

CMGE
中手游

为热爱而生

CMGE Technology Group Limited
中手游科技集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0302)

2023

ANNUAL REPORT





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. XIAO Jian (*Chairman and Chief Executive Officer*)
Mr. SIN Hendrick *M.H.* (*Vice Chairman*)
Mr. FAN Yingjie

Non-executive Directors

Mr. ZHANG Shengyan
Mr. JIANG Yukai (*appointed with effect from 22 April 2024*)

Independent Non-executive Directors

Ms. NG Yi Kum
Mr. TANG Liang
Mr. HO Orlando Yaukai

AUDIT COMMITTEE

Ms. NG Yi Kum (*Chairlady*)
Mr. TANG Liang
Mr. HO Orlando Yaukai

REMUNERATION COMMITTEE

Mr. HO Orlando Yaukai (*Chairman*)
Mr. SIN Hendrick *M.H.*
Ms. NG Yi Kum

NOMINATION COMMITTEE

Mr. XIAO Jian (*Chairman*)
Mr. TANG Liang
Mr. HO Orlando Yaukai

CORPORATE GOVERNANCE COMMITTEE

Ms. NG Yi Kum (*Chairlady*)
Mr. SIN Hendrick *M.H.*
Mr. HO Orlando Yaukai

AUTHORISED REPRESENTATIVES

Mr. XIAO Jian
Mr. SIN Hendrick *M.H.*

COMPANY SECRETARY

Ms. LAI Yau Yan Gladys

HONG KONG LEGAL ADVISER

Woo Kwan Lee & Lo
26th Floor, Jardine House
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Central
Hong Kong

AUDITOR

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

REGISTERED OFFICE

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Grand Cayman, KY1-1104
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HEADQUARTERS

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Shenzhen
Guangdong Province
The PRC

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Hong Kong

PRINCIPAL SHARE REGISTRAR

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PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman KY1-1102
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

China Guangfa Bank
Shenzhen Branch, Binhai Sub-branch

China Merchants Bank
Shenzhen Branch, Weisheng Building
Sub-branch

Guangdong Huaxing Bank
Shenzhen Branch

China Everbright Bank
Shenzhen Futian Branch

COMPANY'S WEBSITE

www.cmge.com

STOCK CODE

0302



FINANCIAL SUMMARY

FIVE-YEAR FINANCIAL SUMMARY

	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	2,605,884	2,713,892	3,956,570	3,820,326	3,036,301
Gross profit	943,102	1,111,695	1,473,490	1,223,264	1,083,198
(Loss)/profit for the year	(38,041)	(216,880)	593,943	690,200	243,213
Adjusted net profit/(loss)⁽¹⁾	5,379	(196,134)	630,028	806,950	611,007
Basic (loss)/earnings per Share (RMB)	(0.73) cents	(7.42) cents	22.85 cents	29.92 cents	13.15 cents
Diluted (loss)/earnings per Share (RMB)	(0.73) cents	(7.42) cents	22.84 cents	29.92 cents	13.15 cents
Adjusted basic earnings/(loss) per Share (RMB)⁽¹⁾	0.20 cents	(7.09) cents	23.54 cents	34.43 cents	32.34 cents
Adjusted diluted earnings/(loss) per Share (RMB)⁽¹⁾	0.20 cents	(7.09) cents	23.52 cents	34.43 cents	32.34 cents
Dividend per Share (HK\$)	N/A	N/A	N/A	9.28 cents	3.55 cents
Total assets	7,089,169	7,153,754	7,841,719	6,330,599	5,208,124
Total liabilities	1,394,356	1,461,871	2,047,857	1,529,743	1,496,510
Total equity	5,694,813	5,691,883	5,793,862	4,800,856	3,711,614

Note:

- (1) "Adjusted net profit/(loss)" is not defined under the HKFRS. It is defined by the Group as net profit/(loss) attributable to owners of the parent excluding (i) equity-settled share-based expense; and (ii) Listing expenses. The adjusted net profit/(loss) more closely reflects the Group's operating results, after excluding the above-mentioned non-operating items. "Adjusted basic earnings/(loss) per Share" and "Adjusted diluted earnings/(loss) per Share" are the Group's adjusted net profit/(loss) divided by the weighted average number of Shares and potentially dilutive weighted average number of Shares, respectively, in issue during the year.

CHAIRMAN'S STATEMENT

Dear Shareholders,

2023 witnessed a vibrant entertainment industry where the value of IPs with high-quality contents continued to be realized. Using IPs to build brands and foster new areas of growth became a popular topic for China's entertainment business in 2023. The cross-sector empowerment and traffic-gathering effect produced by "IP+" has been guiding pan-entertainment ecosystem, and the development trend of IP business has increasingly inclined towards diversity, innovation, integrity and digitalization. In addition, increasing IP value through cross-sector development, films and television, gamification has become an important part among the current major trends in the market. Meanwhile, 2023 was another challenging year in which the overall gaming market still recorded a relatively low year-on-year growth. Despite the improvement in adverse factors including a generally low payment willingness by game users compared with that of 2022, it remained in need of time for rebound. Leveraging its advantages and accumulated experience in the field of game publishing and research and development, and by integrating its own advantageous IP resources, the Group has been dedicated to the core competitive IP game ecosystem of "IP resources – self-development and joint development – global publishing – proprietary IP operation – Chinese-style metaverse platform (IP資源-自主研發與聯合研發-全球發行-自有IP運營-國風元宇宙平台)", and has been consistently working on three major business segments, namely IP game development and global publishing, proprietary IP operation and Chinese-style metaverse platform, focusing on creating premium IP games and spreading excellent Chinese culture with quality contents.

Serving as a substantial part of the IP game ecosystem which the Group has been building for many years, self-development of games will be the core competitiveness which the Group will continue to invest in for the future. In 2023, the Group showed great cohesion and determination by fully dedicating itself to game development, for which the research and development investment of the Group reached RMB370.0 million in 2023. The application of innovative artificial intelligence generated content ("AIGC") technology on game development in 2023 has practically reduced cost and improved efficiency. The self-developed dynasty-themed strategic game *World of Castellan* (城主天下) of Wenmai Hudong, a wholly-owned subsidiary of Group, was officially launched and exclusively published by 37 Interactive Entertainment (三七互娛) in the mainland market in the second half of 2023. Meanwhile, *Legend of Sword and Fairy: World* (仙劍世界), China's first open world game featuring Chinese fairy and hero theme self-developed by the Group's Mantianxing Studio (滿天星工作室) ("Mantianxing"), has undergone two tests prior to its launch with excellent testing data and performance, and is planned to launch in 2024. The self-developed competitive eSports PC game *Street Basketball* (全民街籃) of Shanghai Zhoujing, a subsidiary of the Group, has commenced beta test on 29 December 2023 and is planned to launch in 2024.

CHAIRMAN'S STATEMENT

In 2023, the Group successfully obtained licenses for various games planned for launch. Various new games including *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), *Ultraman: The Gathering* (奧特曼:集結), *Swallowed Star: Dawn* (吞噬星空:黎明) and *Cultivation Fantasy* (我的御劍日記) were officially launched in 2023. *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) recorded a robust performance upon its launch and ranked first in the Top Free Game List on Apple's App Store in Mainland China and Hong Kong, Macau and Taiwan, ranked first in the Best Selling Game List on Apple's App Store in Hong Kong and Macau and ranked third in the Best Selling Game List on Apple's App Store in Taiwan in the first month after its launch. *Cultivation Fantasy* (我的御劍日記) ranked third in the Top Free Game List on Apple's App Store in Mainland China during the first month of its launch. The Group is actively exploring into the mini-game segment. In 2023, the mini-game business has contributed a revenue of over RMB600 million to the Group and become a new area of growth. Benefitting from the launch of numerous new games, the number of new registered users of the Group exceeded 92.9 million in 2023, which grew by 9.8% compared to the same period last year. After eliminating the effect of the non-operating income and expenses on profit, the Group's operating profit for year 2023 amounted to RMB107.4 million.

In midst of an intensely competitive market, unique and high-quality content is the key to IP success and *Legend of Sword and Fairy* (仙劍奇俠傳) owned by the Group is such a unique cultural IP with a long-term user cohesion. The Group will utilize the established advantages and promote steady cooperation between *Legend of Sword and Fairy* (仙劍奇俠傳) IP and other sectors with a view to share resources and supplement the advantages of each other, thus increasing the realizable value of *Legend of Sword and Fairy* (仙劍奇俠傳) IP. With its three major business segments, namely IP game development and global publishing, proprietary IP operation and Chinese-style metaverse platform as the focus, the Group will insist on high quality and refining development as always, and continue to bring rich content and interactive experience of premium IP games and its proprietary "*Legend of Sword and Fairy* (仙劍奇俠傳)" IP game to global players.

BUSINESS REVIEW

Global Publishing of IP Games

A role playing card game *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) jointly published by the Group and Qingci Joy (青瓷互動) and based on *Legend of Sword and Fairy* (仙劍奇俠傳), the Group's proprietary IP, was launched in June 2023. With the features of the unique card + RPG + SLG diversified gameplay integration, it has gained strong pursuit from the majority of players. Before the game was launched, the number of reservations on all major platforms exceeded 8 million, and it ranked first in the Top Free Game List and ranked fourteenth in the Best Selling Game List on Apple's App Store in the first month after its launch, receiving Mobile Hardcore Alliance's Super Star Recommendation. *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) was launched in Hong Kong, Macau and Taiwan in December 2023 and ranked first in the Top Free Games List on Apple's App Store in the aforesaid three areas, ranked first in the Best Selling Game List on Apple's App Store in Hong Kong and Macau and ranked third in the Best Selling Game List on Apple's App Store in Taiwan during the first month of its launch. The mobile card game *Cultivation Fantasy* (我的御劍日記), which was developed by Love Games (Shanghai) Internet Technology Co., Ltd. (樂府互娛(上海)網絡科技有限公司) ("**Love Games**"), a company in which the Group has invested, has been launched in May 2023. It ranked first in the TapTap's Popular List, third in the Top Free Game List and twenty-first in the Best Selling Game List on Apple's App Store during the first month of its launch. Mobile game *Soul Land: Shrek Academy* (斗羅大陸:史萊克學院), adapted from the novel and animation of *Soul Land* (斗羅大陸) and published jointly by the Group and Tanwan.com (貪玩遊戲), obtained licence in July 2023 and opened for reservation in August 2023 with the number of reservations exceeding 6 million, and was successfully launched for players on 31 January 2024, which ranked first in the Top Free Game List of Apple's App Store during the first month of its launch and first in the TapTap's Popular List. The Group is actively exploring into the mini-game segment. As of 2023, it has launched a number of mini-games, such as *Legend of Nine Territories* (九州仙劍傳) and *The National Gunlord – The Frontier* (全民槍神:邊境王者), contributing

a revenue of over RMB600 million to the Group. The mini-game *Country Love: Business Life* (鄉村愛情之經營人生), which obtained license from BenShan Media, has also commenced beta test in 2023 to verify its monetization model and is planned to launch in 2024. The mini-game business has become a new area of business growth for the Group. The mobile game *Ultraman: The Gathering* (奧特曼: 集結), which was adapted from the official licenced IP of the original Ultraman series produced and licenced by Tsuburaya Productions Co., Ltd. (日本圓谷制作株式會社) in Japan, was researched and developed by Hainan Hemera Information Technology Co., Ltd. (海南赫墨拉信息科技有限公司) ("Hainan Hemera"), a company in which the Group has invested, and the mobile game *Swallowed Star: Dawn* (吞噬星空:黎明), which was researched and developed by the Group's investee company Guangzhou Maiji Information Technology Co., Ltd. (廣州麥吉信息科技有限公司) with China Literature Limited's (閱文集團) *Swallowed Star* (吞噬星空) IP as the basis, both have been launched in Mainland China in January and April 2023, respectively. Unfortunately, the market reaction of the two games was fair upon its publishment and good revenue performance could not be achieved. *The King of Fighters: All Stars* (全明星激鬥), a mobile game self-developed and published by the Group, was launched in Hong Kong, Macau, Taiwan, Singapore and Malaysia in February 2023, and ranked first in the Top Free Games List and fifth in the Best Selling Games Lists on Apple's App Store and ranked first in the Top Free Games List of Google Play Store of the above-mentioned five countries and regions in the first month of its launch. However, due to unsustainable momentum, the game did not continuously bring in large overseas revenue for the Group.

The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart (新射鵰群俠傳之鐵血丹心), *Rakshasa Street: Chosen One* (鎮魂街:天生為王) and *Soul Land: God of Battle Arise* (斗羅大陸:鬥神再臨) which were published by the Group, and games jointly produced by the Group with third parties like *One Piece: The Voyage* (航海王熱血航線) and *Dynasty Warriors: Hegemony* (真·三國無雙霸), and other games which were previously launched and operated, continued to contribute to the revenue and profits of the Group in 2023. However, *Swallowed Star: Dawn* (吞噬星空:黎明), *Ultraman: The Gathering* (奧特曼:集結) and *The King of Fighters: All Stars* (全明星激鬥) did not record revenue as expected after launch and the revenue of some operating games showed different extent of declining tendency. In addition, the new game *Soul Land: Shrek Academy* (斗羅大陸:史萊克學院), originally intended for launch in 2023, was postponed to January 2024 due to a delay for testing following its licence being obtained in the second half of 2023. The release time of *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) was postponed to December 2023 in Hong Kong, Macau and Taiwan, which shortened the time for generating revenue by the game during the reporting period. Factors mentioned above resulted in a year-on-year decrease of 4% in business revenue of the Group in 2023, which amounted to RMB2,605.9 million in 2023.

Self-Development of Games

The Group's research and development investment reached RMB370.3 million in 2023, representing a decrease of 29.7% compared to the same period, which was mainly due to the application of AIGC technology on art creation and marketing content writing of the game which has practically reduced cost and improved efficiency.

CHAIRMAN'S STATEMENT

The dynasty-themed strategic mobile game *World of Castellan* (城主天下), self-developed by Wenmai Hudong and exclusively published by 37 Interactive Entertainment (三七互娛) in the mainland market, was launched in the market in November 2023 and received Mobile Hardcore Alliance's Super Star Recommendation during the first month of its launch. *World of Castellan* (城主天下) is the first dynasty-themed strategy game launched by the Group. With the extensive experience in promotion and publishing of the Group and 37 Interactive Entertainment (三七互娛), it is expected to tap into dynasty-themed strategic market by virtue of *World of Castellan* (城主天下) and obtain market share for the Group.

For games on eSports front, the PC-end eSports competitive game *Street Basketball* (全民街籃) developed by Shanghai Zhoujing, has obtained licence in May 2023, commenced beta test on 29 December 2023 and is planned to launch in 2024. *Street Basketball* (全民街籃) was jointly produced by Mr. Zhao Yongshuo (趙勇碩), the father of *Street Basketball* (街頭籃球). The core team consists of the Chinese and Korean original team members of the *Street Basketball* (街頭籃球) project, which is experienced in the research and development of competitive sports games such as *Street Basketball* (街頭籃球) and *Free Basketball* (自由籃球), and the research and development team is committed to turning *Street Basketball* (全民街籃) into a PC-end eSports quality game.

Games of the Group which have been launched before 2023, including the self-developed games *The World of Legend - Thunder Empire* (《傳奇世界之雷霆霸業》), *Legend of Dragon City* (《龍城傳奇》) and card and board games, as well as PC game and cloud game, have continued to iterate and upgrade that continuously contributes stable revenue to the Group. As of 31 December 2023, Beijing Softstar has launched a self-developed game *Legend of Sword and Fairy 7* (仙劍奇俠傳七) with PC version reached a sales volume of over 730,000; its cloud gaming version reached a sales volume of over 210,000, and its console

version reached a sales volume of over 100,000. It also launched self-developed PC games *Monopoly 10* (大富翁10) and *Monopoly 11* (大富翁11) with a global sales volume of over 2,100,000. The standalone game *Legend of Sword and Fairy 4: Remake* (仙劍奇俠傳四:重製版) kick-started in 2022 by Softstar Technology (Shanghai) Co., Ltd. (軟星科技(上海)有限公司) ("**Shanghai Softstar**"), a wholly-owned subsidiary of the Group, would continue to be under research and development under a licence granted to the game operation and distribution platform "Cube Game" under WanXin Culture Technology Co., Ltd..

Proprietary IP Operation

In 2023, revenue derived from the Group's IP licensing amounted to RMB257.0 million, representing an increase of 74.7% year-on-year. The Group established a strong presence for the cooperation of the *Legend of Sword and Fairy* (仙劍奇俠傳) IP throughout the industry chain, covering games, films and television, comics and animation, content literature, music, derivatives and real scene entertainment, and collaborated with top partners in related fields to jointly build the *Legend of Sword and Fairy* (仙劍) IP universe. In 2023, the Group was recognized as "2023 Super Potential IP Cultivation Pioneer" (2023年超級潛力IP培育先鋒) by the Securities Times.

The Group successfully launched the story mobile card game *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) in 2023 with excellent performance recording. The idle game *Legend of Sword and Fairy: A New Beginning* (仙劍奇俠傳:新的開始) which was co-developed by the Group and Kingnet (愷英網絡), was launched in 2023 and gained a ranking of No.5 in the Best Selling list of Wechat Mini Program. The first fans community based on the *Legend of Sword and Fairy* (仙劍奇俠傳) IP, the *Sword and Fairy Alliance* (仙劍聯盟), has been opened for users registration in 2023.

In terms of films and television, the shooting of films and television series, *Legend of Sword and Fairy 4* (仙劍奇俠傳四), which was co-produced by the Group and iQiyi (愛奇藝), was officially broadcasted on iQiyi (愛奇藝) in January 2024. Meanwhile, *Legend of Sword and Fairy 6* (仙劍奇俠傳六) by Shandong Film and Television Production Co., Ltd. (山東影視製作股份有限公司) ("**Shandong Film and Television**"), the producer of popular television dramas such as *Nirvana in Fire* (琅琊榜) and *The Disguiser* (偽裝者), was officially broadcasted on Tencent Video in January 2024. These two films and television series of *Legend of Sword and Fairy* (仙劍) IP were successively broadcasted during the Chinese New Year and have captured great attention from the audience. The films and television series of *Legend of Sword and Fairy 1* (仙劍奇俠傳一), which were jointly produced by the Group and Tencent's Penguin Pictures (企鵝影視), have completed shooting in 2022, and are expected to be released in 2024. In November 2023, the production of the interactive video works based on the *Legend of Sword and Fairy* (仙劍奇俠傳) IP initiated by the Group together with Dongyang Qishuyouyu Culture Media Co., Ltd. (東陽奇樹有魚文化傳媒有限公司), Guangzhou HippoJoy Game Technology Co., Ltd. (廣州河馬遊戲科技有限公司) and Guangzhou INTINY Content Interactive Entertainment Co., Ltd. (廣州小有內容互動娛樂有限公司) was officially kick-started.

For the development of *Legend of Sword and Fairy* (仙劍) IP in animation, the Group has strategically cooperated with Tencent's Penguin Pictures (企鵝影視) to jointly shoot the animation series of *Legend of Sword and Fairy 1* (仙劍奇俠傳一) and *Legend of Sword and Fairy 3* (仙劍奇俠傳三). The trailer of the animation series of *Legend of Sword and Fairy 3* (仙劍奇俠傳三) was released in 2023. The animated feature film is scheduled for release in 2024.

