2022 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

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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 Jiabin *(Vice President) (resigned on 30 August 2022)*
Mr. LIN Zhibin *(Vice President)*

Independent Non-executive Directors
Ms. LIU Qianli
Mr. LAI Xiaoling
Mr. MA Suen Yee Andrew

AUDIT COMMITTEE

Ms. LIU Qianli *(Chairwoman)*
Mr. LAI Xiaoling
Mr. MA Suen Yee Andrew

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. YAO Jianjun *(Chairman)*
Ms. LIU Qianli
Mr. MA Suen Yee Andrew

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
Cricket Square
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

Cricket Square
Hutchins Drive
P.O. Box 2681
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
(with effect from 23 February 2023)

17/F, Winsan Tower,
98 Thomson Road
Wanchai, Hong Kong
(before 23 February 2023)

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
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
No. 270 Lujiang Road
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

Christensen China Limited
16/F, Methodist House,
36 Hennessy Road,
Wanchai, Hong Kong

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				
	2022	2021	2020	2019	2018
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	**191,519**	104,788	117,004	112,851	83,250
Gross profit	**154,201**	69,929	82,419	78,070	23,771
Loss before tax	**(23,129)**	(73,574)	(16,900)	(87,311)	(117,192)
Loss after tax	**(24,356)**	(76,561)	(18,119)	(88,699)	(119,460)
Loss for the year attributable to owners of the parent	**(29,637)**	(78,103)	(21,460)	(80,342)	(107,508)
Non-IFRSs Measures					
– Adjusted net loss attributable to owners of the parent (unaudited) [(1)]	**(31,543)**	(76,623)	(18,344)	(78,720)	(94,097)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
– Basic and Diluted	**RMB(0.02)**	RMB(0.05)	RMB(0.01)	RMB(0.05)	RMB(0.07)

Note:

(1). We define adjusted net loss attributable to owners of the parent as net loss excluding share-based compensation. The term of adjusted net loss attributable to owners of the parent is not defined under IFRSs. The use of adjusted net 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 loss attributable to owners of the parent for the year or accounting period.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2022	2021	2020	2019	2018
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Assets					
Non-current assets	**425,059**	481,546	430,922	487,454	492,279
Current assets	**200,598**	186,954	203,141	243,276	284,333
Total assets	**625,657**	668,500	634,063	730,730	776,612
Equity and liability					
Total equity	**456,503**	493,907	489,166	509,735	577,974
Non-current liabilities	**81,459**	85,792	60,680	54,963	21,986
Current liabilities	**87,695**	88,801	84,217	166,032	176,652
Total liabilities	**169,154**	174,593	144,897	220,995	198,638
Total equity and liabilities	**625,657**	668,500	634,063	730,730	776,612

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present our annual report for the year ended 31 December 2022.

China's online game industry entered a new phase in 2022 characterized by ongoing regulatory tightening, sluggish user growth and an unfavourable economic backdrop resulting from COVID-19 outbreaks. Despite the headwinds, there were still plenty of opportunities in this market worth hundreds of billions of yuan and home to over 660 million users.

Driven by new game launches and our resilient portfolio of existing games, our financial performance improved significantly compared to 2021. Total revenue for 2022 recorded strong growth of 82.8% year-over-year to RMB191.5 million, and loss attributable to owners of the parent narrowed by 62.1% year-over-year to RMB29.6 million. These markedly improved results amid the challenging business environment are a testimony to our capability as a leading online game developer and operator.

In the past three years, the operating environment for online gaming in China has changed drastically, accelerating the industry's shift into a new phase marked by slowing growth, intense competition, tightened regulations and high barriers to entry. Customers in today's market demand high-quality games and are more willing to pay for them. I am proud of the fact that Feiyu has developed a diversified portfolio of hit titles ranging from RPGs to casual games and, most importantly, that we own the underlying IP of these games. With our strategy of developing hit titles based on original IP, we are well-positioned to gain momentum in this challenging yet dynamic new phase by introducing prequels and sequels to our flagship titles, which have established strong brand awareness and accumulated massive user bases.

Carrot Fantasy 4 (保衛蘿蔔4), one of the new games we launched in 2022, is a sequel to our legendary *Carrot Fantasy (保衛蘿蔔)* game series, which had 672.1 million cumulative registered users as of 31 December 2022. Like its predecessors in the series, the multiple award-winning game was a blockbuster success upon its debut, and the game operation and advertising revenue contributed by this title was one of our key growth drivers in 2022. At the same time, the IP licensing activities we rolled out further expanded the reach of the *Carrot Fantasy (保衛蘿蔔)* brand. Another game we launched in 2022 was *Dougui (斗詭)*, an RPG game that has delivered stellar performance and can hopefully be further developed into our next hit title.

On the operational side, we strongly advocated entrepreneurship and resource efficiency across the Company to make us nimbler in response to external challenges. We have been allocating capital and human resources to business units that generate high yields and high value. Our gross margin for 2022 increased by 13.8 percentage points year-over-year to 80.5%. We have also been striving to improve game development efficiency, attract and retain top R&D talent and build excellent teams.

2023 is crucial for Feiyu. On one hand, we will continue to optimize our existing games to further extend their lifecycles and create long-tail value for the Group. On the other hand, we plan to launch new games including *Shen Xian Dao 3 (神仙道 3)*, a sequel in the *Shen Xian Dao (神仙道)* game series, which is another of our signature IPs and has generated total gross billings of RMB3,967.8 million since its launch in 2011. I am confident that our new games will perform strongly in 2023 and beyond.

I would like to take this opportunity to extend my deepest gratitude to our employees for their commitment and hard work throughout the year. I would also like to thank you, our shareholders, for your continued support and confidence in our Company.

YAO Jianjun
Chairman

Hong Kong, 30 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Overview

In 2022, China's online game industry faced headwinds including intermittent COVID-19 outbreaks and lockdowns, regulatory tightening and an economic slowdown that dampened consumer sentiment. The total revenue of China's online game industry decreased by 10.3% year-over-year to RMB265.9 billion in 2022, according to the 2022 China Game Industry Report (《2022年中國遊戲產業報告》) jointly published by the Game Publishers Association Publications Committee (GPC) of the China Audio-Video and Digital Publishing Association (中國音數協遊戲工委), the China Game Industry Research Institute (中國遊戲產業研究院) and Gamma Data.

Despite these headwinds, the Company closed the year with significantly improved financial results, mainly driven by the strong performance of its new games and the long-running success of its established games. Total revenue for the year was approximately RMB191.5 million, an 82.8% year-over-year increase primarily attributable to the success of new games launched in 2022 as well as the growth of RPG mobile game *Shen Xian Dao (神仙道)*, which was first launched in 2011 and has been a hit title ever since. Gross profit margin reached 80.5%, an increase of 1,378 basis points from 2021. Loss attributable to owners of the parent narrowed by 62.1% year-over-year to RMB29.6 million.

The Company launched three new games in 2022, namely *Mushroom Wars 2 (蘑菇戰爭2)*, *Dougui (斗詭)* and *Carrot Fantasy 4 (保衛蘿蔔4)*. Developed by a Russian game studio and operated by the Company in China since May 2022, *Mushroom Wars 2 (蘑菇戰爭2)* contributed meaningful revenue to the Company during the year. The multiple award-winning Real-Time Strategy game is the newest title in a well-known series that has enjoyed 10 years of success and accumulated a large base of loyal users.

Another of the key growth drivers for the Company during the year was *Dougui (斗詭)*, an in-house developed mobile RPG game launched in May 2022. The game received a featured recommendation from Apple China App Store and was one of the top three most downloaded free applications on its launch day on the iOS platform. Within the first week of its launch, *Dougui (斗詭)* recorded over 1 million users and generated over RMB10 million in top-up spending. The game also received featured app store recommendations on multiple Android platforms including Xiaomi and Huawei, and received the Huawei Galaxy Award (華為群星獎) in August 2022.

Carrot Fantasy 4 (保衛蘿蔔4) is the latest sequel to the *Carrot Fantasy (保衛蘿蔔)* game series, which was first introduced in June 2012 and has been a blockbuster in the causal game market over the past decade. The long-anticipated launch of *Carrot Fantasy 4 (保衛蘿蔔4)* in June 2022 received such extensive attention that it was featured in Sina Weibo's real-time Hot Search List, which reflects real-time user-generated hashtag popularity among the social media platform's hundreds of millions of active users. The game ranked No. 1 on multiple app store bestseller lists following its launch, including the Apple China App Store's Top Free List, TapTap's Popular List, Huawei's Popularity List, Xiaomi's New App List and Bilibili's Hot List. *Carrot Fantasy 4 (保衛蘿蔔4)* also won a number of awards during the year, and, in light of its sizable user base, drove increases in not only game operation revenue but also advertising revenue.

With the launch of *Carrot Fantasy 4 (保衛蘿蔔4)*, the Company ramped up its IP licensing activities in 2022 and established new partnerships with 9 business partners, allowing them to use characters and images from the *Carrot Fantasy (保衛蘿蔔)* game series in products and services ranging from Gashapon products, projectors, children's playgrounds, USB flash drives, digital collections, charity projects, stationery, stuffed toys and online games. Together with existing licensed partners, we had launched a total of 120 stock-keeping units ("SKU") of physical products as of the end of 2022, with another 90+ SKUs of physical products under development. The Company also sought to boost brand awareness of the *Carrot Fantasy (保衛蘿蔔)* IP through promotional activities such as offline theme carnivals, expos and fairs. The Company strongly believes that IP licensing not only provides added value to the popularity of licensed products, but also reinforces the value of the IP itself and helps prolong games' lifecycles.

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 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 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 2023

At the end of 2022, Chinese regulators granted a new batch of game publishing licenses, including some foreign game licenses that had been suspended for 18 months. While the Company expects the license approval process to normalise going forward, it also believes that regulatory bodies will maintain heightened scrutiny of game content in an effort to foster a healthy and prosperous online game industry that creates economic, cultural and technological value for the country. The Company is well positioned to seize the opportunities in this new phase of development in China's online game industry by leveraging its established library of IPs, game development and operation expertise across different genres and extensive distribution networks.

The Company will continue to focus on RPG games with statistic-based gameplay and casual games, both of which have enormous markets and represent the Company's core competencies. In addition, the Company will also explore opportunities to develop mobile versions of established and successful console games.

In 2023, the Company plans to launch two key new games during the year, namely *Shen Xian Dao 3 (神仙道3)* and *Meow Island (喵喵島)*. The Company has obtained publishing licenses for both games. *Shen Xian Dao 3 (神仙道3)* is a the sequel to the Company's flagship RPG game series, which has delivered robust performance since its launch in 2011. Owing to the renowned IP, a large base of loyal users and innovative gameplay, *Shen Xian Dao 3 (神仙道3)* is expected to be another hit title in the Company's mobile game portfolio. Likewise, the casual mobile game *Meow Island (喵喵島),* a multiplayer online battle arena game, is expected to be popular among casual game users once it is available.

Event after the year ended 31 December 2022

There was no material subsequent event during the period from 1 January 2023 to the date of this annual report.

Final Dividend

The Board did not declare a final dividend for the year ended 31 December 2022 (for the year ended 31 December 2021: Nil).

FINANCIAL REVIEW

Operating Information

The Company's Games

In 2022, the Company continued to focus on developing high-quality games that meet the rapidly evolving demands of gamers and strengthening its game distribution capabilities. The Company successfully enlarged the user base and enhanced the recognition of its reputable IP portfolio, including *Carrot Fantasy (保衛蘿蔔)* and *Shen Xian Dao (神仙道)*, laying a solid foundation for potential sequels. In May 2022, the Company launched an RPG mobile game named *Dougui (斗詭)*, a classic landscape fighting game featuring a traditional Chinese aesthetic, and a Real-Time Strategy game named *Mushroom Wars 2 (蘑菇戰爭2)*, a popular strategic yet casual tower defence mobile game with a 10-year track record. On 30 June 2022, the Company launched a casual game named *Carrot Fantasy 4 (保衛蘿蔔4),* which is a sequel to one of the Company's hit titles.

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			
	2022		2021	
	(RMB'000)	**(% of Total Revenue)**	(RMB'000)	(% of Total Revenue)
Game Operation				
Web games	**13,256**	**6.9**	13,935	13.3
Mobile games				
RPGs	**71,545**	**37.4**	27,529	26.3
Casual	**59,750**	**31.1**	16,787	16.0
PC games	**4,697**	**2.5**	8,729	8.3
HTML5 games	**130**	**0.1**	216	0.2
Console games	**4,390**	**2.3**	3,291	3.1
Total	**153,768**	**80.3**	70,487	67.2

Revenue contributed by game operations was approximately RMB153.8 million for 2022, representing a year-over-year increase of approximately 118.2%, compared with approximately RMB70.5 million for 2021. The increase was primarily due to the launch of *Dougui (斗詭)* in May 2022 and the launch of *Carrot Fantasy 4 (保衛蘿蔔4)* in June 2022.

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 adjust its business strategies from time to time.

As at 31 December 2022, the Company's (i) RPG mobile games and web games had approximately 231.8 million cumulative registered users, composed of approximately 173.1 million web game users and approximately 58.7 million mobile game users; (ii) casual games had approximately 683.0 million cumulative activated downloads; (iii) HTML5 games had approximately 38.6 million cumulative registered users; (iv) PC games had approximately 1.8 million cumulative copies sold; and (v) console games had approximately 397,000 cumulative copies sold. For December 2022, the Company's (i) RPG mobile games and web games had approximately 0.4 million MAUs, composed of approximately 0.3 million mobile game MAUs and approximately 0.1 million web game MAUs; and (ii) casual games had approximately 6.3 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		
	2022	2021	**Change%**
Average MPUs			
Web games (RPGs) (000's)	**7**	7	–
Mobile games (RPGs) (000's)	**75**	17	341.2
Casual (000's)	**246**	88	179.5
ARPPU			
Web games (RPGs) (RMB)	**161.2**	164.5	(2.0)
Mobile games (RPGs) (RMB)	**79.5**	131.3	(39.5)
Casual (RMB)	**20.2**	16.7	21.2

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 7,000 for the year ended 31 December 2022, remaining steady as compared with the year ended 31 December 2021. Average MPUs for mobile RPG games increased from approximately 17,000 for the year ended 31 December 2021 to approximately 75,000 for the year ended 31 December 2022, primarily due to the launch of *Dougui (斗詭)* in May 2022. Average MPUs for casual games increased from approximately 88,000 for the year ended 31 December 2021 to approximately 246,000 for the year ended 31 December 2022, primarily due to the launch of *Carrot Fantasy 4 (保衛蘿蔔4)* on 30 June 2022.

ARPPU for web games remained steady at approximately RMB161.2 for the year ended 31 December 2022, compared with approximately RMB164.5 for the year ended 31 December 2021. ARPPU for RPG mobile games decreased from approximately RMB131.3 for the year ended 31 December 2021 to approximately RMB79.5 for the year ended 31 December 2022, primarily due to the launch of *Dougui (斗詭)*, which had lower ARPPU in the early stage of its expected lifecycle. ARPPU for casual games increased from approximately RMB16.7 for the year ended 31 December 2021 to approximately RMB20.2 for the year ended 31 December 2022, 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. The increase in ARPPU for casual games was also due to the launch of *Carrot Fantasy 4 (保衛蘿蔔4)*.

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 key to retaining active players and expanding the active player base for the Group.

The year ended 31 December 2022 compared with the year ended 31 December 2021

The following table sets forth the Group's income statement for the year ended 31 December 2022 as compared with the year ended 31 December 2021.

	For the year ended 31 December		
	2022 (RMB'000) (audited)	2021 (RMB'000) (audited)	**Change %**
Revenue	**191,519**	104,788	82.8
Cost of sales	**(37,318)**	(34,859)	7.1
Gross profit	**154,201**	69,929	120.5
Other income and gains	**16,181**	33,158	(51.2)
Selling and distribution expenses	**(40,444)**	(10,263)	294.1
Administrative expenses	**(64,389)**	(53,744)	19.8
Research and development costs	**(76,847)**	(83,604)	(8.1)
Finance costs	**(3,968)**	(3,534)	12.3
Other expenses	**(8,618)**	(26,530)	(67.5)
Share of losses of associates	**755**	1,014	(25.5)
LOSS BEFORE TAX	**(23,129)**	(73,574)	(68.6)
Income tax expense	**(1,227)**	(2,987)	(58.9)
LOSS FOR THE YEAR	**(24,356)**	(76,561)	(68.2)
Attributable to:			
Owners of the parent	**(29,637)**	(78,103)	(62.1)
Non-controlling interests	**5,281**	1,542	(242.5)

Revenue

The following table sets forth a breakdown of the Group's revenue for the year ended 31 December 2022 and 2021:

	For the year ended 31 December			
	2022		2021	
	(RMB'000) (audited)	**(% of Total Revenue)**	(RMB'000) (audited)	(% of Total Revenue)
Game Operations	**153,768**	**80.3**	70,487	67.3
Online game distribution	**462**	**0.2**	7,180	6.8
Licensing and IP-related income	**7,747**	**4.0**	6,870	6.5
Advertising revenue	**21,557**	**11.3**	20,190	19.3
Game development service income	**7,651**	**4.0**	–	–
Technical service income	**334**	**0.2**	61	0.1
Total	**191,519**	**100.0**	104,788	100.0

Total revenue increased by approximately 82.8% from the year ended 31 December 2021 to approximately RMB191.5 million for the year ended 31 December 2022.

Revenue from game operations was approximately RMB153.8 million for the year ended 31 December 2022, representing an increase of approximately 118.2%, compared with approximately RMB70.5 million for the year ended 31 December 2021. The increase was primarily attributable to the launch of *Dougui (斗詭)* in May 2022 and the launch of *Carrot Fantasy 4 (保衛蘿蔔4)* in June 2022, both of which received highly positive responses from gamers.

Revenue from online game distribution decreased by approximately 93.6% to approximately RMB0.5 million for the year ended 31 December 2022 from approximately RMB7.2 million for the year ended 31 December 2021. The decrease was primarily due to the expiration of the exclusive license agreement for *Horcrux College (魂器學院)* at the end of 2021.

