to be engaged in businesses subject to the foreign investment restrictions or prohibitions.

Potential Risks to the Group arising from the Foreign Investment Law

The Contractual Arrangements, in the worst case scenario, may be regarded as invalid and illegal. As a result, the Group may be required to dispose of the business under the Contractual Arrangements and will lose rights to receive the economic benefits from the PRC Operating Entities, such that the financial results of the PRC Operating Entities would no longer be consolidated into the Company's financial results and the Company will have to de-recognise assets and liabilities of the PRC Operating Entities according to the relevant accounting standards. If the Company no longer has a sustainable business after such disposal, the Stock Exchange may delist the Company.

Measures adopted by the Company to mitigate against any potential risk arising from the Foreign Investment Law

The Foreign Investment Law was approved by the National People's Congress of the PRC on 15 March 2019 and effected on 1 January 2020. As aforementioned, there are uncertainties with respect to the interpretation and implementation of the newly enacted Foreign Investment Law, the Board will closely monitor the development of the Foreign Investment Law with the help of the Company's PRC legal adviser, including but not limited to any new negative list issued by or approved to be issued by the State Council, or any future laws, administrative regulations or provisions prescribed by relevant governmental authorities. The Company will then discuss with its PRC legal adviser in order to assess any possible impact arising from the development of the Foreign Investment Law on the Contractual Arrangements and the business operation of the Group.

In case there would be material and adverse effect on the Group arising from the Foreign Investment Law, the Company will disclose, as soon as possible: (i) updates of material development to the Foreign Investment Law as and when it occurs; and (ii) specific measures taken by the Company to fully comply with the development to the Foreign Investment Law supported by a PRC legal opinion and any material impact of the development of the Foreign Investment Law on the Company's operations and financial position.

Reasons for using the Contractual Arrangements

As disclosed in the Prospectus, in order to achieve the Group's business purposes and be in line with common practice in industries in the PRC subject to foreign investment restrictions, we have adopted the Contractual Arrangements to exercise and maintain control over the operations of the PRC Operating Entities, obtain their entire economic benefits and prevent leakage of the assets and values of the PRC Operating Entities to their shareholders in the PRC.

Risks associated with the Contractual Arrangements and the actions taken by the Company to mitigate the risks

Risk associated with the Contractual Arrangements

(i) The Company principally rely on dividends and other distributions on equity paid by Xiamen Feiyu to fund any cash and financing requirements the Company may have. Any limitation on Xiamen Feiyu's ability to make payments to us, or the tax implications of making payments to us, could have a material adverse effect on our financial condition and our ability to conduct our business;

(ii) PRC regulations of loans to and direct investment in PRC entities by offshore holding companies may delay or prevent us from transferring funds to Xiamen Feiyu;

(iii) If the PRC government finds that the agreements that establish the structure for operating our China business do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, the Company could be subject to severe penalties or be forced to relinquish our interests in those operations;

(iv) Our Contractual Arrangements may not be as effective in providing operational control as direct ownership and the PRC Contractual Entities may fail to perform their obligations under our Contractual Arrangements;

(v) The Company may lose the ability to use and enjoy assets held by our PRC Operating Entities that are critical to the operation of our business if our PRC Operating Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding;

(vi) Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that the Company owe additional taxes could substantially reduce our combined net income and the value of your investment;

(vii) The Company may be subject to higher income tax rates and incur additional taxes as a result of the Contractual Arrangements, which may increase our tax expenses and decrease our net profit margin;

(viii) Relevant Shareholders may potentially have a conflict of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to our interests;

(ix) The Company conduct a substantial portion of our business operation in the PRC through the PRC Operating Entities by way of the Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws; and

(x) If the Company exercise the option to acquire equity ownership of the PRC Contractual Entities, the ownership transfer may subject us to substantial costs.

Mitigation actions taken by the Company

(i) Feiyu Hong Kong has been gradually building up a track record of business operations for the purpose of being qualified as a resident of Hong Kong in order to enjoy the preferential withholding tax treatment under the tax treaty with respect to dividends paid by Xiamen Feiyu to Feiyu Hong Kong.

(ii) Suitable management has been assigned to the PRC Operating Entities to report regularly to the Group in relation to major issues arising from implementation of the Contractual Arrangements and suitable reporting system in line with the Group's financial reporting practice in the PRC are also in place to ensure that the Group would have full access and control over the books and records of the PRC Operating Entities and to obtain financial information monthly to ensure proper financial record are kept.

(iii) Pursuant to the Exclusive Business Cooperation Agreement(s), in the event that one or more of the provisions of the agreement(s) are found to be invalid, illegal or unenforceable by the court and arbitral institution with competent jurisdiction in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of the agreement(s) shall not be affected or prejudiced in any aspect. The parties shall negotiate in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish the intentions of the parties to the greatest extent permitted by law, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

(iv) Pursuant to the Exclusive Business Cooperation Agreement(s), the Powers of Attorney and the Equity Interest Pledge Agreement(s), to the extent permitted by PRC laws, the arbitration tribunal may grant any remedies in accordance with the provisions of the aforementioned agreements and applicable laws of China, including preliminary and permanent injunctive relief (such as injunction against carrying out business activities, or to compel the transfer of assets), specific performance of contractual obligations, remedies concerning the equity interest or assets of the PRC Operating Entities and awards directing PRC Operating Entities to conduct liquidation. To the extent permitted by PRC laws, when awaiting the formation of the arbitration tribunal or otherwise under appropriate conditions, either Party may seek preliminary injunctive relief or other interlocutory remedies from a court with competent jurisdiction to facilitate the arbitration.

(v) Pursuant to the Exclusive Business Cooperation Agreement(s), the PRC Contractual Entities granted irrevocable and exclusive rights to Xiamen Feiyu, which entitles Xiamen Feiyu to elect to purchase, when permitted by the then applicable PRC laws, all or any part of the assets of the PRC Contractual Entities at lowest price permitted by PRC laws, by itself or through its appointee(s).

(vi) The Contractual Arrangements will not be challenged by the PRC tax authorities or other government authorities, provided that Xiamen Feiyu and the PRC Operating Entities implement the Contractual Arrangements in accordance with the terms of the structured contracts, unless the PRC tax authorities determine that such transactions are not conducted on an arm's length basis.

(vii) Xiamen Feiyu was entitled preferential income tax treatment for high-tech enterprises, and it recorded an accumulated loss which can be carried forward against future taxable income.

(viii) The Group has worked closely and will continue to work closely with the PRC legal advisors and the management of the PRC Operating Entities on the update of rules and regulations of the PRC to monitor the continue compliance of the rules and regulations by the PRC Operating Entities as to their conduct of business and Contractual Arrangements. If our corporate and contractual structures were deemed by the competent authorities to be illegal, either in whole or in part, the Company will modify such structures to comply with regulatory requirements. And the Contractual Arrangements were narrowly tailored to minimize the potential conflict with relevant laws and regulations.

For further details of the risks associated with the Contractual Arrangements, please refer to the section headed "Risk Factors – Risks relating to our Contractual Arrangements" in the Prospectus.

Waiver from the Stock Exchange

As Messrs. YAO Jianjun, BI Lin, CHEN Jianyu and LIN Zhibin are the Executive Directors and Mr, LIN Jiabin was an Executive Director who resigned on 30 August 2022, and where applicable, Controlling Shareholders or substantial Shareholders, they are the Company's connected persons pursuant to Rule 14A.07 of the Listing Rules. Each of the PRC Contractual Entities is directly or indirectly controlled by the Controlling Shareholders and the Executive Directors, they are therefore each an associate of the Controlling Shareholders and the Executive Directors, and a connected person of the Company pursuant to Rule 14A.12(1)(c) of the Listing Rules.

The Stock Exchange has granted a waiver (the "IPO Waiver") to the Company from strict compliance with the connected transactions requirements under Chapter 14A of the Listing Rules in respect of the Contractual Arrangements. For details, please refer to the section "Connected Transactions" in the Prospectus.

Material change in relation to the Contractual Arrangements

There is no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended 31 December 2023.

Unwinding the Contractual Arrangements

The Company will unwind the Contractual Arrangements as soon as the laws allows the business of PRC Operating entities to be operated without the Contractual Arrangements.

However, for the year ended 31 December 2023, none of the Contractual Arrangements have been unwound as none of the restrictions that led to the adoption of the Contractual Arrangements has been removed.

Annual Review

The Directors, including the Independent Non-executive Directors, have reviewed each of the Contractual Arrangements set out above and have confirmed that the Contractual Arrangements were entered into (i) in the ordinary and usual course of business of the Group, (ii) on normal commercial terms, and (iii) in accordance with the respective agreement governing them on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Independent Non-executive Directors have also reviewed and confirmed that:

1. the transactions carried out during the year ended 31 December 2023 have been entered into in accordance with the relevant provisions of the Contractual Arrangements and have been operated so that the revenue generated by the PRC Contractual Entities has been mainly retained by the Group;

2. no dividends or other distributions have been made by the PRC Contractual Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and

3. there was no new contract relating to the Contractual Arrangements entered into, renewed or reproduced between the Group and the PRC Contractual Entities during the year ended 31 December 2023.

Continuing Connected Transactions with Tencent Group

A. *Continuing Connected Transactions with Tencent Group pursuant to Rule 14A.60 of the Listing Rules*

During 2021, a wholly-owned subsidiary of Tencent named THL H Limited has become a substantial shareholder of the Company upon completion of the Subscription and as at the date of this annual report. Accordingly, pursuant to Chapter 14A of the Listing Rules, Tencent and its associates are regarded as connected persons of the Company. The various continuing transactions entered into between the Group and Tencent Group prior to the Subscription and which have been continued upon the completion of the Subscription therefore constituted continuing connected transactions of the Company, which are subject to the annual review and disclosure requirements under Chapter 14A of the Listing Rules. For details, please refer to the Company's announcement dated 6 May 2021. Unless otherwise stated, capitalised terms used herein shall have the same meanings as defined in the announcement dated 6 May 2021.

Details of each of the agreements (except for those terminated prior to the reporting period, and the two agreements which have been renewed and are not fully exempted under Chapter 14A of the Listing Rules to be detailed in the following paragraphs) are set out as follows:

No.	Name of the agreement	Term of the agreement	Subject matter of the agreement	The amount incurred during the period from the effective date of the agreement to 31 December 2022 and for the year ended 31 December 2023
(1)	Game C – Agreement of Joint Distribution	Effective from 25 January 2019 The Group has notified and agreed with the Tencent Group that the termination date of the agreement shall be the estimated maturity date of lifecycle of the relevant game, being 31 December 2030[note (ii)].	Kailuo Tianxia grants Tencent Computer a non-exclusive right to distribute and operate a game for WeChat in the PRC. Tencent Computer shall provide HTML5 game product operation system, interface with operators and users, system maintenance and part of customer services. Kailuo Tianxia may give advertisers access to the mini-program in designated locations for advertising. Tencent Technology (at the direction of Tencent Computer) shall provide Kailuo Tianxia the right to access, review and management the operations of such advertising activities.	Tencent Computer shall share with Kailuo Tianxia the revenue received from game players, according to the formula agreed by both parties. Tencent Technology (at the direction of Tencent Computer) shall share with Kailuo Tianxia the revenue from advertisement based on every one thousand effective advertising exposure, according to the proportion agreed by both parties. The actual amount incurred for the period from 25 January 2019 to 31 December 2022 amounted to RMB1,765,000 and amounted to RMB490,000 for the year ended 31 December 2023.

No.	Name of the agreement	Term of the agreement	Subject matter of the agreement	The amount incurred during the period from the effective date of the agreement to 31 December 2022 and for the year ended 31 December 2023
(2)	Tencent Comic Cooperation Agreement	The original term was 1 December 2019 to 31 January 2023. As at the date of this annual report, the term has been renewed for 2 years to 31 January 2025(note (iii)).	Xiamen Feiyou grants Tencent Computer a non-exclusive right in respect of a comic named "Shadow Cat" (影子貓) in the PRC to jointly develop value-added services for comic works on Tencent platform and Tencent Computer shall be in charge of publicity, promotion and system maintenance.	Tencent Computer shall share with Xiamen Feiyou the revenue collected from the serialising and distribution of comic works on Tencent's platform. The amount received by Xiamen Feiyou shall be calculated based on the agreed percentage stipulated in the agreement by deducting the channel cost. The actual amount incurred for the period from 1 December 2019 to 31 December 2022 amounted to RMB92,000 and amounted to RMB27,000 for the year ended 31 December 2023.
(3)	Game E – Exclusive Licence Agreement	3 July 2020 to 13 July 2023 (the termination date) (note (i))	Xiamen Veewo grants Tencent Computer the exclusive right to distribute, operate and promote the PC and Console versions of a game in the PRC.	Depending on the platform on which the game is hosted, Tencent Computer shall share with Xiamen Veewo the revenue received from the pay-to-download purchases and in-app purchase actually paid by end-users after deducting the total amount of rejected payment, refund, debt repayment and cancellation. The amount received by Xiamen Veewo shall be calculated based on a fixed formula and percentage according to the agreement. The actual amount incurred for the period from 3 July 2020 to 31 December 2022 amounted to RMB2,779,000 and amounted to RMB169,000 for the year ended 31 December 2023.
(4)	Game F – Co-publishing and Operation Agreement	3 July 2020 to 13 July 2023 (the termination date) (note (i))	Xiamen Veewo grants Tencent Computer the right to distribute, operate and promote the PC version of a game in the Steam platform in PRC (referring to the portion which users are registered in Mainland China).	Tencent Computer shall share with Xiamen Veewo the revenue including tax actually received from overseas publisher in accordance with a fixed formula and percentage agreed in the agreement. The actual amount incurred for the period from 3 July 2020 to 31 December 2022 amounted to RMB10,074,000 and amounted to RMB544,000 for the year ended 31 December 2023.

No.	Name of the agreement	Term of the agreement	Subject matter of the agreement	The amount incurred during the period from the effective date of the agreement to 31 December 2022 and for the year ended 31 December 2023
(5)	Tencent Advertising Developer Agreement	Effective from 15 May 2020 The Group has notified and agreed with the Tencent Group that the termination date of the agreement shall be the estimated maturity date of lifecycle of the relevant game, being 31 December 2030(note (ii)).	Baicai Tianxia shall have access to the "You Liang Hui" (優量匯) advertisement platform via a software development kit. Tencent Technology shall provide Baicai Tianxia with the right to access, review and manage the operations of the advertisements through the "You Liang Hui" platform, and to serve advertisements to game users according to the promotional needs of the advertisers and the settings of Baicai Tianxia.	Tencent Technology shall share with Baicai Tianxia the advertisement revenue based on an index of effective advertisement i.e. the number of clicks, displays and downloads which the games bring to the advertisement. The actual amount incurred for the period from 15 May 2020 to 31 December 2022 amounted to RMB6,540,000 and amounted to RMB9,268,000 for the year ended 31 December 2023.
(6)	Game H – Tencent Open Platform Developer Agreement	1 September 2020 to 31 August 2022(note (i)) The agreement was renewed on 1 February 2022 and the term became 1 February 2022 to 31 January 2023(note (iii)). As at the date of this annual report, the term has been further renewed for 1 year to 31 January 2025(note (iii)).	Kailuo Tianxia grants Tencent Computer the right to distribute and operate a mobile game via Tencent mobile game platforms. Kailuo Tianxia shall provide the content of the game and technical support for running the software. Tencent Computer shall provide the game distribution platform and operating system services for the distribution and operation of the game.	Tencent Computer shall share with Kailuo Tianxia the revenue i.e. Q coins (Q dots) or/and monies actually paid by users on the game platform for purchase or exchange of services through the game accounts. The total amount to be received by Kailuo Tianxia shall be calculated in accordance with the percentage agreed in the agreement by deducting the channel costs. The actual amount incurred for the period from 1 September 2020 to 31 December 20222 amounted to RMB72,000 and amounted to RMB21,000 for the year ended 31 December 2023.
(7)	Game I – Tencent Open Platform Developer Agreement	1 September 2020 to 31 August 2022(note (i)) The agreement was renewed on 1 February 2022 and the term became 1 February 2022 to 31 January 2023(note (iii)). As at the date of this annual report, the term has been further renewed for 1 year to 31 January 2025(note (iii)).	Kailuo Tianxia grants Tencent Computer the right to distribute and operate a mobile game via Tencent mobile game platforms. Kailuo Tianxia shall provide the content of the game and technical support for running the software. Tencent Computer shall provide the game distribution platform and operating system services for the distribution and operation of the game.	Tencent Computer shall share Kailuo Tianxia the revenue, i.e. Q coins (Q dots) or/and RMB actually paid by users on the game platform for purchase or exchange of service through their game accounts. The total amount to be received by Kailuo Tianxia shall be calculated in accordance with the percentage agreed in the agreement by deducting the channel costs. The actual amount incurred for the period from 1 September 2020 to 31 December 2022 amounted to RMB130,000 and amounted to RMB47,000 for the year ended 31 December 2023.