For the derivatives development of *Legend of Sword and Fairy* (仙劍) IP, upon jointly launching the first blind boxes series The Legend of Sword and Fairy Chinese Traditional Festival Figures Series (仙劍奇俠傳中國傳統節日系列手辦) in 2022, the Group continued its collaboration with Pop Mart (泡泡瑪特) and launched the second blind boxes series The Legend of Sword and Fairy Chinese Traditional Musical Instrument Figures Series (仙劍奇俠傳中國傳統樂器系列手辦) in 2023 for global sale. Meanwhile, the Group collaborated with Good Smile Arts (良笑塑美), the Infinity Studio (開天工作室) under Shanghai Qiku Network Technology Co., Ltd. (上海起酷網絡科技有限公司), Bandai Namco Entertainment (Shanghai) Co., Ltd. (萬代南夢宮(上海)娛樂有限公司) and other well-known partners to jointly launch products in 2023, including figure of Han Ling Sha (韓菱紗), statues of Yue Qing Shu (月清疏), figure of Jiu Jian Xian (酒劍仙), which gained support from consumers.

In July 2023, the Group successfully held the 28th Anniversary of Legend of Sword and Fairy (仙劍奇俠傳) through Bilibili livestreaming, delivering extensive visual and audio experiences to players. The *Legend of Sword and Fairy* (仙劍) Real Scene Entertainment Project promoted by the Group has already been in the final preparatory stage before operation, and is expected to start trial operation in four provinces and municipalities, such as Shanghai, Hangzhou, Anhui and Chongqing, in 2024. By then, it will present a more immersive and interactive offline experience for The Legend of Sword and Fairy fans.

Focusing on the future, the Group will create more high-quality content, reach young consumers who are interested in *Legend of Sword and Fairy* (仙劍) IP and Chinese-style elements by various means, and continuously enhance the reputation of *Legend of Sword and Fairy* (仙劍奇俠傳) among young people and further enrich the users' interactive experience.

CHAIRMAN'S STATEMENT

Chinese-style Metaverse Platform - Sword and Fairy World (仙劍世界)

Legend of Sword and Fairy: World (仙劍世界), a self-developed game of the Group's Mantianxing Studio (滿天星工作室), which is also a China's first open world game featuring Chinese fairy and hero theme, has been under research and development for more than three years and obtained licensing in June 2023. *Legend of Sword and Fairy: World* (仙劍世界) is currently open for launch reservation with over 4,000,000 subscriptions and two tests have taken place in 2023. Beta test to verify its monetization capacity will commence before launch, and is planned to officially launch in 2024.

Legend of Sword and Fairy (仙劍) IP carries abundant and diversified Chinese culture and Chinese-style elements, spans thousands of years in time, geographically includes regions such as Dali, Miaojiang, Suzhou and Hangzhou and Yuzhou and covers rich contents such as historic legends, traditional culture and local customs and practices. In *Legend of Sword and Fairy: World* (仙劍世界), the spirit of *Legend of Sword and Fairy* (仙劍) IP is at the core of its creation, which gives rise to a grand fantastic world featuring fairy and hero theme with an area of 384 square kilometers and various ecological landforms such as plain, mountains and hills, basin and grove, and scenes of fairy and hero elements including celestial mountains, floating islands, oversea fairy islands and fairy relics have been constructed, which contribute to a grand fantastic world of fairy and hero where players can experience a co-existing ecosystem of humans, fairies and elves. Through the course of experiencing numerous stories such as main storylines, characters-exclusive stories and optional tasks and stories, players are invited to collectively probe into humanity spirits including fate, bond and tie, decision and emotion. As for free exploration, players are allowed to fly and dive into different dimensions of the world, using various fancy skills including transformation and spirit attachment, as well as experience the surprise and joy of free exploration in midst of tones of adventures, mechanisms, puzzles and relics.

Based on technological innovation and the application of AIGC, the virtual world shaped in *Legend of Sword and Fairy: World* (仙劍世界) will provide players with an intense immersion and a heightened sense of verisimilitude. In terms of technological application, the Group has comprehensively enhanced the environment verisimilitude and the immersive feeling in the virtual world by application of various technologies. The day-night cycle shift has been realized by introducing the 24-hour real-time lighting. The real effect of water flow has been achieved through simulating real water reflection and water perspective. The vegetation can sway as the weather changes under the application of high-density grass ocean technology. AI non-player characters ("NPC") in *Legend of Sword and Fairy: World* (仙劍世界) will correspondingly behave and talk according to natural environment so as to form a natural and real social ecosystem and strengthen the verisimilitude of the virtual world. Players can also use AI technology applications including AI character customization, AI audio, AI movement generation and AI+UGC, in order to enrich their personalized expression. Vigorous performance, abundant 3D digital assets and contents, free talking experience, lightweight UGC creation, will considerably enrich and increase players' interactive experience and stimulate their creativity in the virtual world.

Legend of Sword and Fairy: World (仙劍世界) will accommodate multiple terminals to better reach targets from different ends. It is currently available for mobile, PC and cloud and will later launch VR/MR and console versions. *Legend of Sword and Fairy: World* (仙劍世界) will materialize the connection between accounts on different platforms so that players can visit the same world regardless of their connecting device, significantly expanding players' social radius.

Legend of Sword and Fairy: World (仙劍世界) leveraging its excellent design and compelling worldview, showcases the rich ancestry of the Chinese culture within the game. It has been awarded as "2024 The Most Promising Game (2024年度最值得期待遊戲)" by the Golden Plume Award (金翎獎), the Golden Gyro Awards (金陀螺獎), the Game Appreciation Awards (金口獎), the Golden Tea Awards (金茶獎), OPPO Developers Conference and MI GAME and won the "Top 10 IP for Decade (十年十佳IP項目)" title by the Golden Pufferfish Award (金河豚獎) in 2023.

Social Responsibility

As a global IP game operator, the Group has always fulfilled its social responsibility in different dimensions. The Group's business does not have a significant impact on the environment. The Group has actively fulfilled its corporate social responsibilities, has integrated environmental protection and environmental management into its business decisions, and has conducted charitable activities to build a healthy and harmonious online and offline ecosystem. The Group has established environmental, social and governance policies and procedures, and has incorporated the concept of sustainable development into its daily management to enhance the environmental protection awareness of the employees of the Group.

The Group has been also actively involved in the cause of social welfare development, with a particular focus on the healthy learning and growth of youth. The Group has successively collaborated with China Population Welfare Foundation (中國人口福利基金會) and Lingshan Foundation (靈山基金會), having supported the "CMGE Dream Libraries (中手游築夢圖書館)" project for a long time to promote reading among the youth and the operation of this project has been under steady implementation. From 2017 to 2023, twelve "CMGE Dream Libraries (中手游築夢圖書館)" have been successively set up in Yunan, Guangdong province, Zhengding, Hebei province, Meihekou, Jilin province, Yangchun, Guangdong province, Jishan, Shanxi province, Luxi, Jiangxi province, Huoqiu, Anhui province, Enshi, Hubei province, Jiyuan, Henan province, Heyuan, Guangdong province, Jizhou, Tianjin province, Ji'an, Jiangxi province. The eleventh "CMGE Dream Library (中手游築夢圖書館)" was set up at Banbidian Central Primary School (半壁店中心小學), Yangjinzhuang Town, Jizhou District, Tianjin in March 2023. The twelfth "CMGE Dream Library (中手游築夢圖書館)" was set up at Dongmen Primary School (東門小學), Meitang Town, Ji'an County, Ji'an, Jiangxi Province in September 2023. The Group was recognized as the "2023 Times Philanthropy Pioneer Award (2023年度時代公益先鋒獎)" by Guangdong Times Media Group (廣東時代傳媒集團) by virtue of the public welfare project "CMGE Dream Libraries (中手游築夢圖書館)" in which the Group has had long-term commitment, and was also recognized as an "Outstanding Social Responsibility Performance Enterprise (社會責任表現相對突出的企業)" at the 2023 Game Responsibility Forum (2023遊戲責任論壇) hosted by People's Daily Online (人民網).

The Group is dedicated to practicing its social responsibility through diversified forms, including actively promoting industry self-discipline, purifying the cyber environment and ensuring the healthy growth of minors. The Company has successively participated in the research and preparation of four standards of "Online game terminology (網絡遊戲術語)" group standard, "Game Age Prompt Specification (遊戲適齡提示規範)", "Game Enterprise Content Self-Audit Process Specification (遊戲企業內容自審流程規範)" and "Parental Monitoring Platform Specification (家長監護平台規範)" so as to contribute to the promotion and implementation of the industry standardization, and also strictly follows the relevant national policies, and all published games are embedded with a real-name authentication system, an anti-addiction system and age limit reminders, striving to ensure the healthy growth of minors. During 2023, minor players under the age of 18 accounted for less than 0.01% of the Group's revenue from games in China.

BUSINESS OUTLOOK

The Group plans to launch a number of premium IP games in domestic and overseas markets in 2024, and continuously puts great efforts into its self-developed projects to achieve business growth in 2024. Through AI and other technologies, the speed, efficiency and productivity of the Group will be increased and costs will be reduced. The upcoming cross-platform game *Legend of Sword and Fairy: World* (仙劍世界) and PC game *Street Basketball* (全民街籃), and dynasty-themed strategic mobile game *World of Castellan* (城主天下) launched in 2023, will become three major projects in respect of the Group's self-developed games in 2024. At the same time, the Group will sedulously operate to amplify the IP value of *Legend of Sword and Fairy* (仙劍奇俠傳) through making films and television production, animation and gamification.

CHAIRMAN'S STATEMENT

Global Publishing of IP Games

In the mainland market, the mobile game *Soul Land: Shrek Academy* (斗羅大陸: 史萊克學院), adapted from the novel and animation of *Soul Land* (斗羅大陸) and published jointly by the Group and Tanwan.com (貪玩遊戲) on 31 January 2024, recorded gross billing of over RMB100 million in the first month of its launch. Since the launch, its sound commercial performance is expected to increase profits for the Group, showing the great popularity of this IP and the consumption potential of users. The *Soul Land: Space and Time Reversal* (斗羅大陸: 逆轉時空), which is developed by Love Games, a developer which the Group has invested in, was open for reservation in February 2024 and is going to be officially launched in the first half of 2024.

Fights Break Firmament: Peak Confrontation (斗破蒼穹: 巔峰對決), which is developed by Shenzhen EZfun Interactive Technology Co., Ltd. ("**EZfun Interactive**"), a game developer which the Group has invested in, has completed testing. Since internal test data signified excellent performance, it opened for reservation in January 2024 ahead of schedule and is expected to be officially launched in the first half of 2024. Meanwhile, many premium IP games such as *NARUTO: Konoha masters* (火影忍者: 木葉高手), *New Romance of the Three Kingdoms: The Legend of Cao Cao* (新三國志曹操傳), *Daily Life of Chat Group* (聊天群的日常生活), are set to be released in 2024. The mini-game *Country Love: Business Life* (鄉村愛情之經營人生), supported by the IP of the popular TV series *Country Love* (鄉村愛情故事), which obtained license from BenShan Media, has started beta testing in 2023 and will be officially launch in 2024. Meanwhile, the Group will launch more than 10 mini-game products including *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) and *NARUTO: Konoha masters* (火影忍者: 木葉高手) in 2024. The games abovementioned that are planned to launch in 2024 have obtained licenses, to generate substantial returns from game publishment for the Group.

The Group will vigorously tap into overseas game markets, focusing on Hong Kong, Macau and Taiwan, Southeast Asia, Japan, South Korea, Europe and the United States to continuously scale up the game revenue from overseas regions. In 2024, the Group will continue to vigorously promote mobile game *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) in Hong Kong, Macau and Taiwan, and plans to launch games such as *Soul Land: Shrek Academy* (斗羅大陸: 史萊克學院), *Fights Break Firmament: Peak Confrontation* (斗破蒼穹: 巔峰對決), *Soul Land: Space and Time Reversal* (斗羅大陸: 逆轉時空) and *Code: FA* (代號FA) in Hong Kong, Macau and Taiwan, mobile game *Dynasty Warriors: Hegemony* (真·三國無雙霸) in Japan, in order to increase game revenue from overseas.

Self-Development of Games

The dynasty-themed strategic mobile game *World of Castellan* (城主天下), self-developed by Wenmai Hudong, and exclusively published by 37 Interactive Entertainment (三七互娛) in the mainland market, has been launched in the market in November 2023. It is the first dynasty-themed strategic game launched by the Group, and leveraging on its research and development and publishment experience, the Group planned to develop and roll out a second game of similar type, *Code: Master* (代號: 主公) in 2024, to gain more market share of this type of game. The PC-end eSports competitive game, *Street Basketball* (全民街籃), developed by Shanghai Zhoujing, has successfully obtained licence in May 2023 and commenced beta test on 29 December 2023, and will officially launch in 2024.

Chinese-style Metaverse Platform - Sword and Fairy World (仙劍世界)

To practically and comprehensively reduce costs and increase efficiency in game research and development, innovative AIGC technology has been applied in the art creation and marketing content writing of the game. According to the statistics from *Sword and Fairy: World* (仙劍世界), after the introduction of AIGC-aided design, production cost of the game's CG printing has effectively decreased by about 50% than before. In the meantime, AIGC technologies were generally used by the research and development team to shape NPCs in games, and an event-oriented AI decision-making framework that can quickly generate NPC behavior has also been designed. The aforementioned technical innovations have successfully achieved reduced cost and increased efficiency during the development of *Sword and Fairy: World* (仙劍世界), which provided significant help to effectively ensure the development and testing progress of the game. The Group will keep exploring AIGC aided capacity on game development, including 3D action generation, 3D model generation, scenario generation, voice generation and so on. The team hopes that AIGC technological innovation will significantly enhance the research and development capacity in the future, and leading to cost reduction and increased efficiency for the Group.

Sword and Fairy: World (仙劍世界) will soon commence player-oriented beta test to verify the product monetization model upon official launch, showcasing Jiangnan storyline. At present, over 4 million users have reserved this game for downloading, with high market enthusiasm from both new and existing players. This will be the most excellent gasoline for data growth upon its release!

Proprietary IP Operation

In terms of the films and television series, *Legend of Sword and Fairy 4* (仙劍奇俠傳四), which was co-produced by the Group and iQiyi (愛奇藝) in January 2024, was officially released in iQiyi (愛奇藝). Shandong Film and Television, the producer of hit television dramas such as *Nirvana in Fire* (琅琊榜) and *The Disguiser* (偽裝者), shoot *Legend of Sword and Fairy 6* (仙劍奇俠傳六), which officially broadcasted on Tencent Video in January 2024. Two of the films and television series of *Legend of Sword and Fairy* (仙劍) IP were successively broadcasted during Chinese New Year and have captured great attention from the audience. The films and television series of *Legend of Sword and Fairy 1* (仙劍奇俠傳一), which were jointly produced by the Group and Tencent's Penguin Pictures (企鵝影視), were completed in 2022 and are expected to be released in 2024. Tencent's Penguin Pictures (企鵝影視) will further cooperated with the Group to produce *Legend of Sword and Fairy 3* (仙劍奇俠傳三). The Group will also initiate cooperation plans for a number of *Legend of Sword and Fairy* (仙劍) IP films and television series, including *Prequel of Legend of Sword and Fairy 5* (仙劍奇俠傳五前傳), *Legend of Sword and Fairy 7* (仙劍奇俠傳七) and the original play called *Prequel of Legend of Sword and Fairy 6* (仙劍六前傳).

The Group has cooperated with Tencent's Penguin Pictures (企鵝影視) to jointly shoot the animation series of *Legend of Sword and Fairy 1* (仙劍奇俠傳一) and *Legend of Sword and Fairy 3* (仙劍奇俠傳三). The trailer of the animation series of *Legend of Sword and Fairy 3* (仙劍奇俠傳三) launched in 2023 and the formal animation is expected to be broadcasted in 2024. The Group has entered into cooperation with Bilibili, and Bilibili is responsible for the animation work of *Legend of Sword and Fairy 4* (仙劍奇俠傳四), which will officially start in 2024.

CHAIRMAN'S STATEMENT

The serial literary works of *Legend of Sword and Fairy 2* (仙劍奇俠傳二), *Legend of Sword and Fairy 1* (仙劍奇俠傳一), *Legend of Sword and Fairy 5* (仙劍奇俠傳五), *Prequel of Legend of Sword and Fairy 5* (仙劍奇俠傳五前傳), *Legend of Sword and Fairy 3* (仙劍奇俠傳三), *Legend of Sword and Fairy 3 Side Story* (仙劍奇俠傳三外傳) and *Legend of Sword and Fairy 6* (仙劍奇俠傳六), adapted from *Legend of Sword and Fairy* (仙劍奇俠傳), and two official original derivative works *Yao Tai Xue* (瑤台雪) and *Qiong Hua Hou Zhuan* (瓊華後傳), all of which are in creation stages, will also be released successively in 2024 and 2025.

The Legend of Sword and Fairy (仙劍) Real Scene Entertainment Project, promoted by the Group has already been in the final preparatory stage before operation, and is expected to start trial operation in four provinces and municipalities, such as Shanghai, Hangzhou, Anhui and Chongqing, in 2024. By bringing the game the *Legend of Sword and Fairy* (仙劍奇俠傳) into reality, the Group will achieve a close integration of online event marketing activities and offline activities related to the *Legend of Sword and Fairy* (仙劍奇俠傳)", presenting a more immersive and interactive interesting offline experience for The Legend of Sword and Fairy fans.

Looking to the future, under the general trend of crossover development and amplifying IP value by making films and games as well as engaging in crossover cooperation of game IPs, films and television, comics and animation, the Group's plan of combining IP game ecosystem with a first-mover advantage and *Legend of Sword* (仙劍) IP universe established based on *Legend of Sword and Fairy* (仙劍奇俠傳) IP is further magnifying its own value. This will make greater contributions to the national cultural and entertainment industry and show the glamour of Chinese culture to the world.

All members of the Group will always uphold the values of "integrity, transparency, honesty, in-depth thinking and long-termism (正直守信、透明坦誠、深度思考、長期主義)" and the mission of "creating quality products with passion" (用熱愛鑄造精品), being a company that is full of passion and creativity. The Group will promote China's wonderful traditional culture and socialist values, becoming a responsible practitioner and a promoter of cultural values. Thanks to Shareholders and investors for your consistent support.

By order of the Board

XIAO Jian

Chairman

Hong Kong, 27 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

As of 31 December 2023, the Group had a vast IP reserve of a total of 128 IPs, comprising 60 licenced IPs and 68 proprietary IPs.

The table below sets forth the Group's revenue and gross billings derived from its IP-based games and non-IP based games for the years indicated:

	For the year ended 31 December	
	2023 Revenue RMB'000	2022 Revenue RMB'000
IP-based games		
(i) licenced and proprietary IPs held by the Group	1,631,293	1,388,064
(ii) IPs held by game developers	68,903	288,269
Non-IP based games	905,688	1,037,559
Total	2,605,884	2,713,892

The Group is committed to creating a highly competitive IP-based game ecosystem. Apart from proprietary IPs, the Group also actively obtained a large number of selected licenced IPs from third parties and adapted them into premium IP-based games for users. For the year ended 31 December 2023, the Group's total number of IP games in operation reached 26 and revenue generated from the Group's IP games reached RMB1,700.1 million.

A continuous growth in the number of registered users in 2023.