Licensing and IP-related income increased by approximately 12.8% from approximately RMB6.9 million for the year ended 31 December 2021 to approximately RMB7.7 million for the year ended 31 December 2022. The increase was primarily attributable to the increase in the sales of blind boxes and other merchandise based on *Carrot Fantasy (保衛蘿蔔)* IP from approximately RMB0.7 million for the year ended 31 December 2021 to approximately RMB2.0 million resulting from the launch of *Carrot Fantasy 4 (保衛蘿蔔4)* in June 2022 and the tenth anniversary of *Carrot Fantasy (保衛蘿蔔)* in 2022.

Advertising revenue increased by approximately 6.8% from approximately RMB20.2 million for the year ended 31 December 2021 to approximately RMB21.6 million for the year ended 31 December 2022. The increase was primarily attributable to the launch of Carrot Fantasy 4 (*保衛蘿蔔4*) in June 2022.

Game development service income was approximately RMB7.7 million for the year ended 31 December 2022 (for the year ended 31 December 2021: Nil), primarily due to the commissioned game development in 2022.

Technical service income increased from approximately RMB61,000 for the year ended 31 December 2021 to approximately RMB334,000 for the year ended 31 December 2022, primarily due to the commercial operation of the Company's game operation platform in 2022.

Cost of sales

Cost of sales increased by 7.1% to approximately RMB37.3 million for the year ended 31 December 2022 from approximately RMB34.9 million for the year ended 31 December 2021. The increase was mainly attributable to the increase in staff cost resulting from the preparation for the launch of new games.

Gross profit and gross profit margin

Gross profit increased by approximately 120.5% from approximately RMB69.9 million for the year ended 31 December 2021, to approximately RMB154.2 million for the year ended 31 December 2022. Gross profit margin for the year ended 31 December 2022 was 80.5%, compared with 66.7% for the year ended 31 December 2021.

Other income and gains

Other income and gains decreased by approximately 51.2% from approximately RMB33.2 million for the year ended 31 December 2021, to approximately RMB16.2 million for the year ended 31 December 2022. The decrease was primarily due to the fair value changes of the Company's financial assets at fair value through profit or loss.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 294.1% from approximately RMB10.3 million for the year ended 31 December 2021 to approximately RMB40.4 million for the year ended 31 December 2022. The increase was mainly attributable to an increase in promotional and advertising fees from approximately RMB5.2 million to approximately RMB15.3 million, primarily due to the promotional activities for *Dougui (斗詭)*, *Carrot Fantasy 4 (保衛蘿蔔4)* and *Mushroom Wars 2 (蘑菇戰爭2)* which were launched in the first half of 2022. The increase was also due to a rise in channel fees from approximately RMB1.9 million for the year ended 31 December 2021 to approximately RMB20.1 million for the year ended 31 December 2022. The increase in channel fees was mainly due to the launch of *Dougui (斗詭)* and *Carrot Fantasy 4 (保衛蘿蔔4)* on Apple Inc.'s App Store in May 2022 and June 2022 respectively, where the revenue was recognised on a gross basis and the App Store channel fees in selling and distribution expenses.

Administrative expenses

Administrative expenses increased by approximately 19.8% from approximately RMB53.7 million for the year ended 31 December 2021 to approximately RMB64.4 million for the year ended 31 December 2022. The increase was mainly attributable to an increase in severance allowance from RMB3.1 million for the year ended 31 December 2021 to approximately RMB7.5 million for the year ended 31 December 2022 due to the streamlining of the Company's corporate structure. The increase was also due to the recognition of irrecoverable licensing fees and advanced revenue as bad debt in 2022, while no such expenses were recognised in 2021.

R&D costs

R&D costs decreased by approximately 8.1% from approximately RMB83.6 million for the year ended 31 December 2021 to approximately RMB76.8 million for the year ended 31 December 2022. The decrease was primarily attributable to the decrease in employee costs from approximately RMB72.5 million for the year ended 31 December 2021 to approximately RMB67.0 million for the year ended 31 December 2022 due to the decreased average number of R&D employees in 2022 as a result of the Company's efforts to streamline its corporate structure. The decrease was also due to the decrease in share-based compensation expenses by approximately RMB0.8 million, attributable to the lapse of share options granted.

Finance costs

Finance costs increased by approximately 12.3% from approximately RMB3.5 million for the year ended 31 December 2021 to approximately RMB4.0 million for the year ended 31 December 2022. The increase was primarily due to an increase in interest expenses from approximately RMB3.3 million for the year ended 31 December 2021 to approximately RMB3.7 million for the year ended 31 December 2022. Interest expenses increased because the borrowing costs directly attributable to the construction of the Company's R&D centre and headquarters building in Xiamen ceased to be capitalised and started to be recognised as an expense after the construction was completed in mid-2021.

Other expenses

Other expenses were approximately RMB8.6 million for the year ended 31 December 2022, compared with approximately RMB26.5 million for the year ended 31 December 2021. The decrease was primarily due to an impairment loss of goodwill of approximately RMB8.7 million made in 2021, while no such impairment loss was made in 2022. The impairment loss of goodwill was mainly related to the goodwill recognised in 2017 pursuant to our acquisition of Shenzhen Zhangxin Interactive Technology Co., Ltd. (深圳掌心互動科技有限公司) ("Shenzhen Zhangxin"), a game development and distribution company which had been a 30%-owned associate of the Group since May 2015 and later became a direct subsidiary of the Group after the further acquisition of 21% interest in November 2017. The impairment of goodwill was made because the recoverable amount of the Shenzhen Zhangxin cash-generating unit ("CGU") relating to the goodwill is expected to be less than the carrying amount. The underperformance of Shenzhen Zhangxin's revenue generation in 2021 and the intention of the Group to terminate Shenzhen Zhangxin's operations in 2022 led to the impairment of goodwill. The decrease in other expenses was also due to a full impairment of investment in an associate of approximately RMB7.6 million made in 2021 where the recoverable amount of the associate is expected to be less than the carrying amount, while no such impairment was made in 2022. The termination of the only game distribution agreement of the associate in March 2022 and the intention of the associate to terminate operations were reasons for the impairment.

Income tax expense

Income tax expense decreased by approximately 58.9% from approximately RMB3.0 million for the year ended 31 December 2021, to approximately RMB1.2 million for the year ended 31 December 2022. The decrease was primarily due to the recognition of deferred tax expenses based on the difference between the fair value and the book value of the investment properties for the year ended 31 December 2021 and the increase of income tax expense resulted from a reversal of deferred tax assets previously recognised from a subsidiary with deductible losses, following an internal reorganisation in 2021.

Loss for the year

As a result of the above, the loss for the year decreased by approximately 68.2% from approximately RMB76.6 million for the year ended 31 December 2021, to approximately RMB24.4 million for the year ended 31 December 2022. Loss attributable to owners of the parent decreased by approximately 62.1% from approximately RMB78.1 million for the year ended 31 December 2021, to approximately RMB29.6 million for the year ended 31 December 2022.

Non-IFRSs measures – Adjusted net 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 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 2022 and 2021, the Company defined the adjusted net loss attributable to owners of the parent as net loss attributable to owners of the parent excluding share-based compensation. The term of adjusted net loss or profit attributable to owners of the parent was not defined under IFRSs. The use of adjusted net 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 loss attributable to owners of the parent for the accounting period.

	For the year ended 31 December		
	2022 (RMB'000) (audited)	2021 (RMB'000) (audited)	**Change %**
Loss for the year attributable to owners of the parent	**(29,637)**	(78,103)	(62.1)
Add:			
Share-based compensation	**(1,906)**	1,480	(228.8)
Total	**(31,543)**	(76,623)	(58.8)

Financial Position

As at 31 December 2022, total equity of the Group was approximately RMB456.5 million, compared with approximately RMB493.9 million as at 31 December 2021. The decrease was mainly due to the loss of approximately RMB24.4 million recorded for the year ended 31 December 2022 and the changes in fair value of the Group's equity investments at fair value through other comprehensive income of approximately RMB13.8 million.

As at 31 December 2022, the Group recorded net current assets of approximately RMB112.9 million, representing an increase of approximately 15.0% from approximately RMB98.2 million as at 31 December 2021. The increase was mainly due to the increase in receivables due from third-party game distribution platforms and payment channels as a result of the launch of new games in 2022.

Liquidity and Capital Resources

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

	2022 (RMB'000) (audited)	2021 (RMB'000) (audited)	**Change %**
Net cash flow used in operating activities	**(4,496)**	(53,226)	(91.6)
Net cash flow from/(used in) investing activities	**22,329**	(70,622)	(131.6)
Net cash flow (used in)/from financing activities	**(13,655)**	112,141	(112.2)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**4,178**	(11,707)	(135.7)
Cash and cash equivalents at the beginning of year	**126,261**	139,194	(9.3)
Effect of foreign exchange rate changes, net	**2,714**	(1,226)	(321.4)
Cash and cash equivalents at the end of year(1)	**133,153**	126,261	5.5

Note:

(1) As at 31 December 2022, the Group had restricted cash and bank balances of approximately RMB846,000. The restricted cash and bank balances 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 the date of this annual report, the aforementioned amounts have been unfrozen.

Total cash and cash equivalents were approximately RMB133.2 million as at 31 December 2022, increasing by approximately 5.5% year-on-year compared with approximately RMB126.3 million as at 31 December 2021. The increase was primarily due to the early redemption of two perpetual bonds and sale of one perpetual bond, partially offset by the partial repayment of bank loans used by the Company for the construction of the R&D center.

As at 31 December 2022, approximately RMB10.2 million of financial resources (31 December 2021: RMB34.7 million) were held in deposits denominated in non-RMB currencies. The Company currently does not hedge transactions undertaken in foreign currencies, but 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 2022, the Group had aggregate bank loans of approximately RMB70.0 million (31 December 2021: RMB80.0 million), of which approximately RMB10.0 million is payable within one year and approximately RMB60.0 million is payable between one and five years. The Group had lease liabilities of approximately RMB4.3 million (31 December 2021: RMB2.0 million), of which approximately RMB2.6 million is payable within one year and approximately RMB1.7 million is payable between one and five years as set out in the agreements.

As at 31 December 2022, the Group's bank loans of approximately RMB70.0 million were used by the Company for the construction of the Company's R&D center. The interest rate was approximately 5.05% per annum and 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 2022, 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 RMB126.3 million (31 December 2021: RMB179.8 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 five 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 2022 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 2022 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 2022 (RMB'000)	Loss on fair value changes recognised in consolidated statement of comprehensive income for the year ended 31 December 2022 (RMB'000)	Fair value as at 31 December 2022 (RMB'000)	Percentage of total FVOCI and FVPL Investments at 31 December 2022	Percentage of total assets of the Group as at 31 December 2022
CHINLP Medium Term Note Programme ("CHINLP")	2	528	(4,670)	19,559	15.5%	3.1%
POLHON Guaranteed Notes ("POLHON")	3	751	(927)	18,570	14.7%	3.0%
NWDEVL Medium Term Note Programme ("NWDEVL")	4	1,056	(4,835)	19,992	15.8%	3.2%

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 2022 of CLP Holdings Limited, total revenue was approximately HK$100,662 million, representing an increase of 19.9% compared with corresponding period in 2021. The net profit after tax for the year ended 31 December 2022 was approximately HK$1,487 million, compared with HK$9,474 million for the corresponding period in 2021. During the year, extreme and exceptional price surges have occurred in the Australian National Electricity Market (NEM) driven by the confluence of the unavailability of major coal-fired power stations and high fuel prices. As a consequence, forward electricity prices have been elevated as compared to historic levels and resulted in an unrealised fair value loss on electricity forward contracts not qualifying for hedge accounting of HK$2,937 million (after tax) included in fuel and other operating expenses for the year. In addition, while generation revenue has increased in 2022, the operating earnings in Australia (before the unrealised fair value loss) reduced by HK$2,581 million as compared with 2021 mainly due to short positions caused by lower generation from Yallourn because of unplanned outages and Mount Piper due to coal supply constraints. Collectively the unrealised fair value loss and the operating challenges were the primary reasons for the significant decrease in CLP Group's earnings for the year.

   Despite the energy crisis caused by conflict in Ukraine as well as the lingering impact of the pandemic, CLP Group worked hard in reducing the impact of the energy shocks and other disruptions by virtue of its fuel diversification strategy, long-term planning and solid fundamentals. Meanwhile it continued to invest in growth opportunities, underpinned by robust performance in its core markets in Hong Kong and Mainland China. 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 31 December 2022, 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 Hong Kong (SFO).

   According to the annual results announcement of Poly Property for the year ended 31 December 2022, Poly Property recorded a revenue of approximately RMB41,127.3 million, representing an increase of 35.7% when compared to last year. Net profit after tax amounted to RMB1,009.3 million, representing a year-on-year decrease of 53.3%. The decrease in net profit was mainly attributable to significantly declined gross margin of certain projects with recognised sales due to the weak sales of the mainland real estate market and the increased provision for impairment of property inventory due to the uncertain industry outlook.

   In 2022, contracted sales of Poly Property decreased by 11% compared with last year, a smaller decline than that of the industry. According to the CRIC, the sales amount of the top 100 real estate enterprises declined by more than 40% year on year. Meanwhile, Poly Property ranked the 40th on the CRIC list in term of the total sales amount, a significant rise of 20 rankings compared with that at the end of 2021, which showed its 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 subsidiary, engaged in roads 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 report for the six months ended 31 December 2022 of New World Group, NWD recorded a revenue of approximately HK$40,193.3 million for the six months ended 31 December 2022, representing an increase of 13.0% when compared to HK$35,572.8 million for the corresponding period in 2021. Net profit after tax for the six months ended 31 December 2022 amounted to HK$2,786.8 million, representing a decrease of 19.4% when compared to the HK$3,456.0 million for the corresponding period in 2021.

   After three years of turbulence and correction under the pandemic, the real estate industry is heading to high-quality development in the future. As a premium enterprise that adheres to sound and high-quality development, NWD will pioneer to capitalise on the favourable market and policies as well as gaining advantages from the recovery of the market. Therefore, the Group is optimistic about the future prospect of the bond NWDEVL.

(B) Perpetual Bonds

Name of the perpetual bonds	Notes	Interest income recognised in consolidated statement of profit or loss for the year ended 31 December 2022 (RMB'000)	Gain/(loss) on fair value changes recognised in consolidated statement of profit or loss for the year ended 31 December 2022 (RMB'000)	Fair value as at 31 December 2022 (RMB'000)	Percentage of total FVOCI and FVPL Investments at 31 December 2022	Percentage of total assets of the Group as at 31 December 2022
CCB Life Insurance Co. Ltd 2017	2	226	187	–	–	–
Chalieco Hong Kong Corp. Ltd 2019	3	–	(40)	–	–	–
FWD Ltd 2017	4	314	–	–	–	–

Notes:

1. The Group's investment in perpetual bonds has been accounted for as financial assets at fair value through profit or loss. The fair value of the perpetual bonds was observed from Thomson Reuters Eikon system. Please refer to note 12 to the financial statements for details of the investment in perpetual bonds.

2. On 17 January 2020, the Group invested in a bond issued by CCB Life Insurance Company Limited ("CCB Life Insurance") with a nominal amount of US$1,500,000 at a consideration of US$1,547,000 (equivalent to approximately RMB10.6 million). The bond has a coupon interest rate of 4.5% per annum with the maturity date on 21 April 2077 and extendable for an additional 60 calendar years with no limit on the number of extension times at issuer's option. On 21 April 2022, the bond was fully redeemed by CCB Life Insurance at a consideration of US$1,500,000 (equivalent to approximately RMB9.6 million) in advance.

3. On 17 January 2020, the Group invested in a senior guaranteed perpetual capital bond issued by Chalieco Hong Kong Corporation Limited. ("Chalieco HK") with a nominal amount of US$1,500,000 at a consideration of US$1,546,000 (equivalent to approximately RMB10.7 million) and a coupon interest rate of 5.0% per annum with no fixed redemption date. The bond was unconditionally and irrevocably guaranteed by China Aluminum International Engineering Corporation Limited ("Chalieco"), shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2068). Chalieco HK and Chalieco are subsidiaries of Aluminum Corporation of China which is wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. On 8 April 2022, the bond was completely sold by the Company at a consideration of US$1,534,000 (equivalent to approximately RMB9.8 million) in advance.

4. On 2 March 2020, the Group invested in a subordinated perpetual capital bond issued by FWD LIMITED (together with its subsidiaries, "FWD") with a nominal amount of US$1,500,000 at a consideration of US$1,553,000 (equivalent to approximately RMB10.8 million). The bond has a coupon interest rate of 6.25% per annum without fixed maturity date. On 24 January 2022, the bond was fully redeemed by FWD at a consideration of US$1,500,000 (equivalent to approximately RMB9.5 million) in advance.

(C) Bond Fund

Name of the bond fund	Note	Interest income recognised in consolidated statement of profit or loss for the year ended 31 December 2022 (RMB'000)	Loss on fair value changes recognised in consolidated statement of profit or loss for the year ended 31 December 2022 (RMB'000)	Fair value as at 31 December 2022 (RMB'000)	Percentage of total FVOCI and FVPL Investments as at 31 December 2022	Percentage of total assets of the Group as at 31 December 2022
UBS Asian Bonds Series 5 (USD)	2	439	(1,755)	7,605	6.0%	1.2%

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 2021, the Sub-Fund recorded income of approximately USD–71 million and a decrease in net assets attributable to unitholders from operations of approximately USD97 million, which was mainly attributable to unsatisfactory performance in Asian bonds market and a number of clients chose to reduce their positions.

   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.