No.	Name of the agreement	Term of the agreement	Subject matter of the agreement	The amount incurred during the period from the effective date of the agreement to 31 December 2022 and for the year ended 31 December 2023
(8)	Game J – Tencent Open Platform Developer Agreement	1 July 2020 to 30 June 2022[note (i)] The agreement was renewed on 1 February 2022 and the term became 1 February 2022 to 31 January 2023[note (iii)]. As at the date of this annual report, the term has been further renewed for 1 year to 31 January 2025[note (iii)].	Kailuo Tianxia grants Tencent Computer the right to distribute and operate a mobile game via Tencent mobile game platforms. Kailuo Tianxia shall provide the content of the game and technical support for running the software. Tencent Computer shall provide the game distribution platform and operating system services for the distribution and operation of the game.	Tencent Computer shall share Kailuo Tianxia the revenue, i.e. Q coins (Q dots) or/and RMB actually paid by users on the game platform for purchase or exchange of service through their game accounts. The total amount to be received by Kailuo Tianxia shall be calculated in accordance with the percentage agreed in the agreement by deducting the channel costs. The actual amount incurred for the period from 1 July 2020 to 31 December 2022 amounted to RMB1,028,000 and amounted to RMB118,000 for the year ended 31 December 2023.
(9)	Game K – Product Release and Operation Agreement on WeGame Platform	Initially 8 August 2017 to 7 August 2018, and extended to 8 August 2022[note (i)]. The agreement was renewed and the current effective term is 9 August 2022 to 8 August 2023 (the termination date)[note (iii)].	Xiamen Youli grants Tencent Computer a non-exclusive right to release and operate a PC game on WeGame platform.	Tencent Computer shall share with Xiamen Youli the revenue received from the commercial distribution and operation of the game in accordance with the agreed revenue sharing percentage as stipulated in the agreement. The actual amount incurred for the period from 8 August 2020 to 31 December 2022 amounted to RMB18,000 and amounted to RMB1,000 for the year ended 31 December 2023.

No.	Name of the agreement	Term of the agreement	Subject matter of the agreement	The amount incurred during the period from the effective date of the agreement to 31 December 2022 and for the year ended 31 December 2023
(10)	WeChat Pay Service Agreement	Initially 18 June 2014 to 17 June 2015, and the current effective term is 18 June 2020 to 17 June 2023 (note (i)). As at the date of this annual report, the term has been further renewed for 1 year to 17 June 2024 (note (iii)).	Tenpay provides WeChat Pay services to Xiamen Youli.	The service fee payable by Xiamen Youli shall be calculated according to a fixed percentage of the transaction amount settled by Xiamen Youli through Tenpay's platform, as specified in Xiamen Youli's merchant account with Tenpay. The actual amount incurred for the period from 18 June 2020 to 31 December 2022 amounted to RMB186,000 and amounted to RMB33,000 for the year ended 31 December 2023.

Notes:

(i) According to the original agreements, in the absence of any written notice of termination of agreement within one month prior to its expiration by either party, the term shall be deemed to be automatically extended for 1 year with no limits on the number of extensions. The Group has notified the Tencent Group that each of these agreements will not automatically renew after the current effective term and any further renewal after the expiry of the current term will be subject to compliance with all applicable requirements under Chapter 14A of the Listing Rules.

(ii) According to the original agreements, the terms shall continue in force until it is terminated as agreed by both parties. The Group has notified and agreed with the Tencent Group that the termination date of the agreement shall be the estimated maturity date of lifecycle of the relevant game. In case the termination date of these agreements deviates from the estimated maturity date of lifecycle of the relevant game, the Company will comply with the all applicable requirements under Chapter 14A of the Listing Rules.

(iii) The renewal of the agreement is fully exempt from the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.76(1) of the Listing Rules.

B. *Renewed San Guo Zhi Ren Mobile Game Cooperation Agreement*

As disclosed in the Company's announcement dated 28 September 2023, the Group entered into the supplemental agreement to renew the continuing connected transactions under the 2022 San Guo Zhi Ren Mobile Game Cooperation Agreement. The 2022 San Guo Zhi Ren Mobile Game Cooperation Agreement was renewed for a term of one year commencing from 11 September 2023 and ending on 10 September 2024, pursuant to which Xiamen Yidou grants Tencent Computer the exclusive right to distribute and operate the mobile game "*San Guo Zhi Ren*" *(三國之刃)*, and Xiamen Yidou provides the content of the mobile game and technical support of the running software. Tencent Computer provides the mobile game product operating system, the server, the interface with operators and users, system maintenance and certain customer services. The annual cap of the transactions under the supplemental agreement for the period from 11 September 2023 to 10 September 2024 is RMB5,000,000.

The actual transaction amount of all transactions under the supplemental agreement of the 2022 San Guo Zhi Ren Mobile Game Cooperation Agreement for the period from 11 September 2023 to 31 December 2023 amounted to RMB1,726,000.

C. *Renewed Tencent Cloud Services Agreements*

As disclosed in the Company's announcement dated 1 June 2023, the Group entered into the supplemental agreements to renew the continuing connected transactions under the 2022 Tencent cloud services agreement. The 2022 Tencent cloud services agreements were renewed for a term of one year commencing from 1 June 2023 and ending on 31 May 2024, pursuant to which Xiamen Youli and Kailuo Tianxia purchase and use certain Tencent cloud services provided by Tencent Cloud including system services composed of various products and services such as computing and network, cloud virtual machine, cloud database, cloud security, monitoring and management, domain name resolution service, video service, big data and artificial intelligence. The annual cap of the transactions under the the supplemental agreements for the period from 1 June 2023 to 31 May 2024 is RMB5,000,000.

The actual transaction amount of all transactions under the supplemental agreement of 2022 Tencent cloud services agreements for the period from 1 June 2023 to 31 December 2023 amounted to RMB1,176,000.

Annual Review

The Directors, including the Independent Non-executive Directors, have reviewed each of the continuing connected transactions set out above and have confirmed that the continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group, (ii) on normal commercial terms, and (iii) in accordance with the respective agreement governing them on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Company's auditors, Ernst & Young, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued an unqualified letter containing their conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

An independent auditors' letter on the continuing connected transactions of the Group for the year ended 31 December 2023 has been provided by the auditors to the Board.

The independent auditor's letter has confirmed that nothing has come to their attention that cause them to believe that the aforesaid continuing connected transactions:

1. have not been approved by the Board;

2. as for the transactions involving the provision of goods or services by the Group, were not, in all material respects, in accordance with the pricing policies of the Group;

3. were not entered into, in all material respects, in accordance with the relevant agreements governing the continuing connected transactions; and

4. with respect to the aggregate amount of each of the aforesaid continuing connected transactions have exceeded their respective annual caps set by the Company.

RELATED PARTY TRANSACTIONS

The related party transactions (as defined under the applicable accounting standards) which were undertaken in 2023 are set out in Note 33 to the financial statements in this annual report. For those related party transactions which constituted connected transactions or continuing connected transactions (as the case may be) of the Company under the Listing Rules, the Company has complied with the disclosure requirements in Chapter 14A of the Listing Rules, where applicable.

Save as disclosed in the section headed "Non-exempt Continuing Connected Transactions" above and the fully exempt connected transactions or continuing connected transactions as disclosed in Note 33 to the financial statements, none of the other related party transactions as disclosed in Note 33 to the financial statements constituted connected transactions under the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no pre-emptive rights provision under the Articles or the Companies Act which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2023, neither the Company, its subsidiaries nor any of the PRC Operating Entities has purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available and to the best of the Directors' knowledge, information and belief on the date of this annual report, the Company has always maintained sufficient public float as required under the Listing Rules for the year ended 31 December 2023 and up to the date of this annual report.

EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event during the period from 1 January 2024 to the date of this annual report.

BOARD COMMITTEES

The Company established each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 17 November 2014. For further details, please refer to the corporate governance report of this annual report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the CG Code. In respect of the year ended 31 December 2023, save as disclosed in this annual report, the Company has complied with all material code provisions in the CG Code during the year.

FINAL DIVIDEND

The Board did not declare a final dividend for the year ended 31 December 2023 (the year ended 31 December 2022: Nil).

CLOSURE OF REGISTER OF MEMBERS

To ascertain the eligibility of the Shareholders to attend and vote at the AGM to be held on Friday, 24 May 2024, the register of members of the Company will be closed as set out below:

Latest time to lodge transfer	At 4:30 p.m. on Monday,20 May 2024
Closure of Register of Members	Tuesday, 21 May 2024 to Friday, 24 May 2024, (both days inclusive)
Record date	Friday, 24 May 2024

During the above closure period no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of Shares accompanied by the relevant Share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than the aforementioned latest time.

AUDITORS

The Company has appointed Ernst & Young as the auditors of the Company for the year ended 31 December 2023. The consolidated financial statements of the Group for the year ended 31 December 2023 have been audited by Ernst & Young.

Ernst & Young shall retire and being eligible, offer themselves for re-appointment, and a resolution to this effect shall be proposed at the forthcoming AGM.

On behalf of the Board
YAO Jianjun
Chairman

Hong Kong, 26 March 2024

CORPORATE GOVERNANCE REPORT

The Board is dedicated to establishing a sound corporate governance system to ensure formality and transparency of procedures, enhance corporate value and accountability and safeguard interests of the Shareholders.

The Company has applied the principles as set out in the CG Code as its own code of corporate governance and confirms that it has complied with all code provisions under the CG Code during the year ended 31 December 2023, save for certain deviations which are explained in the relevant paragraphs in this corporate governance report.

The Company will review and commit to making necessary arrangement to comply with all the code provisions under the CG Code and the rising expectations of the Shareholders and investors.

The following sets forth a detailed discussion of the corporate governance practices adopted and complied with by the Company during the year ended 31 December 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors.

Having made specific enquiry with all Directors, the Company confirmed that all members of the Board complied with the Model Code during the year ended 31 December 2023.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the year ended 31 December 2023.

THE BOARD

Board Composition

As at the date of this annual report, the Board comprises seven Directors, including four Executive Directors and three Independent Non-Executive Directors:

Executive Directors	Mr. YAO Jianjun *(Chairman and Chief Executive Officer)* Mr. CHEN Jianyu Mr. BI Lin Mr. LIN Zhibin
Independent Non-executive Directors	Ms. LIU Qianli Mr. LAI Xiaoling Mr. CAO Xi

Note: Mr. MA Suen Yee Andrew resigned as an Non-executive Director on 17 November 2023.

The existing Board composition reflects an appropriate mix of skills, experience and diversity among its members that are relevant to the Company's business model and contribute to an effective Board. All Directors, including the Independent Non-executive Directors, have contributed a wide range of valuable business experience, knowledge and professionalism to the Board, ensuring its effective and efficient operations. The Independent Non-executive Directors contribute to the Group and its strategies and policies by providing independent, constructive and informed comments.

Biographical details of the Directors are set out on pages 69 to 74 of this annual report. Save as disclosed in this annual report, and to the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among members of the Board.

The list of Directors (by category) is disclosed in all corporate communications issued by the Company and dispatched from time to time in accordance with the Listing Rules. The Independent Non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules. The Company maintains on its website and on the website of Hong Kong Exchanges and Clearing Limited ("HKEx") an updated list of all Directors identifying their role and function and whether they are Independent Non-executive Directors.

During the year ended 31 December 2023, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing at least one-third of the Board with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules, and the Nomination Committee has reviewed the independence of each Independent Non-executive Director. Ms. LIU Qianli and Mr. LAI Xiaoling have served as independent non-executive Directors for more than nine years and the Nomination Committee and the Board have reviewed and assessed their independence pursuant to code provision B.2.3 of the CG Code. For details, please refer to the paragraph headed "Independence of the Independent Non-executive Directors" in the Report of the Directors of this annual report. The Company considers all of the Independent Non-executive Directors to be independent in accordance with guidelines set out in the Listing Rules as at the date of this annual report.

Each of the Independent Non-executive Director has undertaken to inform the Stock Exchange and the Company as soon as practicable if there is any subsequent change of circumstances which may affect their independence.

ROLES AND RESPONSIBILITIES OF THE BOARD

Management functions and Board delegation

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and performance and is collectively responsible for promoting success of the Group by directing and supervising its affairs. The Board has established various Board committees and has delegated different responsibilities to these committees as set out in their respective terms of reference published on HKEx's and the Company's websites.

The Board is also responsible for major matters of the Group including approving and monitoring major policies of the Group, overall strategies and budgets, risk management and internal control systems, notifiable and connected transactions, nomination of Directors and company secretary, and other significant financial and operational matters.

The day-to-day management, administration and operation of the Group are delegated to the senior management who are given clear directions as to their powers. The delegated functions are periodically reviewed by the Board. Authorization has to be obtained from the Board before any significant transaction is entered into by the senior management.

The Directors are accountable to all Shareholders for their leadership and supervision over the Group's operations, and are committed to increasing Shareholders' value. All Directors have carried out their duties in good faith and in compliance with the applicable laws and regulations, and have acted in the best interests of the Group and the Shareholders at all times.

The Company has arranged for appropriate insurance cover to protect Directors from possible legal action against them.

Supply of and Access to Information

The Directors also have full and timely access to all relevant information, and advice and services of the joint company secretaries to guarantee full compliance with Board procedures and the relevant laws and regulations.

Under code provision B.3.3 of the CG Code, the Board may, if appropriate, authorise the Directors to seek independent professional advice at the expense of the Company. The Board has established a "Policy on Obtaining Independent Professional Advice by Directors" to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Group's expense. The Board shall resolve to provide separate independent professional advice to Directors to assist the relevant Director(s) to discharge his/her duties to the Group.

Corporate Governance Functions

The Board is responsible for the performance of functions of corporate governance set out in code provision A.2.1 of the CG Code, and the Board reviewed and confirmed it has performed such functions during the year ended 31 December 2023.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board is Mr. YAO Jianjun and the duties of the Chief Executive Officer are also discharged by Mr. YAO Jianjun. Although the dual roles of Chairman and Chief Executive Officer is a deviation from code provision C.2.1 of the CG Code, the Board believes that vesting the roles of both Chairman and Chief Executive Officer in an experienced and qualified person like Mr. YAO Jianjun provides the Company with strong and consistent leadership, allowing the Company to more effectively plan and implement business decisions and strategies. Besides, taking into account the ever changing business environment and the Company's new listing, Mr. YAO Jianjun's extensive experience in the industry, personal profile, and role in the Group and its historical development is appropriate and beneficial to the Group's business prospects. Therefore, the Board considers that separation of the role of the Chairman and Chief Executive Officer of Mr. YAO Jianjun may result in unnecessary costs for the Group's daily operations.

Under the leadership of Mr. YAO Jianjun, the Board is responsible for approving and supervising the Group's general development strategy, sanctioning the annual budget and business plans, consenting to material investment projects related to the Group's business development, ensuring good corporate practices and procedures are established, evaluating of the Group's performance and supervising work of the management, and ensuring that the Board acts in the best interests of the Group, operates effectively, performs the necessary duties and discusses all significant and appropriate issues of the Company's business in a timely manner. All major decisions have been made in consultation with members of the Board, which comprises experienced and high caliber individuals, appropriate Board committees and the senior management team.

All Directors are entitled to propose to include any item in the agenda of a board meeting for appropriate discussion. Mr. YAO Jianjun, as the Chairman, has appointed the company secretary to draft the Board meeting agendas. Under the assistance of the Executive Directors and the company secretary, the Chairman will ensure that all Directors are properly briefed on issues arising at board meetings and are provided, in a timely manner, with sufficient, clear, accurate, complete and reliable information required for necessary analysis based on their expertise. The Chairman will also encourage Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board resolutions fairly reflect the Board's consensus.

As the Chief Executive Officer, Mr. YAO Jianjun has delegated sufficient authority for the operation and management of the Group's business to the Executive Directors and other senior management members, who are in-charge of daily management of the Group in every aspect, including consistent implementation of the Board's resolutions. The Executive Directors and members of senior management are accountable to the Chief Executive Officer for the Group's business operations in various aspects, while the Chief Executive Officer is accountable to the Board for the Group's operations as a whole.