The following table sets forth the key performance indicators, namely, (i) average MAUs; (ii) average MPUs; (iii) ARPPU; and (iv) total new registered users of the Group for the years indicated:

	For the year ended 31 December	
	2023	2022
Average MAUs (thousands)	17,057	15,523
Average MPUs (thousands)	1,189	1,124
ARPPU (RMB)	182.6	201.2
Total new registered users (thousands)	92,870	84,609

The Group strives to continuously improve its operating ability, extend the life cycle of products during the stable operation period, and expand the ability of existing products to attract users. The Group released several types of mini games, including *Legend of Nine Territories* (九州仙劍傳) and *The National Gunlord – The Frontier* (全民槍神:邊境王者), which have greatly expanded the number of lite-game players and elevated the scale of new users and active users. Meanwhile, the Group has been continuously launching new games that are popular among players in the market. The Group had approximately 92.9 million newly registered users in 2023, and as of 31 December 2023, the accumulated registered users of the Group reached 704.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group received the following main awards and recognitions for the quality and popularity of its games or services, as well as the contributions to social responsibility during the reporting period:

Award/Recognition	Date of Award	Awarding Institution/Authority
Social Responsibility of "Golden Diamond Award" 2023 (金鑽榜2023社會責任獎)	January 2024	The Department of Culture and Tourism of Guangdong Province (廣東省文化和旅遊廳), Guangdong Entertainment & Game Industry Association (廣東省遊戲產業協會)
Top 20 Guangdong Game Enterprises of "Golden Diamond Award" 2023 (金鑽榜2023年度廣東遊戲企業20強)	January 2024	The Department of Culture and Tourism of Guangdong Province (廣東省文化和旅遊廳), Guangdong Entertainment & Game Industry Association (廣東省遊戲產業協會)
"Golden Plume Award" as Most influential Mobile Game Publisher (金翎獎最具影響力移動遊戲發行商)	November 2023	Shanghai Hanwei Xinheng Exhibition Co., Ltd (上海漢威信恒展覽有限公司)
2023-2024 National Key Enterprises of Cultural Exports (2023-2024年度國家文化出口重點企業)	August 2023	Ministry of Commerce of The People's Republic of China (商務部)
Shenzhen Top 500 Enterprises 2023 (2023深圳企業500強)	September 2023	Enterprise Association of Shenzhen (深圳市企業聯合會), Entrepreneur Association of Shenzhen (深圳市企業家協會)
"Golden Finger Award" as Outstanding Enterprise in the Chinese Game Industry 2023 (2023年度金手指獎中國遊戲行業優秀企業)	November 2023	The 19th Chinese Game Industry Annual Conference 2023 (《2023 (第十九屆) 中國遊戲行業年會》) of China Culture and Entertainment Industry Association (中國文化娛樂行業協會)
2023 Super Potential IP Incubating Pioneers (2023年超級潛力IP培育先鋒獎)	December 2023	Securities Times (證券時報)

Award/Recognition	Date of Award	Awarding Institution/Authority
2022-2023 Outstanding Games Enterprise for Performance of the Social Responsibility of China's Games Enterprises of the Year (2022-2023年度中國遊戲企業社會責任綜合表現較為突出遊戲企業)	July 2023	People's Daily Online (人民網), Beijing Xicheng District Municipal Government (北京市西城區人民政府)
Most Socially Responsible Company of Chinese Listed Companies with Good Reputation 2023 (2023中國上市公司口碑榜最具社會責任上市公司)	November 2023	12th Summit Forum for Chinese Listed Companies 2023, National Business Daily 每日經濟新聞, 2023第十二屆中國上市公司高峰論壇
Most Socially Responsible Company (最具社會責任企業)	July 2023	Shenzhen Futian General Chamber of Commerce (深圳市福田區總商會)
2023 Most Influential Game Enterprise (2023年度最具影響力遊戲企業)	January 2024	GameMatrix (遊戲矩陣), GameTHK (遊戲智庫), GameRes (遊資網)
2023 Listed Company with the Highest Investment Value (2023年度最具投資價值上市公司)	January 2024	Capital Week (證券市場周刊)

MANAGEMENT DISCUSSION AND ANALYSIS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The following table sets forth the comparative figures for the years ended 31 December 2022 and 2023:

	For the year ended 31 December	
	2023 RMB'000	2022 RMB'000
Revenue	2,605,884	2,713,892
Cost of sales	(1,662,782)	(1,602,197)
Gross Profit	943,102	1,111,695
Other income and gains, net	117,426	63,877
Selling and distribution expenses	(306,494)	(237,981)
Administrative expenses	(525,956)	(730,695)
Impairment of financial and contract assets, net	(89,936)	(137,033)
Other expenses	(147,778)	(193,368)
Finance costs	(19,638)	(35,280)
Share of losses of a joint venture	—	(8)
Share of profits and losses of associates	3,545	(16,680)
Loss before tax	(25,729)	(175,473)
Income tax expense	(12,312)	(41,407)
Loss for the year	(38,041)	(216,880)
Attributable to:		
Owners of the parent	(20,079)	(205,035)
Non-controlling interests	(17,962)	(11,845)
	(38,041)	(216,880)
Adjusted net profit/(loss)	5,379	(196,134)

Adjusted net profit/(loss)

The table below sets forth a quantitative reconciliation of the Group's adjusted net profit/(loss) for the years indicated:

	For the year ended 31 December	
	2023 RMB'000	2022 RMB'000
Loss for the year attributable to owners of the parent	(20,079)	(205,035)
Add:		
Equity-settled share-based expense	25,458	8,901
Adjusted net profit/(loss)	5,379	(196,134)

Revenue

The Group's revenue decreased by approximately 4.0% from RMB2,713.9 million for the year ended 31 December 2022 to RMB2,605.9 million for the year ended 31 December 2023.

Revenue by category:

	For the year ended 31 December			
	2023		2022	
	RMB'000	%	RMB'000	%
Game publishing	2,133,803	81.9	2,114,226	77.9
Game development	215,105	8.3	452,569	16.7
IP Licensing	256,976	9.8	147,097	5.4
Total	2,605,884	100.0	2,713,892	100.0

- (i) The Group's game publishing revenue increased by 0.9% from RMB2,114.2 million for the year ended 31 December 2022 to RMB2,133.8 million for the year ended 31 December 2023. During the reporting period, *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), an online mobile game published by the Group, has achieved a huge success in Mainland China and Hong Kong, Macau and Taiwan. Also, a number of mini games, such as *Legend of Nine Territories* (九州仙劍傳) and *The National Gunlord – The Frontier* (全民槍神:邊境王者), have outstanding performance in terms of revenue, and have contributed over RMB600 million to the Group's revenue. However, as the revenue of other games such as *Ultraman: The Gathering* (奧特曼:集結) and *Swallowed Star* (吞噬星空) published by the Group during the year did not reach expectations, and part of the published games recorded a decrease in revenue, resulting in only a slight increase in the scope of game publishing revenue.
- (ii) The Group's game development revenue decreased by 52.5% from RMB452.6 million for the year ended 31 December 2022 to RMB215.1 million for the year ended 31 December 2023. The strategy mobile game *World of Castellan* (城主天下), which is developed by Wenmai Hudong, was successfully published in 2023, bringing new research and development revenue for the Group. The other competitive game *Street Basketball* (全民街籃), which is self-developed by Shanghai Zhoujing, failed to be published and create revenue during the year. Revenue of *The King of Fighters: All Stars* (全明星激鬥), which is self-developed by the Group, recorded suboptimal performance during the year, and the revenue performance of *The World of Legend – Thunder Empire* (傳奇世界之雷霆霸業) developed by Wenmai Hudong, declined as compared with same period of last year, resulting in a decrease in game development revenue; and
- (iii) The revenue generated from the Group's IP licensing increased by 74.7% from RMB147.1 million for the year ended 31 December 2022 to RMB257.0 million for the year ended 31 December 2023. Revenue from IP licensing was primarily derived from *Legend of Sword and Fairy* (仙劍奇俠傳) IP and licensing business the games relating to Legend of Sword and Fairy World (仙劍世界).

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

The Group's cost of sales consists primarily of (i) commissions charged by publishing channel and CPs; (ii) amortisation of royalties from games and famous intellectual properties held by third-party game developers and the Group; (iii) commissions charged by IPs; (iv) game development costs; and (v) marketing cost. The table below sets forth the Group's cost of sales by category, and its contribution to the revenue of the Group as a percentage, for the years indicated:

	For the year ended 31 December			
	2023		2022	
	RMB'000	% to Revenue	RMB'000	% to Revenue
Commissions charged by channels and CPs	1,264,338	48.5	1,366,266	50.3
Amortisation of game royalties	143,189	5.5	67,764	2.5
Amortisation of IP royalties	20,838	0.8	16,745	0.6
Commissions charged by IP owners	151,989	5.8	114,607	4.2
Others	82,428	3.2	36,815	1.4
Total	1,662,782	63.8	1,602,197	59.0

The Group's cost of sales increased barely by 3.8% from RMB1,602.2 million for the year ended 31 December 2022 to RMB1,662.8 million for the year ended 31 December 2023. It was mainly because games launched by the Group during the reporting period, including *Ultraman: The Gathering* (奧特曼:集結) and *Swallowed Star* (吞噬星空), did not record revenue as expected after launch and the revenue of some operating games tended to decrease, resulting to a corresponding decrease in the commissions charged by channels and CP suppliers. Also, the new game *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) was released only on 7 December 2023 in Hong Kong, Macau and Taiwan, its short launching time resulted in low commissions charged by channels and CP suppliers during the reporting period. As a result of the aforesaid reasons, there is a 7.5% decrease in the commissions charged by channels and CPs from RMB1,366.3 million for the year ended 31 December 2022 to RMB1,264.3 million for the year ended 31 December 2023. During the reporting period, the developer contracts of several games of the Group expired, and the amortisation of game royalties increased by 111.3% from RMB67.8 million for the year ended 31 December 2022 to RMB143.2 million for the year ended 31 December 2023.

Gross profit and gross profit margin

The Group's gross profit decreased by 15.2% from RMB1,111.7 million for the year ended 31 December 2022 to RMB943.1 million for the year ended 31 December 2023. The Group's gross profit margin decreased from 41.0% for the year ended 31 December 2022 to 36.2% for the year ended 31 December 2023. The decrease in gross profit margin was mainly due to the fact that the revenue of the Group's self-developed game *The King of Fighters: All Stars* (全明星激鬥) fell short of expectations in 2023, and the Group's revenue from projects such as *Thunder Empire* (雷霆霸業), a self-developed game that has been launched for many years, decreased. The decline in revenue has led to a decrease in the Group's game development revenue, thus leading to a decrease in gross profit margin.

Other income and gains

The Group's other income and gains consist primarily of (i) bank interest income; (ii) government grants; (iii) fair value adjustment of contingent consideration; and (iv) dividend income from financial assets at fair value through profit or loss. The table below sets forth the Group's other income and gains by category for the years indicated:

	For the year ended 31 December			
	2023		2022	
	RMB'000	%	RMB'000	%
Bank interest income	1,567	1.3	5,560	8.7
Government grants	28,680	24.4	23,454	36.7
Fair value adjustment of contingent consideration	68,925	58.7	9,311	14.6
Dividend income from financial assets at fair value through profit or loss	10,569	9.0	—	—
Foreign exchange differences, net	—	—	1,473	2.3
Others	7,685	6.6	24,079	37.7
Total	117,426	100.0	63,877	100.0

The Group's other income and gains increased by 83.8% from RMB63.9 million for the year ended 31 December 2022 to RMB117.4 million for the year ended 31 December 2023. It was mainly because the 2023 annual results of Wenmai Hudong have underperformed with a loss incurred, which caused an adjustment to the fair value of the contingent consideration.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses

The Group's selling and distribution expenses consist primarily of (i) marketing expenses; and (ii) salaries and welfare. The table below sets forth the Group's selling and distribution expenses by category and its contribution to the total revenue of the Group as a percentage for the years indicated:

	For the year ended 31 December			
	2023		2022	
	RMB'000	% to Revenue	RMB'000	% to Revenue
Marketing and promotion expenses	262,741	10.1	186,423	6.9
Salaries and welfare	34,117	1.3	36,432	1.3
Depreciation and amortisation	3,830	0.2	10,058	0.5
Others	5,806	0.2	5,068	0.1
Total	306,494	11.8	237,981	8.8

The Group's selling and distribution expenses increased by 28.8% from RMB238.0 million for the year ended 31 December 2022 to RMB306.5 million for the year ended 31 December 2023. It was mainly due to (i) the Group vigorously developed the mini-game business in 2023, which resulted in a large amount of promotion expenses; (ii) significant promotion expenses as a result of the successive release of *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) in Mainland China and Hong Kong, Macau and Taiwan during the reporting period; (iii) *The King of Fighters: All Stars* (全明星激鬥) was launched in Hong Kong, Macau, Taiwan, Singapore and Malaysia in February 2023, incurring a large amount of promotion expenses; (iv) the game *Rakshasa Street: Chosen One* (鎮魂街:天生為王) was launched in 22 December 2022 and generated a large amount of promotion expenses in 2023 after the launch; and (v) the Group reduced the number of marketing staff which led to a decrease in related salaries and welfare expenses.

Administrative expenses

The Group's administrative expenses consist primarily of (i) research and development expenses; (ii) salaries and welfare for management and administrative departments; and (iii) office costs and utilities. The table below sets forth the Group's administrative expenses by category and its contribution to the total revenue of the Group as a percentage for the years indicated:

	For the year ended 31 December			
	2023		2022	
	RMB'000	% to Revenue	RMB'000	% to Revenue
Research and development expenses	370,256	14.2	526,745	19.4
Salaries and welfare	87,147	3.4	109,521	4.0
Office costs and utilities	49,752	1.9	85,910	3.2
Others	18,801	0.7	8,519	0.3
Total	525,956	20.2	730,695	26.9

The Group's administrative expenses decreased by 28.0% from RMB730.7 million for the year ended 31 December 2022 to RMB526.0 million for the year ended 31 December 2023. The decrease was mainly because (i) the research and development of Group's self-developed game *World of Castellan* (城主天下) has been completed during the reporting period with related expenses decreased. The *Legend of Sword and Fairy: World* (仙劍世界) has implemented AIGC technology in its development process to reduce costs. The main development phase was completed during the reporting period, and the project has now entered the testing phase. Therefore, the research and development expenses decreased by 29.7% from RMB526.7 million for the year ended 31 December 2022 to RMB370.3 million for the year ended 31 December 2023; (ii) the office expenses decreased as a result of reducing the size of the office by relocating some personnel to work together; and (iii) salaries and welfare expenses has decreased as compared to last year as a result of strict control of salaries and welfare of management personnel.

Impairment of financial and contract assets, net

The Group's asset impairment losses represent impairment losses on trade receivables, financial assets including prepayment, other receivables and other assets. According to the relevant management policies under HKFRS 9, the impairment loss on financial and contract assets recorded by the Group decreased by 34.4% from RMB137.0 million for the year ended 31 December 2022 to RMB89.9 million for the year ended 31 December 2023.

Other expenses

The Group's other expenses decreased by 23.6% from RMB193.4 million for the year ended 31 December 2022 to RMB147.8 million for the year ended 31 December 2023. The decrease was primarily attributable to the revenue of certain investee companies of the Group in Mainland China did not meet expectations in 2023, thus the Group recognised impairment provisions corresponding to the above-mentioned investee companies.

As at 31 December 2023, the 2023 annual results of Wenmai Hudong have underperformed with a loss incurred, leading to an impairment of goodwill of approximately RMB65.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

The Group's finance costs mainly consist of interest expenses, which decreased by 44.3% from RMB35.3 million for the year ended 31 December 2022 to RMB19.6 million for the year ended 31 December 2023, mainly due to the decrease in interest expenses of the bank borrowings of the Group.

Share of losses of a joint venture

As at 31 December 2023, the Group held a 60% equity interest in Shenzhen Boliang Technology Co., Ltd. (深圳博良科技有限公司), which is regarded as a joint venture of the Group under the applicable accounting policies.

Since the investment in a joint venture has been impaired to nil during the year 31 December 2023, the Group's share of losses of a joint venture also decreased from a loss of RMB8,000 for the year ended 31 December 2022 to nil for the year ended 31 December 2023.

Share of profits and losses of associates

The Group's share of profits and losses of associates changed from a loss of RMB16.7 million for the year ended 31 December 2022 to a profit of RMB3.5 million for the year ended 31 December 2023. It was primarily attributable to the share of profit of RMB22.8 million of Shenzhen Zhichengqianli Investment Enterprise (Limited Partnership) (深圳市志成千里投資企業(有限合夥)), share of profit of RMB2.1 million of Shanghai Fengguo Network Technology Co., Ltd. (上海蜂果網絡科技有限公司), and share of loss of RMB21.2 million of Hangzhou Huanwen Technology Co., Ltd. (杭州幻文科技有限公司).

Loss before tax

As a result of the foregoing, the Group's loss before tax decreased from RMB175.5 million for the year ended 31 December 2022 to a loss of RMB25.7 million for the year ended 31 December 2023.

Income tax expense

The Group's income tax expense decreased by 70.3% from RMB41.4 million for the year ended 31 December 2022 to RMB12.3 million for the year ended 31 December 2023. The Group has provided income tax expenses for 2023 despite a net loss was incurred. The income tax expenses have been recognised mainly due to the operating profits recorded in certain subsidiaries in Mainland China for the year ended 31 December 2023.

Loss for the year

As a result of the foregoing, the Group's loss for the year decreased from RMB216.9 million for the year ended 31 December 2022 to a loss of RMB38.0 million for the year ended 31 December 2023.

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 December 2023, the Group funded its cash requirements principally from cash generated from its operating activities and financing activities. The Group had cash and cash equivalents of RMB237.0 million and RMB210.6 million as at 31 December 2022 and 2023, respectively. 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.

The Group generally deposits its excess cash in its interest-bearing bank accounts and current accounts. The Group believes that its liquidity requirements will be satisfied by using a combination of (i) cash generated from its operating activities; (ii) bank borrowings; and (iii) other funds raised from the capital markets from time to time. The Group currently does not have any plans for material additional external financing.

Indebtedness

For the year ended 31 December 2023, the Group obtained bank loans of RMB609.0 million and repaid bank and other loans of RMB557.6 million.

As at 31 December 2023, the Group had interest-bearing bank borrowings of RMB495.0 million (2022: RMB444.2 million). The effective interest rates on the Group's unsecured bank loans range from 1.8% to 5.5%.

As at 31 December 2023, the lease liabilities of the Group were RMB26.9 million (2022: RMB42.5 million).

Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss have significantly improved with losses significantly reduced to approximately RMB33.5 million during the year ended 31 December 2023 from losses of approximately RMB56.3 million during the year ended 31 December 2022. The improvement was mainly attributed to the gains derived from certain listed equity investments of the Group and from the investments of the Group in certain blockchain ecosystem based supercomputing service companies during the year ended 31 December 2023. As at 31 December 2023, the Group's financial assets at fair value through profit or loss mainly include listed equity investments, unlisted equity investments, and convertible loans and other debt instruments, representing 10.0%, 61.9% and 28.1% of financial assets at fair value through profit or loss, respectively. As at 31 December 2023, the Group has invested in more than 30 companies, the business nature of which is mainly game development. The Group has always invested in quality research and development companies to supply the Group with

competitive game products. Various game research and development companies invested by the Group have furnished a number of games that have continuously contributed to the publishing revenue of the Group as well as the turnover growth of their own. The Group regularly appoints professional independent valuers to evaluate the fair value of unlisted investments, including financial assets falling under Level 2 and Level 3 of the fair value hierarchy. The fair values of the unlisted investments have been estimated by using various applicable valuation techniques, including the discounted cash flow approach, adjusted net assets value method and other option pricing models.