(D) Unlisted Equity Investments

Company Name	Notes	**Percentage of Shareholdings as at 31 December 2022**	**Loss on fair value changes recognised in consolidated statement of comprehensive income for the year ended 31 December 2022** (RMB'000)	**Fair value as at 31 December 2022** (RMB'000)	**Percentage of total FVOCI and FVPL investments as at 31 December 2022**	**Percentage of the total assets of the Group as at 31 December 2022**
Xiamen eName Technology Co., Ltd. ("eName")	2	2%	(10,236)	12,056	9.5%	1.9%
Xiamen Relian Tianxia Technology Co., Ltd. ("Xiamen Relian")	3	10%	(3,015)	2,301	1.8%	0.4%
Others	4	–	(446)	1,848	1.5%	0.3%

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 six months ended 30 June 2022, eName recorded revenue of approximately RMB49.5 million, representing a decrease of 42.7% compared with the corresponding period in 2021, and net profit attributable to the shareholders of approximately RMB1.7 million, compared with RMB3.9 million for six months ended 30 June 2021. The abovementioned decrease was mainly attributable to eName ceased to control one of its holding subsidiaries, therefore the subsidiary together with its wholly-owned subsidiaries were no longer absorbed into consolidated statements.

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

3. Xiamen Relian is an unlisted company which principally engaged in the sale of merchandise through intelligent vending machines in hotels and is managed by an experienced technical team.

   Pursuant to Xiamen Relian's financial statements for the year ended 31 December 2022, Xiamen Relian recorded revenue of approximately RMB0.6 million and net loss after tax of approximately RMB1.5 million. With the growing normalisation of COVID-19 epidemic, the hotel industry is still not fully recovered in the year of 2022. Xiamen Relian therefore maintained current scale of operation, instead of large-scale expansion.

   In view that the growing demand for intelligent vending machines from the retail industry will offer immense growth opportunities and that intelligent vending machines could also be expected to form an extensive sales and distribution network to reach intelligent products consumers, the Group considers that the future business prospect of Xiamen Relian is positive.

4. Others comprised two unlisted limited liability companies and none of these investments accounted for more than 0.3% of the total assets of the Group as at 31 December 2022.

(E) Unlisted Debt Investments

Company Name	Notes	**Percentage of Shareholdings as at 31 December 2022** (RMB'000)	**Gain on fair value changes recognised in consolidated statement of profit or loss for the year ended 31 December 2022** (RMB'000)	**Fair value as at 31 December 2022**	**Percentage of total FVOCI and FVPL investments as at 31 December 2022**	**Percentage of the total assets of the Group as at 31 December 2022**
Future Capital Discovery Fund II, L.P. ("Future Capital")	2	1.8797%	(4,828)	42,508	33.7%	6.8%
Others	3	–	(1,082)	1,829	1.4%	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 earnings 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 2022, the Company held approximately 1.8797% partnership interests in Future Capital.

   Pursuant to Future Capital's financial statements for the year ended 31 December 2022, Future Capital recorded income of approximately US$10,241 and net decrease in partners' capital resulting from operations of approximately US$50.9 million. The substantial decrease in partners' capital resulting from operations was primarily due to a decrease in fair value changes on several Future Capital's investments. Future Capital expected to realise its investments at a later stage in order to enjoy 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 positive future and its future business prospect is positive and is expected to grow continuously.

3. Others represented one unlisted debt investments which accounted for 0.3% of the total assets of the Group as at 31 December 2022.

There was no impairment made for any investments in debt instruments for the year ended 31 December 2022. 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 2022. Apart from those disclosed in this annual report, there were no plans authorised by the Board for other significant investments or acquisitions of major capital assets or other businesses in 2022. However, the Group will continue to identify and access new opportunities for business development.

Gearing ratio

On the basis of total liabilities divided by total assets, the Group's gearing ratio was 27.0% as at 31 December 2022 and 26.1% as at 31 December 2021.

Capital expenditures

The following table sets forth the Group's capital expenditures for the year ended 31 December 2022 and 2021 respectively:

	For the year ended 31 December		
	2022	2021	**Change %**
	(RMB'000)	(RMB'000)	
Property, plant and equipment	**5,579**	3,206	74.0
Construction in progress	**–**	27,733	(100)
Intangible assets	**13**	–	N/A
Total	**5,592**	30,939	(81.9)

Capital expenditures consisted of property, plant and equipment and construction in progress, of which the former include but are not limited to office equipment, company vehicles for employees' use and leasehold improvements. The total capital expenditures for the year ended 31 December 2022 were approximately RMB5.6 million, compared with RMB30.9 million for the year ended 31 December 2021, representing a decrease of approximately 81.9%. In 2021, there were capital expenditures of approximately RMB27.7 million for the construction of the Company's R&D centre and headquarters building in Xiamen. Since the construction was completed in mid-2021, there were no such construction costs for the year ended 31 December 2022.

Pledge of Assets

As at 31 December 2022, bank loans of approximately RMB70.0 million (under a loan facility of up to RMB120.0 million) were used for the construction of the Company's R&D center. The bank loans were secured by land use rights, properties and investment properties on the Land with a total carrying value of approximately RMB246.9 million.

Contingent liabilities and guarantees

As at 31 December 2022, the Company did not have any unrecorded significant contingent liabilities, guarantees or litigation with claims 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 2022, 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 (HK$ million)	Actual use of net proceeds up to 31 December 2022 (HK$ million)	Unutilised net proceeds up to 31 December 2022 (HK$ million)	Expected timeline for intended use of the net proceeds
Supporting new product development	**119.1**	40.6	13.4	By 30 June 2023
Attracting suitable personnel		36.2		
Increase the publishing and marketing budget		28.9		
Total	**119.1**	105.7	13.4	

During the year ended 31 December 2022, the net proceeds from the Subscription were utilised, or were proposed to be utilised, according to the intentions previously disclosed by the Company.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Company had 365 full-time employees, the majority of whom are based in Xiamen, Fujian Province of the PRC. The following table sets forth the number of employees categorised by function as at 31 December 2022:

	Number of Employees	% of Total
Development	**216**	59.2
Operations	**64**	17.5
Administration	**68**	18.6
Sales and marketing	**17**	4.7
Total	**365**	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 2022, 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 Personal Information Protection Act of the PRC (2021), Data Security Act of the PRC (2021), Civil Code of the PRC (2020), Law on the Protection of Minors (2020 Amendment), the Copyright Law of the PRC (2020 Amendment), Online Publishing Service Management Rules (2016), Anti-addiction Notice (2019), Provisions on Ecological Governance of Network Information Content (2019), Notice Regarding Commencement of Authentication of Real Names for Anti-addiction System on Online Games and Notice by the General Administration of Press and Publication of Preventing Minors from Indulging in Online Games.

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

REPORTING PERIOD AND SCOPE

This Environmental, Social and Governance ("ESG") Report (the "Report") summarises the ESG initiatives, plans and performances of Feiyu Technology International Company Limited ("Feiyu", or the "Company"), together with its subsidiaries (the "Group" or "We", "Us"), and demonstrates our commitment to environmental protection and sustainable development.

In this Report, we have encompassed the ESG performance of our core business and our major offices in the People's Republic of China (the "PRC") and social performance of Singapore office for the period from 1 January 2022 to 31 December 2022 (the "Year"). Compared with prior year, as Chengdu, Fuzhou and one of the Shenzhen subsidiaries were ceased its operation during Year 2022, its data only include up to cessation date. Besides, as our business has expanded to Singapore, we have also included relevant social data for Singapore started from this year.

REPORTING PRINCIPLES

The Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" set out in Appendix 27 to the Listing Rules of the Stock Exchange (the "Guide"). The contents covered herein are in compliance with the mandatory disclosure requirement and the provision of "Comply or Explain" as well as four reporting principles of materiality, quantitativeness, balance and consistency required in the Guide. For details of our corporate governance, please refer to the section "Corporate Governance Report" of our 2022 Annual Report.

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, or the assessment and decisions of stakeholders of the Group.	The Group has identified material ESG issues through regular stakeholder engagement exercises, and ensured the material ESG issues are highlighted in the ESG 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 has reviewed and disclosed our achievements and rooms for improvement to provide an unbiased picture of our sustainability performance.
Consistency	Consistent method should be adopted in preparation of the ESG report to enable stakeholders to compare the Group's ESG performance year on year.	The Group has adopted consistent reporting framework and methodology to allow for fair comparisons of ESG data over time.

STAKEHOLDERS' FEEDBACK

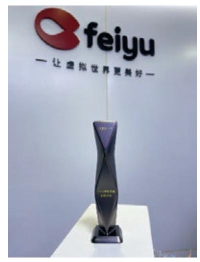
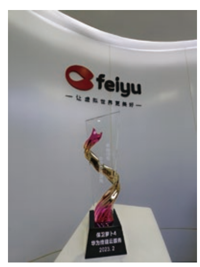
The Group welcomes stakeholders' feedback on its ESG approach and performance. Suggestions or views can be sent to the Group through email (IR@feiyu.com).

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 in Feiyu all along, we strive to develop high-quality games and new products serving a wide range of players. In this year, the Company several new games, such as Mushroom Wars 2 (蘑菇戰爭2), Dougui (斗詭) and Carrot Fantasy 4 (保衛蘿蔔4). To further enhance the competitiveness of China's games in international markets, we will continue to align with 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.

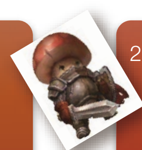
Awards and Recognitions

Game	Name of the award	Awards
Carrot Fantasy 4 (保衛蘿蔔4)	2022 NextWorld Outstanding Award-New Star Award of the Year 2022 NextWorld風采獎 — 年度新銳之星遊戲App	
	2022 Vivo Developer Conference: Best Leisure Game of the Year 2022 Vivo 開發者大會: Vivo年度最佳休閒遊戲	
	Huawei Game Center Popular Game of the Year 華為遊戲中心年度人氣新遊	
	2022 You Xi Cha Guan Golden Tea Award-Best Leisure Game of the Year 遊戲茶館2022第十屆金茶獎 — 最佳休閒遊戲	
	2023 Huawei Cloud Service Award-Best Game of the Year 2023 華為終端雲服務獎 — 年度傑出遊戲	

Game	Name of the award	Awards
Carrot Fantasy 4 (保衛蘿蔔4)	China Audio-video and Digital Publishing Association 2022 Nominations for Top Ten Excellent Mobile Game 中國音像與數字出版協會 — 2022年度遊戲十強優秀移動遊戲提名	
Dougui (斗詭)	China Audio-video and Digital Publishing Association 2022 Nominations for Top Ten Excellent Game Art Designs 中國音像與數字出版協會 — 2022年度遊戲十強優秀遊戲美術設計提名	
	2022 Huawei Star Award 2022年華為群星獎	

MAJOR FEIYU'S HIGHLIGHTS

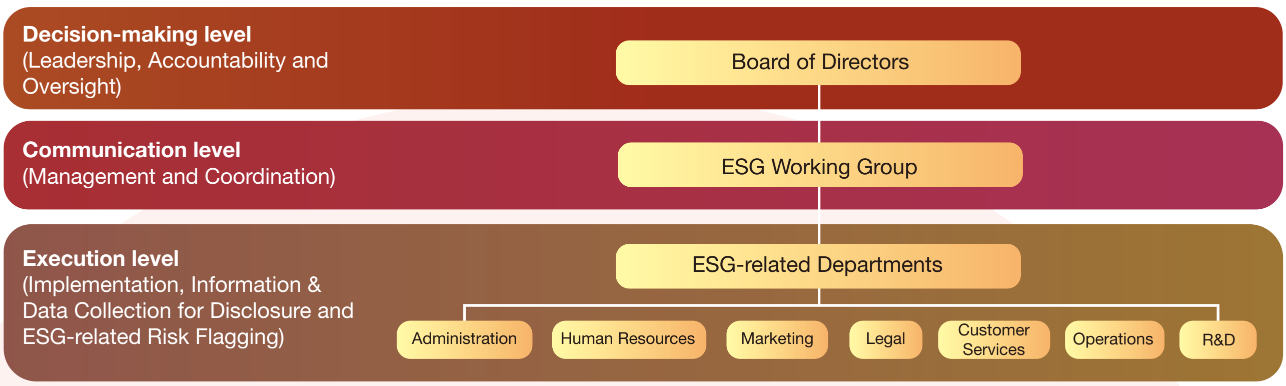
- 2011 May Shen Xian Dao (神仙道) launched
- 2012 July Carrot Fantasy (保衛蘿蔔) launched
- 2013 November Carrot Fantasy 2 (保衛蘿蔔 2) launched
- 2014 August San Guo Zhi Ren (三國之刃) launched
- 2016 January Super Phantom Cat (超級幻影貓) launched
- 2017 January Push Heroes (推拉英雄) launched
- 2017 June Eat Fatty (你胖你先吃) 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



APPROACH TO SUSTAINABILITY

ESG Governance

As a responsible corporate citizen, the Group acknowledges the significance of ESG issues is of great importance in building a long-lasting, successful business. The Board of Directors (the "Board") has an overall responsibility for overseeing the Group's ESG strategy and reporting, including identifying and determining ESG-related risks, as well as ensuring the effectiveness of ESG risk management. In this regard, the Group has established an ESG working group consisting of the senior management and representatives from different departments, including Administration Department, Human Resources Department, Marketing Department, Legal Department, Customer Service Department, Operation Department and Research and Development ("R&D") Department. With powers delegated by the Board, the ESG working group implements the Board's ESG strategies and policies across departments of the Group. The ESG working group also specialises in collecting ESG data, carrying out of materiality assessments, as well as preparing the ESG Report.



ESG Risk Management

The Board is responsible for oversight of risk management matters to ensure the effectiveness of risk management and internal control systems, such as enforcing ESG risk management through effective control measures to mitigate such risks. The ESG working group is responsible to identify the relevant ESG risks, including climate-related risks and supply chain risks, and prioritise the risks by assessing their impacts and the likelihood of their occurrence. Based on the identified material ESG issues, the Board shall determine the risk management strategies and internal control processes to prevent, avoid or mitigate the risks. The identified ESG risks are regularly reviewed to determine the effectiveness of the control measures and discuss whether further actions are required to mitigate such risks.

United Nations Sustainable Development Goals ("UNSDGs")

The Sustainable Development Goals are series of international development goals announced by the United Nations which 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 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

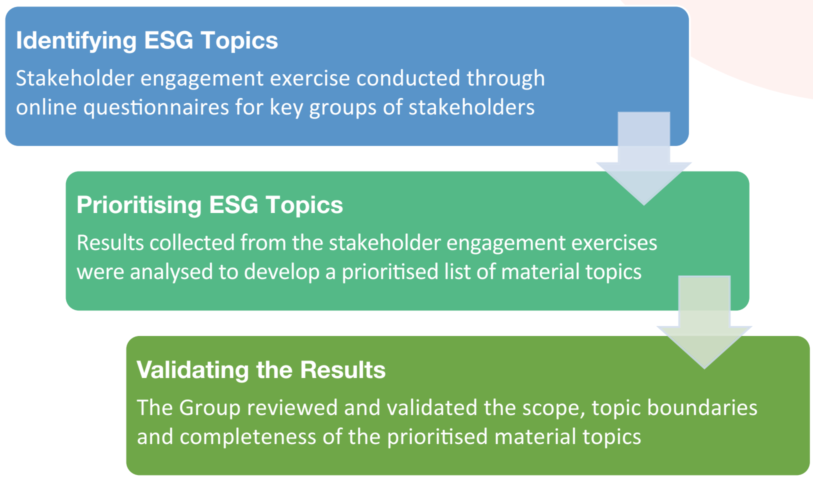
STAKEHOLDER ENGAGEMENT

The Group continues to engage the key stakeholders such as employees, players/customers, shareholders, suppliers, business partners, regulatory authorities and the community through regular interactions and working closely with them to discuss and to review areas of attention via various communication channel.

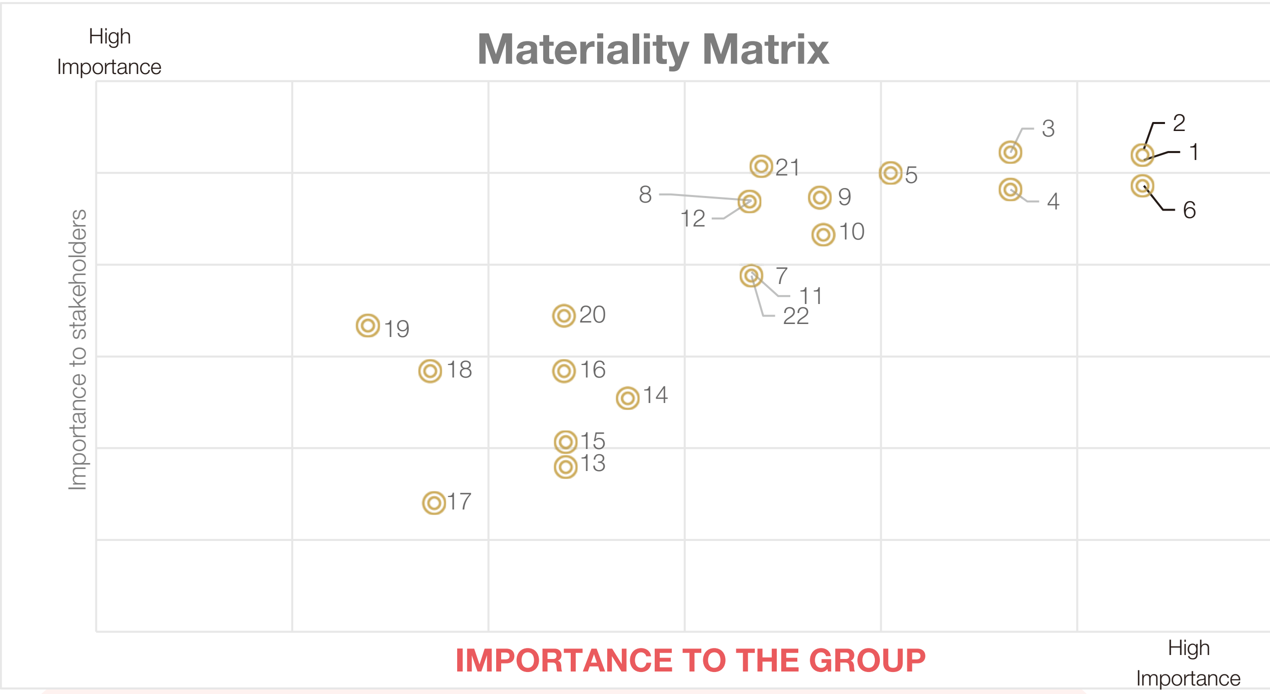
Stakeholders	Means of communication	Expectations
Employees	• Performance appraisals • Regular briefing • Training sessions including seminars and workshops • Meeting and discussion on work performance • Online platform	• Safeguard the interests of employees • Concern for employee occupational health • 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

The Group values the input and feedback of its stakeholders as they bring insights into the Group's business. To determine the material aspects that are most important and influential to the business of the Group, a materiality assessment had been conducted specifically for this ESG Report during the Year with the following process:



The materiality assessment helps to determine priorities and allocate resources more effectively. The materiality matrix below shows the result of the Group's materiality assessment process:



ESG issues

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

Based on the materiality assessment results, game creativity and development ability, quality, health and safety of gaming, player's satisfaction level are considered the most important to the stakeholders and the Group, shown in the top-right corner of the materiality matrix. The Group strives to review these issues from time to time to achieve continuous improvement and sustainable business development.