The Board is of the view that there are adequate balances of power and safeguards in place. Nonetheless, the Board will continue to monitor and review the Company's current structure and make necessary changes when necessary.

BOARD MEETINGS

Pursuant to code provision C.5.1 of the CG Code, board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication.

The Board has held 5 Board meetings during the year ended 31 December 2023 for discussing the Group's affairs, reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Group.

The attendance records of each Director at the Board meetings (whether in person or by means of electronic communication) held during the year ended 31 December 2023 are set out below:

Name of the Directors	Attendance/ Number of Board Meeting
Executive Directors:	
Mr. YAO Jianjun	8/8
Mr. CHEN Jianyu	8/8
Mr. BI Lin	8/8
Mr. LIN Zhibin	8/8
Independent Non-executive Directors:	
Ms. LIU Qianli	8/8
Mr. LAI Xiaoling	8/8
Mr. CAO Xi *(appointed on 17 November 2023)*	N/A
Mr. MA Suen Yee Andrew *(resigned on 17 November 2023)*	7/8

Pursuant to code provision C.2.7 of the CG Code, the Chairman should at least annually hold meetings with the independent non-executive Directors without the presence of other Directors. The Chairman met with the Independent Non-executive Directors (without presence of the other Executive Directors) once during the year ended 31 December 2023 for discussing the investment and strategic planning of the Group.

Practices and Conduct of Meetings

Annual meeting schedules and draft agendas of each meeting are made available to the Directors in advance. Notice of regular Board meetings are served to all Directors at least 14 days before the meetings to give them an opportunity to attend. For other Board and committee meetings, reasonable notice is generally given.

For regular Board and Board committee meetings, all agendas, board papers, together with all applicable, complete and reliable information are sent to all the Directors at least 3 days before each meeting to keep the Directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management of the Company whenever necessary. Queries raised by the Directors should receive prompt and full response wherever possible.

All Directors may propose any business to be included in the agenda of the Board or Board committee meetings and contact the company secretary to ensure full compliance with all Board procedures and applicable regulations.

Matters discussed and resolved at Board meetings and Board committee meetings will be recorded in detail by the company secretary who shall prepare and file the minutes or resolutions. Generally, draft minutes of Board meeting are circulated to the Directors within a reasonable time after each meeting for their comments, and the final version is open for inspection by the Directors.

The Articles contain a provision requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their close associate(s) has/have a material interest. This provision has been complied with during the year ended 31 December 2023.

If a substantial Shareholder or Director has a conflict of interest in a matter to be discussed by the Board which the Board considers material, such matter shall be considered at a Board meeting instead of being resolved by written resolutions. Independent non-executive Directors who and whose close associates have no material interest in the matter should be present at such a Board meeting.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The procedures and process of appointment, re-election and removal of the Directors have been set out in the Articles. The Nomination Committee is responsible for reviewing the Board's composition, developing and formulating relevant procedures for nomination and appointment of the Directors, monitoring appointment and succession planning of the Directors, and assessing independence of the Independent Non-executive Directors as detailed below under the sub-section headed "Nomination Committee".

According to the Articles, one-third of the Directors (or if their number is not a multiple of three, the number nearest to but no less than one-third) are subject to retirement by rotation and shall be eligible for re-election and re-appointment at least once every three years. Directors who are required to retire by rotation shall be those who have held the longest term of office since their last appointment or re-election. Any Director appointed by the Board to fill casual vacancy or as an addition to the Board shall hold office until the next following annual general meeting of the Company.

Code provision B.2.4(b) of the CG Code provides that if all the independent non-executive Directors have served more than nine years on the Board, the Company should appoint a new independent non-executive Director on the Board. During the year ended 31 December 2023, Mr. MA Suen Yee Andrew, who had then served more than nine years, resigned as Independent Non-executive Director with effect from 17 November 2023 and a new Independent Non-executive Director, Mr. CAO Xi, was appointed by the Board with effect from 17 November 2023. In accordance with article 83(3) of the Articles, Mr. CAO Xi shall hold office until the date of the forthcoming AGM. He will retire and, being eligible, will offer himself for re-election at the forthcoming AGM.

Pursuant to code provision B.2.3 of the CG Code, if an Independent Non-Executive Director serves the Company for more than nine years, any further appointment of such an Independent Non-Executive Director should be subject to a separate resolution to be approved by the Shareholders. As each of Ms. LIU Qianli and Mr. LAI Xiaoling has served as an Independent Non-executive Director for more than nine years, a separate resolution will be proposed at the forthcoming AGM to re-elect each of Ms. LIU Qianli and Mr. LAI Xiaoling as an Independent Non-executive Director.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of the Directors and senior management of the Group. The remuneration package of individual Directors is determined with reference to the relevant Director's experience, responsibility, performance, seniority, position, qualification and the time he/she devotes to the Group's business. The Directors may from time to time be entitled to share options and RSUs.

Details of the remuneration of each of the Directors for the year ended 31 December 2023 are set out in Note8 to the financial statements of this annual report.

SHAREHOLDING INTEREST OF DIRECTORS AND SENIOR MANAGEMENT

For details of the shareholding interest and short positions of the Directors and senior management of the Group, please refer to pages 83 to 84 of this annual report.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

On appointment to the Board, each Director received a comprehensive induction package to ensure that he/she has a proper understanding of the business and operations of the Company and is fully aware of his/her responsibilities and obligations, compliance practice under the Listing Rules, other relevant legal and regulatory requirements and the Company's business and governance policies.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are kept updated on the statutory and regulatory development, and business and market development so as to facilitate proper discharge of their responsibilities. Continuous briefing and professional development were arranged by the Group and its legal advisers for the Directors.

All Directors participated in professional development training courses arranged by the Group's legal adviser relating to roles, functions and duties of a listed company director, continuing and disclosure obligations of listed companies and its directors, and amendments to the Listing Rules and SFO in relation to inside information. A summary of training received by the Directors for the year ended 31 December 2023 according to the records provided by the Directors is as follows:

Name of the Directors	Attending relevant training sessions
Executive Directors:	
Mr. YAO Jianjun	✔
Mr. CHEN Jianyu	✔
Mr. BI Lin	✔
Mr. LIN Zhibin	✔
Independent Non-executive Directors:	
Ms. LIU Qianli	✔
Mr. LAI Xiaoling	✔
Mr. CAO Xi (appointed on 17 November 2023)	✔
Mr. MA Suen Yee Andrew *(resigned on 17 November 2023)*	**N/A**

BOARD COMMITTEES

The Board has established three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Group's affairs. All of these three committees of the Company are governed by defined written terms of reference which are available on the Company's and HKEx's websites. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expense.

Nomination Committee

The Board established the Nomination Committee on 17 November 2014 with written terms of reference in accordance with the CG Code and the terms of reference was amended on 26 March 2024. As at 31 December 2023 and the date of this annual report, the Nomination Committee comprises three members, the majority of whom are Independent Non-executive Directors. Mr. YAO Jianjun, who is the Chairman of the Board and an Executive Director, served as the chairman of the Nomination Committee, and Ms. LIU Qianli and Mr. CAO Xi, both of whom are Independent Non-executive Directors, served as the committee members.

The role and functions of the Nomination Committee are set out in its written terms of reference. Its primary responsibilities include (i) conducting annual review of the structure, size and composition (including the skills, knowledge and experience) of the Board, and making recommendations on any proposed changes (if any) to the Board to complement the Company's corporate strategy; (ii) identifying, selecting and recommending individuals suitably qualified to become Board members and selecting or making recommendations to the Board on selection of individuals nominated for directorships; (iii) assessing the independence of the Independent Non-executive Directors; and (iv) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executives.

Board Diversity

The Board has adopted a policy (the "Board Diversity Policy") concerning diversity of Board members setting out a number of factors which the Nomination Committee would consider in reviewing and assessing the composition of the Board, and making recommendations on changes to the composition of the Board. When vacancies on the Board arise, the Nomination Committee will carry out a selection process in accordance with the Board Diversity Policy and consider all aspects of diversity set out therein, including but not limited to, gender, age, race, cultural and educational background, communication style, interpersonal skills, functional expertise, problem solving skills, professional qualifications, knowledge, industry and regional experience, and other qualities. All appointments to the Board will be based on merits against the selection criteria, having due regard to the benefits of diversity on the Board as well as the Company's own business model and specific needs arising from time to time. The Nomination Committee will review the Board Diversity Policy and its effectiveness regularly, monitor its implementation by conducting review of the Board composition under diversified perspectives, including any measurable objectives that it has set for implementing the policy, and progress on achieving those objectives and discuss any need for changes with the Board and recommend changes to the Board Diversity Policy to the Board for its consideration and approval.

The Company endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Board currently has one female Director and has therefore achieved gender diversity in respect of the Board. The Company targets to avoid a single gender Board and will timely review the gender diversity of the Board in accordance with the business development of the Group. The Company believes the balance of gender in the Board would bring more inspiration to the Board and enhance the business development of the Group, thus gender diversity is the essential factor for the Company to select suitable candidate as a Director. In the past year, approximately 60% of the Company's senior workforce (including the Directors and senior management) is male and approximately 40% is female. Same as the gender diversity of the Board, the Company targets to avoid a single gender senior workforce and will strive to enhance our female representation and achieve appropriate balance of gender diversity with reference to the stakeholders' expectation and international and local recommended best practices.

During the year ended 31 December 2023, the Nomination Committee reviewed the structure, size and composition of the Board, reviewed the effectiveness of the Board Diversity Policy and its implementation, assessed the independence of the Independent Non-executive Directors, and made the recommendations to the Board on the re-appointment of retiring Directors.

The attendance records of the Nomination Committee meeting held during the year ended 31 December 2023 are set out below:

Name of members of the Nomination Committee	Attendance/ Number of Nomination Committee meeting
Chairman:	
Mr. YAO Jianjun	2/2
Members:	
Ms. LIU Qianli	2/2
Mr. CAO Xi *(appointed on 17 November 2023)*	N/A
Mr. MA Suen Yee Andrew *(resigned on 17 November 2023)*	1/2

Nomination Policy

The Board has adopted a nomination policy (the "Nomination Policy") on 29 December 2018 to assist the Board in identifying suitably qualified candidates and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors as well as providing the selection criteria and procedures adopted for making recommendations by the Nomination Committee.

A summary of the selection criteria and procedures for recommendation and selection of candidates for directorship is disclosed below.

Selection Criteria

In assessing the suitability of a proposed candidate, the Nomination Committee shall consider the following factors:

- reputation for integrity;
- accomplishment, experience and reputation of the relevant business of the Group;
- time to be devoted and attention to the affairs of the Company;
- diversity of the Board in all aspects, including but not limited to gender, age, cultural background, educational background, skills, knowledge and professional experience;
- compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an Independent Non-executive Director; and
- any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

The appointment of any proposed candidate(s) to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Articles and other applicable rules and regulations.

Nomination Procedures

To nominate a candidate for the appointment and/or re-appointment of Directors, the procedures are as follows:

- The secretary of the Nomination Committee shall convene a meeting, and invite nominations of candidates from Board members (if any), for consideration by the Nomination Committee. The Nomination Committee may also put forward candidates who are not nominated by Board members;

- Proposed candidates will be asked to submit the necessary personal information, together with their written consent to be appointed as a director of the Company and to the public disclosure of their personal data on any documents or relevant website in connection with their nomination or otherwise pursuant to applicable rules and regulatory requirements; recommendation will then be made by the Nomination Committee upon review of the relevant documents for Board's consideration and approval. The Nomination Committee may request candidates to provide additional information and documents, if considered necessary;

- In the context of re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the candidates to stand for re-election at a general meeting;

- Please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director of the Company", which is available on the Company's website, for procedures for shareholders' nomination of any candidate for election as a Director; and

- The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Board will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy.

Remuneration Committee

The Board established the Remuneration Committee on 17 November 2014 with written terms of reference in compliance with the CG Code. The written terms of reference were updated on 30 March 2023 and 26 March 2024 respectively. As at 31 December 2023 and the date of this annual report, the Remuneration Committee comprises three members, the majority of whom are Independent Non-executive Directors. Ms. LIU Qianli, an Independent Non-executive Director, served as chairwoman of the Remuneration Committee, Mr. BI Lin, an Executive Director and Mr. LAI Xiaoling, an Independent Non-executive Directors, served as the committee members.

The role and functions of the Remuneration Committee are set out in its terms of reference. The primary duties of the Remuneration Committee include, but not limited to, the following: (i) making recommendations to the Board on the Company's policy and structure for remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) determining the specific remuneration packages of the Directors and senior management and (iii) reviewing and approving the management's performance based remuneration with reference to corporate goals and objectives resolved by the Board from time to time. As at the date of this annual report the written terms of reference have been updated to include in the duties of the Remuneration Committee the review and/or approve matters relating to share schemes under the new Chapter 17 of the Listing Rules in light of the applicable amendments to the CG Code. The Remuneration Committee should consult the Chairman and/or chief executive about its remuneration proposals for other Executive Directors.

The Remuneration Committee held two meetings during the year ended 31 December 2023 to review, inter alias, (i) the remuneration policy and structure; (ii) the annual remuneration packages of the Executive Directors with reference to their performances; and (iii) other matters related to the foregoing.

The attendance records of the Remuneration Committee meetings held during the year ended 31 December 2023 are set out below:

Name of members of the Remuneration Committee	Attendance/ Number of Remuneration Committee meeting
Chairwoman:	
Ms. LIU Qianli	2/2
Members:	
Mr. BI Lin	2/2
Mr. LAI Xiaoling	2/2

Details of the remuneration of each of the Directors for the year ended 31 December 2023 are set out in Note 8 to the financial statements of this annual report.

Audit Committee

The Board established the Audit Committee on 17 November 2014 with written terms of reference in accordance with the CG Code. The written terms of reference were updated on 28 December 2015, 27 December 2018 and 26 March 2024 respectively. As at 31 December 2023 and the date of this annual report, the Audit Committee comprises three members, all of whom are Independent Non-executive Directors. Ms. LIU Qianli, an Independent Non-executive Director with appropriate professional qualifications required under Rule 3.10(2) and 3.21 of the Listing Rules, served as chairwoman of the Audit Committee, and Mr. LAI Xiaoling and Mr. CAO Xi (appointed on 17 November 2023), both of whom are Independent Non-executive Directors, served as committee members. The Board considered that the members of the Audit Committee possess sufficient professional knowledge and experience relating to accounting and financial management for discharge of their responsibilities.

The role and functions of the Audit Committee are set out in its written terms of reference. The primary duties of the Audit Committee are (i) serving as a focal point for communication between the Directors, and the external auditors and the internal auditors (where an internal audit function exists) as regards their duties relating to financial and other reporting, risk management and internal control, external and internal audits and such other financial and accounting matters as the Board determines from time to time; (ii) assisting the Board by providing an independent view of effectiveness of the financial reporting process, risk management and internal control systems of the Group; (iii) overseeing the audit process and performing other duties and responsibilities as assigned by the Board; (iv) reviewing and monitoring the relationship between the external auditors and the Group, especially independence and effectiveness of the external auditors; (v) reviewing the Group's financial information, ensuring compliance with accounting standards and reviewing significant adjustments from audit; and (vi) reviewing the Company's financial controls, risk management and internal control systems.

The Audit Committee held two meetings during the year ended 31 December 2023 to review the annual results of the Group for the year ended 31 December 2022 and the interim results of the Group for the six months ended 30 June 2023 as well as the reports prepared by the external auditors relating to accounting and internal control issues and major findings in the course of audit/review. In addition, it reviewed the Company's compliance with the CG Code and the regulatory and statutory requirements, and the disclosure in this corporate governance report. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditors.

The attendance records of the Audit Committee meetings held during the year ended 31 December 2023 are set out below:

Name of members of the Audit Committee	**Attendance/ Number of Audit Committee meeting**
Chairwoman:	
Ms. LIU Qianli	2/2
Members:	
Mr. LAI Xiaoling	2/2
Mr. CAO Xi *(appointed on 17 November 2023)*	N/A
Mr. MA Suen Yee Andrew *(resigned on 17 November 2023)*	2/2

The Group's annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee on 26 March 2024, and it considered that the said annual results are prepared in accordance with applicable accounting standards, rules and regulations, and appropriate disclosures have been duly made.

REMUNERATION OF EXTERNAL AUDITORS

The statement of the external auditors of the Company, Ernst & Young, about their reporting responsibilities on the financial statements is set out in the independent auditors' report on pages 132 to 134.

The external auditors of the Company will be invited to attend the forthcoming AGM to answer questions about conduct of the audit, preparation for and contents of the auditor's report and auditor's independence.