Prepayments

As at 31 December 2023, the prepayments of the Group amounted to approximately RMB1,429.3 million, representing a decrease of 6.6% as compared with 31 December 2022. The prepayments of the Group mainly included prepaid licence fees (non-current) of approximately RMB899.7 million, prepaid minimum guarantee (current) of approximately RMB513.2 million and other prepayments of approximately RMB16.4 million. Such prepayments for licence fees and minimum guarantee, for which the underlying contracts have been made with as many as 70 renowned enterprises worldwide, represented more than 80 operating or developing games and will be amortised monthly after the game development has been completed and officially launched.

Off-balance sheet commitments and arrangements

As at 31 December 2023, the Group did not enter into any off-balance sheet transactions (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

KEY FINANCIAL METRICS

The table below sets forth the Group's key financial metrics for the years indicated:

	For the year ended 31 December/ as at 31 December	
	2023	2022
Current ratio (times) ⁽¹⁾	1.71	1.6
Gearing ratio ⁽²⁾	8.7%	7.8%
Gross profit margin	36.2%	41.0%

Notes:

- (1) Current ratio is the Group's current assets divided by its current liabilities as at the end of each financial year.
- (2) Gearing ratio is total debt divided by total equity as at the end of each financial year. Total debt equals to the Group's total interest-bearing bank borrowings.

CAPITAL EXPENDITURES

The Group's historical capital expenditures primarily included royalties paid to game developers and IP owners. The Group funded its capital expenditure requirements during the year ended 31 December 2023 mainly with its internal resources.

The Group's capital commitments as at 31 December 2022 and 2023 amounted to RMB300.2 million and RMB280.0 million, respectively. The Group's capital commitments as at 31 December 2023 were for the purchase of IP and game licences.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS OR DISPOSAL

During the year ended 31 December 2023, and up to the date of this annual report, the Group did not make any significant investment, or perform any material acquisition or disposal of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed above, the Group has no concrete plan for material investments or capital assets as at the date of this annual report.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as of 31 December 2023.

CHARGE ON GROUP ASSETS

As at 31 December 2023, the Group had not pledged bank deposits to a bank as collateral to secure banking facilities granted to the Group (2022: nil) and did not have any charges on its assets.

FOREIGN EXCHANGE EXPOSURE

The operations of the Group are mainly located in the PRC and its functional currency is RMB. For the year ended 31 December 2023, there was no significant exposure to foreign exchange rate fluctuations and the Group had not maintained any hedging policy against the foreign exchange risk.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Group is a leading IP-based game publisher and developer, focusing primarily on IPs relating to well-known cultural products and art works such as icons or characters from popular animations, novels and motion pictures which have a significant fan base, market acceptance and commercial value.

A description of the Company's principal activities is set out in note 1 to the consolidated financial statements in this annual report.

A list of the Company's principal subsidiaries as at 31 December 2023, together with, among others, their dates and places of incorporation and particulars of their issued share capital, are set out in note 1 to the consolidated financial statements in this annual report.

BUSINESS REVIEW

The section headed "Management Discussion and Analysis" in this annual report forms part of this business review.

Principal Risks and Uncertainties

As an IP-based game publisher and developer in the PRC, the Group faces various risks involved in its daily business operations as well as the industry and regulatory landscape in the PRC. These risks include (i) the Group may not be successful in licensing games and IPs from game developers and IP owners; (ii) the Group may not be successful in developing games in-house; (iii) the Group's new games may not be commercially successful and the Group may not be able to attract new players; (iv) the Group may fail to maintain and grow its player base or keep its players engaged through popular games; and (v) the laws and regulations regulating mobile games in the PRC continue to evolve and change, and the Group may be unable to obtain or maintain all applicable permits and approvals. For details, please refer to the section headed "Risk Factors" in the Prospectus.

The Group also operates its business under the Contractual Arrangements, and is therefore subject to the related risks which are summarised in the section headed "Directors' Report — Contractual Arrangements — Risks relating to the Contractual Arrangements" in this annual report.

DIRECTORS' REPORT

Major Customers and Major Suppliers

For the year ended 31 December 2023, the Group's five largest customers accounted for 43.1% (2022: 48.8%) of the Group's total revenue, and the Group's single largest customer accounted for 14.9% (2022: 21.5%) of the Group's total revenue.

For the year ended 31 December 2023, the Group's five largest suppliers accounted for 47.9% (2022: 27.9%) of the Group's total cost of sales, and the Group's single largest supplier accounted for 12.1% (2022: 11.2%) of the Group's total cost of sales.

During the year ended 31 December 2023, none of the Directors, their close associates or any Shareholders (who or which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in any of the Group's top five customers and suppliers.

Environmental Protection

Due to the Group's business nature as a game publisher and developer, the Group is not subject to significant environmental risks. During the year ended 31 December 2023 and up to the date of this directors' report, the Group was not subject to any fines or other penalties due to non-compliance with environmental regulations.

The Group is committed to minimising the impact on the environment from its business activities. For details of the Group's environmental protection measures, please refer to the section headed "Environmental, Social and Governance Report - Environment" in this annual report.

FINANCIAL RESULTS

The financial results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss in this annual report.

RESERVES

Details of the movements in the reserves of the Company and reserves available for distribution to Shareholders as at 31 December 2023 are set out in note 40 to the consolidated financial statements in this annual report. The distributable reserves of the Company as at 31 December 2023 were RMB2,113.6 million (2022: RMB2,132.9 million).

FINAL DIVIDEND

The Board does not recommend the declaration of a final dividend for the year ended 31 December 2023 (for the year ended 31 December 2022: Nil).

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

Save as disclosed in the section headed "Biographies of Directors and Senior Management", there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the year ended 31 December 2023 and up to the date of this directors' report.

DONATIONS

During the year ended 31 December 2023, the Group made a total of approximately RMB123,000 (2022: RMB1,163,000) of charitable and other donations.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief or exemption available to the Shareholders of the Company by reason of their holding of the Company's securities.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2023 are set out in note 26 to the consolidated financial statements in this annual report.

PROPERTY AND EQUIPMENT

Details of the movements in the property and equipment of the Group for the year ended 31 December 2023 are set out in note 14 to the consolidated financial statements in this annual report.

DIRECTORS

Directors during the year ended 31 December 2023 and up to the date of this directors' report

Executive Directors

Mr. XIAO Jian

(Chairman and Chief Executive Officer)

Mr. SIN Hendrick M.H.

(Vice Chairman)

Mr. FAN Yingjie

Non-executive Director

Mr. ZHANG Shengyan

Independent Non-executive Directors

Ms. NG Yi Kum

Mr. TANG Liang

Mr. HO Orlando Yaukai

Biographical details of the Directors and senior management members of the Company are set out in the section headed "Biographies of Directors and Senior Management" in this annual report.

Resignation of Directors

During the year ended 31 December 2023, no Directors resigned from office or refused to stand for re-election to office.

Confirmation of Independence of Independent Non-executive Directors

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors, and the Company considers such Directors to be independent during the year ended 31 December 2023.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save for the Contractual Arrangements and the formation of a partnership as disclosed in the section headed "Connected Transaction" in this annual report, to the best knowledge of the Directors, no Director, or any entity connected with a Director, is or was materially interested, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Company to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2023.

Rights and Interests of Directors on Competing Business

To the best knowledge of the Directors, during the year ended 31 December 2023, none of the Directors, or their respective close associates, had any interest in a business, apart from the business of the Group, which competed or is likely to compete, directly or indirectly, with the Group's business, and which would require disclosure under Rule 8.10 of the Listing Rules.

DIRECTORS' REPORT

Positions of Directors in Substantial Shareholders of the Company

During the year ended 31 December 2023, to the best knowledge of the Directors, the positions (as director or employee) of the Directors in a company which had an interest in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Director	Entity which had an interest in the Shares and underlying Shares which would fall to be disclosed under the SFO	Position
Mr. Xiao	Fairview Ridge	Director
	Motion Game	Director
	Profound Power	Director
	Ambitious Profit	Director
	Zhongshouyou Brothers BVI	Director
Mr. Sin	Fairview Ridge	Director
	Motion Game	Director
	Profound Power	Director
	Ambitious Profit	Director
	Silver Joyce	Director

Save as disclosed above, to the best knowledge of the Directors, none of the Directors is a director or employee of a company which has an interest in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed for the year ended 31 December 2023.

EMPLOYEES REMUNERATION AND RELATIONS

As at 31 December 2023, the Group had approximately 832 full-time employees (2022: 1,165). The success of the Group depends on its ability to attract, retain and motivate qualified personnel. As part of the Group's human resources strategy, the Group offers employees competitive salaries, performance based promotion systems and other incentives. Some of the Group's employees have also been granted share options under the Post-IPO Share Option Scheme. The Group provides training programmes to employees, including new hire training for new employees and continuing technical training for the Group's research and development team and game operation team to enhance their skill and knowledge.

REMUNERATION POLICY

A remuneration committee has been set up to assist the Board to develop and administer a formal and transparent procedure for setting policy on the remuneration of Directors and senior management, evaluating the performance of Directors and senior management, reviewing and approving the terms of incentive schemes (including the Post-IPO Share Option Scheme) and Directors' service contracts, and recommending to the Board the remuneration packages for all Directors and senior management. Emoluments of Directors shall be determined by the Board in accordance with the Company's remuneration policy, and with reference to Directors' experience, working performance and position as well as the market conditions.

Details of the emoluments of the Directors and five highest paid individuals for the year ended 31 December 2023 are set out in notes 9 and 10 to the consolidated financial statements in this annual report.

Mr. TANG Liang waived his own emolument of HKD180,000 for the year ended 31 December 2023.

POST-IPO SHARE OPTION SCHEME

On 20 September 2019, the Post-IPO Share Option Scheme of the Company was approved and adopted by the Shareholders. The Post-IPO Share Option Scheme is subject to Chapter 17 of the Listing Rules.

Purpose

The purpose of the Post-IPO Share Option Scheme is to incentivise and reward the eligible persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

Participants

The Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Post-IPO Share Option Scheme) may, at its absolute discretion, offer to

grant an option to subscribe for such number of Shares as the Board may determine to an employee (whether full time or part-time) or a director of a member of the Group or associated companies of the Company ("**Eligible Persons**").

Maximum Number of Shares in respect of which options may be granted

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme of the Company must not in aggregate exceed 10% of the total number of Shares issued as at the Listing Date, i.e. 226,100,000 (the "**Scheme Mandate Limit**"). The Scheme Mandate Limit represented approximately 8.2% of the Company's issued shares as at the date of this directors' report. Options lapse in accordance with the terms of the Post-IPO Share Option Scheme and any other schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit. The number of options that may be granted under the Post-IPO Share Option Scheme was 186,795,000 as at 1 January 2023 and 139,023,000 as at 31 December 2023.

The Board may, with the approval of the Shareholders in a general meeting, refresh the Scheme Mandate Limit provided that the total number of Shares which may be issued upon the exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes of the Company under the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares issued as at the date on which the Shareholders approve the refreshment of the Scheme Mandate Limit. Options previously granted under the Post-IPO Share Option Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the Scheme Mandate Limit as "refreshed". The Board may, with the approval of the Shareholders in a general meeting, grant options to any Eligible Person specifically identified by them which would cause the Scheme Mandate Limit to be exceeded. The Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

DIRECTORS' REPORT

At any time, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Post-IPO Share Option Scheme and any other schemes of the Company to Eligible Persons must not exceed 30% of the total number of Shares issued from time to time.

The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditor of the Company or an independent financial adviser appointed by the Board shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of the Company whether by way of capitalisation of profits or reserves, rights issue, consolidation or subdivision of shares, or reduction of the share capital of the Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction.

Maximum Entitlement of Each Individual

No options shall be granted to any Eligible Person under the Post-IPO Share Option Scheme and any other schemes of the Company which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of offer of such options, would exceed 1% of the Shares in issue at such date.

Any further grant of options to an Eligible Person in excess of this 1% limit shall be subject to the approval of the Shareholders in a general meeting with such Eligible Person and his or her associates abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Eligible Person in question, the number and terms of the options to be granted (and options previously granted to such Eligible Person) and such other information required under the Listing Rules.

The number and terms (including the exercise price) of the options to be granted to such Eligible Person must be fixed before the Shareholders' approval and the date of the Board meeting approving such further grant shall be taken as the date of grant for the purpose of determining the exercise price of the options.

Period within which an Offer of Options must be accepted

An offer of options shall be open for acceptance for such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify to the Eligible Person concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Post-IPO Share Option Scheme. An offer of options not accepted within this period shall lapse. An amount of RMB1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price.

Exercise Price

Subject to any adjustment made pursuant to the Post-IPO Share Option Scheme, the exercise price shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option;
- (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and
- (iii) the nominal value of the Shares.

Duration of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date (i.e. expiring on 31 October 2029), after which period no further options will be granted but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any option granted prior thereto which are at that time or become thereafter capable of exercise under the Post-IPO Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. Accordingly, as at 31 December 2023, the remaining life of the Post-IPO Share Option Scheme is approximately five years and ten months.

Time of vesting and exercise of options

Any option shall be vested on an option-holder immediately upon his or her acceptance of the offer of options provided that if any vesting schedule and/or conditions are specified in the offer of the option, such option shall only be vested on an option-holder according to such vesting schedule and/or upon the fulfilment of the vesting conditions (as the case may be). Such offer of options may also include any minimum period for which any option must be held before it can be exercised. Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board at its sole discretion may, unless the Board determines otherwise at its absolute discretion, be exercised at any time from the next business day after the offer of options has been accepted. Any option which remains unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option.

No option may be exercised in circumstances where such exercise would, in the opinion of the Board, be in breach of a statutory or regulatory requirement.

Restriction on the Time of Grant of Options

A grant of options may not be made after inside information has come to the Company's knowledge until such inside information has been announced as required under the Listing Rules. In particular, no option may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for the Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

Options granted under the Post-IPO Share Option Scheme

On 20 September 2019, the Post-IPO Share Option Scheme of the Company was approved and adopted by the Shareholders. The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date. The terms of the Post-IPO Share Option Scheme are governed by Chapter 17 of the Listing Rules. The purpose of the Post-IPO Share Option Scheme is to incentivise and reward the Eligible Persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

DIRECTORS' REPORT

The following table discloses movements in the Company's share options outstanding during the year ended 31 December 2023:

Name of Grantees	Date of grant of share options	Closing price of the Shares immediately before the date on which the share options were granted (HK\$)	Number of Shares underlying options outstanding as at 1 January 2023	Number of share options granted during the year	Number of share options exercised during the year	Weighted average price of Shares immediately before the date of exercise (HK\$)	Number of share options expired/lapsed/canceled during the year	Number of Shares underlying options outstanding as at 31 December 2023	Exercise period of share options ⁽¹⁾	Exercise price of share option per Share (HK\$)	Fair value of options at the date of grant ⁽⁷⁾ (HK\$)
Mr. Xiao	20 January 2023 ⁽⁴⁾	1.96	—	2,750,000	—	—	—	2,750,000	20 January 2023 to 19 January 2026	2.50	0.62
Mr. Sin	20 January 2023 ⁽⁴⁾	1.96	—	2,750,000	—	—	—	2,750,000	20 January 2023 to 19 January 2026	2.50	0.62
Mr. FAN Yingjie	29 March 2021 ⁽²⁾	2.83	2,000,000	—	—	—	—	2,000,000	29 March 2021 to 28 March 2024	2.90	0.95 - 0.96
	20 January 2023 ⁽⁴⁾	1.96	—	800,000	—	—	—	800,000	20 January 2023 to 19 January 2026	2.50	0.62
Mr. ZHANG Shengyan	20 January 2023 ⁽⁴⁾	1.96	—	200,000	—	—	—	200,000	20 January 2023 to 19 January 2026	2.50	0.62
Ms. NG Yi Kum	29 March 2021 ⁽²⁾	2.83	150,000	—	—	—	—	150,000	29 March 2021 to 28 March 2024	2.90	0.95 - 0.96
	20 January 2023 ⁽⁴⁾	1.96	—	200,000	—	—	—	200,000	20 January 2023 to 19 January 2026	2.50	0.62
Mr. TANG Liang	29 March 2021 ⁽²⁾	2.83	125,000	—	—	—	—	125,000	29 March 2021 to 28 March 2024	2.90	0.95 - 0.96
	20 January 2023 ⁽⁴⁾	1.96	—	200,000	—	—	—	200,000	20 January 2023 to 19 January 2026	2.50	0.62
Mr. HO Orlando Yaukai	29 March 2021 ⁽²⁾	2.83	125,000	—	—	—	—	125,000	29 March 2021 to 28 March 2024	2.90	0.95 - 0.96
	20 January 2023 ⁽⁴⁾	1.96	—	200,000	—	—	—	200,000	20 January 2023 to 19 January 2026	2.50	0.62
Other Employees	29 March 2021 ⁽²⁾	2.83	34,975,000	—	—	—	(2,228,000)	32,747,000	29 March 2021 to 28 March 2024	2.90	0.94 - 0.96
Other Employees	27 May 2022 ⁽³⁾	2.01	1,930,000	—	—	—	—	1,930,000	27 May 2022 to 28 March 2024	2.90	0.32 - 0.33
Other Employees	20 January 2023 ⁽⁴⁾	1.96	—	42,900,000	—	—	—	42,900,000	20 January 2023 to 19 January 2026	2.50	0.56 - 0.62
Total			39,305,000	50,000,000	—	—	(2,228,000)	87,077,000			

Notes:

- (1) With regard to the vesting conditions of the share options, the share options are exercisable, subject to the performance targets as specified by the Board having been satisfied.
- (2) The share options are exercisable in installments from the commencement of the relevant vesting period until 28 March 2024: (a) one third of the options can be exercised from 29 March 2021 to 28 March 2024; (b) one third of the options can be exercised from 29 March 2022 to 28 March 2024; and (c) the remaining one third of the options can be exercised from 29 March 2023 to 28 March 2024.
- (3) The share options are exercisable in installments from the commencement of the relevant vesting period until 28 March 2024: (a) two thirds of the options can be exercised from 27 May 2022 to 28 March 2024; and (b) the remaining one third of the options can be exercised from 29 March 2023 to 28 March 2024.
- (4) The share options are exercisable in installments from the date of grant until 19 January 2026: (a) half of the options can be exercised from 20 January 2023 to 19 January 2026; and (b) the remaining half of the options can be exercised from 20 January 2024 to 19 January 2026.
- (5) None of the grants of share options to any Eligible Persons is in excess of the 1% individual limit (as defined under Chapter 17 of the Listing Rules).
- (6) There was no related entity participant or service provider (as defined under Chapter 17 of the Listing Rules) with share options granted or to be granted by the Company exceeding 0.1% of the total issued Shares of the Company in any 12-month period; and the Company has not granted any share options to any related entity participants or service providers during the year ended 31 December 2023.
- (7) Details of the valuation of share options during the year ended 31 December 2023, including the accounting standard and policy adopted for the Post-IPO Share Option Scheme, are set out in notes 2.4 and 29 to the consolidated financial statements in this annual report.