Sustainable

FEIYU

air Employer, Great Place to Work

nvironmentally Friendly

vestment in Creativity

outh Support and Giving Back to our Society

ndertaking Responsibilities

FAIR EMPLOYER, GREAT PLACE TO WORK

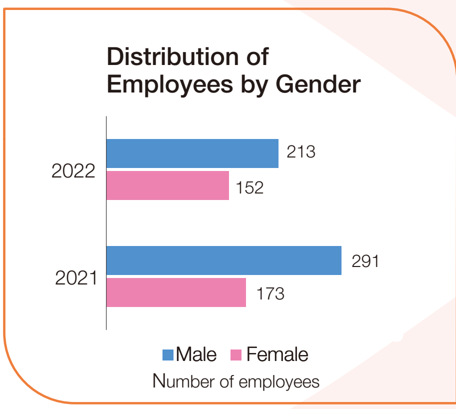
The Group recognises professional and innovative employees are its greatest asset and commits to providing fair and open employment opportunities. We actively attract potential recruits who are passionate about the industry, and recruit talents who are imaginative, knowledgeable and experienced.

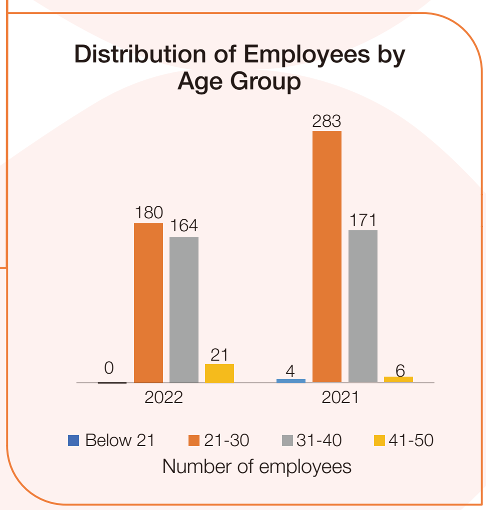
We strictly complies with local laws and regulations, including but not limited to the Labour Law of the PRC (《中華人民共和國勞動法》), the Prohibition of Using Child Labour (《禁止使用童工規定》), the Employment Promotion Law of the PRC《中華人民共和國就業促進法》 and the Law on the Prevention and Control of Occupational Diseases of the PRC (《中華人民共和國職業病防治法》). Regular reviews are conducted to ensure that applicable laws and regulations are complied with. The Group did not note any cases of material 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 Place to Work" contributes to the following UNSDGs:

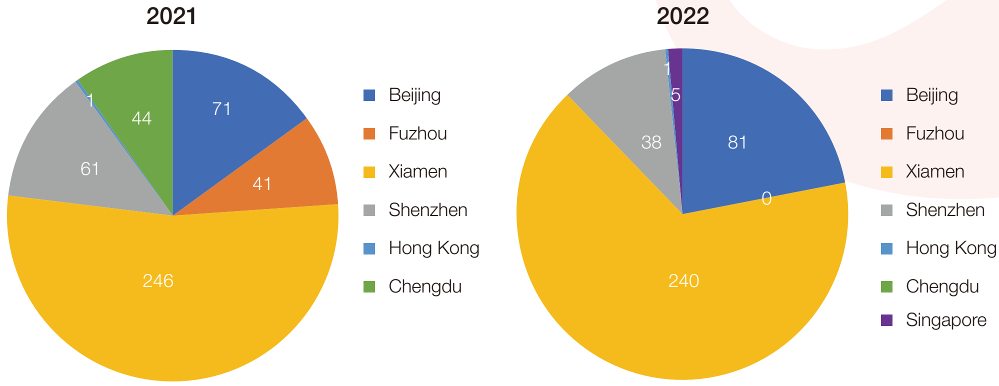
WORKFORCE

The Group had a total of 365 (2021: 464) employees as of 31 December 2022, of whom 100% (2021: 100%) of the employees are full time. The table below illustrate the detailed distribution of the workforce.





Distribution of Employees by Geographical Location[1]



1 As Chengdu, Fuzhou and one of the Shenzhen subsidiaries was closed in August 2022, September 2022 and March 2022 respectively, the employee number for that geographical location as of 31 December 2022 is nil or reduced. Also, as our business has expanded to Singapore during the Year, some employees have been employed in Singapore started from this year.

	2022	2021
Employee turnover rate[1]		
By gender		
Male	**66%**	40%
Female	**36%**	31%
By geographical region		
Hong Kong	**0%**	0%
The PRC	**54%**	37%
Singpaore	**0%**	0%
By age		
Below 21	**0%**	25%
21–30	**72%**	42%
31–40	**35%**	26%
41–50	**33%**	50%
Overall turnover rate	**53%**	37%

1 The employee turnover rate is calculated by the number of employees at the end of the Year.

Talent Recruitment and Retention

The Group's employees are recruited through a sound, transparent, and fair recruitment process to meet the current and future needs of the Group. The Group actively implements the strategies to strengthen the Group's human resources, and continuously establishes and improves its talent recruitment and selection process. We search for potential candidates through internal and external channels such as internet recruitment, campus recruitment, job fairs and headhunting companies. Interviews, written tests, aptitude tests and scenario tests are conducted to select the most suitable candidates.

We offer attractive benefits and remuneration packages, including five-day work week, paid annual leaves, discretionary bonus, provident fund, social insurance, transportation allowance, training subsidies and long serving employees' awards. An incentive mechanism has also been developed to provide customised incentives to employees based on their work performances.

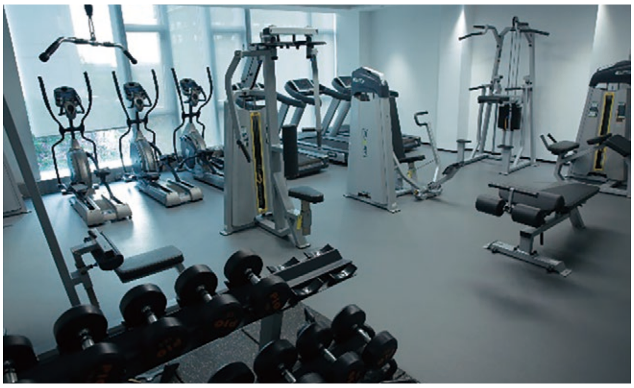
The promotion of employees depends on their performances, working ability, intrinsic potential, and the needs of the company, and can only be carried out with the appropriate approval.

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. The Group is committed to providing equal opportunities in all aspects of employment and to maintaining a workplace free from discrimination, physical or verbal harassment of any person on the basis of race, religion, colour, sex, physical or mental disability, age, place of origin, marital status and sexual orientation. The Group does not tolerate any forms of sexual harassment or abuse in the workplace.

Safety, Health and Wellbeing

The Group views our employees' health and safety as a top priority. We have implemented a series of measures to safeguard employees' physical and mental wellbeing, such as annual health checkup for employees and implementing air purifiers for office. Some of the measures are illustrated below. To promote social inclusiveness, we have also incorporated user-friendly designs, for example, having more accessible lift button designs for wheelchair users etc., in our office buildings.



Fitness Room

Yoga Room

Gaming Room

Snack Station with ice cream and snacks

Employees' Lounge

Baby Care Room

In response to the impact of the COVID-19 pandemic, we organise online celebration livestreaming events in maintaining social distancing during festivals. We also offer employees with special compensation leave and incentives since most of them may not be able to travel and celebrate festivals with their families due to the pandemic travel restriction. Flexible work arrangement is also introduced to minimise infection risk among employees. Apart from distributing face masks and hand disinfectants to employees, we also require our staff to declare their health status, including vaccination record, health code and travel record, to prevent the spread of COVID-19.

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

New Year Celebration


Valentine's Day Celebration

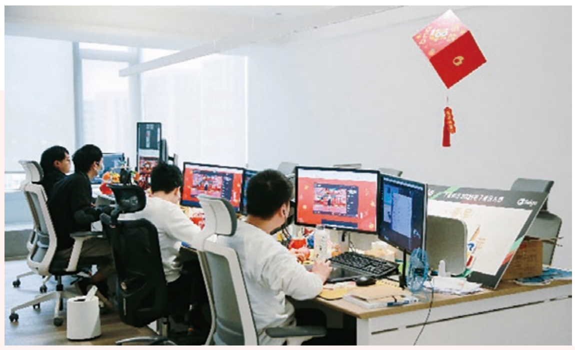
Children's Day Celebration

Woman's Day Celebration

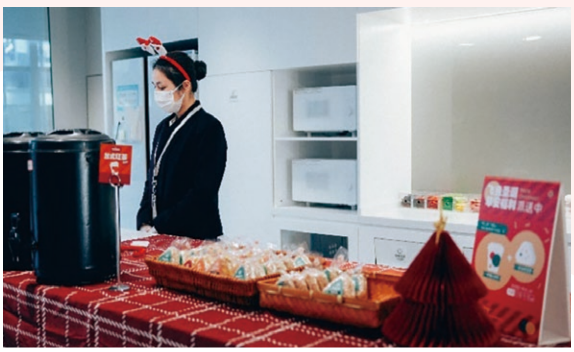

Dragon Boat Festival Celebration


Mid-Autumn Festival Celebration

The 14th Feiyu Anniversary

Feiyu Online Celebration Livestreaming Event




Christmas Celebration

During the past three years, the Group was not aware of any reported cases of work injury or deaths. We stringently abide by 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》) and relevant laws and regulations which cover all employment protection and benefits.

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 strengthen their technical and management skills. To help acquire the latest knowledge and skills to thrive in the fast-changing industry, we provide employees with training opportunities regularly, ranging from game design, production, art to programming.

2022 Game Design and Editing Training

During the Year, we had provided 1,690 total training hours for our employees.

Training data by categories	2022 % of trained employees	2022 Average training hours	2021 % of trained employees	2021 Average training hours
By gender				
Male	**63.71%**	**2.85**	63.05%	4.73
Female	**36.29%**	**3.32**	36.95%	6.02
By employee category				
Senior management	**6.33%**	**3.14**	4.65%	1.29
Middle management	**12.24%**	**4.30**	9.56%	11.47
General staff	**81.43%**	**2.84**	85.79%	4.85

Note: 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.

Labour Standards

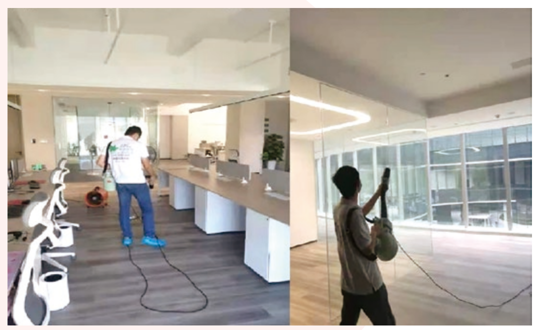
The Group guarantees that no employee is made to work against his/her will, or work under forced labour, or subject to coercion related to work. There was no incident of child and forced labour in the year.

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.

ENVIRONMENTALLY FRIENDLY

The Environment and Natural Resources

We incorporated a number of sustainable design elements into our offices, such as use of natural lighting to reduce energy consumption, installing air cleaning devices to improve indoor air quality, and employing 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

It is inevitable for the Group to face the risks derived from climate change. The Group pays close attention to the impact of climate change on our business and operations. The Group has considered the potential climate-related risks which brings along both potential physical risk and transition risk to the Group's business. Physical risk can arise from extreme weather conditions such as flooding and super typhoons and chronic physical risk can rise from sustained high temperature, while transition risk may result from the change in environmental-related regulations or change in customer preferences.

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.

In addressing to the transition risk, we regularly review local government policies, regulatory updates and market trends to identify the climate risks that may pose threats to our business operation.

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 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:

Reducing Emissions

Air and Greenhouse Gas Emissions[1]

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	2022	2021
Air emission			
Nitrogen oxides	kg	**2.7**	4.8
Sulphur oxides	kg	**0.04**	0.08
Particulate matters	kg	**0.20**	0.35
Greenhouse gas (GHG) emission			
Scope 1	tonnes of CO_2e	**6.87**	14.76
Scope 2	tonnes of CO_2e	**547.80**	472.79
Total (Scope 1 and 2)	tonnes of CO_2e	**554.67**	487.55
Intensity of GHG emission (per floor area)	tonnes of CO_2e/m^2	**0.06**	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

[1] According to the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) issued by World Business Council For Sustainable Development and World Resources Institute, scope 1 direct emissions cover GHG emissions directly produced by businesses owned or controlled by the Group, while scope 2 indirect emissions cover GHG emissions of "indirect energy" resulted from electricity (purchased or acquired), thermal energy, refrigeration and steam internally consumed by the Group.

Waste Management

Our business operations generate non-hazardous solid waste such as our office general refuse. In order to lighten the load of landfills, we adopt a responsible waste management policy, including wastes avoidance, reducing waste from its sources and reuse, recycling and 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.

While for hazardous waste, such as used batteries, toner cartridges and ink cartridges, were collected by licensed organisations after use. In our Xiamen's building, reminders and guidance on waste sorting and recycling are displayed next to the waste collection facilities to educate our staff about correct recycling behaviour.

Due to our business nature, we are not aware of any significant generation of hazardous waste. Comparison figures of our waste information is stated below:

	Unit	2022	2021
Total waste produced	tonnes	**318.98**	255.36
Intensity of total waste produced (per floor area)	kg/m^2	**34.60**	33.11
Total waste disposed	tonnes	**161.49**	183.38
Total waste collected for recycling	tonnes	**157.49**	71.98

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》).

Packaging Materials

In 2022, as we commence to sell mystery toy boxes to boost our game characters for Carrot Fantasy (保衛蘿蔔), packaging materials such as paper, plastic and expanded polyethylene foam (EPE foam) has been used.

The use of packaging materials is summarised as follows:

Type of packaging materials	Unit	2022	2021
Paper	tonnes	**6.59**	–
Plastic	tonnes	**1.88**	–
EPE foam	tonnes	**0.07**	–
Total use of packaging materials	tonnes	**8.54**	–
Packaging material used intensity	kg/thousands CNY mystery toy boxes sales	**4.27**	–

Saving Resources

Energy Consumption

The energy involved in the Group's operations includes petrol for vehicles and purchased electricity for office operation. Comparison figures of our energy consumption are stated below:

	Unit	2022	2021
Total energy consumption	MWh	**921.42**	825.46
Intensity of total energy consumption (per floor area)	kWh/m^2	**99.93**	107.04
Purchased electricity[2]	MWh	**897.89**	774.94
Unleaded petrol	MWh	**23.53**	50.52

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

Water Consumption

Due to the Group's business nature, wastewater generated by the Group's offices is mainly commercial wastewater from cleaning and sanitation at the office areas and pantries. Wastewater has been discharged directly into the urban sewage pipe network. As our water is directly supplied by local water supply companies, there was no water supply issue identified during the Year. Comparison figures of our water consumption are stated below:

	Unit	**2022**	2021
Total water consumption[3]	m^3	**2,724.40**	4,045.51
Intensity of total water consumption (per floor area)	m^3/m^2	**0.30**	0.52

To conserve water, we conduct inspection to prevent water leakage and monitor office water usage on a regular basis. Moreover, dual flush systems are installed in washrooms so that users can opt for a lower water flow while flushing and help reduce water usage. Reminders on water saving are displayed next to water taps to educate our staff to conserve water resource.

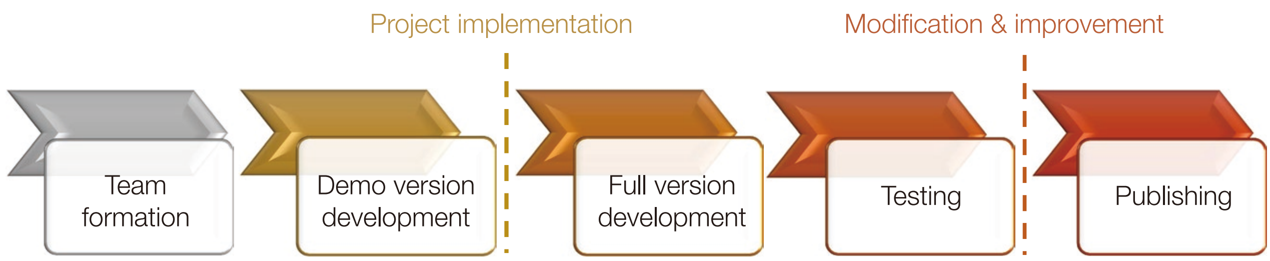
3 Since the water consumption data from some of the offices was managed by their management offices, it is not feasible for the Group to include such information for the Year.