During the year ended 31 December 2023, the total fee paid/payable to Ernst & Young in respect of audit services is set out below:

Items of auditors' service	**Amount** (RMB'000)
Audit service	2,050
Total	2,050

The Audit Committee is responsible for making recommendations to the Board as to the appointment, reappointment and removal of external auditors. Such appointment, re-appointment and removal are subject to the approval by the Board and the Shareholders in the general meetings of the Company.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2023 which give a true and fair view of the financial position of the Group as well as the operating results and cash flows during that year.

The Directors consider that in preparing for the financial statements, the Group has ensured that statutory requirements are met, appropriate and consistently adopted accounting policies are applied, and judgments and estimates which are reasonable and prudent in accordance with the applicable accounting standards are made.

The Directors are responsible for ensuring that proper accounting records are kept so that the Group could prepare financial statements in accordance with statutory requirements and the Group's accounting policies, safeguarding the assets of the Group and taking reasonable steps for preventing and detecting fraud and other irregularities within the Group. They are also responsible for presenting balanced, clear and understandable annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules and statutory provisions.

The senior management has provided such explanation and information, and monthly updates to the Board as are necessary to enable the Board to carry out a balanced and informed assessment of the financial information, position and prospect of the Group.

During the year ended 31 December 2023, the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group's risk management and internal control systems have been designed to safeguard the assets of the Group, assure proper maintenance of accounting records, and ensure compliance with the relevant laws and regulations by the Group.

The Board has overall responsibility for maintaining a sound and effective risk management and internal control systems of the Group, which includes a defined management structure with limits of authority, and is designed to ensure proper application of accounting standards, provision of reliable financial information for internal use, publication and compliance with the relevant laws and regulations. The Board reviews the risk management and internal control systems on an annual basis through the Audit Committee.

To assist the Audit Committee in its oversight and monitoring activities, the Group maintains an independent internal audit function, which provides objective assurance to the Audit Committee that the systems of risk management and internal control is effective and operating as intended. The mission of internal audit is to provide the Board and the management with independent and objective assessment of the Group's internal control systems, guidance for improving risk management, proactive support to improve the Group's control posture and independent investigations regarding certain allegations of violations of the code of conduct which applies to all employees and other policies of the Company.

In respect of the year ended 31 December 2023, the Board considered the risk management and internal control system of the Group effective and adequate. No significant areas of concern that may affect the financial, operational, compliance controls, and risk management functions of the Group have been identified. During the review, the Board also considered the resources, qualification/experience of staff of the Group's accounting and financial reporting function, and their training and budget to be adequate.

Process used to identify, evaluate and manage significant risks

The Group improves its management capability and adaptability, and further ensures the realisation of the business objectives and a sustainable growth through active and systematic identification, assessment and response to risk issues occurred in the operation process. On preparation of the annual work plans and special plans, those risk factors that may affect the achievement of the goals were comprehensively identified and assessed by each department of the Group, and corresponding risk response measures and annual risk management plan were formulated. The management identified material risks on the corporation level based thereon as the key area of the annual risk management, and reviewed and assessed the implementation of the risk management plan in the middle and at the end of the year.

Main Features of Risk Management and Internal Control System

The Group adopts a holistic risk management and internal controls framework to proactively manage risks. This framework is put into effect by the Board, with the Audit Committee to support the Board in monitoring risk exposures, the design and operating effectiveness of the underlying risk management and internal controls systems. The roles of the Board, the Audit Committee, the management and the internal audit function in the risk management and internal control systems of the Company are as follows:

The Board

- maintains a sound and effective internal control system
- monitors the performance of the internal control system
- sets high ethical and moral standards and monitoring management compliance with these standards

The Audit Committee

- provides directives for the design and implementation of a sound and effective internal control system
- oversees the risk management and internal control systems
- reviews the Group's statement of internal control systems prior to its endorsement by the Board
- ensures the independence and transparency of the internal audit function

The management

- cooperates with and supporting the work of the internal audit
- designs, implementing and maintaining an effective internal control system
- supervises staff to ensure that they carry out their duties in accordance with the requirements of internal control practices
- coordinates the risk identification and assessment process, highlights identified risks to the Audit Committee, along with the status of actions taken to manage these risks

The Internal Audit Function

- formulates action plans to monitor the effectiveness of the internal control system
- works with various departments and monitoring their compliance with internal control practices
- conducts robust reviews and stringent testing of the internal control system and making recommendations for improvement
- provides independent and objective assurance of the effectiveness of the internal control practices

The system is developed to provide reasonable, but not absolute, assurance against material misstatement or losses and to manage, but not fully eliminate, risk of operational system failure and the Group's failure in meeting the standards.

Supervision and Self-Assessment of the Internal Control Systems

The Board focuses on the key elements of the internal control and continues to review the effectiveness of the Group's internal control system through the Audit Committee and its subordinate Audit Department. The Company established the internal audit function, which independently reviews, supervises and evaluates internal control activities regularly and whenever necessary based on possible risks and degrees of importance involved in various businesses and procedures and directly reports to the Audit Committee. The Audit Committee continuously supervises and reviews the soundness and effectiveness of the Group's financial reporting and internal control system on an ongoing basis. The Audit Committee will then report to the Board after due review of the effectiveness of the Group's system of internal controls. The Board considers the works and findings of the Audit Committee in forming its own view on the effectiveness of the system.

For handling and dissemination of Inside Information

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Company:

- is aware of its obligations under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to our attention and/or it is the subject of a decision unless it falls within the SFO safe harbours;
- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" and "Recent Economic Developments and the Disclosure Obligations of Listed Issuers" issued by the Securities and Futures Commission in June 2012 and the Stock Exchange in 2008 respectively;
- has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;
- has included in its Code of Conduct a strict prohibition on the unauthorised use of confidential or inside information; and
- has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the Executive Directors, Investor Relations Director are authorised to communicate with parties outside the Group.

The risk management and internal control systems of the Group will be constantly optimised to match the continuous business development of the Group.

SHAREHOLDERS' RIGHTS

To safeguard the Shareholders' interests and rights, separate resolutions are proposed for each substantially separate issue at general meetings, including the election of individual Directors. Except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, all resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules. Poll results will be published on the websites of the Company and HKEx after each general meeting.

Putting Forward Proposals at General Meetings
The annual general meeting and other general meetings of the Company are the primary forum for communication between the Company and its Shareholders. The Company shall provide the Shareholders with information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable the Shareholders to make an informed decision on the proposed resolution(s).

There is no provision in the Articles or the Companies Act for the Shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the below paragraph.

With regard to nomination of any candidate for election as a Director, please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director of the Company", which is available on the Company's website.

Convening an Extraordinary General Meeting by Shareholders
Pursuant to article 58 of the Articles, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company may, by written requisition to the Board or the company secretary of the Company, require an extraordinary general meeting to be called by the Board for transaction of business or resolution specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) may convene a physical meeting at only one location which will be the Principal Meeting Place, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Board believes that effective communication with investors is essential for building investors' confidence and attracting new investors with improved understanding of the Group's business performance and strategies. The Group also recognises the importance of transparent and timely disclosure of corporate information which will enable investors to make informed investment decisions. The Company values communication with the Shareholders and has devised the "Shareholders' Communication Policy" since the Listing Date, which has also been made available on the Company's website.

General meetings of the Company are expected to provide a forum for communication between the Board and the Shareholders. The Chairman of the Board, and chairman/chairwoman (where applicable) of the Nomination Committee, Remuneration Committee and Audit Committee and, in their absence, other members of the respective committees are available to answer questions at general meetings. The Chairman shall ensure that appropriate steps are taken to provide effective communication with the Shareholders and that their views are communicated to the Board as a whole.

The Company has disclosed necessary information and updates on the Group's business developments and operations, financial information and corporate governance measures to the Shareholders in compliance with Listing Rules and such are made available for public access on the Company's website.

Corporate communication of the Company in both the English and Chinese languages will be available electronically on the website of the Company at www.feiyuhk.com and the HKExnews website at www.hkexnews.hk.

For putting forward any enquiries to the Board, the Shareholders may send written enquiries to the Company as follows:

Address:	Block A, Feiyu Tower, No. 78 Hu'an Road, Huli District, Xiamen, Fujian Province, PRC
Email:	IR@feiyu.com

Note: The Company will not normally deal with verbal or anonymous enquiries.

Shareholders should direct enquires about their shareholdings to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The Company has reviewed the implementation and effectiveness of the Shareholders' Communication Policy and considered the above-mentioned communication channels between itself and the Shareholders as effective during the year ended 31 December 2023.

GENERAL MEETINGS

Annual general meeting proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices. The notice of annual general meeting is distributed to all shareholders at least 20 clear business days prior to the annual general meeting and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of the annual general meeting exercises his power under the Articles to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the beginning of the meeting. Poll voting results are posted on the Company's website on the day of the annual general meeting.

During the year ended 31 December 2023, one annual general meeting was held. The attendance record of each Director and joint company secretaries at the general meeting are set out below:

Name of the Directors	Attendance/ Number of general meeting
Executive Directors:	
Mr. YAO Jianjun	1/1
Mr. CHEN Jianyu	1/1
Mr. BI Lin	1/1
Mr. LIN Zhibin	1/1
Independent non-executive Directors:	
Ms. LIU Qianli	1/1
Mr. LAI Xiaoling	1/1
Mr. CAO Xi *(appointed on 17 November 2023)*	N/A
Mr. MA Suen Yee Andrew *(resigned on 17 November 2023)*	1/1
Joint Company Secretaries	
Ms. LUI Mei Ka	1/1
Ms. WEI Yulan	1/1

The forthcoming AGM will be held on Friday, 24 May 2024. The notice of the AGM will be sent to the Shareholders at least 20 clear business days before the AGM.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2023, the Company has not made any changes to its Memorandum and Articles of Association.

DIVIDEND POLICY

The Board has adopted a dividend policy ("Dividend Policy") on 29 December 2018 with an aim to provide the Shareholders with stable and sustainable returns. In proposing any dividend payout, the Board shall take into account the Group's actual and expected performance and financial conditions, retained earnings and distributable reserves, liquidity and cash flow, expected requirements for working capital and future investment, restrictions on payment of dividends that may be imposed on the Company by any of its financing arrangements and other factors that the Board deems appropriate. There can be no assurance by the Board that a dividend will be proposed or declared in any particular amount for any given period and the declaration or distribution of the dividend by the Company is also subject to compliance with applicable laws and regulations. The Board shall continually review this policy from time to time.

JOINT COMPANY SECRETARIES

Ms. LUI Mei Ka, the Chief Financial Officer and Ms. WEI Yulan, the financial controller who have day-to-day knowledge of the Group's affairs have been appointed as joint company secretaries of the Company. All Directors have access to the advice and services of the joint company secretaries to ensure that the Board procedures, and all applicable law, rules and regulations are followed. Biographical details of the joint company secretaries are set out on page 76 of this annual report.

Each of the joint company secretaries has complied with requirements of Rule 3.29 of the Listing Rules by receiving relevant professional training for not less than 15 hours during the year ended 31 December 2023.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Feiyu Technology International Company Ltd.
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Feiyu Technology International Company Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 135 to 215, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of financial assets	
As at 31 December 2023, the Group had investments in financial assets such as certain equity investments designated at fair value through other comprehensive income with a total amount of RMB34,204,000. These investments are classified as level 3 in the fair value hierarchy, as their fair values are measured using valuation techniques with significant unobservable inputs. Fair value measurement can be a subjective area and more so for areas of the market reliant on the model – based valuation or with weak liquidity and price discovery. The selection of valuation techniques for these financial assets can be subjective and is so for assumptions. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. The fair value of these investments, valuation techniques and significant unobservable inputs used in the measurement of the fair value of these investments are included in note 35 to the financial statements.	For certain equity investments designated at fair value through other comprehensive income, our audit procedures included, among others, involving our internal valuation experts to assist us in evaluating the valuation techniques against industry practice and valuation guidelines, comparing assumptions used against industry benchmarks, investigating significant differences and performing our own independent valuations where applicable. We also assessed the adequacy of the Group's disclosures related to these equity investments in the financial statements of the fair value hierarchy of the investments.
Fair value of an investment property	
As at 31 December 2023, the Group recorded an investment property amounting to RMB156,154,000. The Group measures its investment property at fair value at the end of each reporting period. The valuation process is subjective and requires judgement in determining key assumptions such as estimated rental value, term yields and market yields. The Group's disclosures about the investment property are included in note 14 to the financial statements.	Our audit procedures included, among others, comparing property-related data used for the valuation with the underlying documentation and involving our internal specialists to assist us in evaluating the methodology of the valuation and the key assumptions and estimates used in the valuation such as the estimated rental value, term yield and market yield. We also assessed the adequacy of the Group's disclosures related to investment property in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shun Lung Wai, Ricky.

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road Quarry Bay
Hong Kong

26 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	**226,189**	191,519
Cost of sales		**(31,722)**	(37,318)
Gross profit		**194,467**	154,201
Other income and gains	5	**22,310**	16,181
Selling and distribution expenses		**(37,494)**	(40,444)
Administrative expenses		**(54,576)**	(64,389)
Research and development costs		**(64,092)**	(76,847)
Other expenses		**(3,970)**	(8,618)
Finance costs	7	**(3,685)**	(3,968)
Share of profits and losses of associates	18	**(400)**	755
PROFIT/(LOSS) BEFORE TAX	6	**52,560**	(23,129)
Income tax expense	10	**(380)**	(1,227)
PROFIT/(LOSS) FOR THE YEAR		**52,180**	(24,356)
Attributable to:			
Owners of the parent		**52,013**	(29,637)
Non-controlling interests		**167**	5,281
		52,180	(24,356)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic			
For profit/(loss) for the year		**RMB0.03**	RMB(0.02)
Diluted			
For profit/(loss) for the year		**RMB0.03**	RMB(0.02)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
PROFIT/(LOSS) FOR THE YEAR	**52,180**	(24,356)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Debt investments at fair value through other comprehensive income:		
Changes in fair value	**(416)**	(10,432)
Exchange differences on translation of financial statements	**1,760**	13,107
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**1,344**	2,675
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**10,999**	(13,697)
Income tax effect	**–**	(120)
	10,999	(13,817)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**10,999**	(13,817)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**12,343**	(11,142)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**64,523**	(35,498)
Attributable to:		
Owners of the parent	**64,356**	(40,782)
Non-controlling interests	**167**	5,284
	64,523	(35,498)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**60,577**	62,182
Investment property	14	**156,154**	159,166
Right-of-use assets	15(a)	**32,601**	36,088
Goodwill	16	**11,427**	11,427
Other intangible assets	17	**417**	648
Investments in associates	18	**10,210**	10,910
Prepayments, other receivables and other assets	21	**19,261**	18,370
Time deposits	24	**40,000**	–
Equity investments designated at fair value through other comprehensive income	22	**34,204**	16,205
Debt investments at fair value through other comprehensive income	22	**58,177**	58,121
Financial assets at fair value through profit or loss	22	**54,644**	51,942
Total non-current assets		**477,672**	425,059
CURRENT ASSETS			
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	20	**36,940**	41,373
Prepayments, other receivables and other assets	21	**15,843**	15,413
Other current assets		**10,796**	10,659
Cash and cash equivalents	23	**160,678**	133,153
Total current assets		**224,257**	200,598
CURRENT LIABILITIES			
Other payables and accruals	25	**61,840**	59,609
Interest-bearing bank loans	26	**6,000**	10,000
Lease liabilities	15(b)	**1,569**	2,640
Tax payable		**2,013**	2,010
Contract liabilities	27	**9,419**	13,436
Total current liabilities		**80,841**	87,695
NET CURRENT ASSETS		**143,416**	112,903
TOTAL ASSETS LESS CURRENT LIABILITIES		**621,088**	537,962

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	26	89,500	60,000
Lease liabilities	15(b)	106	1,614
Deferred tax liabilities	19	2,169	1,789
Contract liabilities	27	3,373	18,056
Total non-current liabilities		95,148	81,459
Net assets		525,940	456,503
EQUITY			
Equity attributable to owners of the parent			
Share capital	28	1	1
Share premium	28	604,566	597,945
Reserves	30	(93,133)	(151,727)
		511,434	446,219
Non-controlling interests		14,506	10,284
Total equity		525,940	456,503