Please refer to the Prospectus for full details of the terms and conditions of the Post-IPO Share Option Scheme.

The number of share options available for grant under the Post-IPO Share Option Scheme at the beginning and the end of the year ended 31 December 2023 were approximately 186,795,000 and 139,023,000 respectively.

During the year ended 31 December 2023, the ratio of the number of Shares that may be issued in respect of options granted under all share option schemes adopted by the Company (i.e. 62,077,000 share options) to the weighted average number of Shares in issue for the year (i.e. 2,756,548,000 Shares) was approximately 2.25%.

SHARE CAPITAL

Details of the movements in the share capital of the Company for the year ended 31 December 2023 are set out in note 28 to the consolidated financial statements in this annual report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, the interests and short positions of the Directors and the 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 had been 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 taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interest in the Shares

Name of Directors/ Chief Executive	Nature of Interest	Number of Shares held/ interested ⁽¹⁾	Approximate percentage of interest in the Company ⁽²⁾
Mr. Xiao	Founder of a discretionary trust, interest in a controlled corporation, beneficial interests and other ⁽³⁾	780,894,067(L)	28.37%
Mr. Sin	Interest in a controlled corporation, beneficial interests and other ⁽⁴⁾	822,137,663(L)	29.87%
Mr. FAN Yingjie	Beneficial Interests ⁽⁵⁾	3,718,000(L)	0.14%
Mr. ZHANG Shengyan	Beneficial Interests ⁽⁶⁾	200,000(L)	0.00%
Ms. NG Yi Kum	Beneficial Interests ⁽⁷⁾	350,000(L)	0.00%
Mr. TANG Liang	Beneficial Interests ⁽⁸⁾	325,000(L)	0.00%
Mr. HO Orlando Yaukai	Beneficial Interests ⁽⁹⁾	325,000(L)	0.00%

DIRECTORS' REPORT

Notes:

- (1) The letter "L" denotes the person's long position in such Shares.
- (2) The percentages are calculated on the basis of 2,752,672,000 Shares in issue as at 31 December 2023.
- (3) As at 31 December 2023, Mr. Xiao was interested in 780,894,067 Shares, among which, Mr. Xiao:
 - (i) was the beneficial owner of 14,236,000 Shares;
 - (ii) through ZSY Holding, a company which is nominated by Trident Trust Company (B.V.I.) Limited, the trustee of the Xiao Family Trust, (a) was deemed to be interested in 70,598,642 Shares held by his wholly-owned company, Zhongshouyou Brothers BVI; (b) was deemed to be interested in 693,309,425 Shares held by Fairview Ridge through Motion Game, Profound Power, Changpei Cayman and Ambitious Profit (the general partner of Changpei Cayman owned as to 64% by Zhongshouyou Brothers BVI); and
 - (iii) Mr. Xiao was also interested in share options for 2,750,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (4) As at 31 December 2023, Mr. Sin was interested in 822,137,663 Shares, among which, Mr. Sin (i) was the beneficial owner of 2,328,000 Shares; (ii) was deemed to be interested in 123,750,238 Shares held by his wholly-owned company, Silver Joyce; (iii) was deemed to be interested in 693,309,425 Shares held by Fairview Ridge through Motion Game, Profound Power, Changpei Cayman and Ambitious Profit (the general partner of Changpei Cayman owned as to 36% by Silver Joyce); and (iv) Mr. Sin was also interested in share options for 2,750,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (5) As at 31 December 2023, Mr. FAN Yingjie was interested in 3,718,000 Shares, among which, Mr. FAN Yingjie (i) was the beneficial owner of 918,000 Shares; and (ii) was interested in share options for 2,800,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (6) As at 31 December 2023, Mr. ZHANG Shengyan was interested in share options for 200,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (7) As at 31 December 2023, Ms. NG Yi Kum was interested in share options for 350,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (8) As at 31 December 2023, Mr. TANG Liang was interested in share options for 325,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (9) As at 31 December 2023, Mr. HO Orlando Yaukai was interested in share options for 325,000 Shares pursuant to the Post-IPO Share Option Scheme.

(ii) Interest in associated corporations

Name of Director	Name of associated corporation	Approximate percentage of shareholding
Mr. Xiao	Chengdu Zhuoxing ⁽¹⁾	31.53%
Mr. Xiao	Shenzhen Zhongshouyou ⁽¹⁾	31.53%
Mr. Xiao	Shenzhen Douyue ⁽¹⁾	31.53%

Note:

(1) Mr. Xiao, through Zhongshouyou Brothers PRC, indirectly held 31.53% equity interests of the PRC Operating Entities.

Save as disclosed above, as at 31 December 2023, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required 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 taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the Post-IPO Share Option Scheme, and the formation of a partnership as disclosed in the section headed "Directors' Report – Connected Transactions" in this annual report, at no time during the year ended 31 December 2023 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' REPORT

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

As at 31 December 2023, to the best knowledge of the Directors, the following persons had interests or short positions in the shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares held ⁽¹⁾	Approximate percentage of interest in the Company ⁽²⁾
Mr. Xiao	Founder of a discretionary trust, interest in a controlled corporation, beneficial owners and other ⁽³⁾	780,894,067(L)	28.37%
Trident Trust Company (B.V.I.) Limited	Trustee of a trust ⁽³⁾	763,908,067(L)	27.75%
ZSY Holding	Interest in a controlled corporation ⁽³⁾	763,908,067(L)	27.75%
Zhongshouyou Brothers BVI	Beneficial owner ⁽³⁾	70,598,642(L)	2.56%
	Interest in a controlled corporation ⁽³⁾	693,309,425(L)	25.19%
Mr. Sin	Interest in a controlled corporation, beneficial owners and other ⁽⁴⁾	822,137,663(L)	29.87%
Silver Joyce	Beneficial owner ⁽⁴⁾	123,750,238(L)	4.49%
	Interest in a controlled corporation ⁽⁴⁾	693,309,425(L)	25.19%
Fairview Ridge	Beneficial owner ⁽³⁾⁽⁴⁾	693,309,425(L)	25.19%
Motion Game	Interest in a controlled corporation ⁽³⁾⁽⁴⁾	693,309,425(L)	25.19%
Profound Power	Interest in a controlled corporation ⁽³⁾⁽⁴⁾	693,309,425(L)	25.19%
Changpei Cayman	Interest in a controlled corporation ⁽³⁾⁽⁴⁾	693,309,425(L)	25.19%
Ambitious Profit	Interest in a controlled corporation ⁽³⁾⁽⁴⁾	693,309,425(L)	25.19%
Zhongrong Trust	Interest in a controlled corporation ⁽⁵⁾⁽⁶⁾	369,461,107(L)	13.42%
Beijing Zhongrong Dingxin	Interest in a controlled corporation ⁽⁵⁾⁽⁶⁾	369,461,107(L)	13.42%
Dazi Dingcheng	Interest in a controlled corporation ⁽⁵⁾⁽⁶⁾	369,461,107(L)	13.42%
Shanghai Pegasus	Interest in a controlled corporation ⁽⁵⁾	293,327,517(L)	10.66%
Pegasus Technology	Interest in a controlled corporation ⁽⁵⁾	293,327,517(L)	10.66%
Pegasus BVI	Interest in a controlled corporation ⁽⁵⁾	293,327,517(L)	10.66%
Pegasus HK	Beneficial owner ⁽⁵⁾	293,327,517(L)	10.66%

Notes:

- (1) The letter "L" denotes the person's long position in such Shares.
- (2) The percentages are calculated on the basis of 2,752,672,000 Shares in issue as at 31 December 2023.
- (3) Mr. Xiao, (i) was the beneficial owner of 14,236,000 Shares; (ii) through ZSY Holding, a company which is nominated by Trident Trust Company (B.V.I.) Limited, the trustee of the Xiao Family Trust, (a) was deemed to be interested in 70,598,642 Shares held by his wholly-owned company, Zhongshouyou Brothers BVI; (b) was deemed to be interested in 693,309,425 Shares held by Fairview Ridge through Motion Game, Profound Power, Changpei Cayman and Ambitious Profit (the general partner of Changpei Cayman owned as to 64% by Zhongshouyou Brothers BVI); and (iii) Mr. Xiao was also interested in share options for 2,750,000 Shares pursuant to the Post-IPO Share Option Scheme. Ms. HUO Dongyan is the spouse of Mr. Xiao and was deemed to be interested in the 780,894,067 Shares Mr. Xiao is interested in.
- (4) Mr. Sin (i) was the beneficial owner of 2,328,000 Shares; (ii) was deemed to be interested in 123,750,238 Shares held by his wholly-owned company, Silver Joyce; (iii) was deemed to be interested in 693,309,425 Shares held by Fairview Ridge through Motion Game, Profound Power, Changpei Cayman and Ambitious Profit (the general partner of Changpei Cayman owned as to 36% by Silver Joyce); and (iv) Mr. Sin was also interested in share options for 2,750,000 Shares pursuant to the Post-IPO Share Option Scheme. Ms. SIN LO Siu Wai Sylvia is the spouse of Mr. Sin and was deemed to be interested in the 822,137,663 Shares Mr. Sin is interested in.
- (5) Pegasus Network HK Limited (響格瑟斯網絡香港有限公司) ("**Pegasus HK**"), a Hong Kong company, is wholly-owned by Pegasus Technology Limited ("**Pegasus BVI**"), a BVI company, which is in turn wholly-owned by Shanghai Pegasus Technology Development Limited (上海響歌科技發展有限公司) ("**Pegasus Technology**"), a PRC limited liability company. Pegasus Technology is owned as to 0.4% by an independent third party and 99.6% by Shanghai Pegasus Investment Centre (Limited Partnership) (上海響格瑟斯投資中心(有限合夥)) ("**Shanghai Pegasus**"), a PRC limited partnership, the general partner of which is Dazi Dingcheng Capital Investment Co., Ltd. (達孜縣鼎誠資本投資有限公司) ("**Dazi Dingcheng**"), a limited liability company established in the PRC, which is wholly-owned by Beijing Zhongrong Dingxin Investment Management Co., Ltd. (北京中融鼎新投資管理有限公司) ("**Beijing Zhongrong Dingxin**") and in turn wholly-owned by Zhongrong International Trust Co., Ltd. (中融國際信託有限公司) ("**Zhongrong Trust**").
- (6) Yichong Technology HK Limited (一翀科技香港有限公司) ("**Yichong HK**"), a Hong Kong company, held 76,133,590 Shares, representing approximately 2.76% of the total issued Shares, as at 31 December 2023. Yichong HK is wholly-owned by Yichong Technology Limited, a BVI company, which is in turn wholly-owned by Shanghai Jichong Technology Development Limited (上海紀翀科技發展有限公司) ("**Jichong Shanghai**"), a PRC limited liability company. Jichong Shanghai is owned as to 0.4% by an independent third party and 99.6% by Yichong Investment, a PRC limited partnership, the general partner of which is Dazi Dingcheng, a limited liability company established in the PRC, which is wholly-owned by Beijing Zhongrong Dingxin and in turn wholly-owned by Zhongrong Trust.

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any person (who were not directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein.

DIRECTORS' REPORT

PARTNERSHIP STRUCTURE OF CHANGPEI CAYMAN

Changpei Cayman is an exempted limited partnership registered in the Cayman Islands holding 25.19% of the total issued Shares as at 31 December 2023. The general partner of Changpei Cayman is Ambitious Profit, a company incorporated in the Cayman Islands and indirectly owned as to 64% by Mr. Xiao through Zhongshouyou Brothers BVI, and 36% by Mr. Sin through Silver Joyce.

As at 31 December 2023, Changpei Cayman was held by Ambitious Profit, the general partner, as to 0.004%, and Zhejiang Shiji Huatong Group Limited (a listed company on the Shenzhen Stock Exchange (SZSE: 002602)), the limited partner, as to 99.996%.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Group had not purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

EQUITY-LINKED AGREEMENTS

Other than the Post-IPO Share Option Scheme, during the year ended 31 December 2023, no equity-linked agreement was entered into by or subsisted in the Company, and there was no provision to enter into any agreement which will or may result in the Company issuing Shares.

CONNECTED TRANSACTIONS

Apart from the connected transaction disclosed below and the Contractual Arrangements as disclosed in the section headed "Directors' Report – Contractual Arrangements" in this annual report, the Company had no connected transactions during the year ended 31 December 2023 which are required to be disclosed in accordance with Chapter 14A of the Listing Rules.

CONTRACTUAL ARRANGEMENTS

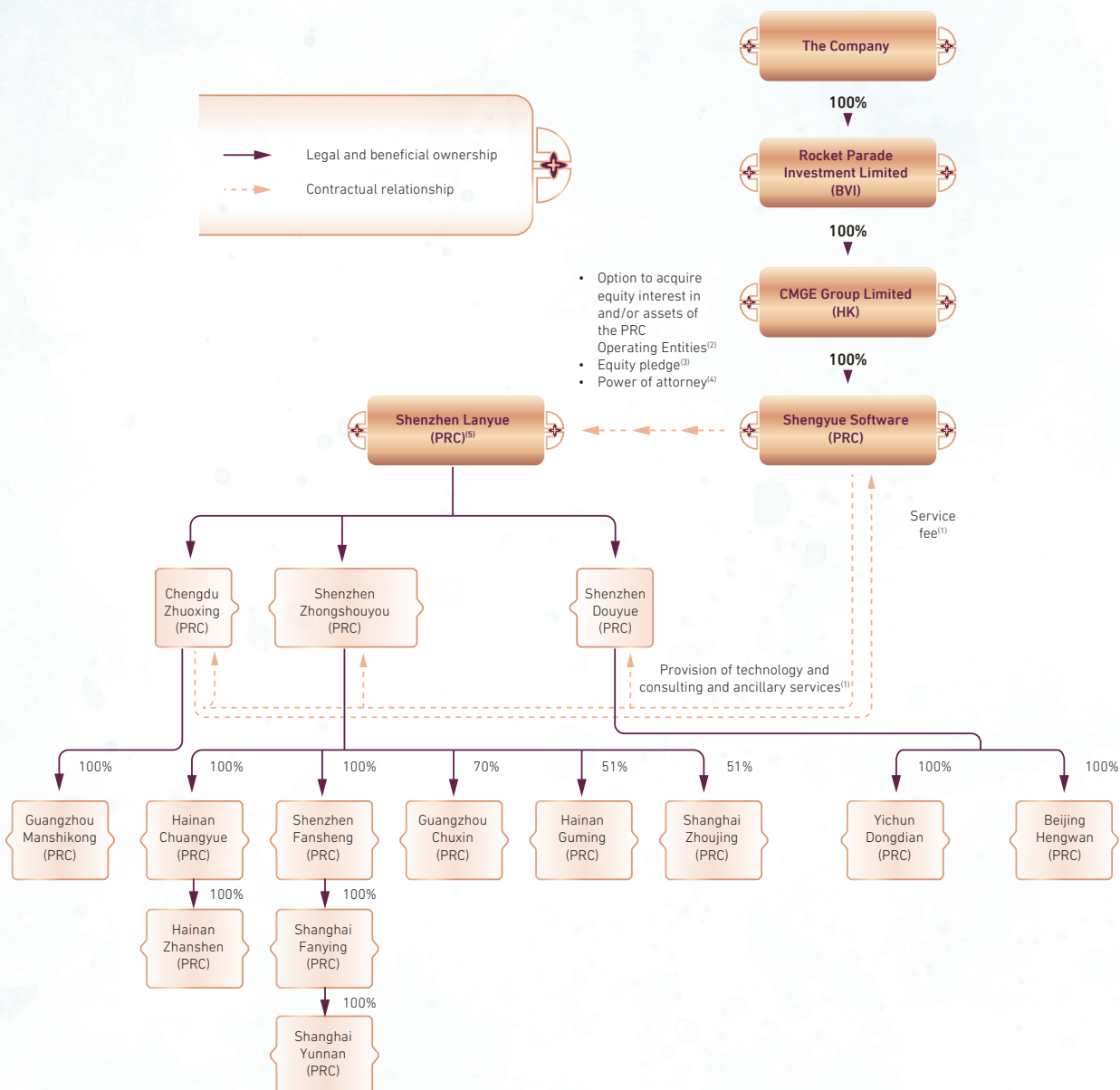
Shengyue Software, a wholly-owned subsidiary of the Company, has entered into a series of Contractual Arrangements with Shenzhen Lanyue and the PRC Operating Entities pursuant to which the Company would gain effective control over, and receive all the economic benefits generated by, the businesses operated by the PRC Operating Entities. Through the Contractual Arrangements, the results of operations and assets and liabilities of the PRC Operating Entities are consolidated into the results of operations and assets and liabilities of the Company under HKFRS as if they were subsidiaries of the Group.

The principal businesses of the PRC Operating Entities involve online publication and operation of online games on the mobile telecommunications network, which businesses are either restricted or prohibited for foreign investment in accordance with the Special Administrative Measures (Negative List) for Foreign Investment Access. The PRC Operating Entities are significant to the Group as they hold the requisite licenses, approvals and permits that are material for the Group's business in the PRC, including the value-added telecommunications service operating permit for internet information services, the online culture operation license and the online publication license. Most of the intellectual property rights of the Group, including trademarks, copyrights and domain names, are also held by the PRC Operating Entities.

The PRC Operating Entities contributed a significant portion of the Group's financial positions and results of operations. The total revenue generated by the PRC Operating Entities for the year ended 31 December 2023 amounted to RMB2,135.6 million (2022: RMB2,085.8 million), representing approximately 82.0% (2022: 76.9%) of the Group's total revenue. The total assets of the PRC Operating Entities as at 31 December 2023 amounted to RMB4,416.9 million (2022: RMB4,125.7 million), representing approximately 62.3% (2022: 57.7%) of the Group's total assets.

DIRECTORS' REPORT

The following simplified diagram sets forth the structure of the Contractual Arrangements:



Notes:

- (1) Please refer to the section headed "Exclusive Business Cooperation Agreements" below for further details.
- (2) Please refer to the section headed "Exclusive Option Agreements" below for further details.
- (3) Please refer to the section headed "Equity Pledge Agreements" below for further details.
- (4) Please refer to the section headed "Power of Attorney" below for further details.
- (5) As at the date of this directors' report, Shenzhen Lanyue is wholly-owned by CMGE Mobile Tech, which in turn is held as to 44.67% by Changpei Shanghai, 18.90% by Shanghai Pegasus, 31.53% by Zhongshouyou Brothers PRC and 4.90% by Yichong Investment.

Summary of the Contractual Arrangements

A brief description of each of the specific agreements that comprise the Contractual Arrangements is set out as follows:

(i) Exclusive Business Cooperation Agreements

On 30 May 2018, each of the PRC Operating Entities and Shengyue Software entered into the exclusive business cooperation agreements (the "**Exclusive Business Cooperation Agreements**") pursuant to which the PRC Operating Entities agreed to engage Shengyue Software as its exclusive consultant and service provider. Shengyue Software shall provide advice and recommendations to the PRC Operating Entities in respect of, among others, technology support, development, maintenance and upgrading of software, the use of software and intellectual property, web design, consulting services, and other business support and services that are necessary for the operations of the PRC Operating Entities. Without the prior written consent of Shengyue Software, during the term of the Exclusive Business Cooperation Agreements, the PRC Operating Entities shall not directly or indirectly accept from any third party services which are the same or similar to the services under the Exclusive Business Cooperation Agreements. The Exclusive Business Cooperation Agreements also provide that Shengyue Software has the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by the PRC Operating Entities during the performance of the Exclusive Business Cooperation Agreements.