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:

We actively encourage innovations in our workplace by investing in research and development process. A guideline on game development procedures has been formulated, as a way to gather creative ideas from our employees, so that they can submit their final products in a consistent and systematic way. General procedures of game development are illustrated below:



As of 31 December 2022, Feiyu has obtained over 380 software copyrights, over 28 patents, over 240 music copyrights and over 500 trademarks licensing. Moreover, the Group has over 50 published 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

As a developer of mobile and online game, we values feedbacks from players, as such, we have set up complaint and feedback channels, WeChat customer service, customer service hotline, instant chat rooms in games, Weibo and WeChat official accounts etc. to facilitate communication between our customers and the Company. During the Year, we received 5 (2021: 2) 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 in game 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 10,139 users rated on their satisfaction level

Approximately 79% of the users rated 4 or above

YOUTH SUPPORT AND GIVING BACK TO OUR SOCIETY

Community investment is an essential part of the Group's strategic development. The Group is committed to develop long-term relationships with our stakeholders and bring positive impacts to our society. The Group organizes community and charity activities incessantly with focus areas in 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 organized and held different kinds of charitable activities. We have donated 259 books, 2,000 kids masks and other stationaries on Children's Day to support school in Xiamen. We have also donated 98 box of water and 45 box of drinks to Xiamen Red Cross for supporting people who are in need in our community.

Books donation

Masks donation

Books and food donation

Water donation

UNDERTAKING RESPONSIBILITIES

Our effort on undertaking responsibility contributes to the following UNSDG:

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Supply Chain Management

The Group believes that sustainable supply chain can benefit all stakeholders. We are dedicated to developing and maintaining long-term relationships with our suppliers, looking forward to forming long-term partnerships with them. The major suppliers of the Group are payment vendors, cloud service providers, and internet data centre providers.

We will take a fair and open principle on procurement. We will only cooperate with the suppliers that share common moral values and standards with us with sound environmental and social responsibility managements. We also encourage our suppliers to promote efficient use of resources and environmental protection and fulfill 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 93 (2021: 100) 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 aware of player's health and promoting healthy game contents. To safeguard physical and mental health of our game players, we have established a game content review group to ensure our game content is in strict compliance with relevant laws and regulations and does not contain inappropriate violence, gambling and nudity. The Group has organized school visit events for promoting health issue on video games to prevent kids from video game addiction.

Promoting healthy game in community

School visit

Vision problems are common complaints of gamers. The most common vision problem is eye strain, which can lead to headaches and poor concentration. To prevent game addiction for players, we occasionally send wellness reminders to players, reminding them to have a break after playing for a certain period. Healthy gaming advices are also 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.

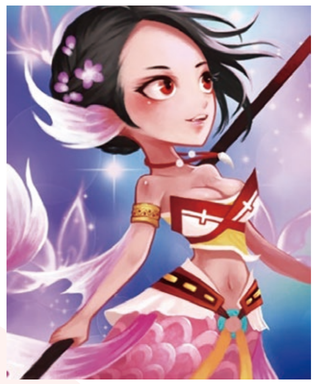
3. Health and safety messages are displayed to protect their wellbeing.

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 pay great attention to the quality of our games. Before launching the game, a series of game testing is carried out to ensure a smooth and enjoyable game experience. 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.

PROTECTION OF INTELLECTUAL PROPERTY



The Group attaches great importance to the protection of intellectual property rights. As we have designed numerous online games which include original characters, setting and audios, we strive to ensure all products are compliant with legal standards and procedures. 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 strictly complies with the Copyright Law of the PRC (《中華人民共和國著作權法》). We have in place our own set of handling procedures on the infringement of intellectual property rights to ensure compliance with relevant laws and regulations.

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.

2022 Cyber Security Training

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 (eg: 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》)".

To ensure the Company is operating ethically in our daily business activities, an anonymous whistle-blowing system is in place to encourage reporting of misconduct through email or other forms of communication channels in case of any suspected illegal cases. 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 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.

2022 Compliance Training

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

Subject Areas, Aspects, General Disclosures and KPIs			Section
A. Environmental			
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.	Reducing Emissions
	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

<table>
<tr><th colspan="2">Subject Areas, Aspects, General Disclosures and KPIs</th><th></th><th>Section</th></tr>
<tr><td>Aspect A2: Use of Resources</td><td colspan="2"><u>General Disclosure</u>

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.</td><td>Saving Resources</td></tr>
<tr><td></td><td>KPI A2.1</td><td>Direct and/or indirect energy consumption by type in total and intensity.</td><td>Saving Resources</td></tr>
<tr><td></td><td>KPI A2.2</td><td>Water consumption in total and intensity.</td><td>Saving Resources</td></tr>
<tr><td></td><td>KPI A2.3</td><td>Description of energy use efficiency target(s) set and steps taken to achieve them.</td><td>Saving Resources</td></tr>
<tr><td></td><td>KPI A2.4</td><td>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.</td><td>Saving Resources</td></tr>
<tr><td></td><td>KPI A2.5</td><td>Total packaging material used for finished products and with reference to per unit produced.</td><td>Packaging Materials</td></tr>
<tr><td>Aspect A3: The Environment and Natural Resources</td><td colspan="2"><u>General Disclosure</u>

Policies on minimising the issuer's significant impacts on the environment and natural resources.</td><td>The Group does not generate significant impact on the environment and natural resources</td></tr>
<tr><td></td><td>KPI A3.1</td><td>Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.</td><td>The Group does not generate significant impact on the environment and natural resources</td></tr>
<tr><td>Aspect A4: Climate Change</td><td colspan="2"><u>General Disclosure</u>

Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.</td><td>Climate Change</td></tr>
<tr><td></td><td>KPI A4.1</td><td>Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.</td><td>Climate Change</td></tr>
</table>

Subject Areas, Aspects, General Disclosures and KPIs			Section
B. Social			
Employment and Labour Practices			
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 Place to Work
	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
Community			
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 2022 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 Jiabin *(Vice President) (resigned on 30 August 2022)*
Mr. LIN Zhibin *(Vice President)*

Independent Non-executive Directors
Ms. LIU Qianli
Mr. LAI Xiaoling
Mr. MA Suen Yee Andrew

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Board considers them to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors
YAO Jianjun (姚劍軍), aged 41, 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) since 10 July 2017 and director of FEIYU TECHNOLOGY PTE. LTD. which is a newly founded subsidiary of the Company 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 2022) 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 21 years of experience in the internet industry, including establishing and operating various websites and developing online games. Since April 2018, 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 40, 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)) since 10 March 2020, 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 2022) 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 21 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 41, 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 web 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 Xiamen Guangqu Investment Management Co., Ltd. (廈門光趣投資管理有限公司) 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 18 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 Jiabin (林加斌), aged 41, is a founder of the Group. He joined the Group on 12 January 2009 and was appointed as Executive Director and Vice President of the Company on 26 August 2014. He also acted as director of Xiamen Youli from 5 February 2012 to 8 September 2022, director of Xiamen Fei Xiang Yue Investment Management Co., Ltd. (廈門飛享悅投資管理有限公司) from 9 August 2016 to 8 September 2022 and director of Hainan Feiyi Internet Technology Company Limited (海南飛翼網絡科技有限公司) from 8 June 2018 to 2 November 2022. Mr. LIN Jiabin resigned as an Executive Director on 30 August 2022.

Mr. Lin Jiabin is the younger brother of Mr. Lin Zhibin, an Executive Director and Vice President of the Company.

LIN Zhibin (林志斌), aged 41, 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 17 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.

Mr. Lin Zhibin is the elder brother of Mr. Lin Jiabin, who was an Executive Director and Vice President of the Company and resigned on 30 August 2022.

Independent Non-executive Directors

LIU Qianli (劉千里), aged 47, 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 19 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 47, 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 19 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 50, was appointed as an Independent Non-Executive Director on 17 November 2014. He is a member of each of the Audit Committee and the Nomination Committee.

Mr. Ma has over 24 years of experience in investment and business management. He has been with VMS Investment Group (HK) Limited, a member of VMS Group of Companies which is a multi-strategy investment group with businesses covering proprietary investment, asset management, securities broking and corporate finance advisory, serving as a managing director since January 2014 and an executive director from January 2011 to December 2013, primarily responsible for sourcing and executing structured finance and other debt related transactions as well as managing the daily operations of the structured finance team; a senior investment manager from January 2009 to December 2010, primarily responsible for investment deal sourcing and leading the investment team for execution of investment deals; and an analyst from May 2007 to December 2008, primarily responsible for executing and monitoring private equity investment deals. Prior to joining VMS Investment Group, he worked and held various positions in World Family Limited, a distributor and promoter of licensed Disney products, from September 1999 to April 2007, most recently as a senior regional credit & customer relation manager.

Mr. Ma received a master of science degree in investment management from the Hong Kong University of Science and Technology in November 2007 and a bachelor of science degree in mathematics from University of Technology, Sydney in May 1999.

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 45, 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 25 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.

TU Qin (涂琴), aged 41, was appointed as our Chief Operating Officer on 31 October 2017. She is responsible for the operations of the Group's web and mobile games. Ms. Tu resigned as the Chief Operating Officer on 10 February 2023.

Ms. Tu has over 16 years of experience in the internet industry. From August 2006 to March 2014, Ms. Tu worked in the web game distribution department of the interactive entertainment division of Tencent Holdings Limited (騰訊互動娛樂), shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 700), which is a leading provider of Internet value-added services in China and was responsible for the management of the distribution of several popular web games. In March 2014, Ms. Tu founded Shenzhen Zhangxin Interactive Technology Co., Ltd. (深圳掌心互動科技有限公司) ("Shenzhen Zhangxin"), a game development company and a 30%-owned associate of the Group since May 2015 and became a subsidiary of the Group after further acquisition of 21% interest in November 2017, where she served as its general manager since establishment and was responsible for its overall management and strategic planning. Since March 2014, Shenzhen Zhangxin has developed several mobile games, out of which an innovative elimination card game was successfully published in overseas markets and Ms. Tu has accumulated extensive experience in overseas distribution of games. In essence, Ms. Tu has devoted herself to the game development, game distribution and game operation in both mainland China and overseas markets and has achieved remarkable success.

Ms. Tu graduated from the National University of Defense Technology (中國人民解放軍國防科技大學) in December 2002, majoring in computer and application.

LUI Mei Ka (雷美嘉), aged 38, 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 16 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 37, 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 newly founded subsidiary of the Company since 28 March 2018.

Ms. Wei has over 14 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.

SHENG Xiang (盛翔), aged 45, joined the Group on 3 January 2020, and was appointed as one of our vice presidents and Chief Technology Officer on the same day. He is responsible for the overall management of our platform center and providing technical support for our game development and game operation.

Mr. Sheng has over 19 years of experience in the internet industry. From August 2018 to December 2019, Mr. Sheng served as Chief Software Architect of Yunlizhihui Technology Company Limited (雲粒智慧科技有限公司), a company founded jointly by China Unicom and Alibaba group providing digital transformation solution and was responsible for the architecture design and implementation. From April 2015 to July 2018, Mr. Sheng co-founded Beijing Anybeen Technology Company Limited (北京雲享人生科技有限公司), a software company focus on the mobile internet data service platform and served as its chief technology officer and was responsible for the architecture design and implementation. From May 2011 to April 2015, Mr. Sheng served as senior technical expert of Alibaba Cloud (阿里雲), a business unit of Alibaba Group (NYSE: BABA) providing a comprehensive suite of global cloud computing services to power both international customers' online businesses and Alibaba Group's own e-commerce ecosystem and was responsible for the architecture design and implementation. From October 2007 to May 2011, Mr. Sheng served as the chief technology officer of CNZZ (站長統計) (a website providing statistical services for PRC websites) and was responsible for the overall architecture design and implementation. From September 2005 to October 2007, Mr. Sheng served as R&D manager of 360.com, an international top-level domain under Vodafone (LSE: VOD, NYSE: VOD), a leader in technology communications through mobile, fixed, broadband and TV, and primarily responsible for the development and development of searching engine and the development of 50bang.com. Prior to that, Mr. Sheng served as R&D engineer of 3721 and Yahoo China and responsible for the user center development and product development.

Mr. Sheng graduated from Tongji University (同濟大學) in September 2000, majoring in communication engineering.

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 2022.

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 and PC 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 2022 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 2022 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 2022, and the state of the Company's and the Group's financial affairs as at that date are set out on pages 139 to 217 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 PROCEEDS

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 2022, 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 2022 (HKD million)	Unutilised net proceeds up to 31 December 2022 (HKD million)	Expected timeline for intended use of the net proceeds
Supporting new product development	**119.1**	40.6	13.4	By 30 June 2023
Attracting suitable personnel		36.2		
Increase the publishing and marketing budget		28.9		
Total	**119.1**	105.7	13.4	

During the year ended 31 December 2022, the net proceeds from the Subscription were utilised, or were proposed to be utilised, according to the intentions previously disclosed by the Company.

RESERVES

Changes to the reserves of the Group during the year ended 31 December 2022 are set out in the Consolidated Statements of Changes in Equity on page 144 of this annual report. Changes to the reserves of the Company during the year ended 31 December 2022 are set out in Note 36 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves, including the share premium account, available for distribution and calculated in accordance with the Companies Act, amounted to approximately RMB253,053,000 (as at 31 December 2021: RMB316,359,000). 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 2022 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 27 and Note 28 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 2022 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 11.5% of the Group's total revenue for the year ended 31 December 2022 and of which, sales from the largest customer accounted for approximately 4.0% of the Group's total sales.

During the year ended 31 December 2022, the percentage of the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 18.2% 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 2022 are set out in Note 25 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 27 to the financial statements.

CHARITABLE DONATIONS

During the year, the Company made charitable contributions approximately HK$8,000 (2021: HK$32,000) 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 Jiabin *(Vice President) (resigned on 30 August 2022)*
Mr. LIN Zhibin *(Vice President)*

Independent Non-executive Directors
Ms. LIU Qianli
Mr. LAI Xiaoling
Mr. MA Suen Yee Andrew

In accordance with article 84(1) of the Articles, Messrs. LIN Zhibin, MA Suen Yee Andrew and LAI Xiaoling will retire by rotation at the forthcoming annual general meeting, and being eligible, offer themselves for re-election thereat.

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 64 to 72 of this annual report.

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

As previously disclosed, Mr. YAO Jianjun, being the Chairman, Chief Executive Officer and Executive Director, had agreed to reduce his salary and Director's remuneration to HKD1.00 per annum since 1 January 2018 until the Group recorded a net profit for a year in the future.

Since 1 April 2022, each of the other Executive Directors, namely Mr. CHEN Jianyu, Mr. BI Lin and Mr. LIN Zhibin agreed to waive their respective Directors' fees until the Group makes a profit.

Pursuant to a resolution passed by the Board on 28 October 2022 following the recommendation of the Remuneration Committee, the salary of Mr. YAO Jianjun as Chief Executive Officer of the Group was increased to RMB55,000 per month with effect from the month of October 2022, which was determined based on the increased revenue and narrowed loss of the Group, his contribution and role as Chief Executive Officer in the launch of the blockbuster *Carrot Fantasy 4 (保衛蘿蔔4)* and another game *Dougui (斗詭)* as well as his devotion to the Group's long term development. The Director's remuneration of Mr. YAO Jianjun remained at HKD 0 until the Group recorded a net profit for a year in the future.

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 2020 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 renewal of appointment with the Company for a term of three years commencing from 17 November 2020 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 annual general meeting 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 32 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 2022
Below 1,000,000	11
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 28 to the financial statements.

During the year ended 31 December 2022, the Company considered the relationship with employees was well and the turnover rate is acceptable.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the Independent Non-executive Directors, namely, Ms. LIU Qianli, Mr. LAI Xiaoling and Mr. MA Suen Yee Andrew, 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 2022.

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 2022.

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 2022.

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 2022, 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[8] %
YAO Jianjun	Founder of a Discretionary Trust Interest of Controlled Corporation and Beneficial owner[1 and 2]	489,884,500	28.50
CHEN Jianyu	Founder of a Discretionary Trust Interest of Controlled Corporation[1 and 3]	161,538,000	9.40
BI Lin	Founder of a Discretionary Trust Interest of Controlled Corporation[1 and 4]	77,470,000	4.51
LIN Jiabin[7]	Founder of a Discretionary Trust Interest of Controlled Corporation[1 and 5]	36,477,000	2.12
LIN Zhibin	Founder of a Discretionary Trust Interest of Controlled Corporation[1 and 6]	37,390,500	2.18

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 LINT Holdings Limited is wholly owned by Supreme Top Global Limited, as the nominee of TMF (Cayman) Ltd., the trustee of The Lin Family Trust, which was established by Mr. LIN Jiabin (as the settlor) on 13 August 2014 as a discretionary trust for the benefit of Mr. LIN and his family members. Mr. LIN (as founder of The Lin Family Trust) and Supreme Top Global Limited are taken to be interested in 36,477,000 Shares held by LINT Holdings Limited pursuant to Part XV of the SFO.

6 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.

7 Mr. LIN Jiabin resigned from his position as the executive director of the Company effective on 30 August 2022.

8 The percentage is calculated on the basis of 1,718,826,062 Shares in issue as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, 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 2022, 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	820,815,000	47.75
YAO Holdings Limited[2]	Beneficial owner	481,399,000	28.01
Jolly Spring International Limited[2]	Interest in a controlled corporation	481,399,000	28.01
Mr. YAO Jianjun[3]	Founder of a discretionary trust Interest in a controlled corporation and Beneficial owner	489,884,500	28.50
Fishchen Holdings Limited[4]	Beneficial owner	161,538,000	9.40
Honour Gate Limited[4]	Interest in a controlled corporation	161,538,000	9.40
Mr. CHEN Jianyu[4]	Founder of a discretionary trust Interest in a controlled corporation	161,538,000	9.40
Tencent Holdings Limited[5]	Interest in a controlled corporation	261,882,607	15.24

Notes:

1 As at 31 December 2022, 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 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 1,718,826,062 Shares in issue as at 31 December 2022.

Other than as disclosed above, as at 31 December 2022, 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 2022 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 2022 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 2022. 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 2022 and up to the date of this annual report.

SHARE OPTION SCHEME

Post-IPO Share Option Scheme

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

As at 31 December 2022, (i) 146,160,000 options were granted under the Post-IPO Share Option Scheme; and (ii) the total number of Shares in respect of which options granted and remained outstanding under the Post-IPO Share Option Scheme was 108,300,000 Shares. The number of options available for grant under the Post-IPO Share Option Scheme as at 31 December 2022 was 41,700,000 Shares (as at 1 January 2022: 11,700,000 Shares).