Yao Jianjun
Director

Chen Jianyu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent										
	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000	Equity-settled share-based payment reserve RMB'000	Other reserve RMB'000	Financial assets revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	1	597,945	18,731	152,772	333,287	(7,717)	22,195	(623,494)	493,720	187	493,907
Loss for the year	–	–	–	–	–	–	–	(29,637)	(29,637)	5,281	(24,356)
Other comprehensive loss for the year:											
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	–	–	–	–	–	(13,817)	–	–	(13,817)	–	(13,817)
Changes in fair value of debt investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	(10,432)	–	–	(10,432)	–	(10,432)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	13,104	–	13,104	3	13,107
Total comprehensive loss for the year	–	–	–	–	–	(24,249)	13,104	(29,637)	(40,782)	5,284	(35,498)
Contribution to non-controlling shareholders	–	–	–	–	(4,813)	–	–	–	(4,813)	4,813	–
Equity-settled share-based payment expenses	–	–	–	(1,906)	–	–	–	–	(1,906)	–	(1,906)
Appropriation to statutory reserves	–	–	1,973	–	–	–	–	(1,973)	–	–	–
At 31 December 2022	1	597,945	20,704	150,866	328,474	(31,966)	35,299	(655,104)	446,219	10,284	456,503

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2023

	Attributable to owners of the parent										
	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000	Equity-settled share-based payment reserve RMB'000	Other reserve RMB'000	Financial assets revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023	1	597,945	20,704	150,866	328,474	(31,966)	35,299	(655,104)	446,219	10,284	456,503
Profit for the year	–	–	–	–	–	–	–	52,013	52,013	167	52,180
Other comprehensive loss for the year:											
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	–	–	–	–	–	(416)	–	–	(416)	–	(416)
Changes in fair value of debt investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	10,999	–	–	10,999	–	10,999
Exchange differences on translation of foreign operations	–	–	–	–	–	–	1,760	–	1,760	–	1,760
Total comprehensive income for the year	–	–	–	–	–	10,583	1,760	52,013	64,356	167	64,523
Contribution to non-controlling shareholders	–	–	–	–	(4,055)	–	–	–	(4,055)	4,055	–
Exercise of share option	–	6,621	–	(1,707)	–	–	–	–	4,914	–	4,914
Appropriation to statutory reserves	–	–	8,316	–	–	–	–	(8,316)	–	–	–
At 31 December 2023	1	604,566	29,020*	149,159*	324,419*	(21,383)*	37,059*	(611,407)*	511,434	14,506	525,940

* These reserve accounts comprise the consolidated negative reserves of RMB93,133,000 (2022: RMB151,727,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**52,560**	(23,129)
Adjustments for:			
Finance costs	7	**3,685**	3,968
Interest income	5	**(3,605)**	(3,181)
Depreciation of property, plant and equipment	13	**4,062**	3,533
Depreciation of right-of-use assets	15	**3,086**	4,822
Amortisation of intangible assets	17	**231**	244
Gain on disposal of items of property, plant and equipment	6	**(117)**	(492)
Gain on disposal of right-of-use assets	15	**(51)**	(19)
Equity-settled share-based payment expenses	6	**–**	(1,906)
Fair value (gains)/losses, net:			
Financial assets at fair value through profit or loss	6	**(6,391)**	6,450
Changes in fair value of investment properties	14	**3,012**	(635)
Share of profits and losses of associates	18	**400**	(755)
Impairment of prepayments, other receivables and other assets, net	21	**(100)**	9,695
		56,772	(1,405)
Decrease/(increase) in accounts receivable and receivables due from third-party game distribution platforms and payment channels		**4,433**	(14,750)
(Increase)/decrease in prepayments, other receivables and other assets		**(920)**	2,045
Increase in other payables and accruals		**2,140**	3,222
(Increase)/decrease in other current assets		**(137)**	2,480
(Decrease)/increase in contract liabilities		**(18,700)**	7,901
Cash generated from/(used in) operations		**43,588**	(507)
Interest paid		**(3,517)**	(3,989)
Net cash flows from/(used in) operating activities		**40,071**	(4,496)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Net cash flows from/(used in) operating activities		**40,071**	(4,496)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**3,304**	4,237
Purchases of items of property, plant and equipment		**(6,891)**	(15,079)
Proceeds from disposal of items of property, plant and equipment		**274**	628
Purchase of equity investments designated at fair value through other comprehensive income		**(2,500)**	–
Purchase of financial assets at fair value through profit or loss		**(530,939)**	(592,300)
Proceeds from disposal of financial assets at fair value through profit or loss		**532,759**	624,556
Purchase of time deposits		**(40,000)**	–
Additions to other intangible assets		**–**	(13)
Dividends received from an associate		**300**	300
Net cash flows (used in)/from investing activities		**(43,693)**	22,329
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options		**4,614**	–
New bank loans		**100,000**	–
Repayment of bank loans		**(74,500)**	(10,000)
Principal portion of lease payments	15	**(2,127)**	(3,655)
Net cash flows from/(used in) financing activities		**27,987**	(13,655)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**24,365**	4,178
Cash and cash equivalents at beginning of year		**133,153**	126,261
Effect of foreign exchange rate changes, net		**3,160**	2,714
CASH AND CASH EQUIVALENTS AT END OF YEAR		**160,678**	133,153
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	23	**160,678**	133,153
Restricted cash and bank balances	23	**–**	(846)
Unrestricted cash and cash equivalents	23	**160,678**	132,307

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 6 March 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is the offices of Conyers Trust Company (Cayman) Ltd. at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Group is principally engaged in the operation and development of web and mobile games in the People's Republic of China (the "PRC"). The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 5 December 2014.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Date of incorporation	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Feiyu Technology Hong Kong Ltd.	Hong Kong	HK$1	25 March 2014	100	–	Investment holding
Xiamen Guanghuan Information Technology Co., Ltd. ("Xiamen Guanghuan")	PRC/ Chinese Mainland	RMB10,000,000	12 January 2009	–	100	Game development and distribution
Xiamen Youli Information Technology Co., Ltd. ("Xiamen Youli")	PRC/ Chinese Mainland	RMB150,000,000	19 September 2011	–	100	Game development and distribution
Xiamen Yidou Internet Technology Co., Ltd. ("Xiamen Yidou")	PRC/ Chinese Mainland	RMB20,000,000	11 June 2012	–	100	Game development
Beijing Kailuo Tianxia Technology Co., Ltd. ("Kailuo Tianxia")	PRC/ Chinese Mainland	RMB60,000,000	3 May 2012	–	100	Game development and distribution
Xiamen Feiyu Technology Co., Ltd.* ("Xiamen Feiyu")	PRC/ Chinese Mainland	US$20,000,000	24 June 2014	–	100	Investment holding Game development
Xiamen Xiyu Internet Technology Co., Ltd. ("Xiamen Xiyu")	PRC/ Chinese Mainland	RMB30,000,000	4 June 2015	–	100	Game development
Beijing Baicai Tianxia Technology Co., Ltd. ("Baicai Tianxia")	PRC/ Chinese Mainland	RMB10,000,000	10 July 2015	–	100	Game development and distribution
Xiamen Feixiangyue Investment Management Co., Ltd. ("Xiamen Feixiangyue")	PRC/ Chinese Mainland	RMB200,000,000	9 August 2016	–	100	Asset management
Xiamen Feiyu Tianxia Information Technology Co., Ltd.* ("Feiyu Tianxia")	PRC/ Chinese Mainland	US$10,000,000	21 July 2021	–	100	Game development
Xiamen Veewo Games Co., Ltd. ("Xiamen Veewo")	PRC/ Chinese Mainland	RMB1,350,000	29 February 2016	–	51	Game development

* Xiamen Feiyu Technology Co., Ltd. and Xiamen Feiyu Tianxia Information Technology Co., Ltd. are registered as wholly-foreign-owned enterprises under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for debt investments at fair value through other comprehensive income, equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The adoption of these amendments to IAS 12 did not result in substantial changes to the Group's accounting policies and amounts reported for the current and prior periods.

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its equity and debt investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.7%
Office equipment	19% to 32%
Motor vehicles	19% to 24%
Leasehold improvements	Over the shorter of the lease terms and useful life

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)
Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment property
Investment property is interest in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation Such property is measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment property is stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of the investment property are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software
Software assets are amortised on a straight-line basis over the shorter of the estimated useful lives or as stipulated by law. The estimated useful lives range from 1 years to 15 years.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)
Research and development costs
All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets
Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use).Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	40 years
Properties	2 to 3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its internal rate of return at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For accounts receivable and receivables due from third-party game distribution platforms and payment channels and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include other payables and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Game operation

The Group's online games allow players to play for free. The Group's single player games either allow players to play for free or pay to play. Players can purchase in-game virtual currency, which can be used to obtain in-game items and premium features, commonly known as virtual items, to enhance their game-playing experience. The Group operates its online and single player games through cooperation with various third-party game distribution platforms including online application stores, web-based and mobile game portals and mobile operators and derives its revenue from sales of in-game currency and items. The Group is responsible for providing ongoing updates of new contents, and technical support for the operation of the games. The platforms provide the servers for downloading and hosting the games and are responsible for distribution, marketing, platform maintenance and payment collections from players. Players purchase the Group's in-game currencies through the platforms' own charging systems by remitting the payment directly to the platforms. After deducting the commission charged by the platforms, the platforms remit the rest of net proceeds to the Group. The portion of the proceeds received by the Group is calculated based on the standard price of in-game virtual currencies sold and the agreed share ratio in the contracts with platforms.

The Group assesses its rights and responsibilities in the cooperation with the platforms to deliver the game experience to the players to determine whether it is principal or agent in the arrangement. If the Group considers it is the principal in the arrangement, revenue is recognised on a gross basis, which is the gross spending by the players. Then the portion charged by the platforms is recorded in selling and distribution expenses as channel costs. If the Group considers it is the agent in the arrangement, revenue is recognised on a net basis, which is the net proceeds from platforms after deducting the portion charged by the platforms.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) Game operation (Continued)

Certain third-party platforms offer various marketing discounts from time to time to players to encourage spending on these platforms. The actual prices paid by individual players may be lower than the standard prices of virtual currencies. Such marketing discounts are neither available to be tracked reliably nor borne by the Group. For revenue related to these platforms, it is measured at the fair value of the consideration received or receivable, which is the net amount from these third-party platforms.

For online games, the in-game items and premium features, which are purchased by virtual currencies, are considered value-added services and rendered over a pre-specified period or throughout the whole game life. Once the players purchase virtual currencies, the proceeds are recorded in contract liabilities and recognised in revenue after the virtual currencies are used to purchase in-game items or premium features which are either upon consumption or rateably over the practical usage period predetermined in the game. The Group monitors the operational statistics and usage patterns of the virtual items.

For single player games, since they are downloaded and installed on each individual mobile device, the Group does not have the obligation for game maintenance once the game is downloaded and neither has the access to the game data on each mobile device. Revenue is recognised upon the download of the game or purchase of virtual items by players. The cost of providing ongoing technical support for the operation of the games is considered to be insignificant.

(b) Online game distribution

The Group distributes third party developers' games and generates its revenue by charging commission to game developers based on a certain portion of the purchase amount for in-game virtual currencies remitted by players through the Group's charging system. After deducting the commission charged by the Group, the Group remits the rest of the amount to the game developers. Revenue is measured at the amount of the commission and recognised upon the purchase action by players.

(c) Licensing income

The Group receives royalty income from third-party licensees in exchange for the exclusive operation of the Group's self-developed games in certain regions, providing related technical support and the Group's licensing products. The royalty fees include an upfront fee and, in certain cases, an additional fee during the contracted licence period, which is determined based on an agreed amount when accumulated virtual currencies purchased by the players with accounts registered with the third parties exceed certain amounts. The upfront fee is recognised rateably over the contracted licence period. The additional fee is recognised when the actual purchase by the players exceeds the agreed amount in contract.

(d) Advertising revenue

Online advertising revenue is derived principally from online advertising arrangements. The Group enters into advertising arrangements with advertisers to allow them to place advertisements in particular areas of the Group's games. Advertising revenue from an advertising arrangement is recognised either rateably over the displaying period of the advertisement or upon a particular action by players, i.e., click, download or activate.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(e) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(f) Technical service income

The Group derives revenue from technical services. Technical service revenue is recognised when technical support services are rendered.

(g) Game development service income

Revenue from game development services is recognised over time as the client simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue once specified milestones are reached during the service period as the Group's game development contract includes payment schedules which require stage payments over the game development period once certain specified milestones are reached. If the services rendered by the Group exceed the customers' payment, the cost occurred relating to the fulfilment of the contract will be capitalized.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the Group's right to receive the payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates share option schemes. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of outstanding shares is reflected as additional share dilution in the computation of earnings per share.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Other employee benefits

Pension scheme

The Group companies operating in Chinese Mainland participate in defined contribution retirement benefit plans organised by the relevant government authorities for its employees in Chinese Mainland and contribute to these plans based on a certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities, The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

The Group has no further obligation for post-retirement benefits beyond the contributions made. The contributions to these plans are recognised as employee benefit expenses when incurred.

Housing benefits

Employees of the group companies operating in Chinese Mainland participate in government-sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the funds are expensed as incurred.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Foreign currencies

The functional currency of the Company is the Hong Kong dollar ("HK$"). These financial statements are presented in RMB. In the opinion of the directors, as the Group's operations are mainly in the PRC, the use of RMB as the presentation currency is more appropriate for the presentation of the Group's results and financial position. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

Classification between investment property and owner-occupied property

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2023 was RMB11,427,000 (2022: RMB11,427,000). Further details are given in note 16.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Estimation of fair value of investment properties (Continued)

The carrying amount of investment properties at 31 December 2023 was RMB156,154,000 (2022: RMB159,166,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

Fair value of unlisted equity investments

Certain unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 35 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2023 was RMB34,204,000. Further details are included in note 22 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. OPERATING SEGMENT INFORMATION

The Group focuses primarily on the operation and development of web and mobile games in Chinese Mainland. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Information about geographical areas

Since no revenue or operating profit from transactions with a single geographical area other than Chinese Mainland accounted for 10% or more of the Group's revenue and all of the Group's identifiable assets and liabilities were located in Chinese Mainland, no geographical segment information in accordance with IFRS 8 *Operating Segments* is presented.

Information about a major customer

No revenue from the Company's sales to a single customer amounted to 10% or more of the Group's revenue for the year ended 31 December 2023 (2022: No revenue from the Company's sales to a single customer amounted to 10% or more of the Group's revenue).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	2023 RMB'000	2022 RMB'000
Types of goods or services		
Game operation	174,674	153,768
– Gross basis	72,022	64,714
– Net basis	102,652	89,054
Online game distribution	2,672	462
Licensing income	25,135	5,747
Game development service	1,865	7,651
Advertising revenue	18,711	21,557
Sale of goods	2,875	2,000
Technical service income	257	334
Total	226,189	191,519
Timing of revenue recognition		
Services transferred over time	27,000	13,398
Services and goods transferred at a point of time	199,189	178,121
Total	226,189	191,519
Other income		
Government grants	2,479	3,735
Interest income	3,146	3,181
Rental income	6,205	5,861
Total other income	11,830	12,777
Gains		
Fair value gains, net:		
Financial assets	7,216	1,479
Fair value gains on investment properties	–	635
Gain on disposal of items of property, plant and equipment	213	499
Others	3,051	791
Total gains	10,480	3,404
Total other income and gains	22,310	16,181

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	2023 RMB'000	2022 RMB'000
Channel costs		**22,938**	20,145
Advertising expenses		**9,670**	15,456
Depreciation of property, plant and equipment	13	**4,062**	3,533
Depreciation of right-of-use assets	15(a)	**3,086**	4,822
Amortisation of intangible assets	17	**231**	244
Impairment of prepayments, other receivables and other assets, net	21	**(100)**	9,695
Lease payments not included in the measurement of lease liabilities	15(c)	**2,353**	3,088
Auditor's remuneration		**2,050**	1,950
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**95,920**	112,437
Pension scheme contributions		**13,152**	8,910
Equity-settled share option expense		**–**	(1,906)
Total		**109,072**	119,441
Foreign exchange differences, net		**(37)**	(365)
Gain on disposal of items of property, plant and equipment, net		**(117)**	(492)
Changes in fair value of investment properties	14	**3,012**	(635)
Fair value (gains)/losses, net:			
Financial assets at fair value through profit or loss		**(6,391)**	6,450

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 RMB'000	2022 RMB'000
Interest on bank loans	**3,530**	3,685
Interest on lease liabilities	**155**	283
Total	**3,685**	3,968

8. DIRECTORS' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2023 RMB'000	2022 RMB'000
Fees	**811**	1,290
Other emoluments:		
Salaries, allowances and benefits in kind	**1,993**	1,772
Performance related bonuses	**735**	168
Pension scheme contributions	**350**	318
Subtotal	**3,078**	2,258
Total	**3,889**	3,548

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2023 RMB'000	2022 RMB'000
Mr. Cao Xi*	**33**	–
Mr. Lai Xiaoling	**270**	258
Ms. Liu Qianli	**270**	258
Mr. Ma Suen Yee Andrew**	**238**	258
Total	**811**	774

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

* Mr. Cao Xi was appointed as an independent non-executive director on 17 November 2023.