The PRC Operating Entities shall pay to Shengyue Software a service fee that equals the profit of the PRC Operating Entities, after off-setting the prior-year loss (if any), actual operating cost, working capital requirements confirmed by Shengyue Software, and tax of the PRC Operating Entities in any given year, and Shengyue Software shall have the right to adjust the level of the service fee based on the actual service scope and with reference to the operating conditions and expansion needs of the PRC Operating Entities. Each of the PRC Operating Entities has agreed to pay the service fee within ten (10) days after each quarter end for the services provided in the preceding quarter.

The Exclusive Business Cooperation Agreements may be terminated by Shengyue Software by giving the PRC Operating Entities 30 days prior written notice of termination and shall be terminated upon the transfer of the entire equity interests in the PRC Operating Entities to Shengyue Software or its designated person pursuant to the Exclusive Option Agreements.

(ii) Exclusive Option Agreements

On 30 May 2018, each of the PRC Operating Entities, Shengyue Software and Shenzhen Lanyue entered into the exclusive option agreements (the "**Exclusive Option Agreements**") pursuant to which Shenzhen Lanyue jointly and severally granted to Shengyue Software or a third party designated by Shengyue Software irrevocable options to purchase, to the extent permitted by PRC laws and regulations, its equity interests in the PRC Operating Entities, entirely or partially, at RMB1 or a minimum purchase price permitted under PRC laws and regulations. Shengyue Software or the designated party may exercise such options at any time until it has acquired all equity interests of the PRC Operating Entities, subject to applicable PRC laws and regulations. It is also agreed that when the relevant PRC law permits the equity interests of the PRC Operating Entities to be directly held by Shengyue Software while it continues to operate its mobile game publishing and operation businesses, the parties will carry out all necessary actions to implement the transfer of all the shares of the PRC Operating Entities to Shengyue Software upon the exercise of the option granted under the Exclusive Option Agreements.

The Exclusive Option Agreements shall remain effective until they are terminated (i) by Shengyue Software by giving the PRC Operating Entities 30 days prior written notice of termination, or (ii) upon the transfer of the entire equity interests held by Shenzhen Lanyue in the PRC Operating Entities to Shengyue Software or its designee.

(iii) *Equity Pledge Agreements*

On 30 May 2018, each of the PRC Operating Entities, Shengyue Software and Shenzhen Lanyue entered into the equity pledge agreements (the "**Equity Pledge Agreements**") pursuant to which Shenzhen Lanyue agreed to pledge all of its equity interests in the PRC Operating Entities to Shengyue Software as security interest to secure performance of all its obligations and the obligations of the PRC Operating Entities under the Exclusive Business Cooperation Agreements and the Exclusive Option Agreements.

Under the Equity Pledge Agreements, if any of the PRC Operating Entities declares any dividend during the term of the pledge, Shengyue Software is entitled to receive all such dividends, bonus issue or other income arising from the pledged equity interests, if any. If Shenzhen Lanyue breaches or fails to fulfil the obligations under any of the aforementioned agreements, Shengyue Software, as the pledgee, will be entitled to dispose of the pledged equity interests. In addition, pursuant to the Equity Pledge Agreements, Shenzhen Lanyue has undertaken to Shengyue Software, among other things, not to transfer its equity interests in the PRC Operating Entities and not to create or allow any pledge thereon that may affect the rights and interests of Shengyue Software without its prior written consent.

The Equity Pledge Agreements shall remain effective until all the agreements (other than the Equity Pledge Agreements) underlying the Contractual Arrangements have been terminated.

(iv) *Power of Attorney*

On 30 May 2018, Shenzhen Lanyue, Shengyue Software and the PRC Operating Entities executed a power of attorney pursuant to which Shenzhen Lanyue irrevocably appointed Shengyue Software and its designee (including but not limited to the directors of Shengyue Software, Directors and their successors and liquidators replacing the Directors or the directors of Shengyue Software but excluding those non-independent or who may give rise to conflict of interests) as their attorneys-in-fact to exercise on their behalf, any and all rights

that they have in respect of their equity interests in the PRC Operating Entities, including without limitation, the rights to (i) attend shareholders' meetings, (ii) exercise voting rights in shareholders' meetings to appoint directors, supervisors and senior management, (iii) decide on any acquisition or disposal of the equity interest of Shenzhen Lanyue in the PRC Operating Entities or the winding-up or dissolution of the PRC Operating Entities, (iv) file documents with relevant governmental authorities or regulatory bodies, and (v) exercise such other shareholders' rights as stipulated under applicable PRC laws, rules and regulations and the articles of association of the PRC Operating Entities.

Shenzhen Lanyue, as the registered shareholder of the PRC Operating Entities, has undertaken that it will not directly or indirectly participate in, engage in, involve in, or own any business which potentially competes with Shengyue Software and the PRC Operating Entities.

Further, the power of attorney shall remain effective for so long as Shenzhen Lanyue holds equity interest in the PRC Operating Entities, unless Shengyue Software has given written instructions to the contrary.

Reasons for adopting the Contractual Arrangements

The Company and its direct wholly-owned subsidiary, Shengyue Software, as foreign investors, are prohibited from holding equity interests in the PRC Operating Entities, which operate mobile game publishing and operation businesses and are considered to be engaged in the provision of online publication business, online game operation business and value-added telecommunications business for which foreign investment is prohibited or restricted. In order to conduct the business in China through the PRC Operating Entities, the Group, through its wholly-owned subsidiary, Shengyue Software, entered into the Contractual Arrangements.

For further details of the foreign investment restrictions, please refer to the section headed "Contractual Arrangements - Introduction" on pages 244 to 248 of the Prospectus.

Risks relating to the Contractual Arrangements

There are certain risks that are associated with the Contractual Arrangements, including:

- (i) the Contractual Arrangements may not be as effective in providing operational control as direct ownership. The PRC Operating Entities or their shareholder, Shenzhen Lanyue, may fail to perform their obligations under the Contractual Arrangements;
- (ii) if the PRC government finds that the agreements that establish the structure for operating the Company's business in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Group could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of the Company's interest in the PRC Operating Entities;
- (iii) substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), which took effect on 1 January 2020, and how it may impact the viability of the Group's current corporate structure, corporate governance and business operations; and
- (iv) the Company may lose the ability to use and enjoy assets held by the PRC Operating Entities that are material to the Group's business operations if the PRC Operating Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding;
 - (a) the Company conducts its business operations in China through the PRC Operating Entities by way of the Contractual Arrangements. However, certain terms of the Contractual Arrangements may not be enforceable under PRC laws;

- (b) the Contractual Arrangements between Shengyue Software and the PRC Operating Entities may subject the Group to increased income tax due to the different income tax rates applicable to Shengyue Software and the PRC Operating Entities and adversely affect the results of operations of the Group; and
- (c) if the Group exercises the option to acquire equity ownership and assets of the PRC Operating Entities, the ownership or asset transfer may subject the Group to substantial costs.

For further details, please refer to the section headed "Risk Factors - Risks Related to Our Contractual Arrangements" on pages 63 to 68 of the Prospectus.

Actions taken by the Group to mitigate the risks relating to the Contractual Arrangements

The Group has adopted following measures to ensure the effective operation of the Group with the implementation of the Contractual Arrangements and the Group's compliance with the Contractual Arrangements:

- (i) as part of the internal control measures, major issues arising from implementation of the Contractual Arrangements will be regularly reviewed, at least on a quarterly basis, by the Board;
- (ii) matters relating to compliance and regulatory enquiries from government authorities (if any) will be discussed at these regular meetings;
- (iii) the relevant business units and operation divisions of the Group will report regularly, and no less frequently than on a monthly basis, to the senior management of the Company in relation to compliance and performance conditions under the Contractual Arrangements and other related matters;

DIRECTORS' REPORT

- (iv) the company seals, financial seals, contract seals and crucial corporate certificates of the PRC Operating Entities are kept by the Group's finance department. Any employee of the Group who wishes to use the seals will have to obtain internal approval from the business, legal and/or finance department(s) (as the case may be) of the Group, as well as approval from relevant department heads and vice presidents and the chief executive officer of the Company, depending on the importance or transaction value of the document to which the seal/seals will be affixed. The business, legal and/or finance departments constitute the Group's central management system and the persons in charge of these departments as well as the department members responsible for the custody and handling of the seals and crucial corporate certificates are employees of Shengyue Software or the Company;
 - (v) if necessary, legal advisers and/or other professionals will be retained to assist the Group to deal with specific issues arising from the Contractual Arrangements and to ensure that the operation and implementation of the Contractual Arrangements as a whole will comply with applicable laws and regulations;
 - (vi) the independent non-executive Directors will review the compliance of the Contractual Arrangements on an annual basis and their confirmation will be disclosed in the Company's annual reports;
 - (vii) to avoid potential conflicts of interest, the Board (including the independent non-executive Directors) will ensure that any designee or person or entity designated by Shengyue Software and Shenzhen Lanyue for the purpose of exercising any of the rights originally granted to Shengyue Software and/or such designee under the Contractual Arrangements shall be restricted to a legally-held subsidiary of the Company (and which will be under the management control of the Company) or an authorised director of the Company or a legally-held subsidiary (whom shall own fiduciary duties to the Company) and shall exclude any of its associates. The Board will also ensure that no rights shall be granted to any other third parties outside of the Group which do not owe any fiduciary duties to the Company;
 - (viii) the Board (including the independent non-executive Directors) will ensure that Shengyue Software will only approve and consent to the relevant operating entity carrying out the principal business and ancillary business of the Group which would otherwise be prohibited or restricted to be carried out by foreign invested entities under relevant PRC laws and regulations;
 - (ix) the Board (including the independent non-executive Directors) will ensure that the PRC Operating Entities shall retain and continue to hold all relevant intellectual properties, including trademarks, computer software, copyrights and domain names, required for the purpose of maintaining and renewing its operating licenses and permits as required by relevant PRC government authorities, and going forward and to the extent permissible under PRC laws and regulations, Shengyue Software or any other legally held member of the Group shall be the registered owner of the trademarks which will be material to the business of the Group; and
 - (x) the Group will unwind the Contractual Arrangements as soon as relevant PRC laws and regulations allow the principal business of the Group to be conducted and operated by the subsidiaries of the Company without such arrangements in place.
- To ensure that Shenzhen Lanyue and the PRC Operating Entities will comply with the Contractual Arrangements, the Group also introduced the following measures:
- (a) the three independent non-executive Directors will continue to play an independent role on the Board by reviewing the effective implementation of the procedures and controls referred to above and compliance with the Contractual Arrangements; and

- (b) in the event of the occurrence of a conflict of interests (where Shengyue Software has the sole and absolute discretion to determine whether such conflict arises), Shenzhen Lanyue shall take appropriate measures upon the consent of Shengyue Software or its designee to eliminate such conflicts, failing which Shengyue Software may exercise, to the extent permitted under the PRC laws, the option under the Exclusive Option Agreements.

Listing Rules Implications and Waiver from the Stock Exchange

The PRC Operating Entities will be treated as the Company's wholly-owned subsidiaries, and their directors, chief executives or substantial shareholders (as defined in the Listing Rules) and their respective associates will be treated as the Company's connected persons. Shenzhen Lanyue, which is the registered shareholder of the PRC Operating Entities, will be treated as a connected person of the Company. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

In view of the Contractual Arrangements, the Company has applied to the Stock Exchange, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.102 of the Listing Rules from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Rule 14A.105 of the Listing Rules, (ii) the annual cap requirement for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as Shares are listed on the Stock Exchange subject however to the conditions provided under the waiver. For further details, please refer to the section headed "Connected Transactions" on pages 269 to 273 of the Prospectus.

Material Change or Termination of the Contractual Arrangements

During the year ended 31 December 2023, (i) there were no new contractual arrangements entered into, renewed or reproduced between the Group and the PRC Operating Entities, (ii) there were no material changes in the Contractual Arrangements or the circumstances under which they were adopted, and (iii) none of the structured contracts under the Contractual Arrangements mentioned above has been unwound as none of the restrictions that led to the adoption of structured contracts under the Contractual Arrangements have been removed.

Annual Review

The Directors, including the independent non-executive Directors, have reviewed the Contractual Arrangements 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 agreements 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 reviewed the Contractual Arrangements and confirmed that:

- (a) the transactions carried out during the year ended 31 December 2023 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, and that the profit generated by the PRC Operating Entities has been substantially retained by Shengyue Software;
- (b) no dividends or other distributions have been made by the PRC Operating Entities or any non-wholly owned subsidiary of the Group to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and

DIRECTORS' REPORT

- (c) other than the Contractual Arrangements, no new contracts have been entered into, renewed and/or reproduced between the Group and the PRC Operating Entities during the year ended 31 December 2023.

The Auditor has confirmed in a letter to the Board confirming that the transactions under the Contractual Arrangements have been approved by the Board, the transactions carried out during the year ended 31 December 2023 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, and that no dividends or other distributions have been made by the PRC Operating Entities or any non-wholly owned subsidiary of the Group to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group. The Board confirmed that the auditor has issued an unqualified letter containing their conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2023 are set out in note 35 to the consolidated financial statements in this annual report.

None of the related party transactions or continuing related party transactions (as the case may be) constitutes a connected transaction or continuing connected transaction of the Company, and the Company has complied with all disclosure requirements in Chapter 14A of the Listing Rules.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

During the year ended 31 December 2023, the Group was not involved in any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that the Group believes is likely to have a material adverse effect on the Group's business, results of operations, financial condition or reputation. However, the Group is from time to time party to various legal, arbitration or administrative proceedings arising in the ordinary course of its business as a game publisher, operator and developer.

Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations which have a significant impact to the Group. As at the date of this directors' report, except as disclosed in the Prospectus, the Group complied with, in all material respects, all the relevant and applicable PRC laws and regulations governing the business of intellectual property development and management and the Group has obtained all licenses, permits and certificates for the purpose of operating its business.

As at the date of this directors' report, the Group is not involved in and the Board is not aware of any non-compliance incidents that might adversely affect the value of the Company's interests in them.

ISSUANCE OF SHARES AND DEBENTURES

During the year ended 31 December 2023, the Group did not make issuance of shares or debentures.

PERMITTED INDEMNITY PROVISION

Under the Articles of Association, every Director or other officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers. Such permitted indemnity provisions were in force during the year ended 31 December 2023.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. A report on the principle corporate governance practices adopted by the Company is set out in the corporate governance report of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of the issuer's total number of issued shares must at all times be held by the public. Based on information that is publicly available and to the best knowledge of the Directors, at least 25% of the Company's total issued shares was held by the public at all times during the year ended 31 December 2023.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands or under the Company's articles of association that require the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

The Directors have confirmed that during the year ended 31 December 2023, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters with the management. The Audit Committee, together with the Auditor, has reviewed the Group's consolidated financial statements for the year ended 31 December 2023. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Company.

DIRECTORS' REPORT

AUDITOR

The Company has appointed BDO Limited as its external auditor for the year ended 31 December 2023.

A resolution for BDO Limited's re-appointment as the Company's auditor and the authorisation to the Board to determine their remuneration will be proposed at the Company's forthcoming annual general meeting.

Ernst & Young was an external auditor of the Company for the financial years of 2019 and 2020 and resigned as the external auditor of the Company with effect from 8 April 2022. Details of such change of auditor were disclosed in the circular of the Company dated 25 March 2022.

By order of the Board

CMGE Technology Group Limited

XIAO Jian

Chairman

Hong Kong, 27 March 2024

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The following table presents certain information in respect of the members of the Board.

Members of the Board

Name	Age	Position	Date of Appointment as a Director
Mr. XIAO Jian (肖健)	44	Executive Director, Chairman and Chief Executive Officer	25 April 2018
Mr. SIN Hendrick M.H. (冼漢迪)	49	Executive Director and Vice Chairman	25 April 2018
Mr. FAN Yingjie (樊英傑)	53	Executive Director	23 December 2020
Mr. ZHANG Shengyan (張聖晏)	34	Non-executive Director	10 May 2021
Mr. JIANG Yukai (江育凱)	48	Non-executive Director	22 April 2024
Ms. NG Yi Kum (伍綺琴)	66	Independent Non-executive Director	20 September 2019
Mr. TANG Liang (唐亮)	46	Independent Non-executive Director	20 September 2019
Mr. HO Orlando Yaukai (何猷啟)	32	Independent Non-executive Director	20 September 2019

The biography of each Director is set out below:

Executive Directors

Mr. XIAO Jian (肖健), aged 44, is an executive Director, the chairman and the chief executive officer of the Company. Mr. Xiao is responsible for the overall business operation, management and strategic planning of the Group. Mr. Xiao has over 10 years of experience in the China mobile game industry, and is one of the founders of CMGE Group, the holding company of the Group's mobile game publishing business. He was the chief operating officer of CMGE Group from January 2011 to April 2012 and has been the chief executive officer of CMGE Group since April 2012 and a director since August 2012. Prior to that, in July 2007, Mr. Xiao founded Huiyou Digital (Shenzhen) Ltd. (匯友數碼(深圳)有限公司), a mobile game developer in the PRC, which was subsequently acquired by Crazy Sports Group Limited (瘋狂體育集團有限公司), formerly known as V1 Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0082), in October 2009.

Mr. Xiao is a recognised figure in the industry and was recognised as (i) a "Top Ten Influencer (十大影響力人物)" by Game Publishing Committee of China Audio-Video and Digital Publishing Association (中國音數協遊工委) for three consecutive years from 2014; (ii) an "Outstanding Entrepreneur of China's Game Industry (中國遊戲行業優秀企業家)" by China Culture and Entertainment Association (中國文化娛樂協會) for three consecutive years from 2015; (iii) "The Person of the Year in the Industry (年度行業風雲人物)" by Sina Games (新浪遊戲) in 2015 and 2018; (iv) a "Top Ten Person (十大風雲人物)" by China.com (中華網) in 2015; (v) among the "Top Ten CEOs of Influence (十大影響力CEO)" in 2015 and 2016 and "The Most Influential Person in the Industry (年度行業領軍人物)" in 2017 by Mobile Hardcore Alliance (硬核聯盟); (vi) a "Top Ten Person of the Year (十大風雲人物)" by the Youthun Club (遊聯社) in 2016; (vii) "The Most Influential Person in the Industry (最具業內深度影響力人物)" jointly by "Internet Weekly (互聯網週刊)" of the Chinese Academy of Sciences (中國科學院) and the Informatisation Research Centre of the Chinese Academy of Social Sciences (中國社會科學院信息化研究中心) in 2017 and 2018; (viii) the "2017 Tianfu Award-winning Influencer (2017年度天府獎影響力人物)" by CMGC in 2017; (ix) the "Outstanding Entrepreneur of Guangdong Province (廣東省優秀企業家)" by Guangdong Provincial Enterprise Confederation (廣東省企業聯合會組織) and Guangdong Provincial Entrepreneur Association (廣東省企業家協會) in 2017 and 2019; (x) a director of Shenzhen Young Entrepreneurs Federation (深圳市青年企業家聯合會) in 2017; and (xi) an expert of the Association of Game Industry of Guangdong (廣東省遊戲產業協會) in 2018.