As at 31 December 2022, among the 108,300,000 outstanding options granted under the Post-IPO Share Option Scheme, (i) 44,640,000 options (representing approximately 2.59% of the Shares in issue as at the date of this annual report, were vested to the named grantees; and (ii) 9,000,000 options (representing approximately 0.52% of the Shares in issue as at the date of this annual report, were expected to be vested upon the relevant annual performance targets having been fulfilled and confirmed.

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 2022:

						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 1/1/2022	Granted during the year ended 31/12/2022	Exercised during the year ended 31/12/2022	Cancelled/ Lapsed during the year ended 31/12/2022	Outstanding as at 31/12/2022
Senior management											
Mr. YANG Guangwen ("Mr. Yang")	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]	3,000,000	-	-	(3,000,000)[7]	-
Mr. Yang	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]	3,000,000	-	-	(3,000,000)[7]	-
Mr. Yang	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]	18,000,000	-	-	(18,000,000)[7]	-
Ms. 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

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 1/1/2022	Granted during the year ended 31/12/2022	Exercised during the year ended 31/12/2022	Cancelled/ Lapsed during the year ended 31/12/2022	Outstanding as at 31/12/2022
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	–	–	–	22,000,000
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
Ms. TU Qin ("Ms. Tu")	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
Ms. Tu	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	–	–	–	50,000,000
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]	9,000,000	–	–	(4,000,000)[8]	5,000,000
Mr. SHENG Xiang	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]	12,000,000	–	–	(1,500,000)[9]	10,500,000

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	Number of Shares Outstanding as at 1/1/2022	Granted during the year ended 31/12/2022	Exercised during the year ended 31/12/2022	Cancelled/ Lapsed during the year ended 31/12/2022	Outstanding as at 31/12/2022
Other Grantees											
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]	–	–	–	–	–
9 other grantees	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]	2,700,000	–	–	(500,000)[10]	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]	–	–	–	–	–
Total						**146,160,000**					**108,300,000**

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) 24,000,000 share options granted to Mr. Yang lapsed immediately upon his resignation as vice president of the Company on 23 August 2022.

8) 4,000,000 share options granted to a senior management lapsed during the year ended 31 December 2022 upon the annual performance target for the year ended 31 December 2022 having not been fulfilled.

9) 1,500,000 share options granted to a senior management lapsed during the year ended 31 December 2022 upon the annual performance target for the year ended 31 December 2022 having not been fulfilled.

10) 500,000 share options granted to other grantees lapsed immediately upon their resignation from the Company during the year ended 31 December 2022.

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 is 150,000,000 Shares which is equivalent to 12.50% and 8.72% of the issued Shares as at 17 November 2014 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 150,000,000 Shares, representing approximately 8.72% 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).

From 1 January 2023, the Company will rely on the transitional arrangements provided by the Stock Exchange for share schemes should it decide to grant any share options. The Company will amend the terms of the Post-IPO Share Option Scheme to comply with the new Chapter 17 of the Listing Rules (effective from 1 January 2023) as and when appropriate.

RESTRICTED SHARE UNIT PLAN

RSU Plan II

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

As approved by the Shareholders at the annual general meeting held on 27 May 2022, the maximum number of Shares underlying all grants of RSUs under the annual mandate of the RSU Plan II given to the Directors shall not exceed 45,000,000 Shares, which represented approximately 2.62% of the Shares in issue as at 31 December 2022 and the date of this annual report. No RSU was granted under the RSU Plan II from the date of its adoption up to the date of this annual report. Should the Company decide to grant any RSUs in the future, such grant(s) will be made in compliance with the new Chapter 17 of the Listing Rules which took effect on 1 January 2023.

The Company will amend the terms of the RSU Plan II to comply with the new Chapter 17 as and when appropriate.

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 2022.

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 2022 or at any time during the year ended 31 December 2022.

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 2022 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 2022	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 2022)
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's wholly-owned subsidiaries to the PRC Operating Entities (including provision of technical support and product development services) amounted to an aggregate of approximately RMB9,319,000 for the year ended 31 December 2022. The above transactions carried out during the year ended 31 December 2022 have been eliminated in the consolidated financial statements of the Group.

The revenue and net loss of the PRC Operating Entities subject to the Contractual Arrangements amounted to approximately RMB128.5 million and RMB0.4 million for the year ended 31 December 2022, respectively. The total assets and total liabilities of the PRC Operating Entities subject to the Contractual Arrangements amounted to approximately RMB448.5 million and RMB406.9million as at 31 December 2022, respectively.

The Contractual Arrangements which were in place during the year ended 31 December 2022 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 2022.

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 Guidance Catalogue of Industries for Foreign Investment, which was most recently jointly amended by the Ministry of Commerce and the National Development and Reform Commission on 28 June 2017 and became effective on 28 July 2017 (the "Catalogue") and 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 Ministry of Commerce and the National Development and Reform Commission on 27 December 2021 and became effective on 1 January 2022 (the "Negative List"). The Catalogue and Negative List 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 foreign invested industries and prohibited foreign investment industries. According to the Catalogue and 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 business (except for music), and fall within the restricted industry category and the prohibited industry category, respectively. The animation is regarded as production and operation of radio and television programs, and fall within the prohibited industry category.

On 15 March 2019, the National People's Congress of the PRC approved the foreign investment law (the "Foreign Investment Law"), which effected on 1 January 2020 and replace 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 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 2022.

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 2022, 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 2022 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 2022.

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 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 2021 and for the year ended 31 December 2022
(1)	Game B – Game Product Release and Operation Agreement on WeGame Platform	The original term was 22 September 2020 to 21 September 2021 (note (i)). The term had been renewed for 1 year to 21 September 2022 (the termination date) (note (ii)).	Xiamen Feixin grants Tencent Computer a non-exclusive right to release and operate a PC game on WeGame platform.	Tencent Computer shall share with Xiamen Feixin 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 22 September 2020 to 31 December 2021 amounted to RMB296,000 and amounted to RMB9,000 for the year ended 31 December 2022.
(2)	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 2021 amounted to RMB948,000 and amounted to RMB817,000 for the year ended 31 December 2022.

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 2021 and for the year ended 31 December 2022
(3)	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 2021 amounted to RMB81,000 and amounted to RMB11,000 for the year ended 31 December 2022.
(4)	Game D – Mobile Game Exclusive Licence Agreement and Supplementary Agreement	The original term was 1 August 2018 to 31 July 2021[note (i)]. The term had been renewed for 1 year to 31 July 2022 (the termination date)[note (iii)].	Xiamen Youli grants Tencent Computer the exclusive right to distribute and operate the Android and iOS versions of a single-player mobile game in the PRC. Tencent Computer shall provide the mobile game product operating system, the server, the interface with operators and users, system maintenance, and certain customer services.	Depending on the operating system on which the game is hosted, Tencent Computer shall share with Xiamen Youli the revenue received from the commercial distribution and operation of the game. The amount received by Xiamen Youli shall be calculated in accordance with the formula stipulated in the agreement by deducting the channel cost. The actual amount incurred for the period from 1 August 2018 to 31 December 2021 amounted to RMB459,000 and amounted to RMB41,000 for the year ended 31 December 2022.
(5)	Game E – Exclusive Licence Agreement	3 July 2020 to 13 July 2023[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 2021 amounted to RMB1,988,000 and amounted to RMB791,000 for the year ended 31 December 2022.

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 2021 and for the year ended 31 December 2022
(6)	Game F – Co-publishing and Operation Agreement	3 July 2020 to 13 July 2023[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 2021 amounted to RMB6,725,000 and amounted to RMB3,349,000 for the year ended 31 December 2022.
(7)	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 2021 amounted to RMB2,145,000 and amounted to RMB4,395,000 for the year ended 31 December 2022.
(8)	Game G – Tencent Open Platform Developer Agreement	1 April 2021 to 21 December 2021 (the termination date)[note (i)]	Xiamen Youli grants Tencent Computer the right to distribute and operate a mobile game via Tencent mobile game platforms. Xiamen Youli 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 Xiamen Youli 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 Xiamen Youli 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 April 2021 to 31 December 2021 amounted to RMB73,000.

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 2021 and for the year ended 31 December 2022
(9)	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 2024(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 2021 amounted to RMB44,000 and amounted to RMB28,000 for the year ended 31 December 2022.
(10)	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 2024(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 2021 amounted to RMB69,000 and amounted to RMB61,000 for the year ended 31 December 2022.

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 2021 and for the year ended 31 December 2022
(11)	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 2024[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 2021 amounted to RMB689,000 and amounted to RMB339,000 for the year ended 31 December 2022.
(12)	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[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 2021 amounted to RMB15,000 and amounted to RMB3,000 for the year ended 31 December 2022.
(13)	Game L – Product Release and Operation Agreement on WeGame Platform	From 25 November 2019 to to 24 November 2022 (the termination date)[note (i)].	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 25 November 2020 to 31 December 2021 amounted to RMB19,000 and amounted to RMB4,000 for the year ended 31 December 2022.

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 2021 and for the year ended 31 December 2022
(14)	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)].	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 2021 amounted to RMB119,000 and amounted to RMB67,000 for the year ended 31 December 2022.

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 23 September 2022, the Group has renewed the continuing connected transaction under the Tencent mobile game platform developer agreement and San Guo Zhi Ren mobile product cooperation agreement (the "San Guo Zhi Ren Mobile Game Cooperation Agreement") in relation to the mobile game "*San Guo Zhi Ren" (三國之刃)* entered into by Tencent Computer and Xiamen Yidou dated 10 September 2020 for a term of two years commenced from 11 September 2020 and ended on 10 September 2022. On 23 September 2022, Xiamen Yidou entered into the renewed San Guo Zhi Ren Mobile Game Cooperation Agreement (the "Renewed San Guo Zhi Ren Mobile Game Cooperation Agreement") with Tencent Computer for a term commencing from 11 September 2022 and ending on 10 September 2023, 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 Renewed San Guo Zhi Ren Mobile Game Cooperation Agreement for the period from 11 September 2022 to 10 September 2023 is RMB8,000,000.

The actual transaction amount of all transactions under the Renewed San Guo Zhi Ren Mobile Game Cooperation Agreement for the period from 11 September 2022 to 31 December 2022 amounted to RMB2,278,000.

C. *2022 Tencent Cloud Services Agreements*

As disclosed in the Company's announcement dated 1 June 2022, the Group renewed the continuing connected transactions under the Tencent cloud services agreement (the "Tencent Cloud Services Agreements") entered into by Tencent Cloud and Xiamen Youli dated 2 June 2021 for a term of one year commenced from 1 June 2021 and ended on 31 May 2022. On 1 June 2022, the renewed Tencent cloud services agreements (the "2022 Tencent Cloud Services Agreements") have been entered into by each of Xiamen Youli and Kailuo Tianxia with Tencent Cloud for a term of one year commencing from 1 June 2022 and ending on 31 May 2023, 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 2022 Tencent Cloud Services Agreements for the period from 1 June 2022 to 31 May 2023 is RMB5,100,000.

The actual transaction amount of all transactions under the 2022 Tencent Cloud Services Agreements for the period from 1 June 2022 to 31 December 2022 amounted to RMB2,385,000.

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.

A copy of the auditors' letter on the continuing connected transactions of the Group for the year ended 31 December 2022 has been provided by the Company to the Stock Exchange.

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.

Save for the continuing connected transactions disclosed above, all other connected transactions disclosed in Note 32 to the financial statements are fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company has complied with the requirements under Chapter 14A of the Listing Rules in respect of the connected transactions carried out by the Group as disclosed in this annual report.

RELATED PARTY TRANSACTIONS

The related party transactions (as defined under the applicable accounting standards) which were undertaken in 2022 are set out in Note 32 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 32 to the financial statements, none of the other related party transactions as disclosed in Note 32 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 2022, 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 2022 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 2023 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 2022, 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 2022 (the year ended 31 December 2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

To ascertain the eligibility of the Shareholders to attend and vote at the AGM to be held on Thursday, 25 May 2023, 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 Friday, 19 May 2023
Closure of Register of Members	Monday, 22 May 2023 to Thursday, 25 May 2023, (both days inclusive)
Record date	Thursday, 25 May 2023

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 2022. The consolidated financial statements of the Group for the year ended 31 December 2022 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, 30 March 2023

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 2022, 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 2022.

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 2022.

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 2022.

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. MA Suen Yee Andrew

Note: Mr. LIN Jiabin resigned as an Executive Director on 30 August 2022.

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 64 to 69 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 2022, 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. The Company considers that 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 2022.

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 2022 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 2022 are set out below:

Name of the Directors	Attendance/ Number of Board Meeting
Executive Directors:	
Mr. YAO Jianjun	5/5
Mr. CHEN Jianyu	5/5
Mr. BI Lin	5/5
Mr. LIN Jiabin *(resigned on 30 August 2022)*	3/5
Mr. LIN Zhibin	5/5
Independent Non-executive Directors:	
Ms. LIU Qianli	5/5
Mr. LAI Xiaoling	5/5
Mr. MA Suen Yee Andrew	5/5

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 2022 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 2022.

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.

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. The Board is aware that each of Ms. LIU Qianli, Mr. LAI Xiaoling and Mr. MA Suen Yee Andrew will soon be serving as an Independent Non-Executive Director for more than 9 years since their respective appointments in November 2014, and will actively identify and appoint a new Independent Non-Executive Director on the Board in due course.

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 2022 are set out in Note 8 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 86 to 87 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 2022 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 Jiabin *(resigned on 30 August 2022)*	**N/A**
Mr. LIN Zhibin	✔
Independent Non-executive Directors:	
Ms. LIU Qianli	✔
Mr. LAI Xiaoling	✔
Mr. MA Suen Yee Andrew	✔

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. As at 31 December 2022 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. MA Suen Yee Andrew, 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 64% of the Company's senior workforce (including the Directors and senior management) is male and approximately 36% 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 2022, 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 2022 are set out below:

Name of members of the Nomination Committee	Attendance/ Number of Nomination Committee meeting
Chairman:	
Mr. YAO Jianjun	1/1
Members:	
Ms. LIU Qianli	1/1
Mr. MA Suen Yee Andrew	1/1

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. As at 31 December 2022 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 2022 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 2022 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 2022 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 and 27 December 2018 respectively in light of the applicable amendments to the CG Code. As at 31 December 2022 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. MA Suen Yee Andrew, 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 2022 to review the annual results of the Group for the year ended 31 December 2021 and the interim results of the Group for the six months ended 30 June 2022 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 2022 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. MA Suen Yee Andrew	2/2

The Group's annual results for the year ended 31 December 2022 have been reviewed by the Audit Committee on 30 March 2023, 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 134 to 138.

The external auditors of the Company will be invited to attend the forthcoming annual general meeting 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 2022, 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	1,950
Total	1,950

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 2022 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 2022, 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 2022, 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.

Shareholders may also make a request for the Company's information any time to the extent that such information is publicly available. Corporate communication of the Company will be provided to the Shareholders in plain language and in both Chinese and English versions to facilitate their understanding. Shareholders have a right to choose the language (either Chinese or English) or means of receipt of corporate communications (in hard copy or through electronic means).

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 2022.

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 2022, 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 Jiabin *(resigned on 30 August 2022)*	1/1
Mr. LIN Zhibin	1/1
Independent non-executive Directors:	
Ms. LIU Qianli	1/1
Mr. LAI Xiaoling	1/1
Mr. MA Suen Yee Andrew	1/1
Joint Company Secretaries	
Ms. LUI Mei Ka	1/1
Ms. WEI Yulan	1/1

The forthcoming AGM will be held on Thursday, 25 May 2023. The notice of the AGM will be sent to the Shareholders at least 20 clear business days before the AGM.

CONSTITUTIONAL DOCUMENTS

In order to (i) bring the Company's articles of association in alignment with the Core Shareholder Protection Standards set out in Appendix 3 to the Listing Rules and make corresponding changes to the articles of association; (ii) provide flexibility to the Company to convene and hold hybrid general meetings and electronic general meetings; (iii) reflect certain updates in relation to the applicable laws of the Cayman Islands and the Listing Rules; and (iv) incorporate certain housekeeping amendments, amendments were made to the articles of association of the Company. The Articles of Association took effect on 27 May 2022. For details, please refer to Appendix III to the circular of the Company dated 22 April 2022 and poll results announcement dated 27 May 2022.

The Articles of Association is available on the websites of the Company and Hong Kong Exchanges and Clearing Limited.

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 79 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 2022.

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 139 to 217, which comprise the consolidated statement of financial position as at 31 December 2022, 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 a summary of significant accounting policies.