** Mr. Ma Suen Yee Andrew resigned as an independent non-executive director on 17 November 2023.

8. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2023					
Executive directors					
Mr. Chen Jianyu	–	525	100	75	700
Mr. Bi Lin	–	405	300	54	759
Mr. Lin Zhibin	–	431	35	54	520
Subtotal	–	1,361	435	183	1,979
Chief executive:					
Mr. Yao Jianjun	–	632	300	167	1,099
Total	–	1,993	735	350	3,078

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2022					
Executive directors					
Mr. Chen Jianyu	129	518	100	68	815
Mr. Bi Lin	129	400	33	51	613
Mr. Lin Zhibin	129	424	35	51	639
Mr. Lin Jiabin	129	283	–	33	445
Subtotal	516	1,625	168	203	2,512
Chief executive:					
Mr. Yao Jianjun	–	147	–	115	262
Total	516	1,772	168	318	2,774

Mr. Lin Jiabin tendered his resignation as an executive director on 30 August 2022.

The chief executive, Mr. Yao Jianjun agreed to waive his director's fee since 1 January 2018 until the Group makes a profit and the other executive directors agreed to waive their directors' fees since 1 April 2022.

In addition, the chief executive, Mr. Yao Jianjun began to receive the salaries, allowances and benefits in kind from October 2022.

9. FIVE HIGHEST PAID EMPLOYEES

No directors are included in the five highest paid employees during the year (2022: no directors are included in the five highest paid employees). Details of directors' remuneration are set out in note 8 above. Details of the remuneration for the remaining five (2022: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	3,909	5,276
Performance related bonuses	1,655	1,207
Equity-settled share-based payment expenses	–	37
Pension scheme contributions	358	283
Total	5,922	6,803

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
HK$1,000,001 to HK$1,500,000	4	2
HK$1,500,001 to HK$2,000,000	1	2
HK$2,000,001 to HK$2,500,000	–	1
Total	5	5

During the year, there was no share-based payment made to the non-director highest paid employees in respect of their services to the Group (2022: Share-based payments were made to three non-director highest paid employees in respect of their services to the Group), further details of which are included in the disclosures in note 29 to the financial statements. The fair value of share-based payments, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director highest paid employees' remuneration disclosures.

10. INCOME TAX

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Under the relevant income tax law, the PRC subsidiaries were subject to income tax at a statutory rate of 25% for the year on their respective taxable income, except for Kailuo Tianxia and Xiamen Feixin, which were certified as High and New Technology Enterprises ("HNTEs") and entitled to a preferential income tax rate of 15% from 2022 to 2025, and Xiamen Yidou, Xiamen Youli and Xiamen Feiyu which were certified as High and New Technology Enterprises ("HNTEs") in 2021 and entitled to a preferential income tax rate of 15% from 2021 to 2024. Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Chinese Mainland. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Chinese Mainland and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. At 31 December 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Chinese Mainland. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings. The aggregate amount of temporary differences associated with investments in subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB276,898,000 at 31 December 2023 (2022: RMB315,703,000).

	2023 **RMB'000**	2022 RMB'000
Current tax expense	**–**	–
Deferred tax (note 19)	**380**	1,227
Total tax expense for the year	**380**	1,227

10. INCOME TAX (Continued)

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2023 RMB'000	2022 RMB'000
Profit/(loss) before tax	**52,560**	(23,129)
Tax at the applicable tax rate	**12,648**	(3,555)
Lower tax rates enacted by local authorities	**(3,131)**	(1,700)
Expenses not deductible for tax	**427**	267
Other tax credit	**(12,380)**	(11,608)
Profits and losses attributable to associates	**100**	(189)
Tax losses utilised from previous years	**(9,657)**	(13,391)
Tax losses not recognised	**12,373**	31,403
Tax expense	**380**	1,227

11. DIVIDENDS

The Board does not recommend the payment of a final dividend to the ordinary equity holders of the Company for the year ended 31 December 2023 (for the year ended 31 December 2022: Nil)

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings (2022: loss) per share amount is based on the profit (2022: loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,733,496,296 (2022: 1,718,826,062) in issue during the year, as adjusted to reflect the share issuance and repurchase, and treasury shares on hand during the year.

The calculation of the diluted earnings (2022: loss) per share amount is based on the profit (2022: loss) for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings (2022: loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2023 RMB'000	2022 RMB'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	**52,013**	(29,637)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculations	**1,733,496,296**	1,718,826,062
Effect of dilution – weighted average number of ordinary shares:		
Share options	**614,317**	–
Total	**1,734,110,613**	1,718,826,062

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2023					
At 1 January 2023:					
Cost	58,246	16,952	7,753	18,124	101,075
Accumulated depreciation and impairment	(2,240)	(15,502)	(7,234)	(13,917)	(38,893)
Net carrying amount	56,006	1,450	519	4,207	62,182
At 1 January 2023, net of accumulated depreciation and impairment	56,006	1,450	519	4,207	62,182
Additions	–	1,061	1,553	–	2,614
Disposals	–	(133)	(24)	–	(157)
Depreciation provided during the year	(1,581)	(993)	(1,127)	(361)	(4,062)
At 31 December 2023, net of accumulated depreciation and impairment	54,425	1,385	921	3,846	60,577
At 31 December 2023:					
Cost	58,246	15,549	8,826	17,190	99,811
Accumulated depreciation and impairment	(3,821)	(14,164)	(7,905)	(13,344)	(39,234)
Net carrying amount	54,425	1,385	921	3,846	60,577

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2022					
At 1 January 2022:					
Cost	58,246	16,148	10,405	13,560	98,359
Accumulated depreciation and impairment	(659)	(14,688)	(9,258)	(13,482)	(38,087)
Net carrying amount	57,587	1,460	1,147	78	60,272
At 1 January 2022, net of accumulated depreciation and impairment	57,587	1,460	1,147	78	60,272
Additions	–	1,015	–	4,564	5,579
Disposals	–	(15)	(121)	–	(136)
Depreciation provided during the year	(1,581)	(1,010)	(507)	(435)	(3,533)
At 31 December 2022, net of accumulated depreciation and impairment	56,006	1,450	519	4,207	62,182
At 31 December 2022:					
Cost	58,246	16,952	7,753	18,124	101,075
Accumulated depreciation and impairment	(2,240)	(15,502)	(7,234)	(13,917)	(38,893)
Net carrying amount	56,006	1,450	519	4,207	62,182

At 31 December 2023, the Group's buildings, investment property and leasehold land with net carrying amounts of approximately RMB54,425,000, RMB156,154,000 and RMB30,825,000 (2022: the Group's buildings, investment property and leasehold land with net carrying amounts of approximately RMB56,006,000, RMB159,166,000 and RMB31,752,000) were pledged to secure bank loans granted to the Group (note 26).

14. INVESTMENT PROPERTIES

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	**159,166**	158,531
Net (loss)/gain from a fair value adjustment	**(3,012)**	635
Carrying amount at 31 December	**156,154**	159,166

14. INVESTMENT PROPERTIES (Continued)

The Group's investment property is a commercial property in Chinese Mainland. The directors of the Company have determined that the investment property is a commercial property based on the nature, characteristics and risks of the property. The Group's investment property was revalued on 31 December 2023 based on valuations performed by the management at RMB156,154,000. The Group's property manager and the chief financial officer have discussions on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

The investment property is leased to third parties under operating leases, further summary details of which are included in note 15 to the financial statements.

At 31 December 2023, the Group's buildings, investment property and leasehold land with net carrying amounts of approximately RMB54,425,000, RMB156,154,000 and RMB30,825,000 (2022: the Group's building, investment property and leasehold land with net carrying amounts of approximately RMB56,006,000, RMB159,166,000 and RMB31,752,000) were pledged to secure bank loans granted to the Group (note 26).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment property:

	Fair value measurement as at 31 December 2023 using			
	Quoted price in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Recurring fair value measurement for:				
Commercial property	**–**	**–**	**156,154**	**156,154**

	Fair value measurement as at 31 December 2022 using			
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial property	–	–	159,166	159,166

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2022: Nil).

14. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial property
Carrying amount at 1 January 2022	158,531
Net gain from a fair value adjustment recognized in other income and gains in profit or loss	635
Carrying amount at 31 December 2022 and 1 January 2023	**159,166**
Net loss from a fair value adjustment recognized in other income and gains in profit or loss	**(3,012)**
Carrying amount at 31 December 2023	**156,154**

Below is a summary of the valuation techniques used and the key inputs to the valuation of the investment property:

	Valuation technique	Significant unobservable input	Range or weighted average	
			2023	2022
Commercial property	Income method	Market monthly rental (RMB/sq.m. or RMB/space)	**69 to 380**	69 to 380
		Term yield	**4.5% to 5.0%**	4.5% to 5.5%
		Market yield	**5.0% to 5.5%**	5.0% to 5.5%

Under the income approach, fair value is based on the capitalisation of rental income and reversionary income potential. Measurement of the fair value is positively correlated to the market rental and inversely correlated to market yields.

A significant increase (decrease) in the estimated rental value per annum in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

15. LEASES

The Group as a lessee

The Group has lease contracts of properties used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 2 and 5 years.

(a) *Right-of-use-assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	**Properties** RMB'000	**Total** RMB'000
As at 31 December 2021 and 1 January 2022	32,680	2,266	34,946
Additions	–	6,524	6,524
Depreciation charge	(928)	(3,894)	(4,822)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(560)	(560)
As at 31 December 2022 and 1 January 2023	**31,752**	**4,336**	**36,088**
Additions	**–**	**388**	**388**
Depreciation charge	**(927)**	**(2,159)**	**(3,086)**
Revision of a lease term arising from a change in the non-cancellable period of a lease	**–**	**(789)**	**(789)**
As at 31 December 2023	**30,825**	**1,776**	**32,601**

At 31 December 2023, the Group's buildings, investment property and leasehold land with net carrying amounts of approximately RMB54,425,000, RMB156,154,000 and RMB30,825,000 (2022: the Group's buildings, investment property and leasehold land with net carrying amounts of approximately RMB56,006,000, RMB159,166,000 and RMB31,752,000) were pledged to secure bank loans granted to the Group (note 26).

15. LEASES (Continued)

The Group as a lessee (Continued)

(b) *Lease liabilities*

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	4,254	1,964
New leases	388	6,524
Accretion of interest recognised during the year	155	283
Payments	(2,282)	(3,938)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(840)	(579)
Carrying amount at 31 December	1,675	4,254
Analysed into:		
Current portion	1,569	2,640
Non-current portion	106	1,614

The maturity analysis of lease liabilities is disclosed in note 36 to the financial statements.

The Group has early adopted the amendment to IFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of properties during this year.

(c) *The amounts recognised in profit or loss in relation to leases are as follows:*

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	155	283
Depreciation charge of right-of-use assets	2,159	3,894
Expense relating to short-term leases	2,353	3,088
Total amount recognised in profit or loss	4,667	7,265

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 31(c) and 32, respectively, to the financial statements.

15. LEASES (Continued)

The Group as a lessor

The Group leases its investment property (note 14) which is a commercial property in Xiamen under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB6,205,000 (2022: RMB5,861,000), details of which are included in note 5 to the financial statements.

At 31 December 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 RMB'000	2022 RMB'000
Within one year	5,630	6,065
After one year but within two years	5,590	5,630
After two years but within three years	4,991	5,590
After three years but within four years	2,331	4,991
After four years but within five years	2,108	2,331
After five years	4,831	6,939
Total	25,481	31,546

16. GOODWILL

	RMB'000
At 31 January 2022	
Cost	432,278
Accumulated impairment*	(420,851)
Net carrying amount	11,427
Cost at 1 January 2022, net of accumulated impairment	11,427
Impairment during the year	–
At 31 December 2022	11,427
At 31 December 2022	
Cost	432,278
Accumulated impairment*	(420,851)
Net carrying amount	11,427
Cost at 1 January 2023, net of accumulated impairment	**11,427**
Impairment during the year	**–**
Cost and net carrying amount at 31 December 2023	**11,427**
At 31 December 2023	
Cost	**432,278**
Accumulated impairment*	**(420,851)**
Net carrying amount	**11,427**

* The Group recognised an accumulated full impairment amounting to RMB419,441,000 (2022: RMB419,441,000) for Carrot Fantasy cash-generating unit, Shenzhen Zhangxin cash-generating unit, Chengdu Guangcheng cash-generating unit and Jiong Xi You cash-generating unit and an accumulated impairment amounting to RMB1,410,000 (2022: RMB1,410,000) for Veewo cash-generating unit in prior years.

16. GOODWILL (Continued)

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Veewo cash-generating unit
- Sanguo Zhiren cash-generating unit

The recoverable amounts of the above cash-generating units have been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by the senior management. The discount rates applied to the cash flow projections are 22% to 23% (2022: 23% to 34%). The growth rate used to extrapolate the cash flows of the relevant games beyond the five-year period is 2.3%. The carrying amount of goodwill allocated to each cash-generating unit is as follows:

	2023 **RMB'000**	2022 RMB'000
Veewo cash-generating unit	**11,040**	11,040
Sanguo Zhiren cash-generating unit	**387**	387
Carrying amount of goodwill	**11,427**	11,427

Assumptions were used in the value-in-use calculation of the cash-generating units for the years ended 31 December 2023 and 31 December 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted income – The budgeted income includes estimated income from existing games and games in the pipeline, taking into account game popularity, income patterns in the game life cycle and the Group's strategy in operation. The Company believes this budgeted income is justified given its strong game development capability and experience of games, the cooperation with major third-party distribution platforms and the successful record of developing its games.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

17. OTHER INTANGIBLE ASSETS

	Software RMB'000	Game intellectual property and licences RMB'000	Total RMB'000
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation and impairment	648	–	648
Amortisation provided during the year	(231)	–	(231)
At 31 December 2023	417	–	417
At 31 December 2023:			
Cost	6,054	76,966	83,020
Accumulated amortisation and impairment	(5,637)	(76,966)	(82,603)
Net carrying amount	417	–	417
31 December 2022			
At 31 January 2022:			
Cost	6,041	76,966	83,007
Accumulated amortisation and impairment	(5,162)	(76,966)	(82,128)
Net carrying amount	879	–	879
Cost at 1 January 2022, net of accumulated amortisation and impairment	879	–	879
Additions	13	–	13
Amortisation provided during the year	(244)	–	(244)
At 31 December 2022	648	–	648
At 31 December 2022 and at 1 January 2023:			
Cost	6,054	76,966	83,020
Accumulated amortisation and impairment	(5,406)	(76,966)	(82,372)
Net carrying amount	648	–	648

18. INVESTMENTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Share of net assets	3,185	3,885
Goodwill on acquisition	7,025	7,025
Total	10,210	10,910

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2023 RMB'000	2022 RMB'000
Share of the associates' profits and losses for the year	(400)	755
Aggregate carrying amount of the Group's investments in the associates	10,210	10,910

19. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Fair value adjustments of equity investments at fair value through other comprehensive income RMB'000	**Total** RMB'000
At 1 January 2022	692	692
Deferred tax charged to other comprehensive income during the year	(692)	(692)
Gross deferred tax assets at 31 December 2022	–	–
At 1 January 2023	–	–
Deferred tax charged to other comprehensive income during the year	–	–
Gross deferred tax assets at 31 December 2023	–	–

Deferred tax assets have not been recognised in respect of tax losses of RMB587,087,000 as at 31 December 2023 (2022: RMB681,436,000), as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

19. DEFERRED TAX (Continued)

Deferred tax liabilities

	Fair value adjustments of a financial asset at fair value through profit or loss RMB'000	Fair value adjustments of equity investments at fair value through other comprehensive income RMB'000	Fair value gain on an investment property RMB'000	Total RMB'000
At 1 January 2022	100	572	462	1,134
Deferred tax charged/(credited) to the statement of profit or loss during the year	(100)	–	1,327	1,227
Deferred tax charged to other comprehensive income during the year	–	(572)	–	(572)
At 31 December 2022	–	–	1,789	1,789
At 1 January 2023	–	–	1,789	1,789
Deferred tax charged to the statement of profit or loss during the year	–	1	379	380
At 31 December 2023	–	1	2,168	2,169

20. ACCOUNTS RECEIVABLE AND RECEIVABLES DUE FROM THIRD-PARTY GAME DISTRIBUTION PLATFORMS AND PAYMENT CHANNELS

The Group's credit terms with customers generally range from one month to four months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its receivable balances. These receivables are non-interest-bearing.