Mr. Xiao graduated from South China Normal University (華南師範大學) in February 2009 with a bachelor's degree in law through online education, and from Beijing University of Aeronautics and Astronautics (北京航空航天大學) in July 2014 with a master's degree in software engineering.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. SIN Hendrick M.H. (洗漢迪), aged 49, is an executive Director and the vice chairman of the Company. Mr. Sin is responsible for the overall business operation, management and strategic planning of the Group. Mr. Sin has over 26 years of experience in corporate management, finance and investment banking. Mr. Sin has been a director and vice chairman of CMGE Group since January 2011. Mr. Sin has been serving as an independent non-executive director of Evergreen Products Group Limited, a hair product manufacturing company whose shares are listed on the Stock Exchange (stock code: 1962) since June 2017, and has been serving as an independent non-executive director of 36 Kr Holdings Inc., a publishing and data company whose shares are listed on the NASDAQ (stock symbol: KRKR) since November 2019. Mr. Sin has also been appointed as an independent non-executive director, the chairman and a member of Nomination Committee of Hong Kong Economic Times Holdings Limited, a company listed on the Stock Exchange (stock code: 423), with effect from 1 January 2022. Mr. Sin has been serving as an independent non-executive Director of China Tower Corporation Limited, an information communications infrastructure service provider whose shares are listed on the Stock Exchange (stock code: 788), since October 2022. Mr. Sin has also been serving as an independent non-executive Director of Tianjin Development Holdings Limited, an investment holding company principally engaged in the supply of electricity, water, heat and thermal power, whose shares are listed on the Stock Exchange (stock code: 882), since March 2023.

Mr. Sin is (i) the president of the Internet Professional Association (香港互聯網專業協會), (ii) the executive vice-chairman of the Hong Kong Software Industry Association (香港軟件行業協會), and (iii) a member of the Hong Kong Institute of Directors (香港董事學會). Mr. Sin has been appointed as a member of the fourteenth session of Tianjin Municipal's Standing Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議天津市第十四屆委員會常委). Mr. Sin was awarded the Young Industrialist Award of Hong Kong of 2018 by Federation of Hong Kong Industries in November 2018. Mr. Sin was recognised as one of China's 100 Most Popular Investors as Voted by Startup Entrepreneurs (中國最受創業者歡迎投資人TOP 100) by 36Kr from 2018 to 2021, respectively, and as one of the Top 10 Investors of Chinese

Cultural Industry in 2018-2019 (2018-2019年度中國文化產業十佳投資人物) by Chinese Venture (融資中國). Mr. Sin was also awarded Linghang Outstanding Entrepreneur the Guangdong-Hong Kong-Macao Greater Bay Area Award (領航粵港澳大灣區傑出企業家獎) at "Leading 9+2" First Guangdong-Hong Kong-Macao Greater Bay Area Development Forum ("領航9+2"首屆粵港澳大灣區發展論壇) in March 2021. In addition, Mr. Sin was awarded the InnoStars Award 2021 (香港創新領軍人物大獎 2021) by Our Hong Kong Foundation (團結香港基金) in July 2022.

Mr. Sin received the Medal of Honour awarded from the Government of Hong Kong on 1 July 2021 and has been elected as a deputy of the fourteenth National People's Congress in Hong Kong SAR (香港特別行政區第十四屆全國人民代表大會代表) on 15 December 2022.

Mr. Sin graduated from Stanford University in June 1997 with a master's degree in engineering in economic systems and operations research. Mr. Sin received his triple bachelor's degrees in computer science/mathematics, economics and industrial management from Carnegie Mellon University in May 1996.

Mr. FAN Yingjie (樊英傑), aged 53, is an executive Director. Mr. Fan is the chairman and the chief executive officer of Wenmai Hudong, an indirect wholly-owned subsidiary of the Company specialising in mobile game development. He is also the sole director of the subsidiaries of Wenmai Hudong. Mr. Fan has over 15 years of experience in the game development industry in the PRC. Since the establishment of Wenmai Hudong in 2014, Mr. Fan has been responsible for its overall business operation, management and strategic planning. Mr. Fan is also the chief producer of some of the Company's popular self-developed games, including *Legend of Dragon City* (龍城傳奇), *Blood Legend* (血飲傳說), *War Song - the Creation* (熱血戰歌之創世), *Dragon Buster* (屠龍戰記) and *The World of Legend - Thunder Empire* (傳奇世界之雷霆霸業).

Mr. Fan graduated from Handan University (邯鄲大學) (now known as Handan Polytechnic College (邯鄲職業技術學院)) majoring in business management in 1994.

Non-executive Directors

Mr. ZHANG Shengyan (張聖晏), aged 34, is a non-executive Director. He is the Vice President of Bilibili, in charge of the Copyright Cooperation Centre and Investments and Acquisitions Department. He is also the Vice-Chairman of the Beijing Documentary Development Association (首都紀錄片發展協會).

Mr. Zhang has been responsible for Bilibili's investments and acquisitions businesses, purchases of Chinese and foreign copyrighted contents, and IP commercialization operations. Being engaged in the development of the Chinese originality brand name of "Made by Bilibili", Mr. Zhang has also participated in the investment, production and distribution of a number of premium contents. He has played a leading role in the setting of Bilibili's original ecology in the areas of Chinese original animated cartoons and documentaries, and has successfully produced and run a number of highly popular and reputable projects including "The Story of Chuaner" and "Incarnation".

Mr. Zhang holds a bachelor's degree in Economics from Shanghai University of Finance and Economics in 2011 and a master's degree of Science in Economic, Finance and Management from University of Bristol in 2012. He is an intermediate economist, holding a practicing license in securities issued by the Securities Association of China and a professional qualification of Chartered Financial Analyst (CFA) from CFA Institute.

Mr. JIANG Yukai (江育凱), aged 48, is a non-executive Director. He is the investment director of Guangdong Pearl River Investment Management Group Company Limited (廣東珠江投資管理集團有限公司), and is in charge of foreign investment.

Mr. Jiang has been responsible for equity investment and merger and acquisition as well as private fund investment business of Pearl River Investment Management Group. He led the investments of various ultra-large infrastructure projects including the world's largest coal-fired power generating units of Guangdong Huaxia Yangxi power plant (廣東華廈陽西電廠), and took the lead to complete issues such as equity acquisition of HYCAN (originally, a joint venture of GAC Group and NIO Inc.) and preparation and establishment of private fund of Pearl River GLP logistics (珠江·普洛斯物流). Mr. Jiang also possesses abundant investment experience in domestic and foreign capital markets.

Mr. Jiang obtained a bachelor's degree in accounting from Guangdong University of Finance & Economics in 2000. He is a Certified Internal Auditor and holds qualifications for engagement in securities, funds and futures.

Independent non-executive Directors

Ms. NG Yi Kum (伍綺琴), aged 66, is an independent non-executive Director. Ms. Ng has over 12 years of experience in serving listed companies. She has been serving as (i) an executive director of Tse Sui Luen Jewellery (International) Limited, a company listed on the Stock Exchange (stock code: 0417) since December 2015, (ii) an independent non-executive director of Powerlong Commercial Management Holdings Limited, a company listed on the Stock Exchange (stock code: 9909) since December 2019, (iii) an independent non-executive director of Tianjin Development Holdings Limited, a company listed on the Stock Exchange (stock code: 0882) since July 2010, (iv) an independent non-executive director of Comba Telecom Systems Holdings Limited, a company listed on the Stock Exchange (stock code: 2342) since March 2019, and (v) an independent non-executive director of KWG Living Group Holdings Limited (stock code: 3913) since October 2020. Ms. Ng was an independent non-executive director of CT Vision S.L. (International) Holdings Limited (formerly known as CT Vision (International) Holdings Limited), a company listed on the Stock Exchange (stock code: 0994) from July 2019 until 30 June 2022. She did not offer herself for re-election at its annual general meeting, and accordingly, has retired from its board with effect from 30 June 2022.

From June 2013 to August 2019, Ms. Ng served as an independent non-executive director of China Power Clean Energy Development Company Limited, a company listed on the Stock Exchange and delisted in August 2019 (stock code: 0735). From May 2016 to May 2017, Ms. Ng served as an independent non-executive director of DS Healthcare Group, Inc., a company listed on the NASDAQ and delisted in December 2016 (stock symbol: DSKX). From September 2012 to August 2015, Ms. Ng served as an independent non-executive director of CMGE Group, a company listed on the NASDAQ and delisted in August 2015 (stock symbol: CMGE). From December 2011 to June 2013, Ms. Ng served as an independent non-executive director of China Finance Investment Holdings Limited (formerly known as Cypress Jade Agricultural Holdings Limited and Ever Fortune International Holdings Limited), a company listed on the Stock Exchange (stock code: 0875). From September 2008 to July 2015, Ms. Ng served as an independent non-executive director of Hong Kong Resources Holdings Company Limited (formerly known as Ocean Grand Chemicals Holdings Limited), a company listed on the Stock Exchange (stock code: 2882). From January 2008 to April 2014, Ms. Ng served as the chief financial officer of Country Garden Holdings Company Limited, a company listed on the Stock Exchange (stock code: 2007). From September 2005 to November 2007, she served as an executive director of Hang Lung Properties Limited, a company listed on the Stock Exchange (stock code: 0101).

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Ng graduated from the Hong Kong University of Science and Technology with a master's degree in business administration in 1995. She is a fellow member of the Institute of Chartered Accountants in England and Wales, an associate of the Hong Kong Institute of Chartered Secretaries, a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, and a member of the American Institute of Certified Public Accountants.

Mr. TANG Liang (唐亮), aged 46, is an independent non-executive Director. Mr. Tang has been serving as (i) an executive director and Chairman of Starlight Culture Entertainment Group Limited, a company listed on the Stock Exchange (stock code: 1159) since September 2020; (ii) the director of We Doctor Holdings Limited since December 2020, currently serves as a non-executive director; (iii) the chairman and general manager of China Investment Financial Holdings Fund Management Company Limited (中投中財基金管理有限公司) since April 2015; (iv) the director of New Journey Health Group Ltd (新里程健康集團有限公司) (formerly known as New Journey Hospital Group Ltd. (新里程醫院集團有限公司)) since June 2019; (v) the chairman of CAS Health Industry (Beijing) Co., Ltd. (中科健康產業(北京)有限公司) since December 2016; (vi) the chairman of China HE HeYue Private Equity Fund Management Co., Ltd. (合肥中合悅私募基金管理有限公司) (formerly known as Hefei CIFH Private Equity Fund Management Co., Ltd. (合肥中投中財私募基金管理有限公司)) since December 2016; (vii) the chairman and the general manager of Hefei China Film CIFH Investment Management Co., Ltd. (合肥中影中投中財投資管理有限公司) since March 2017; (viii) the director of Zhongke Zhiyun Technology Co., Ltd. (中科智雲科技有限公司) since June 2018, currently serves as the chairman; (ix) the director of each Dragonstone Capital Management Limited (龍石資本管理有限公司) and CIFH International Holdings Limited (formerly known as CICFH International Consulting Limited) since November 2020; and (x) an outside director and supervisor of Actoz Scott Co., Ltd, a company listed on the Korea Exchange (stock code: 052790.KQ) in March 2021, with the term until March 2027. Mr. Tang served as an independent director of Tencent Music Entertainment Group, a company listed on the New York Stock Exchange (stock symbol: TME) from April 2014 to September 2022.

Mr. Tang graduated from Peking University in July 2000 with a bachelor's degree in law. Mr. Tang received a master's degree in litigation law from Peking University in July 2002, a master's degree in law from Yale University in June 2003 and a master's degree in science of law from Stanford University in June 2005.

Mr. HO Orlando Yaukai (何猷啟), aged 32, is an independent non-executive Director. Mr. Ho served as a director of Koo Tech Limited (酷奧科技有限公司) from October 2014 to January 2020, an assistant manager of UNIR (HK) Management Ltd since 2013, a director of UNIR Australia Pty Ltd Group since August 2014, a director of Tinon Investments Ltd since December 2019, a director of Skyin Ltd since March 2020, a chairman of New Blue Ocean Advertisement (Macau) Ltd since January 2018, a chief executive officer of OSMAN Entertainment Ltd since May 2018, a vice chairman of Tung Wah Group of Hospitals (東華三院) since 2020 and a director of the same institution since April 2016, and a general manager of Guangzhou Luhuh Golf & Country Club (廣州麓湖高爾夫球鄉村俱樂部) from March 2016 to July 2023. Mr. Ho served as (i) a member of the Standing Committee of the 12th Guangxi Zhuang Autonomous Region Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆廣西壯族自治區委員會常務委員) from February 2018 to January 2023, and (ii) a member of the 11th Guangxi Zhuang Autonomous Region Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十一屆廣西壯族自治區委員會) from December 2014 to January 2018. Mr. Ho has also served as (i) the executive vice-chairman of the Hong Kong CPPCC Youth Association (香港政協青年聯會) since May 2016 and the executive vice-president of the same institution from May 2014 to April 2016, (ii) the chairman of the Hong Kong Guangxi Sports Association (香港廣西體育總會) since March 2014 and the executive vice president of the same institution from November 2013 to February 2014, (iii) the executive vice-chairman of the Hong Kong Guangxi Youth Organisations (香港廣西青年聯會) since March 2014, (iv) the executive vice-president of the Federation of Hong Kong Guangxi Community Organisation (香港廣西社團總會) since November 2013, (v) the vice-chairman of the Hong Kong Volunteers Federation (香港義工聯盟) since November 2015, and (vi) the honorary president of the Anti-Drug Army of Hong Kong Limited (香港禁毒兵團) since January 2015.

Mr. Ho graduated from Bentley University in the United States with a bachelor's degree in science in corporate finance and accounting in October 2013.

SENIOR MANAGEMENT

The following table presents certain information in respect of the senior management personnel of the Group (other than the executive Directors).

Name	Age	Roles and responsibilities
Ms. LIANG Yan (梁燕)	45	A partner and a vice president of the Company responsible for the Group's internal control management, budget management, legal department management, business operation analysis and investment execution matters
Mr. WANG Xiaolin (王曉霖)	39	A partner and a vice president of the Company responsible for the Group's domestic and overseas product distribution and operations related matters of Spark Universe BU (星火宇宙發行事業部) in China
Mr. YUAN Yu (袁宇)	47	A partner and a vice president of the Company responsible for the Group's IP introduction, CP introduction and IP authorisation
Mr. WANG Tao (王濤)	50	A vice president of the Company responsible for the Group's general office of party building department (總辦黨建部) management
Mr. ZHOU Daojun (周道軍)	45	A vice president of the Company responsible for the Group's management of the data middle platform technology
Ms. LAI Yau Yan Gladys (黎佑欣)	44	The financial controller and company secretary of the Company

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biography of each senior management member is set out below:

Ms. LIANG Yan (梁燕), aged 45, is a partner and a vice president of the Company. Ms. Liang is primarily responsible for the Group's internal control management, budget management, legal department management, business operation analysis and investment execution matters. Ms. Liang has nearly 10 years of experience in corporate management and operation. She joined Huiyou Digital (Shenzhen) Ltd. (匯友數碼(深圳)有限公司) in December 2010 and served as its vice president from August 2012 to November 2015. Ms. Liang also served as the vice president of Shenzhen Douyue since November 2015 and then served as its partner until February 2018. Since March 2018, she has been serving as a vice president and partner of Shenzhen Shengli Huyu. Since May 2018, she has also been serving as the director of Beijing Softstar. Since May 2020, she has been a partner and a vice president of Hainan Chuangyue. Prior to joining the Group, from August 2008 to August 2009 and from August 2009 to November 2010, Ms. Liang worked at Shenzhen KKFUN Software Development Co., Ltd. (深圳市快樂風軟件開發有限公司) as a vice director of the network business department and a director of its production development department, respectively. She received her bachelor's degree in engineering in mechanical design and manufacture from Northwest Textile Science and Technology University (西北紡織工學院, which was renamed as Xi'an Polytechnic University (西安工程大學) in 2006) in July 2000.

Mr. WANG Xiaolin (王曉霖), aged 39, is a partner and a vice president of the Company. Mr. Wang is primarily responsible for the Group's domestic and overseas product distribution and operations related matters of Spark Universe BU (星火宇宙發行事業部) in China. Mr. Wang has over ten years of experience in the game and technology industries. He joined the Group in February 2014 and has consecutively served as a vice general manager and general manager of Chengdu Zhuoxing, and as vice general manager of Tianjin Suiyue Technology Co., Ltd. (天津隨悅科技有限公司). Mr. Wang has also been a partner of the Company and vice president of the Group since November 2016. Prior to joining the Group, Mr. Wang worked at former cooperative product department of Tencent Technology (Shenzhen) Co., Ltd. (騰訊科技(深圳)有限公司) as an operation manager of WARFACE product from December 2010 to February 2014, where he was primarily responsible for overall project operation and team management. He received his bachelor's degree of engineering in inorganic non-metal material engineering from Hehai University (河海大學) in June 2007 and his master of science in technology management from University of Bridgeport in May 2009.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. YUAN Yu (袁宇), aged 47, is a partner and a vice president of the Company. He is responsible for the Group's IP introduction, CP introduction and IP authorisation. Mr. Yuan has nearly 20 years of experience in business management and operation. He joined the Group in May 2015 and served as a general manager of a copyright centre of Shenzhen Lanyue and has been serving as its vice president and partner since November 2016. Mr. Yuan has also been serving as the vice president and partner of Shenzhen Shengli Huyu since March 2018. Prior to joining the Group, (i) from July 2013 to May 2015, he served as a senior strategic project manager of Walt Disney (Beijing) Co., Ltd. (華特迪士尼(北京)有限公司) and then as the senior business development manager of Walt Disney Company (China) Limited (華特迪士尼(中國)有限公司), responsible for channel docking, authorisation of intellectual property and games and channel related matters, (ii) from August 2012 to June 2013, he served as an assistant vice president of ME Marketing Centre of Madhouse Inc. (上海億動商道廣告有限公司), responsible for marketing and customer management, (iii) from February 2006 to April 2011, he served as the regional marketing director of Huayou Times Technology Development Co., Ltd (華友時代科技發展有限公司) (formerly known as Shengda Wireless (Beijing) Technology Development Co., Ltd. (盛大無線(北京)技術發展有限公司)), responsible for sales and marketing in the region, and (iv) from June 1999 to March 2001, Mr. Yuan served as a regional supervisor of handheld products of Lenovo (Beijing) Co., Ltd. (聯想(北京)有限公司). He graduated from Northeastern University (東北大學) with a bachelor's degree in engineering in July 1999.