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 2022, 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 2022, 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 RMB16,205,000. 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 34 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 2022, the Group recorded an investment property amounting to RMB159,166,000. 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

30 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	191,519	104,788
Cost of sales		(37,318)	(34,859)
Gross profit		154,201	69,929
Other income and gains	5	16,181	33,158
Selling and distribution expenses		(40,444)	(10,263)
Administrative expenses		(64,389)	(53,744)
Research and development costs		(76,847)	(83,604)
Other expenses		(8,618)	(26,530)
Finance costs	7	(3,968)	(3,534)
Share of profits of associates	18	755	1,014
LOSS BEFORE TAX	6	(23,129)	(73,574)
Income tax expense	10	(1,227)	(2,987)
LOSS FOR THE YEAR		(24,356)	(76,561)
Attributable to:			
Owners of the parent		(29,637)	(78,103)
Non-controlling interests		5,281	1,542
		(24,356)	(76,561)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
– Basic and diluted		RMB(0.02)	RMB(0.05)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
LOSS FOR THE YEAR	**(24,356)**	(76,561)
OTHER COMPREHENSIVE LOSS		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Debt investments at fair value through other comprehensive income:		
Changes in fair value	**(10,432)**	(2,344)
Reclassification adjustments for losses included in the consolidated statement of profit or loss	**–**	(1,578)
Exchange differences on translation of financial statements	**13,107**	(4,967)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**2,675**	(8,889)
Other comprehensive 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	**(13,697)**	(7,810)
Income tax effect	**(120)**	644
	(13,817)	(7,166)
Transfer of property, plant and equipment and land use right to investment properties:		
Revaluation losses	**–**	(4,820)
Income tax effect	**–**	1,205
	–	(3,615)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(13,817)**	(10,781)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(11,142)**	(19,670)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(35,498)**	(96,231)
Attributable to:		
Owners of the parent	**(40,782)**	(97,773)
Non-controlling interests	**5,284**	1,542
	(35,498)	(96,231)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**62,182**	60,272
Investment property	14	**159,166**	158,531
Right-of-use assets	15(a)	**36,088**	34,946
Goodwill	16	**11,427**	11,427
Other intangible assets	17	**648**	879
Investments in associates	18	**10,910**	10,455
Prepayments, other receivables and other assets	21	**18,370**	24,592
Equity investments designated at fair value through other comprehensive income	22	**16,205**	29,902
Debt investments at fair value through other comprehensive income	22	**58,121**	63,069
Financial assets at fair value through profit or loss	22	**51,942**	86,781
Deferred tax assets	19	**–**	692
Total non-current assets		**425,059**	481,546
CURRENT ASSETS			
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	20	**41,373**	26,623
Prepayments, other receivables and other assets	21	**15,413**	20,931
Other current assets		**10,659**	13,139
Cash and cash equivalents	23	**133,153**	126,261
Total current assets		**200,598**	186,954
CURRENT LIABILITIES			
Other payables and accruals	24	**59,609**	65,908
Interest-bearing bank loans	25	**10,000**	10,000
Lease liabilities	15(b)	**2,640**	1,646
Tax payable		**2,010**	1,996
Contract liabilities	26	**13,436**	9,251
Total current liabilities		**87,695**	88,801
NET CURRENT ASSETS		**112,903**	98,153
TOTAL ASSETS LESS CURRENT LIABILITIES		**537,962**	579,699

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	25	60,000	70,000
Lease liabilities	15(b)	1,614	318
Deferred tax liabilities	19	1,789	1,134
Contract liabilities	26	18,056	14,340
Total non-current liabilities		81,459	85,792
Net assets		456,503	493,907
EQUITY			
Equity attributable to owners of the parent			
Share capital	27	1	1
Share premium	27	597,945	597,945
Reserves	29	(151,727)	(104,226)
		446,219	493,720
Non-controlling interests		10,284	187
Total equity		456,503	493,907

Yao Jianjun
Director

Chen Jianyu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	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 2021	1	498,453	18,675	151,292	344,697	3,371	27,162	(545,335)	498,316	(9,150)	489,166
Loss for the year	–	–	–	–	–	–	–	(78,103)	(78,103)	1,542	(76,561)
Other comprehensive loss for the year:											
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	–	–	–	–	–	(7,166)	–	–	(7,166)	–	(7,166)
Changes in fair value of debt investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	(3,922)	–	–	(3,922)	–	(3,922)
Revaluation losses arising from transfer of property, plant and equipment and land use right to investment properties, net of tax	–	–	–	–	(3,615)	–	–	–	(3,615)	–	(3,615)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(4,967)	–	(4,967)	–	(4,967)
Total comprehensive loss for the year	–	–	–	–	(3,615)	(11,088)	(4,967)	(78,103)	(97,773)	1,542	(96,231)
Issue of shares	–	99,648	–	–	–	–	–	–	99,648	–	99,648
Share issue expenses	–	(156)	–	–	–	–	–	–	(156)	–	(156)
Acquisition of non-controlling interests	–	–	–	–	(7,795)	–	–	–	(7,795)	7,795	–
Equity-settled share-based payment expenses	–	–	–	1,480	–	–	–	–	1,480	–	1,480
Appropriation to statutory reserves	–	–	56	–	–	–	–	(56)	–	–	–
At 31 December 2021	1	597,945	18,731*	152,772*	333,287*	(7,717)*	22,195*	(623,494)*	493,720	187	493,907

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	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

* These reserve accounts comprise the consolidated negative reserves of RMB151,727,000 (2021: RMB104,226,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(23,129)**	(73,574)
Adjustments for:			
Finance costs	7	**3,968**	3,534
Interest income	5	**(3,181)**	(4,017)
Depreciation of property, plant and equipment	13	**3,533**	5,089
Depreciation of right-of-use assets	15	**4,822**	3,691
Amortisation of intangible assets	17	**244**	228
Gain on disposal of items of property, plant and equipment	6	**(492)**	(52)
Gain on disposal of right-of-use assets	15	**(19)**	(81)
Equity-settled share-based payment expenses	6	**(1,906)**	1,480
Fair value losses/(gains), net:			
Financial assets at fair value through profit or loss	6	**6,450**	(15,284)
Changes in fair value of investment properties	14	**(635)**	(2,667)
Share of profits of associates	18	**(755)**	(1,014)
Impairment of prepayments, other receivables and other current assets	21	**9,695**	8,940
Impairment of investment in an associate		**–**	7,649
Impairment of goodwill	16	**–**	8,694
		(1,405)	(57,384)
(Increase)/decrease in accounts receivable and receivables due from third-party game distribution platforms and payment channels		**(14,750)**	4,279
Decrease/(increase) in prepayments, other receivables and other assets		**2,045**	(14,495)
Increase in other payables and accruals		**3,222**	2,837
Decrease/(increase) in other current assets		**2,480**	(2,080)
Increase in contract liabilities		**7,901**	16,852
Cash used in operations		**(507)**	(49,991)
Interest paid		**(3,989)**	(3,405)
Income tax refund		**–**	223
Income tax paid		**–**	(53)
Net cash flows used in operating activities		**(4,496)**	(53,226)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Net cash flows used in operating activities		(4,496)	(53,226)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		4,237	5,130
Purchases of items of property, plant and equipment		(15,079)	(28,097)
Proceeds from disposal of items of property, plant and equipment		628	148
Purchase of equity investments designated at fair value through other comprehensive income		–	(5,000)
Purchase of financial assets at fair value through profit or loss		(592,300)	(501,434)
Purchase of debt investments at fair value through other comprehensive income		–	(66,417)
Proceeds from disposal of financial assets at fair value through profit or loss		624,556	504,793
Proceeds from disposal of debt investments at fair value through other comprehensive income		–	19,955
Additions to other intangible assets		(13)	–
Dividends received from an associate		300	300
Net cash flows from/(used in) investing activities		22,329	(70,622)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		–	99,648
Payment of expense for issuing of shares		–	(156)
Addition of bank loans		–	26,160
Repayment of bank loans		(10,000)	(10,000)
Principal portion of lease payments	15	(3,655)	(3,511)
Net cash flows (used in)/from financing activities		(13,655)	112,141
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,178	(11,707)
Cash and cash equivalents at beginning of year		126,261	139,194
Effect of foreign exchange rate changes, net		2,714	(1,226)
CASH AND CASH EQUIVALENTS AT END OF YEAR		133,153	126,261
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	23	133,153	126,261
Restricted cash and bank balances	23	(846)	–
Unrestricted cash and cash equivalents	23	132,307	126,261

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		Principal activities
				Direct	Indirect	
Feiyu Technology Hong Kong Ltd.	Hong Kong	HK$1	25 March 2014	100	–	Investment holding
Xiamen Guanghuan Information Technology Co., Ltd. ("Xiamen Guanghuan")	PRC/ Mainland China	RMB10,000,000	12 January 2009	–	100	Game development and distribution
Xiamen Youli Information Technology Co., Ltd. ("Xiamen Youli")	PRC/ Mainland China	RMB150,000,000	19 September 2011	–	100	Game development and distribution
Xiamen Yidou Internet Technology Co., Ltd. ("Xiamen Yidou")	PRC/ Mainland China	RMB20,000,000	11 June 2012	–	100	Game development
Beijing Kailuo Tianxia Technology Co., Ltd. ("Kailuo Tianxia")	PRC/ Mainland China	RMB60,000,000	3 May 2012	–	100	Game development and distribution
Xiamen Feiyu Technology Co., Ltd.* ("Xiamen Feiyu")	PRC/ Mainland China	US$20,000,000	24 June 2014	–	100	Investment holding Game development
Beijing Baicai Tianxia Technology Co., Ltd. ("Baicai Tianxia")	PRC/ Mainland China	RMB10,000,000	10 July 2015	–	100	Game development and distribution
Xiamen Feixiangyue Investment Management Co., Ltd. ("Xiamen Feixiangyue")	PRC/ Mainland China	RMB200,000,000	9 August 2016	–	100	Asset management
Xiamen Feiyu Tianxia Information Technology Co., Ltd.* ("Feiyu Tianxia")	PRC/ Mainland China	US$10,000,000	21 July 2021	–	100	Game development
Xiamen Veewo Games Co., Ltd. ("Xiamen Veewo")	PRC/ Mainland China	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.

2.1 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 2022. 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, directly or indirectly, 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 (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) 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 revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3,	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment that is applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements

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*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1,5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2,4]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023
6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

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

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

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 between an investor and its associate or joint venture 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 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. 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.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to 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. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* 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 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

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

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. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 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 amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT 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 is in a position to exercise 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 SUMMARY OF SIGNIFICANT 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 that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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 SUMMARY OF SIGNIFICANT 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 SUMMARY OF SIGNIFICANT 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 SUMMARY OF SIGNIFICANT 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.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment property

Investment property is interest in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for Selling and distribution expenses purposes; or for sale in the ordinary course of business. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

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.

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 SUMMARY OF SIGNIFICANT 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 SUMMARY OF SIGNIFICANT 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.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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 SUMMARY OF SIGNIFICANT 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, 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, 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 equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been 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.

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 SUMMARY OF SIGNIFICANT 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 SUMMARY OF SIGNIFICANT 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 SUMMARY OF SIGNIFICANT 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 (loans and borrowings)

After initial recognition, interest-bearing loans and 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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT 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 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

- 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 SUMMARY OF SIGNIFICANT 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

- 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 SUMMARY OF SIGNIFICANT 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 SUMMARY OF SIGNIFICANT 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 SUMMARY OF SIGNIFICANT 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

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, 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.

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 SUMMARY OF SIGNIFICANT 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 a share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. 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 for grants 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

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. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding shares is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The group companies operating in Mainland China participate in defined contribution retirement benefit plans organised by the relevant government authorities for its employees in Mainland China 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 Mainland China 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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. On disposal of a foreign operation, the component of other comprehensive income 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 2022 was RMB11,427,000 (2021: 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 2022 was RMB159,166,000 (2021: RMB158,531,000). 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 34 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 2022 was RMB16,205,000. 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 Mainland China. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Information about geographical areas

Since no revenue or operating profit from transactions with a single geographical area other than Mainland China accounted for 10% or more of the Group and all of the Group's identifiable assets and liabilities were located in Mainland China, 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 2022 (2021: 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:

	2022 RMB'000	2021 RMB'000
Types of goods or services		
Online web and mobile games	84,938	41,680
Single-player mobile games	68,830	28,807
Game operation	153,768	70,487
– Gross basis	64,714	10,353
– Net basis	89,054	60,134
Online game distribution	462	7,180
Licensing income	5,747	6,141
Game development service	7,651	–
Advertising revenue	21,557	20,190
Sale of goods	2,000	729
Technical service income	334	61
Total revenue from contracts with customers	191,519	104,788
Timing of revenue recognition		
Services transferred over time	13,398	6,141
Services and goods transferred at a point of time	178,121	98,647
Total revenue from contracts with customers	191,519	104,788
Other income		
Government grants	3,735	5,280
Interest income	3,181	4,017
Rental income	5,861	4,618
	12,777	13,915
Gains		
Fair value gains, net:		
Financial assets	1,479	15,284
Fair value gains on investment properties	635	2,667
Gain on disposal of items of property, plant and equipment	499	99
Others	791	1,193
	3,404	19,243
	16,181	33,158

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2022 RMB'000	2021 RMB'000
Channel costs		**20,145**	1,930
Rental fee		**3,088**	4,027
Depreciation of property, plant and equipment	13	**3,533**	5,089
Depreciation of right-of-use assets	15(a)	**4,822**	3,304
Lease payments not included in the measurement of lease liabilities	15(c)	**3,088**	4,027
Impairment of goodwill*	16	**–**	8,694
Amortisation of intangible assets	17	**244**	228
Impairment of investments in associates*		**–**	7,649
Impairment of prepayments, other receivables and other assets	21	**9,695**	8,940
Advertising expenses		**15,456**	5,184
Auditor's remuneration		**1,950**	1,900
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**112,437**	109,826
Pension scheme contributions		**8,910**	9,867
Equity-settled share option expense		**(1,906)**	1,480
		119,441	121,173
Foreign exchange differences, net		**(365)**	812
Gain on disposal of items of property, plant and equipment, net		**(492)**	(52)
Fair value losses/(gains), net		**6,450**	(15,284)

* These expenses are included in "Other expenses" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	283	229
Interest on bank loans	3,685	4,654
Less: Interest capitalised	–	(1,349)
Interest expense on bank loans through profit or loss	3,685	3,305
	3,968	3,534

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	
	2022 RMB'000	2021 RMB'000
Fees	1,290	2,739
Other emoluments:		
Salaries, allowances and benefits in kind	1,772	1,891
Performance related bonuses	168	203
Pension scheme contributions	318	352
	3,548	5,185

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2022 RMB'000	2021 RMB'000
Mr. Lai Xiaoling	258	249
Ms. Liu Qianli	258	249
Mr. Ma Suen Yee Andrew	258	249
	774	747

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

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
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
	516	1,625	168	203	2,512
Chief executive:					
Mr. Yao Jianjun	–	147	–	115	262
	516	1,772	168	318	2,774

	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
2021					
Executive directors					
Mr. Chen Jianyu	498	513	100	63	1,174
Mr. Bi Lin	498	530	33	46	1,107
Mr. Lin Zhibin	498	424	35	40	997
Mr. Lin Jiabin	498	424	35	40	997
	1,992	1,891	203	189	4,275
Chief executive:					
Mr. Yao Jianjun	–	–	–	163	163
	1,992	1,891	203	352	4,438

Mr. Lin Jiabin has tendered his resignation as an executive director on 30 August 2022.

The chief executive, Mr. Yao Jianjun agreed to waive director's fee since 1 January 2018 and the other executive directors agreed to waive directors' fees since 1 April 2022 until the Group makes a profit.

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 (2021: 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 (2021: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	5,276	5,705
Performance related bonuses	1,207	857
Equity-settled share-based payment expenses	37	1,216
Pension scheme contributions	283	306
	6,803	8,084

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2022	2021
HK$1,000,001 to HK$1,500,000	2	1
HK$1,500,001 to HK$2,000,000	2	2
HK$2,000,001 to HK$2,500,000	1	2
	5	5

During the year, share-based payments were made to three non-director highest paid employees in respect of their services to the Group (2021: five), further details of which are included in the disclosures in note 28 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, which was certified as High and New Technology Enterprise ("HNTE") and entitled to a preferential income tax rate of 15% from 2022 to 2025, and Xiamen Feixin, 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.

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 Mainland China. 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 Mainland China 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 Mainland China in respect of earnings generated from 1 January 2008. At 31 December 2022, 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 Mainland China. 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 Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB315,703,000 at 31 December 2022 (2021: RMB354,572,000).

	2022 RMB'000	2021 RMB'000
Current tax expense	–	122
Deferred tax (note 19)	1,227	2,865
Total tax expense for the year	1,227	2,987

A reconciliation of the tax credit or expense applicable to 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 credit or expense at the effective tax rate is as follows:

	2022 RMB'000	2021 RMB'000
Loss before tax	(23,129)	(73,574)
Tax at the applicable tax rate	(3,555)	(21,353)
Lower tax rates enacted by local authorities	(1,700)	1,238
Expenses not deductible for tax	267	618
Other tax credit	(11,608)	(8,562)
Profits and losses attributable to associates	(189)	(319)
Tax losses utilised from previous years	(13,391)	(2,081)
Tax losses not recognised	31,403	33,446
Tax expense	1,227	2,987

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 2022 (for the year ended 31 December 2021: Nil)

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,718,826,062 (2021: 1,659,491,244) in issue during the year, as adjusted to reflect the share issuance, repurchase and treasury shares on hand during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the impact of the share options outstanding had an anti-dilution effect in the basic loss per share amounts presented.

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 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

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2021						
At 1 January 2021:						
Cost	–	14,684	10,382	13,560	126,223	164,849
Accumulated depreciation and impairment	–	(13,244)	(8,374)	(13,003)	–	(34,621)
Net carrying amount	–	1,440	2,008	557	126,223	130,228
At 1 January 2021, net of accumulated depreciation and impairment	–	1,440	2,008	557	126,223	130,228
Additions	–	3,183	23	–	28,425	31,631
Disposals	–	(96)	–	–	–	(96)
Depreciation provided during the year	(659)	(3,067)	(884)	(479)	–	(5,089)
Transfers	58,246	–	–	–	(154,648)	(96,402)
At 31 December 2021, net of accumulated depreciation and impairment	57,587	1,460	1,147	78	–	60,272
At 31 December 2021:						
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 31 December 2022, the Group's buildings, investment property and leasehold land with net carrying amounts of approximately RMB56,006,000, RMB159,166,000 and RMB31,751,000 (2021: the Group's buildings, investment property and leasehold land with net carrying amounts of approximately RMB57,587,000, RMB158,531,000 and RMB32,680,000) were pledged to secure bank loans granted to the Group (note 25).

14. INVESTMENT PROPERTIES

	2022 RMB'000
Carrying amount at 1 January	158,531
Net gain from a fair value adjustment	635
Carrying amount at 31 December	159,166

The Group's investment property is a commercial property in Mainland China. 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 2022 based on valuations performed by the management at RMB159,166,000. 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 2022, the Group's buildings, investment property and leasehold land with net carrying amounts of approximately RMB56,006,000, RMB159,166,000 and RMB31,751,000 (2021: Construction in progress and leasehold land with net carrying amounts of approximately RMB57,587,000, RMB158,531,000 and RMB32,680,000) were pledged to secure bank loans granted to the Group (note 25).