An ageing analysis of the receivables as at the end of the year, based on the invoice date and net of loss allowance, is as follows:

	2023 **RMB'000**	2022 RMB'000
Within 3 months	**36,940**	41,373

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

The balances consist of receivables from third parties which have no recent history of default and past due amounts. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 RMB'000	2022 RMB'000
Non-current		
Prepayments	10,669	14,649
Prepaid land lease payments related deposits	1,605	1,605
Other receivables	21,464	16,651
Deposits	698	740
	34,436	33,645
Impairment allowance	(15,175)	(15,275)
	19,261	18,370
Current		
Prepayments	4,591	6,804
Investment property rental income	4,834	4,393
Deposits	529	253
Contract costs	–	370
Other receivables	20,958	18,662
	30,912	30,482
Impairment allowance	(15,069)	(15,069)
	15,843	15,413

Except for the allowance for prepayments amounting to RMB4,342,000 (2022: RMB4,342,000), the movements in the loss allowance for impairment of other receivables and deposits are as follows:

	2023 RMB'000 Stage 3	2022 RMB'000 Stage 3
At beginning of year	26,002	17,649
Reversal of impairment losses	(100)	–
Impairment losses recognised	–	8,353
At end of year	25,902	26,002

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The increase of impairment was due to the increase of debtors' probability of default under the current conditions and forecasts of future economic conditions. Other than the aforementioned impaired receivables and deposits, the financial assets included in the above balances related to receivables and deposits for which there was no recent history of default and are classified as stage 1, the loss allowance is minimal.

22. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2023 RMB'000	2022 RMB'000
Debt investments at fair value through other comprehensive income			
Straight bonds	(1)	58,177	58,121
Equity investments designated at fair value through other comprehensive income			
Unlisted equity investments, at fair value	(2)	34,204	16,205
Financial assets at fair value through profit or loss			
Unlisted debt investments, at fair value	(3)	47,297	44,337
Bond fund	(4)	7,347	7,605
		54,644	51,942

22. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(1) On 15 July 2021, the Group invested in a bond issued by CLP Power Hong Kong Financing Limited with a nominal amount of US$3,500,000 at a consideration of US$3,542,000 (equivalent to approximately RMB23.0 million). The bond has a coupon interest rate of 2.25% per annum with a maturity period of 10 years.

During the second half of July 2021, the Group successively invested in a bond issued by Ease Trade Global Limited with an accumulated nominal amount of US$2,800,000 at an accumulated consideration of US$2,883,000 (equivalent to approximately RMB18.6 million). The bond has a coupon interest rate of 4.0% per annum with a maturity period of 5 years.

On 15 July 2021, the Group invested in a bond issued by New World Development Company Limited with a nominal amount of US$3,500,000 at a consideration of US$3,783,000 (equivalent to approximately RMB24.5 million). The bond has a coupon interest rate of 4.5% per annum with a maturity period of 10 years.

Debt investments at fair value through other comprehensive income are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

(2) The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature, which represented equity investments in one company listed on the National Equities Exchange And Quotations of the PRC, and three unlisted entities incorporated in the PRC and Singapore.

(3) The above unlisted debt investments represented the investments in one unlisted limited partnerships, and one unlisted entity incorporated in the Cayman Islands.

(4) In January 2020, the Group invested in a bond fund issued by UBS (CAY) Fund Series with a nominal amount of US$1,600,000 and with an income stream from a diversified portfolio at a consideration of US$1,614,000 (equivalent to approximately RMB11.1 million).

23. CASH AND CASH EQUIVALENTS

	2023 RMB'000	2022 RMB'000
Cash and bank balances	**160,678**	133,153
Cash and cash equivalents	**160,678**	133,153
Denominated in RMB	**153,275**	122,994
Denominated in US$	**5,562**	6,114
Denominated in HK$	**1,804**	1,557
Denominated in SGD$	**37**	31
Denominated in GBP£	**–**	2,457
Cash and cash equivalents	**160,678**	133,153
Less: Restricted cash and bank balances*	**–**	(846)
Unrestricted cash and cash equivalents	**160,678**	132,307

* The Group's restricted cash mainly represented the deposits held in designated bank accounts frozen for legal dispute concerning the settlement of construction contract between the main contractor and one of its suppliers for the construction of building as at 31 December 2022. With the settlement of the legal dispute, the Group did not have any restricted cash as at 31 December 2023.

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

24. TIME DEPOSITS

	2023 RMB'000 (Unaudited)	2022 RMB'000 (Audited)
Time deposits	**40,000**	–

Non-current time deposits represent deposits over one year. As at 31 December 2023, non-current time deposits of RMB10,000,000 carried a fixed interest rate at 3.5% per annum with maturity from June 2023 to May 2026 and non-current time deposits of RMB30,000,000 carried a fixed interest rate at 2.85% per annum with maturity from November 2023 to November 2026.

25. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Salaries and welfare payables	**39,125**	36,976
Other payables and accruals	**17,564**	16,832
Other tax payables	**5,031**	5,132
Advances from customers	**120**	669
	61,840	59,609

26. INTEREST-BEARING BANK LOANS

	2023			2022		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	4.200	2024	6,000	5.047-5.050	2023	10,000
			10,000			10,000
Non-current						
Bank loans – secured	4.200	2025-2038	89,500	5.050	2024-2027	60,000
Total			95,500			70,000

	2023 RMB'000	2022 RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	6,000	10,000
In the second year	6,000	10,000
In the third to fifth years, inclusive	18,750	50,000
Beyond five years	64,750	–
	95,500	70,000

Notes:

(a) The Group's long term loan facility amounted to RMB100,000,000 (2022: RMB120,000,000), of which RMB100,000,000 (2022: RMB70,000,000) had been drawn as at 31 December 2023.

(b) The Group's headquarters building (note 13), investment property (note 14) and leasehold land (note 15) were pledged for the long term loan facility granted to the Group at 31 December 2023. The loan will be repaid year by year in accordance with the contracts.

27. CONTRACT LIABILITIES

Details of contract liabilities as at 31 December 2023 and 1 January 2022 are as follows:

	31 December 2023 RMB'000	1 January 2023 RMB'000
Current advances received		
Online web and mobile games	**8,452**	8,698
Licensing income	**967**	4,738
	9,419	13,436
Non-current advances received		
Online web and mobile games	**1,478**	7,005
Licensing income	**1,895**	11,051
Total contract liabilities	**12,792**	31,492

Contract liabilities mainly represented unconsumed virtual currencies, virtual items from players and the remaining upfront licensing fees for online game services from game distribution platforms, for which the related services had not been rendered as at 31 December 2023.

28. SHARE CAPITAL

Shares

	2023	2022
Issued and fully paid or credited as fully paid:		
Ordinary shares of US$0.0000001 each	**1,749,166,062**	1,718,826,062
Equivalent to RMB'000	**1**	1

A summary of movements in the Company's share capital is as follows:

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2022	1,718,826,062	1	597,945	597,946
At 31 December 2022 and 1 January 2023	1,718,826,062	1	597,945	597,946
Share options exercise	**30,340,000**	**–**	**6,621**	**6,621**
At 31 December 2023	**1,749,166,062**	**1**	**604,566**	**604,567**

29. EQUITY-SETTLED SHARE-BASED PAYMENTS

(1) Share option schemes

The Company approved and adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and a post-IPO share option scheme (the "Post-IPO Share Option Scheme", together as the "Schemes") pursuant to shareholders' written resolutions and directors' written resolution passed on 17 November 2014. The purpose of the Schemes is to provide rewards to eligible participants for their services to the Group. Eligible participants include any full-time employees, consultants, executives or officers of the Company and any of its subsidiaries who, in the sole opinion of the Board, have contributed or will contribute to the Group.

The total number of ordinary shares subject to the Pre-IPO Share Option Scheme is 105,570,000. On 17 November 2014, under the Pre-IPO Share Option Scheme, share options were granted to 2 members of senior management and 120 other employees to subscribe for 105,570,000 shares at an exercise price of HK$0.55 per share. All share options granted will be vested equally in four tranches as to 25% of the aggregate number of shares on 31 December 2015, 2016, 2017 and 2018, respectively. Each option granted if not exercised subsequently expired on 5 December 2019.

The maximum number of shares to be issued upon exercise of all share options to be granted under the Post-IPO Share Option Scheme and any other scheme of the Company shall not in aggregate exceed 150,000,000 shares and 30% of the shares of the Company in issue from time to time. On 27 March 2017, under the Post-IPO Share Option Scheme, share options were granted to employees to subscribe for 10,160,000 shares at an exercise price of HK$1.256 per share. 7,160,000 share options granted will be vested equally in four tranches as to 25% of the number of shares on 31 December 2017, 2018, 2019 and 2020, respectively. 3,000,000 share options granted will be vested in three tranches as to 50%, 25% and 25% of the number of shares on 30 June 2017, 2018 and 2019, respectively. Each option granted if not exercised subsequently will expire on 26 March 2027. On 15 May 2017, under the Post-IPO Share Option Scheme, share options were granted to employees to subscribe for 5,000,000 shares at an exercise price of HK$1.1 per share. All share options granted will be vested equally in four tranches as to 25% of the aggregate number of shares on 15 May 2018, 2019, 2020 and 2021, respectively. Each option granted if not exercised subsequently will expire on 14 May 2027. On 13 November 2017, under the Post-IPO Share Option Scheme, share options were granted to one member of senior management to subscribe for 15,000,000 shares at an exercise price of HK$1.026 per share. All share options granted will be vested equally in three tranches as to 33% of the aggregate number of shares on 13 November 2018, 2019 and 2020, respectively. Each option granted if not exercised subsequently will expire on 12 November 2027. On 1 January 2020, under the Post-IPO Share Option Scheme, share options were granted to employees to subscribe for 22,000,000 shares at an exercise price of HK$0.1804 per share. 10,000,000 share options granted will be vested in three tranches as to 10%, 40%, 50% of the number of shares on 31 December 2020, 2021 and 2022, respectively. 12,000,000 share options granted will be vested equally in three tranches as to 33% of the number of shares on 31 December 2020, 2021 and 2022, respectively. Each option granted if not exercised subsequently will expire on 21 January 2024. On 8 May 2020, under the Post-IPO Share Option Scheme, share options were granted to employees to subscribe for 90,000,000 shares at an exercise price of HK$0.1804 per share. 50,000,000 share options granted will be vested in three tranches as to 20%, 30% and 50% of the number of shares on 31 December 2020, 2021 and 2022, respectively. 18,000,000 share options granted will be vested in two tranches as to 44% and 56% of the number of shares on 31 December 2021 and 2022, respectively. 22,000,000 share options granted will be vested in three tranches as to 32%, 32%, 36% of the number of shares on 31 December 2020, 2021 and 2022, respectively. Each option granted if not exercised subsequently will expire on 21 January 2024.

29. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

(1) Share option schemes (Continued)

The following share options were outstanding under the Schemes during the year:

	2023 Weighted average exercise price HK$ per share	2023 Number of options '000	2022 Weighted average exercise price HK$per share	2022 Number of options '000
At 1 January	**0.34**	**108,300**	0.41	138,300
Forfeited during the year	**0.36**	**(69,660)**	0.68	(30,000)
Exercised during the year	**0.18**	**(30,340)**	–	–
At 31 December	**0.71**	**8,300**	0.34	108,300

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.1804 per share (2022: No share options were exercised).

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2023 Number of options '000	Exercise price* HK$ per share	Exercise period
5,800	**1.26**	**31-12-2017 to 26-03-2027**
2,500	**0.18**	**31-12-2020 to 20-01-2024**
8,300		

2022 Number of options '000	Exercise price* HK$ per share	Exercise period
5,800	1.26	31-12-2017 to 26-03-2027
15,000	1.03	13-11-2018 to 12-11-2027
15,500	0.18	31-12-2020 to 20-01-2024
72,000	0.18	31-12-2020 to 20-01-2024
108,300		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

29. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

(1) Share option schemes (Continued)

At the end of the reporting period, the Company had 8,300,000 share options outstanding under the Schemes. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 8,300,000 additional ordinary shares of the company, additional share capital of approximately RMB6 and a share premium of approximately RMB7,010,331.

At the date of approval of these financial statements, the Company had 8,300,000 share options outstanding under the Schemes, which represented 0.47% of the Company's shares in issue as at that date.

No share option expense was recognised by the Group for the year ended 31 December 2023 (The Group reversed total share option expenses of RMB1,906,000 for the year ended 31 December 2022).

30. RESERVES

Statutory reserves

Pursuant to the relevant PRC rules and regulations and the articles of association, those PRC subsidiaries which are domestic enterprises in the PRC as mentioned in note 1 to the financial statements are required to transfer no less than 10% of their profit after taxation, as determined under PRC accounting regulations, to the statutory reserves until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of dividends to shareholders.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB388,000 (2022: RMB6,524,000), in respect of lease arrangements for properties.

(b) Changes in liabilities arising from financing activities

	2023	
	Lease liabilities RMB'000	Bank and other loans RMB'000
At 1 January 2023	4,254	70,000
Changes from financing cash flows	(2,282)	21,970
New leases	388	–
Interest expense	155	3,530
Reassessment and revision of lease terms	(840)	–
At 31 December 2023	1,675	95,500

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Changes in liabilities arising from financing activities (Continued)

	2022	
	Lease liabilities RMB'000	Bank and other loans RMB'000
At 1 January 2022	1,964	80,000
Changes from financing cash flows	(3,938)	(13,685)
New leases	6,524	–
Interest expense	283	3,685
Reassessment and revision of lease terms	(579)	–
At 31 December 2022	4,254	70,000

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 RMB'000	2022 RMB'000
Within operating activities	2,070	2,677
Within financing activities	2,127	3,655
	4,197	6,332

32. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2023 RMB'000	2022 RMB'000
Contracted, but not provided for:		
Game operation	6,503	11,823
	6,503	11,823

(b) The Group has various lease contracts that have not yet commenced as at 31 December 2023. The future lease payments for these non-cancellable lease contracts are RMB36,000 due within one year.

33. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	Relationship
Mr. Yao Jianjun	Shareholder of the Company
Mr. Chen Jianyu	Shareholder of the Company
Shanghai Kamao Network Technology Co., Ltd. ("Shanghai Kamao")	Associate
Tencent Holdings Limited and its subsidiaries ("Tencent")	Shareholder of the Company
Xiamen Xianglian Technology Co., Ltd. ("Xianglian")	Significantly influenced by Mr. Yao Jianjun
Xiamen Plump Fish Cultural Media Co., Ltd. ("Xiamen Plump Fish")	Significantly influenced by Mr. Chen Jianyu

(b) Transactions with related parties

The following transactions were carried out with related parties:

	2023 RMB'000	2022 RMB'000
Cloud server service from (note (i))		
Tencent	**2,525**	3,535
Revenue from (note (ii))		
Tencent	**9,725**	5,081
Rental income from (note (iii))		
Xianglian	**399**	399
Advertisement service from (note (iv))		
Xiamen Plump Fish	**9**	66

Notes:

(i) The purchase of service from Tencent was mutually agreed after taking into account the prevailing market prices.

(ii) The revenue from Tencent was mutually agreed after taking into account the prevailing market prices.

(iii) The rental income from Xianglian was mutually agreed after taking into account the prevailing market prices.

(iv) The advertisement expense from Xiamen Plump Fish was mutually agreed after taking into account the prevailing market prices.

33. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties:

Due from associate and shareholder	2023 RMB'000	2022 RMB'000
Shanghai Kamao (note (i))	–	1,500
Tencent	4,234	4,315
	4,234	5,815

Due to related parties and shareholder	2023 RMB'000	2022 RMB'000
Tencent	98	295
Xianglian	79	79
Xiamen Plump Fish	80	70
	257	444

Advances from a related party	2023 RMB'000	2022 RMB'000
Xianglian	36	472

Notes:

(i) The Group had a non-interest-bearing loan to Kamao amounting to RMB1,500,000. The loan was repaid by 16 January 2023

(d) Compensation of key management personnel of the Group:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	2,977	5,729
Performance related bonuses	879	996
Equity-settled share-based payment expenses	–	(1,906)
Severance allowance	214	195
Pension scheme contributions	148	332
	4,218	5,346

Further details of directors' emoluments are included in note 8 to the financial statements.

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the year were as follows:

Financial assets
As at 31 December 2023

		Financial assets at fair value through other comprehensive income			
	Financial assets at fair value through profit or loss RMB'000	Debt investments RMB'000	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Debt investments at fair value through other comprehensive income	–	58,177	–	–	58,177
Equity investments designated at fair value through other comprehensive income	–	–	34,204	–	34,204
Financial assets at fair value through profit or loss	54,644	–	–	–	54,644
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	–	–	–	36,940	36,940
Financial assets included in prepayments, other receivables and other assets	–	–	–	24,186	24,186
Cash and cash equivalents	–	–	–	160,678	160,678
	54,644	58,177	34,204	221,804	368,829

34. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial assets (Continued)

As at 31 December 2022

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income: Debt investments RMB'000	Financial assets at fair value through other comprehensive income: Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Debt investments at fair value through other comprehensive income	–	58,121	–	–	58,121
Equity investments designated at fair value through other comprehensive income	–	–	16,205	–	16,205
Financial assets at fair value through profit or loss	51,942	–	–	–	51,942
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	–	–	–	41,373	41,373
Financial assets included in prepayments, other receivables and other assets	–	–	–	16,302	16,302
Cash and cash equivalents	–	–	–	133,153	133,153
	51,942	58,121	16,205	190,828	317,096

Financial liabilities

	Financial liabilities at amortised cost 2023 RMB'000	Financial liabilities at amortised cost 2022 RMB'000
Financial liabilities included in other payables and accruals	**3,793**	6,274
Interest-bearing bank loans (note 26)	**95,500**	70,000
	99,293	76,274

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, accounts receivable and receivables due from third-party game distribution platforms and payment channels, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the board of directors. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors twice a year for annual financial reporting.

The fair values of debt investments at fair value through other comprehensive income and financial assets at fair value through profit or loss except for those unlisted debt investments have been estimated using a discounted cash flow valuation model based on assumptions that are supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows from future proceeds when the investments mature. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values are reasonable, and that they were the most appropriate values at the end of the year.

The fair values of unlisted equity investments designated at fair value through other comprehensive income, which were previously classified as available-for-sale equity investments, have been estimated using the equity transaction price or a market-based valuation technique valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to revenue ("EV/Revenue") multiple or price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by revenue measure or earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2023 and 2022:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Certain equity investments (2023: five equity investments 2022: four equity investments)	Valuation multiple	Average EV/Revenue multiple of peers	2023: 3.2 to 6.0 (2022: 3.6 to 6.3)	5% (2022:5%) increase/ decrease in multiple would result in increase/ decrease in fair value by RMB1,156,000/ RMB1,173,000 (2022: RMB636,000/ RMB664,000)
		Discount for lack of marketability	2023: 12% to 21% (2022: 14% to 22%)	5% (2022:5%) increase/ decrease in multiple would result in decrease/ increase in fair value by RMB256,000/ RMB224,000 (2022: RMB164,000/ RMB164,000)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Assets measured at fair value:
As at 31 December 2023

	Fair value measurement using			
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Debt investments at fair value through other comprehensive income	–	58,177	–	58,177
Financial assets at fair value through profit or loss	–	54,644	–	54,644
Equity investments designated at fair value through other comprehensive income	–	–	34,204	34,204
	–	112,821	34,204	147,025

As at 31 December 2022

	Fair value measurement using			
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Debt investments at fair value through other comprehensive income	–	58,121	–	58,121
Financial assets at fair value through profit or loss	–	51,942	–	51,942
Equity investments designated at fair value through other comprehensive income	–	–	16,205	16,205
	–	110,063	16,205	126,268

The Group did not have any financial liabilities measured at fair value as at 31 December 2023 and 31 December 2022.

For the year ended 31 December 2023, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2022: Nil).

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank and other borrowings, debt investments at fair value through other comprehensive income, financial assets at fair value through profit or loss, equity investments designated at fair value through other comprehensive income, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable and receivables due from third-party game distribution platforms and payment channels and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for debt investments at fair value through other comprehensive income, accounts receivable and receivables due from third-party game distribution platform and payment channels and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2023

	12-months ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Debt investments at fair value through other comprehensive income					
– BBB to BB-	58,177	–	–	–	58,177
Financial assets included in prepayments, other receivables and other assets					
– Normal**	30,263	–	–	–	30,263
– Doubtful**	–	–	19,815	–	19,815
Accounts receivable and receivables due from third-party game distribution platforms and payment channels*	–	–	–	36,940	36,940
Cash and cash equivalents	160,678	–	–	–	160,678
	249,118	–	19,815	36,940	305,873

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2022

	12-months ECLs		Lifetime ECLs		
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Debt investments at fair value through other comprehensive income					
– BBB to BB-	58,121	–	–	–	58,121
Financial assets included in prepayments, other receivables and other assets					
– Normal**	13,591	–	–	–	13,591
– Doubtful**	–	–	28,713	–	28,713
Accounts receivable and receivables due from third-party game distribution platforms and payment channels*	–	–	–	41,373	41,373
Cash and cash equivalents	133,153	–	–	–	133,153
	204,865	–	28,713	41,373	274,951

* For accounts receivable and receivables due from third-party game distribution platforms and payment channels to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and receivables due from third-party game distribution platforms and payment channels are disclosed in note 20 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by counterparty. At the end of the reporting period, the Group had certain concentrations of credit risk as 21% (2022: 23%) of the Group's accounts receivable and receivables due from third-party game distribution platforms and payment channels were due from the Group's largest counterparty.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows and maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

The maturity profile of the Group's financial liabilities at the end of the year, based on the contractual undiscounted payments, is as follows:

Group

	2023					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	–	–	1,623	107	–	1,730
Interest-bearing bank loans	–	1,513	4,634	25,360	66,297	97,804
Other payables	431	3,362	–	–	–	3,793
	431	4,875	6,257	25,467	66,297	103,327

	2022					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	–	–	2,799	2,332	–	5,131
Interest-bearing bank loans	–	–	10,453	62,831	–	73,284
Other payables	507	5,767	–	–	–	6,274
	507	5,767	13,252	65,163	–	84,689

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The debt-to-asset ratios as at 31 December 2023 and 31 December 2022 were as follows:

	2023 RMB'000	2022 RMB'000
Total liabilities	175,989	169,154
Total assets	701,929	625,657
Debt-to-asset ratio	25%	27%

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries		15,772	15,772
Due from subsidiaries		382,442	371,809
Debt investments at fair value through other comprehensive income		58,177	58,121
Financial assets at fair value through profit or loss		7,347	7,605
Total non-current assets		463,738	453,307
CURRENT ASSETS			
Prepayments, other receivables and other assets		306	496
Cash and cash equivalents		3,224	2,969
Total current assets		3,530	3,465
CURRENT LIABILITIES			
Due to subsidiaries		16,162	15,878
Other payables and accruals		68	269
Total current liabilities		16,230	16,147
NET CURRENT ASSETS		(12,700)	(12,682)
NET ASSETS		451,038	440,625
EQUITY			
Share capital	28	1	1
Share premium		604,566	597,945
Reserves (note)		(153,529)	(157,321)
Total equity		451,038	440,625

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

A summary of the Company's reserves is as follows:

	Equity-settled share-based payment reserve RMB'000	Financial assets revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	152,772	(187)	10,389	(281,586)	(118,612)
Total comprehensive loss for the year	–	(10,432)	36,935	(63,306)	(36,803)
Equity-settled share-based payment expenses	(1,906)	–	–	–	(1,906)
At 31 December 2022	150,866	(10,619)	47,324	(344,892)	(157,321)
Total comprehensive income for the year	**–**	**(416)**	**6,203**	**(288)**	**5,499**
Exercise of share options	**(1,707)**	**–**	**–**	**–**	**(1,707)**
At 31 December 2023	**149,159**	**(11,035)**	**53,527**	**(345,180)**	**(153,529)**

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2024.

DEFINITION

"AGM"	the annual general meeting of the Company to be held on Friday, 24 May 2024
"Android"	an operating system developed and maintained by Google Inc.
"ARPPU"	average revenue per paying user, calculated by dividing monthly average revenue from the sale of virtual items and premium features during a certain period by the number of average MPUs during the same period
"Articles"	the articles of association of the Company currently in force
"Audit Committee"	the audit committee of the Board
"Baicai Tianxia"	Beijing Baicai Tianxia Technology Co., Ltd. (北京白菜天下科技有限公司), an indirect wholly-owned subsidiary of Xiamen Guanghuan and a limited company established under the laws of the PRC on 10 July 2015
"Board" or "Board of Directors"	the board of Directors
"Cayman Islands"	the Cayman Islands
"CG Code"	Corporate Governance Code as set out in Appendix C1 (previously Appendix 14) to the Listing Rules
"Chairman"	the chairman of the Board
"Chief Executive Officer"	the chief executive officer of our Company
"China" or "PRC"or "Mainland China"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Companies Act"	the Companies Act of the Cayman Islands, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", "we", "us" or "our"	Feiyu Technology International Company Ltd., an exempted company incorporated in the Cayman Islands with limited liability on 6 March 2014
"Contractual Arrangements"	a series of contractual arrangements entered into by Xiamen Feiyou, the PRC Contractual Entities and the Relevant Shareholders
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, depending on the context, refers to Mr. YAO Jianjun, Mr. BI Lin, YAO Holdings Limited, BILIN Holdings Limited, Jolly Spring International Limited and Rayoon Limited

"Director(s)"	directors of the Company
"ESG Report"	Environmental, Social and Governance Report
"Executive Director(s)"	the executive Director(s)
"Feiyu Hong Kong"	Feiyu Technology Hong Kong Limited (飛魚科技香港有限公司), a direct wholly-owned subsidiary of our Company and a limited company incorporated under the laws of Hong Kong on 25 March 2014
"Global Offering"	the offer of 30,000,000 Shares for subscription by the public in Hong Kong pursuant to the Hong Kong Public Offering and the offer of 270,000,000 Shares for subscription by institutional, professional, corporate and other investors pursuant to the International Offering (as respectively defined in the Prospectus)
"Group"	the Company, its subsidiaries and the PRC Operating Entities
"HK$" or "Hong Kong dollars" or "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IAS(s)"	International Accounting Standards
"IASB"	International Accounting Standards Board
"IFRS(s)"	International Financial Reporting Standards, amendments and interpretations issued by the IASB
"Independent Non-executive Director(s)"	the independent non-executive Director(s)
"iOS"	a mobile operating system developed and maintained by Apple Inc. used exclusively in Apple touchscreen technology including, iPhones, iPods, and iPads
"IP(s)"	Intellectual Property(ies)
"IPO"	initial public offering of the Shares on the Main Board of the Stock Exchange
"Kailuo Tianxia"	Beijing Kailuo Tianxia Technology Co., Ltd. (北京凱羅天下科技有限公司), a limited liability company established in the PRC and an indirect wholly owned subsidiary of the Company

"Land"	the land located in Huli District, Xiamen, the PRC as disclosed in the Company's announcement dated 21 July 2016
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	the date which dealings in Shares first commence on the Main Board of the Stock Exchange, i.e. 5 December 2014
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MAU"	monthly active users, which is the number of players who logged into a particular game in the relevant calendar month. Under this metric, a player who logged into two different games in the same month is counted as two MAUs. Similarly, a player who plays the same game on two different publishing platforms in a month would be counted as two MAUs. Average MAUs for a particular period is the average of the MAUs in each month during that period
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 (previously Appendix 10) to the Listing Rules
"MPUs"	monthly paying users, which is the number of paying players in the relevant calendar month. Average MPUs for a particular period is the average of the MPUs in each month during that period
"Nomination Committee"	the nomination committee of the Board
"PC"	personal computer
"Post-IPO Share Option Scheme"	the post-IPO share option scheme adopted by the Shareholders on 17 November 2014
"PRC Contractual Entities"	Xiamen Guanghuan, Xiamen Youli and Kailuo Tianxia and "PRC Contractual Entity" means any one of them
"PRC Operating Entities"	Xiamen Guanghuan and its subsidiaries and "PRC Operating Entity" means any one of them
"Prospectus"	the prospectus dated 25 November 2014 issued by the Company
"R&D"	research and development
"Relevant Shareholder(s)"	Messrs. YAO Jianjun, BI Lin, CHEN Jianyu, LIN Jiabin, LIN Zhibin, CAI Wensheng (subsequently changed to Ms. CAI Shuting on 21 February 2019) and Ms. CHEN Yongchun, being the registered shareholders of Xiamen Guanghuan

"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"RPG"	role-playing games, which involve a large number of players who interact with each other in an evolving fictional world. Each player adopts the role of one or more "characters" who develop specific skill sets (such as melee combat or casting magic spells) and control the character's actions. There are unlimited possible game scenarios where the evolution of the game world is determined by the actions of the players, and the storyline continuously evolves even while the players are offline and away from the games
"RSU(s)"	restricted share units or any one of them
"RSU Plan II"	the restricted share unit plan II adopted by the Shareholders on 28 May 2018
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SGD"	the lawful currency of Singapore
"Shares"	ordinary share(s) in the share capital of our Company with nominal value of US$0.0000001 each
"Shareholders"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it in the Listing Rules
"Tencent", together with its subsidiaries, "Tencent Group"	Tencent Holdings Limited, a limited liability company incorporated under the laws of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 700)
"Tencent Cloud"	Tencent Cloud Computing (Beijing) Co., Ltd.* (騰訊雲計算（北京）有限責任公司), a limited company established under the laws of the PRC and a PRC operating entity of Tencent, the financial results of which have been consolidated and accounted for by Tencent as a controlled structured entity of Tencent by virtue of a series of contractual arrangements
"Tencent Computer"	Shenzhen Tencent Computer Systems Co., Ltd.* (深圳市騰訊計算機系統有限公司), a limited company established under the laws of the PRC and a PRC operating entity of Tencent, the financial results of which have been consolidated and accounted for by Tencent as a controlled structured entity of Tencent by virtue of a series of contractual arrangements

DEFINITION

"Tencent Technology"	Tencent Technology (Shenzhen) Co., Ltd.* (騰訊科技（深圳）有限公司), a wholly foreign owned enterprise incorporated in the PRC and a wholly-owned subsidiary of Tencent
"Tenpay"	Tenpay Payment Technology Co., Ltd.* (財付通支付科技有限公司), a limited liability company established in the PRC and a subsidiary of Tencent Computer
"US$", "U.S. dollars", "USD" or "United States Dollars"	United States dollars, the lawful currency of the United States of America
"Xiamen Feixin"	Xiamen Feixin Internet Technology Co., Ltd. (廈門飛信網絡科技有限公司), a direct wholly-owned subsidiary of Xiamen Feiyou and a limited company established under the laws of the PRC on 13 November 2014
"Xiamen Feiyu"	Xiamen Feiyu Technology Co., Ltd. (廈門飛魚科技有限公司), formerly known as Xiamen Feiyou Information Technology Co., Ltd. (廈門飛遊信息科技有限公司), a direct wholly-owned subsidiary of Feiyu Hong Kong and a limited company established under the laws of the PRC on 24 June 2014
"Xiamen Guanghuan"	Xiamen Guanghuan Information Technology Co., Ltd. (廈門光環信息科技有限公司), a limited company incorporated under the laws of the PRC on 12 January 2009, being a company which the Group does not own but can exercise and maintain control over, and to consolidate its financial results as a wholly-owned subsidiary of the Company by virtue of certain contractual arrangements
"Xiamen Guangling"	Xiamen Guangling Information Technology Co., Ltd. (廈門市光翎信息科技有限公司), formerly known as Xiamen Guangyu Investment Management Co., Ltd. (廈門市光娛投資管理有限公司), a limited liability company established in the PRC and an indirect wholly owned subsidiary of the Company
"Xiamen Veewo"	Xiamen Veewo Games Co., Ltd. (廈門微沃時刻科技有限公司), an indirect non-wholly-owned subsidiary of the Company and a limited company established under the laws of the PRC on 29 February 2016
"Xiamen Yidou"	Xiamen Yidou Internet Technology Co., Ltd. (廈門翼逗網絡科技有限公司), an indirect wholly-owned subsidiary of the Company and a limited company established under the laws of the PRC on 11 June 2012
"Xiamen Youli"	Xiamen Youli Information Technology Co., Ltd. (廈門游力信息科技有限公司), a limited liability company established in the PRC and an indirect wholly owned subsidiary of the Company

In this annual report, the terms "associate", "connected person", "connected transaction" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.