Fair value hierarchy

	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
	–	–	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 (2021: Nil).

14. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	2022 RMB'000
Carrying amount at 1 January 2021	158,531
Net gain from a fair value adjustment	635
Carrying amount at 31 December	159,166

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 2022	2021
Commercial property	Income method	Market monthly rental (RMB/sq.m. or RMB/space)	69 to 380	66 to 380
		Term yield	4.5% to 5.5%	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 2020 and 1 January 2021	98,041	6,288	104,329
Additions	–	1,222	1,222
Depreciation charge	(1,080)	(3,304)	(4,384)
Transfer to investment property	(64,281)	–	(64,281)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(1,940)	(1,940)
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	**31,752**	**4,336**	**36,088**

At 31 December 2022, the Group's buildings, investment property and leasehold land with net carrying amounts of approximately RMB56,006,000, RMB159,166,000 and RMB31,751,000 (2021: the Group's buildings, investment property and leasehold land with net carrying amounts of approximately RMB57,587,000, RMB158,531,000 and RMB32,680,000) were pledged to secure bank loans granted to the Group (note 25).

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:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	1,964	6,274
New leases	6,524	1,222
Accretion of interest recognised during the year	283	229
Payments	(3,938)	(3,740)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(579)	(2,021)
Carrying amount at 31 December	4,254	1,964
Analysed into:		
Current portion	2,640	1,646
Non-current portion	1,614	318

The maturity analysis of lease liabilities is disclosed in note 35 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:*

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	283	229
Depreciation charge of right-of-use assets	3,894	3,304
Expense relating to short-term leases	3,088	4,027
Total amount recognised in profit or loss	7,265	7,560

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 30(c) and 31, 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 RMB5,861,000 (2021: RMB4,618,000), details of which are included in note 5 to the financial statements.

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 RMB'000	2021 RMB'000
Within one year	6,065	6,065
After one year but within two years	5,630	6,065
After two years but within three years	5,590	5,630
After three years but within four years	4,991	5,590
After four years but within five years	2,331	4,991
After five years	6,939	9,271
	31,546	37,612

16. GOODWILL

	RMB'000
Cost at 1 January 2021, net of accumulated impairment	20,121
Impairment during the year	(8,694)
At 31 December 2021	11,427
At 31 December 2021	
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

* The Group recognised an accumulated full impairment amounting to RMB419,441,000 (2021: 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 (2021: 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 23% to 34% (2021: 22% to 26%). 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:

	2022 RMB'000	2021 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 2022 and 31 December 2021. 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 2022			
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:			
Cost	6,054	76,966	83,020
Accumulated amortisation and impairment	(5,406)	(76,966)	(82,372)
Net carrying amount	648	–	648
31 December 2021			
Cost at 1 January 2021, net of accumulated amortisation and impairment	1,107	–	1,107
Amortisation provided during the year	(228)	–	(228)
At 31 December 2021	879	–	879
At 31 December 2021:			
Cost	6,041	76,966	83,007
Accumulated amortisation and impairment	(5,162)	(76,966)	(82,128)
Net carrying amount	879	–	879

18. INVESTMENTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Share of net assets	3,885	3,430
Goodwill on acquisition	7,025	7,025
	10,910	10,455

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2022 RMB'000	2021 RMB'000
Share of the associates' profits for the year	755	1,014
Aggregate carrying amount of the Group's investments in the associates	10,910	10,455

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	**Contract liabilities/ deferred revenue** RMB'000	**Accruals** RMB'000	**Losses available for offsetting against future taxable profits** RMB'000	**Total** RMB'000
At 1 January 2021	375	172	138	1,129	1,814
Deferred tax charged to other comprehensive income during the year	317	–	–	–	317
Deferred tax charged to the statement of profit or loss during the year (note 10)	–	(172)	(138)	(1,129)	(1,439)
At 31 December 2021	692	–	–	–	692
At 1 January 2022	**692**	**–**	**–**	**–**	**692**
Deferred tax charged to other comprehensive income during the year	**(692)**	**–**	**–**	**–**	**(692)**
At 31 December 2022	**–**	**–**	**–**	**–**	**–**

Deferred tax assets have not been recognised in respect of tax losses of RMB681,436,000 as at 31 December 2022 (2021: RMB669,442,000), 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 2021	341	898	–	1,239
Deferred tax charged/(credited) to the statement of profit or loss during the year	(241)	–	1,667	1,426
Deferred tax charged to other comprehensive income during the year	–	(326)	(1,205)	(1,532)
At 31 December 2021	100	572	462	1,134

	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**

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:

	2022 RMB'000	2021 RMB'000
Within 3 months	41,373	26,623

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 2022 and 2021, the loss allowance was assessed to be minimal.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 RMB'000	2021 RMB'000
Non-current		
Prepayments	14,649	12,510
Prepaid land lease payments related deposits	1,605	1,605
Other receivables	16,651	18,082
Deposits	740	–
	33,645	32,197
Impairment allowance	(15,275)	(7,605)
	18,370	24,592
Current		
Prepayments	6,804	7,877
Investment property rental income	4,393	2,875
Deposits	253	3,874
Contract costs	370	–
Other receivables	18,662	19,349
	30,482	33,975
Impairment allowance	(15,069)	(13,044)
	15,413	20,931

Except for the allowance for prepayments amounting to RMB4,342,000 (2021: RMB3,000,000), the movements in the loss allowance for impairment of other receivables and deposits are as follows:

	2022 RMB'000 Stage 3	2021 RMB'000 Stage 3
At beginning of year	17,649	8,709
Impairment losses recognised	8,353	8,940
At end of year	26,002	17,649

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	2022 RMB'000	2021 RMB'000
Debt investments at fair value through other comprehensive income			
Straight bonds	(1)	**58,121**	63,069
Equity investments designated at fair value through other comprehensive income			
Unlisted equity investments, at fair value	(2)	**16,205**	29,902
Financial assets at fair value through profit or loss			
Unlisted debt investments, at fair value	(3)	**44,337**	49,125
Bond fund	(4)	**7,605**	8,631
Perpetual bonds	(5)	**–**	29,025
		51,942	86,781

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.

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).

(5) On 17 January 2020, the Group invested in a perpetual bond issued by CCB Life Insurance Company Limited with a nominal amount of US$1,500,000 and a coupon interest rate of 4.5% per annum at a consideration of US$1,547,000 (equivalent to approximately RMB10.6 million). On 21 April 2022, the bond was fully redeemed by CCB Life Insurance Company Limited at a consideration of US$1,500,000 (equivalent to approximately RMB9.6 million) in advance.

On 17 January 2020, the Group invested in a perpetual bond issued by Chalieco Hong Kong Corporation Limited with a nominal amount of US$1,500,000 and a coupon interest rate of 5.0% per annum at a consideration of US$1,546,000 (equivalent to approximately RMB10.7 million). On 8 April 2022, the bond was disposed by the Company at a consideration of US$1,534,000 (equivalent to approximately RMB9.8 million) in advance.

On 2 March 2020, the Group invested in a perpetual bond issued by FWD Limited with a nominal amount of US$1,500,000 and a coupon interest rate of 6.25% per annum at a consideration of US$1,553,000 (equivalent to approximately RMB10.8 million). On 24 January 2022, the bond was fully redeemed by FWD Limited at a consideration of US$1,500,000 (equivalent to approximately RMB9.5 million) in advance.

23. CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000
Cash and bank balances	133,153	126,261
Cash and cash equivalents	133,153	126,261
Denominated in RMB	122,994	91,610
Denominated in US$	6,114	31,634
Denominated in GBP£	2,457	–
Denominated in HK$	1,557	3,017
Denominated in SGD$	31	–
Cash and cash equivalents	133,153	126,261
Less: Restricted cash and bank balances*	(846)	–
Unrestricted cash and cash equivalents	132,307	126,261

* 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.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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. OTHER PAYABLES AND ACCRUALS

	2022 RMB'000	2021 RMB'000
Salaries and welfare payables	**36,976**	38,446
Other payables and accruals	**16,832**	25,102
Other tax payables	**5,132**	2,066
Advances from customers	**669**	294
	59,609	65,908

25. INTEREST-BEARING BANK LOANS

	2022			2021		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	**5.047-5.050**	**2023**	**10,000**	5.047	2022	10,000
			10,000			10,000
Non-current						
Bank loans – secured	**5.050**	**2024-2027**	**60,000**	5.047-5.050	2023-2027	70,000
			70,000			80,000

	2022 RMB'000	2021 RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**10,000**	10,000
In the second year	**10,000**	10,000
In the third to fifth years, inclusive	**50,000**	50,000
Beyond five years	**–**	10,000
	70,000	80,000

Notes:

(a) The Group's long term loan facility amounted to RMB120,000,000 (2021: RMB120,000,000), of which RMB70,000,000 (2021: RMB80,000,000) had been drawn as at 31 December 2022.

(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 2022. The loan will be repaid year by year in accordance with the contracts.

26. CONTRACT LIABILITIES

Details of contract liabilities as at 31 December 2022 and 1 January 2022 are as follows:

	31 December 2022 RMB'000	1 January 2022 RMB'000
Current advances received		
Online web and mobile games	8,698	4,120
Licensing income	4,738	4,731
Rental income	–	400
	13,436	9,251
Non-current advances received		
Online web and mobile games	7,005	4,914
Licensing income	11,051	8,994
Rental income	–	432
Total contract liabilities	31,492	23,591

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 2022.

27. SHARE CAPITAL

Shares

	2022	2021
Issued and fully paid or credited as fully paid:		
Ordinary shares of US$0.0000001 each	1,718,826,062	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 2021	1,546,943,455	1	498,453	498,454
At 31 December 2021 and 1 January 2022	1,718,826,062	1	597,945	597,946
At 31 December 2022	1,718,826,062	1	597,945	597,946

28. 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.

28. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

(1) Share option schemes (Continued)

The following share options were outstanding under the Schemes during the year:

	2022		2021	
	Weighted average exercise price HK$ per share	Number of options '000	Weighted average exercise price HK$per share	Number of options '000
At 1 January	0.41	138,300	0.41	139,300
Forfeited during the year	0.68	(30,000)	0.18	(1,000)
At 31 December	0.34	108,300	0.41	138,300

No share options were exercised during 2022 and 2021.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

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		

28. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

(1) Share option schemes (Continued)

2021 Number of options '000	Exercise price* HK$ per share	Exercise period
3,000	3.93	10-06-2016 to 09-06-2025
6,300	1.26	31-12-2017 to 26-03-2027
3,000	1.26	30-06-2017 to 26-03-2027
15,000	1.03	13-11-2018 to 12-11-2027
21,000	0.18	31-12-2020 to 20-01-2024
90,000	0.18	31-12-2020 to 20-01-2024
138,300		

* 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.

At the end of the reporting period, the Company had 108,300,000 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 108,300,000 additional ordinary shares of the company, additional share capital of approximately RMB75 and a share premium of approximately RMB34,354,910.

At the date of approval of these financial statements, the Company had 108,300,000 share options outstanding under the Schemes, which represented 6.3% of the Company's shares in issue as at that date.

The Group reversed total share option expenses of RMB1,906,000 for the year ended 31 December 2022 (The Group recognised total share option expenses of RMB1,480,000 for the year ended 31 December 2021).

29. 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.

30. 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 RMB6,524,000 (2021: RMB1,222,000), in respect of lease arrangements for properties.

(b) Changes in liabilities arising from financing activities

	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

	2021	
	Lease liabilities RMB'000	Bank and other loans RMB'000
At 1 January 2021	6,274	63,840
Changes from financing cash flows	(3,740)	12,855
New leases	1,222	–
Interest expense	229	3,305
Reassessment and revision of lease terms	(2,021)	–
At 31 December 2021	1,964	80,000

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 RMB'000	2021 RMB'000
Within operating activities	2,677	4,232
Within financing activities	3,655	3,511
	6,332	7,743

31. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Game operation	11,823	13,598
	11,823	13,598

(b) The Group has various lease contracts that have not yet commenced as at 31 December 2022. The future lease payments for these non-cancellable lease contracts are RMB95,000 due within one year.

32. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	Relationship
Mr. Yao Jianjun	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 Xiaoyufeifei Entertainment Co., Ltd. ("Xiaoyufeifei")	Significantly influenced by Mr. Chen Jianyu

32. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

The following transactions were carried out with related parties:

	2022 RMB'000	2021 RMB'000
Cloud server service from (note (i)) Tencent	**3,535**	1,959
Revenue from (note (ii)) Tencent	**5,081**	2,098
Rental income from (note (iii)) Xianglian	**399**	366
Advertisement service from (note (iv)) Xiaoyufeifei	**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 Xiaoyufeifei was mutually agreed after taking into account the prevailing market prices.

32. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties:

Due from associate and shareholder	2022 RMB'000	2021 RMB'000
Shanghai Kamao (note (i))	1,500	4,463
Tencent	4,315	7,111
	5,815	11,574

Due from related party and shareholder	2022 RMB'000	2021 RMB'000
Tencent	295	240
Xianglian	79	79
Xiaoyufeifei	70	–
	444	319

Advances from a related party	2022 RMB'000	2021 RMB'000
Xianglian	472	990

Note:

(i) The Group had a non-interest-bearing loan to Kamao amounting to RMB4,463,000 of which impairment allowance amounting to RMB2,963,000 was recognised during this year. The loan of remaining RMB1,500,000 was repaid by 16 January 2023 subsequently.

(d) Compensation of key management personnel of the Group:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	5,729	6,099
Performance related bonuses	996	806
Equity-settled share-based payment expenses	(1,906)	1,480
Severance allowance	195	–
Pension scheme contributions	332	325
	5,346	8,710

Further details of directors' emoluments are included in note 8 to the financial statements.

33. 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 2022

		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	–	58,121	–	–	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

33. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial assets (Continued)
As at 31 December 2021

	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	–	63,069	–	–	63,069
Equity investments designated at fair value through other comprehensive income	–	–	29,902	–	29,902
Financial assets at fair value through profit or loss	86,781	–	–	–	86,781
Accounts receivable and receivables due from third-party game distribution platforms and payment channels	–	–	–	26,623	26,623
Financial assets included in prepayments, other receivables and other assets	–	–	–	28,136	28,136
Cash and cash equivalents	–	–	–	126,261	126,261
	86,781	63,069	29,902	181,020	360,772

33. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

	Financial liabilities at amortised cost	
	2022	2021
	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	**6,274**	7,897
Interest-bearing bank loans (note 25)	**70,000**	80,000
	76,274	87,897

34. 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.

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

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.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2022 and 2021:

	Valuation technique	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
Certain equity investments (2022:four equity investments 2021: four equity investments)	Valuation multiple	Average EV/Revenue multiple of peers	2022: 3.6 to 6.3 (2021: 3.6 to 6.8)	5% (2021:5%) increase/ decrease in multiple would result in increase/ decrease in fair value by RMB636,000/ RMB664,000 (2021: RMB1,236,000/ RMB1,240,000)
		Discount for lack of marketability	2022: 14% to 22% (2021: 10% to 23%)	5% (2021:5%) increase/ decrease in multiple would result in decrease/ increase in fair value by RMB164,000/ RMB164,000 (2021: RMB180,000/ RMB180,000)

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.

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Assets measured at fair value:
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

As at 31 December 2021

	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	–	63,069	–	63,069
Financial assets at fair value through profit or loss	–	86,781	–	86,781
Equity investments designated at fair value through other comprehensive income	–	–	29,902	29,902
	–	149,850	29,902	179,752

The Group did not have any financial liabilities measured at fair value as at 31 December 2022 and 31 December 2021.

For the year ended 31 December 2022, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2021: Nil).

35. 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 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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2021

	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-	63,069	–	–	–	63,069
Financial assets included in prepayments, other receivables and other assets					
– Normal**	27,101	–	–	–	27,101
– Doubtful**	–	–	18,684	–	18,684
Accounts receivable and receivables due from third-party game distribution platforms and payment channels*	–	–	–	26,623	26,623
Cash and cash equivalents	126,261	–	–	–	126,261
	216,431	–	18,684	26,623	261,738

* 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 23% (2021: 32%) 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.

35. 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

	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

	2021					
	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	–	–	1,708	323	–	2,031
Interest-bearing bank loans	–	–	10,464	62,451	10,007	82,922
Other payables	463	7,434	–	–	–	7,897
	463	7,434	12,172	62,774	10,007	92,850

35. 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 2022 and 31 December 2021 were as follows:

	2022 RMB'000	2021 RMB'000
Total liabilities	169,154	174,593
Total assets	625,657	666,906
Debt-to-asset ratio	27%	26%

36. 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	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries		**15,772**	79,708
Due from subsidiaries		**371,809**	302,477
Debt investments at fair value through other comprehensive income		**58,121**	63,069
Financial assets at fair value through profit or loss		**7,605**	37,657
Total non-current assets		**453,307**	482,911
CURRENT ASSETS			
Prepayments, other receivables and other assets		**496**	474
Cash and cash equivalents		**2,969**	10,745
Total current assets		**3,465**	11,219
CURRENT LIABILITIES			
Due to subsidiaries		**15,878**	14,573
Other payables and accruals		**269**	223
Total current liabilities		**16,147**	14,796
NET CURRENT ASSETS		**(12,682)**	(3,577)
NET ASSETS		**440,625**	479,334
EQUITY			
Share capital	27	**1**	1
Share premium	27	**597,945**	597,945
Reserves (note)		**(157,321)**	(118,612)
Total equity		**440,625**	479,334

36. 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 2021	151,292	3,735	21,496	(237,236)	(60,713)
Total comprehensive loss for the year	–	(3,922)	(11,107)	(44,350)	(59,379)
Equity-settled share-based payment expenses	1,480	–	–	–	1,480
At 31 December 2021	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)**

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2023.

DEFINITION

"AGM"	the annual general meeting of the Company to be held on Thursday, 25 May 2023
"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 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

DEFINITION

"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 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.