Mr. WANG Tao (王濤), aged 50, is a vice president of the Company. Mr. Wang is responsible for the Group's general office of party building department (總辦黨建部) management. Mr. Wang has over fourteen years of experience in talent training and development in game industry and business operations. He joined the Group in November 2015 and served as a vice president of Shenzhen Lanyue from November 2015 to March 2016. Mr. Wang then served as a vice president of Beijing China Mobile Games Technology Co., Ltd. (北京中手游科技有限公) in April 2016 and has been serving as its partner since November 2016. Mr. Wang also served as a partner and vice president of Shenzhen Douyue from April 2017 to February 2018. Mr. Wang served as the partner and vice president of Shenzhen Shengli Huyu from March 2018 to May 2018 and has been serving as a partner and vice president of Shengyue Software since June 2018. Prior to joining the Group, (i) from April 2014 to November 2015, he served as a chief manager of Guangzhou Zhengyou Information Technology Co., Ltd. (廣州正遊信息科技有限公司), responsible for development and distribution of web and mobile game projects and the daily operation of the company, (ii) from January 2013 to March 2014, he served as a human resources director of Guangzhou Feiying Information Technology Co., Ltd. (廣州菲音信息科技有限公司), (iii) from December 2007 to April 2011, he served as a manager of the training centre of Changyou.com Limited (北京暢遊天下網絡技術有限公司), responsible for staff's business skills training, and (iv) from April 2011 to October 2012, he served as a senior human resources manager of Beijing Oak Pacific Interactive Information Technology Co., Ltd. (北京千橡網景科技發展有限公司), responsible for the development of personnel organisation and staff training. Mr. Wang graduated from Beijing Wuzi University (北京物資學院) majoring in marketing with a bachelor's degree in business administration in July 1999.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. ZHOU Daojun (周道軍), aged 45, is a vice president of the Company. Mr. Zhou is primarily responsible for the Group's management of the data middle platform technology (中台). Mr. Zhou has more than 20 years of experience in technology management. Mr. Zhou joined the Group in January 2015 and served as the deputy general manager and general manager of the information center and the general manager of the technology center. Prior to joining the Group, Mr. Zhou worked at China Unicom (中國聯通), and had extensive working experience on billing system of telecommunication operators. Mr. Zhou received his bachelor's degree in Engineering in computer communication from Xi'an College of Posts and Telecommunications (西安郵電學院) (2012 renamed as Xi'an University of Posts and Telecommunications (西安郵電大學)) in July 2002.

Ms. LAI Yau Yan Gladys (黎佑欣), aged 44, is the financial controller and company secretary of the Company. Ms. Lai joined China Mobile Games and Entertainment Group (HK) Limited, an indirect wholly-owned subsidiary of the Company, as an assistant finance manager in July 2014, and was promoted to financial controller in April 2018. Ms. Lai was also appointed as the secretary of the Company on 19 June 2018. Ms. Lai has over 20 years of experience in financial reporting as well as management reporting. Ms. Lai served as an assistant accounting manager at Hutchison Whampoa Properties Limited from June 2012 to April 2014, a senior accountant at PCCW Limited from October 2008 to June 2012, an accountant at Hutchison Telecommunications International Limited from October 2005 to April 2008 and a senior accountant at Ernst & Young from September 2001 to September 2005.

Ms. Lai graduated from the University of British Columbia in Canada with a bachelor's degree in commerce in accounting in May 2001. Ms. Lai has also been a member of the American Institute of Certified Public Accountants since September 2004, a member of the Hong Kong Institute of Certified Public Accountants since September 2005 and an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) since March 2020. She holds dual qualifications of Chartered Secretary and Chartered Governance Professional. She was qualified as a Certified Internal Auditor of the Institute of Internal Auditors in July 2008. She is also a Chartered Global Management Accountant accredited by the American Institute of Certified Public Accountants in February 2012.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound governance policies and measures, and the Board is responsible for performing such corporate governance duties. The Board will continue to review and monitor the corporate governance of the Company, as well as various internal policies and procedures, including those applicable to employees and Directors with reference to the CG Code and other applicable legal and regulatory requirements.

During the year ended 31 December 2023, the Company complied with the applicable code provisions of the CG Code, except for a deviation from code provision C.2.1 of the CG Code.

Roles of Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Group does not have a separate chairman and chief executive officer and Mr. Xiao currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board currently comprises three executive Directors (including Mr. Xiao), one non-executive Director and three independent non-executive Directors, and therefore has a fairly strong independence element in its composition. The Board considers that the balance of power and authority under the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider separating the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Company as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors, senior management members, and employees who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the year ended 31 December 2023. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management members or relevant employees of the Group during the year ended 31 December 2023.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Company, oversees the Company's strategic decisions and monitors business and performance. The Board decides all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors may have recourse to independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

All Directors have carried out their duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

CORPORATE GOVERNANCE REPORT

Delegation by the Board

The Board has delegated the authority and responsibility for day-to-day management and operation of the Company to the senior management of the Company. The senior management team meets as frequently as necessary to formulate policies and make recommendations to the Board. The senior management team administers, enforces, interprets and supervises compliance with the internal rules and operational procedures of the Group and conducts regular reviews, recommends and advises on appropriate amendments to such rules and procedures. The senior management team reports to the Board on a regular basis and communicates with the Board whenever required.

These delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Board Composition

The Company has a Board with a balanced composition of executive and non-executive Directors (including independent non-executive Directors).

As at 31 December 2023, the Board comprised:

- **Three executive Directors:**
Mr. XIAO Jian (*Chairman*), Mr. SIN Hendrick *M.H.* and Mr. Fan Yingjie
- **One non-executive Director:**
Mr. ZHANG Shengyan
- **Three independent non-executive Directors:**
Ms. NG Yi Kum, Mr. TANG Liang and Mr. HO Orlando Yaukai

The Company has appointed Mr. JIANG Yukai as a non-executive Director with effect from 22 April 2024.

To the best knowledge of the Board, there is no particular relationship (including financial, business, family or other material or relevant relationship) between members of the Board or senior management members during the year ended 31 December 2023 and up to the date of this annual report.

Since 1 January 2023 and up to the date of this annual report, the Company has complied with the requirements under:

- (i) Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise; and
- (ii) Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive directors representing at least one-third of the Board.

The Board considers that the following features or mechanisms are effective in ensuring that the Board is provided with independent views and opinions:

1. The Company currently has 3 executive Directors, 2 non-executive Directors and 3 independent non-executive Directors who are independent of each other and of senior management and have no relationship with each other.
2. The current composition of the Board comprises more than one-third independent non-executive Directors.
3. The independent non-executive Directors are required to review their independence on an annual basis.
4. All Directors have full access to advice and services of the Company Secretary and of the Company's Legal Department and may also seek advice from independent professional advisers at the Company's expense whenever deemed necessary.

Service Agreements and Appointment Letters

Each of the executive Directors has entered into a service agreement with the Company. Pursuant to these agreements, they have agreed to act as executive Directors for a term of three years with effect from the date of their appointments or renewal of the service agreements, subject always to re-election as and when required under the Articles of Association. Each of the service agreements can be terminated in accordance with the terms and conditions thereof or by either party giving to the other not less than one month's prior notice in writing.

Each of the non-executive Directors and independent non-executive Directors has entered into an appointment letter with the Company. Pursuant to these appointment letters, they have agreed to act as non-executive Directors or independent non-executive Directors for a term of three years with effect from the date of their appointments or renewal of the appointment letters, subject always to re-election as and when required under the Articles of Association. Each of the appointment letters can be terminated in accordance with the terms and conditions thereof or by either party giving to the other not less than one month' prior notice in writing.

None of the Directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times a year for Board meetings, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for regular Board meetings.

For other Board and Board Committees meetings, reasonable notice is generally given. The agenda and accompanying board papers are despatched to the Directors or Board Committees members at least one day before such meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committees members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Minutes of meetings are kept by the company secretary of the Company with copies circulated to all Directors for information and records.

The matters considered by the Board and the Board Committees and the decisions reached are recorded in sufficient details in the minutes of the Board meetings and Board Committees. Such details include, but are not limited to, any concerns raised by the Directors. The draft minutes of each Board meeting and Board Committees meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

During the year ended 31 December 2023, the Board convened four Board meetings. The table below sets forth the attendance records of the Directors at the Board meetings:

Name of Director	Board meetings attended/ Eligible to attend
EXECUTIVE DIRECTORS	
Mr. XIAO Jian	4/4
Mr. SIN Hendrick <i>M.H.</i>	4/4
Mr. FAN Yingjie	4/4
NON-EXECUTIVE DIRECTOR	
Mr. ZHANG Shengyan	4/4
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Ms. NG Yi Kum	4/4
Mr. TANG Liang	3/4
Mr. HO Orlando Yaukai	4/4

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

To oversee particular aspects of the Company's affairs, the Board has established four committees, each of which has been delegated responsibilities and reports back to the Board. These four Board Committees are Audit Committee, Nomination Committee, Remuneration Committee, and Corporate Governance Committee. The roles and functions of these committees are set out in their respective terms of reference. The terms of reference of each of these Board Committees will be revised from time to time to ensure that they continue to meet the needs of the Company and to ensure compliance with the CG Code. The terms of reference of the Board Committees are available on the Company's website www.cmge.com and the Stock Exchange's website www.hkexnews.hk.

Audit Committee

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules, which consisted of three members as at 31 December 2023, namely Ms. NG Yi Kum, Mr. TANG Liang and Mr. HO Orlando Yaukai, all of whom are independent non-executive Directors. Ms. NG Yi Kum is the chairlady of the Audit Committee. None of the members of the Audit Committee served as a partner or former partner in the Company's external auditor, BDO Limited.

The primary duties of the Audit Committee include (i) making recommendations to the Board on the appointment, reappointment and removal of the external auditor; (ii) reviewing the Company's financial information; and (iii) overseeing the Company's financial reporting system, risk management and internal control systems. For details, please refer to the terms of reference of the Audit Committee on the websites of the Stock Exchange and the Company.

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

Name of Members	Meetings attended/ Eligible to attend
Ms. NG Yi Kum (Chairlady)	4/4
Mr. TANG Liang	3/4
Mr. HO Orlando Yaukai	4/4

Remuneration Committee

The Company has established a Remuneration Committee in compliance with Rule 3.25 of the Listing Rules, which consisted of three members as at 31 December 2023, namely Mr. SIN Hendrick *M.H.*, an executive Director, Ms. NG Yi Kum and Mr. HO Orlando Yaukai, both of whom are independent non-executive Directors. Mr. HO Orlando Yaukai is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include (i) making recommendations to the Board on the Company's policies and structures for all Directors' and senior management personnel's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iii) review and/or approve matters relating to share option schemes under Chapter 17 of the Listing Rules. For details, please refer to the terms of reference of the Remuneration Committee on the websites of the Stock Exchange and the Company.

The Remuneration Committee has approved the grant of 50,000,000 share options to the Eligible Persons on 20 January 2023 pursuant to the Post-IPO Share Option Scheme.

Details of the remuneration of the members of the Board for the year ended 31 December 2023 are set out in note 9 to the consolidated financial statements in this annual report.

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

Name of Members	Meetings attended/ Eligible to attend
Mr. HO Orlando Yaukai (Chairman)	2/2
Mr. SIN Hendrick <i>M.H.</i>	2/2
Ms. NG Yi Kum	2/2

The remuneration of the senior management members of the Company by band during the year ended 31 December 2023 are set out below:

Remuneration Band	Number of individuals
Nil to HK\$3,500,000	8
HK\$3,500,001 to HK\$7,000,000	1

Nomination Committee

The Company has established a Nomination Committee, which consisted of three members as at 31 December 2023, namely Mr. XIAO Jian, an executive Director, and Mr. TANG Liang and Mr. HO Orlando Yaukai, both of whom are independent non-executive Directors. Mr. XIAO Jian is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include (i) reviewing the structure, size, composition (including skills, knowledge and expertise) and diversity (including but not limited to gender, age, cultural and educational background, race, skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; and (ii) identifying individuals who are qualified or suitable to become a member of the Board and to select or make recommendations to the Board on the selection of individuals nominated for directorships. For details, please refer to the terms of reference of the Nomination Committee on the websites of the Stock Exchange and the Company.

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

Name of Members	Meetings attended/ Eligible to attend
Mr. XIAO Jian (Chairman)	1/1
Mr. TANG Liang	1/1
Mr. HO Orlando Yaukai	1/1

CORPORATE GOVERNANCE REPORT

Corporate Governance Committee

The Company has established a Corporate Governance Committee, which consisted of three members as at 31 December 2023, namely Mr. SIN Hendrick *M.H.*, an executive Director, and Ms. NG Yi Kum and Mr. HO Orlando Yaukai, both of whom are independent non-executive Directors. Ms. NG Yi Kum is the chairlady of the Corporate Governance Committee.

The primary duties of the Corporate Governance Committee include (i) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; and (ii) reviewing and monitoring the training and continuous professional development of the Company's Directors and senior management personnel. For details, please refer to the terms of reference of the Corporate Governance Committee on the websites of the Stock Exchange and the Company.

The Corporate Governance Committee held one meeting during the year ended 31 December 2023. The attendance records of the members of the Corporate Governance Committee are set out below:

Name of Members	Meetings attended/ Eligible to attend
Ms. NG Yi Kum (Chairlady)	1/1
Mr. SIN Hendrick <i>M.H.</i>	1/1
Mr. HO Orlando Yaukai	0/1

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board and see increasing diversity at the Board level as an essential element in maintaining its competitive advantage. The Nomination Committee is responsible for monitoring the implementation of the board diversity policy of the Company, and shall review and amend this diversity policy, as appropriate, to ensure its effectiveness.

When reviewing the size and composition of the Board and searching for and recommending candidates to act as the Directors, the Nomination Committee shall, taking into account the business model and specific needs of the Company, consider the diversity of the Board in various aspects, including but not limited to, gender, age, cultural and educational background, ethnicity, professional qualifications, skills, knowledge, length of service in the Group and industrial and regional experience. The final appointment recommendation shall be made to the Board by the Nomination Committee based on the value that the selected candidates will bring to the Board after taking into account the relevant aspects mentioned above.

As at 31 December 2023, there is one female member on the Board. The gender composition of the Group's employees as at 31 December 2023 is set out in the Environmental, Social and Governance Report. As at 31 December 2023, approximately 34% of the Group's employees are female and two of the six senior management of the Company are female. As the Group already has a relatively high proportion of females in the industry, the Company plans to maintain the same level of female representation and will review such proportion on a regular basis.

DIRECTOR NOMINATION POLICY

Appointment of Directors

In accordance with article 16.2 of the Articles of Association, the Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Any Director required to stand for re-election pursuant to article 16.2 of the Articles of Association shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he or she retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated offices by electing a like number of persons to be Directors.

The procedures and processes of appointment, re-election and removal of Directors are set out in the Articles of Association. Whilst the overall responsibility for the selection and appointment of directors rests with the Board, the Board has delegated general responsibilities and authority to the Nomination Committee to identify, screen and recommend to the Board appropriate candidates to serve as directors of the Company, to oversee the process for evaluating the performance of the Board, and to develop and recommend to the Board nomination guidelines which shall be consistent with any applicable laws, regulations and listing standards.

In evaluating and selecting candidates for directorship, the Board will consider factors including (i) the structure, size, composition (including skills, knowledge and expertise) and diversity (including but not limited to gender, age, cultural and educational background, race, skills, knowledge and experience) of the Board; (ii) the requirement of the Board to have independent directors in accordance with the Listing Rules; and (iii) the candidate's willingness and ability to devote adequate time to discharge duties as a member of the Board.

The Nomination Committee and/or the Board will evaluate candidates based on the criteria as set out above, rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable) and then recommend to the Board the appointment of the appropriate candidate for a directorship, as applicable. For any person that is nominated by a Shareholder for election as a director at the general meeting of the Company, the Nomination Committee and the Board will evaluate such candidate based on the criteria as set out above and where appropriate, make recommendation to Shareholders in respect of the proposed election of director at the general meeting.

Re-election of Directors

In accordance with article 16.18 of the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

For the re-election of a director at general meeting, the Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and their level of participation and performance on the Board, and then make recommendations to Shareholders in respect of the proposed re-election of such Director at the general meeting.

The three Directors who will retire by rotation are Ms. NG Yi Kum, Mr. TANG Liang and Mr. HO Orlando Yaukai, each of whom is an independent non-executive Director. Mr. JIANG Yukai, who was appointed by the Company as a non-executive Director with effect from 22 April 2024, holds office until the next general meeting of the Company pursuant to article 16.2 of the Articles of Association. All retiring Directors, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

Details of the Directors to be re-elected at the Company's forthcoming annual general meeting will be set out in the circular to the Shareholders to be published and despatched in due course.

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

The Company acknowledges the importance of Directors participating in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. To this end, the Company provides the Directors with necessary information to ensure that he or she has a proper understanding of the Group's operations and businesses as well as his or her responsibilities under the relevant laws and regulations. The newly appointed Directors were also provided with a detailed induction to the Group's businesses by senior management.

The Directors are encouraged to participate in continuous professional development presented by professional institutions.

The training received by the Directors during the year ended 31 December 2023 is summarised below:

Name of Director	Training Areas		
	Corporate Governance	Legal and Regulatory	Businesses/ Directors' Duties
EXECUTIVE DIRECTORS			
Mr. XIAO Jian	✓	✓	✓
Mr. SIN Hendrick <i>M.H.</i>	✓	✓	✓
Mr. FAN Yingjie	✓	✓	✓
NON-EXECUTIVE DIRECTOR			
Mr. ZHANG Shengyan	✓	✓	✓
INDEPENDENT NON-EXECUTIVE DIRECTORS			
Ms. NG Yi Kum	✓	✓	✓
Mr. TANG Liang	✓	✓	✓
Mr. HO Orlando Yaukai	✓	✓	✓

DIVIDEND POLICY

Subject to the requirements of the Articles of Association, Cayman Islands law and other applicable laws and regulation, the Board has absolute discretion to recommend any dividend. The determination to pay dividends will be made at the discretion of the Board and will depend upon the Group's earnings and financial condition, operating requirements, capital and investment requirements, level of indebtedness and any other factors that the Board may deem relevant. The Company will continue to re-evaluate its dividend policy in light of its financial condition and the prevailing economic environment.

The dividends, interests and bonuses and any other benefits and advantages in the nature of income receivable in respect of the Company's investments, and any commissions, trusteeship, agency, transfer and other fees and current receipts of the Company shall, subject to the payment thereof of the expenses of management, interest upon borrowed money and other expenses which in the opinion of the Board are of a revenue nature, constitute the profits of the Company available for distribution.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the exclusive benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof or be required to account for any money earned thereon. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall be reverted to the Company and after such forfeiture no member or other person shall have any right to or claim in respect of such unclaimed dividends or bonuses.

For the avoidance of doubt, no assurance is given or implied that dividends will be paid in any particular amount (or at all) for any given period notwithstanding the adoption of this policy. If the Board decides to recommend, declare or pay dividends, the form, frequency and amount will depend upon the situation and applicable factors at the relevant time. The Board will review the dividend policy as appropriate from time to time.

FINANCIAL REPORTING

Directors' Responsibility

The Directors are responsible for overseeing the preparation of the Company's financial statements for the year ended 31 December 2023 which give a true and fair view of the state of affairs of the Group's results and cash flow.

This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The management has provided to the Board such explanations and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with updates on the Group's performance, positions and prospects from time to time.

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 as at 31 December 2023. Accordingly, the Directors have confirmed that the financial statements for the year ended 31 December 2023 be prepared on a going concern basis.

Auditor's Responsibility

A statement from the Auditor about its reporting responsibilities on the audited consolidated financial statements is set out on pages 105 and 106 of this annual report.

Auditor's Remuneration

The table below sets forth the remuneration for the audit and non-audit services provided by the Auditor for the year ended 31 December 2023:

Type of Services	Amount (RMB'000)
Audit services	4,800
Non-audit services	1,400
Total	6,200

RISK MANAGEMENT AND INTERNAL CONTROLS

The Group has adopted and implemented a robust risk management and internal control system for its business operations, including (i) financial reporting; (ii) information risk management; (iii) legal compliance; (iv) intellectual property rights management; and (v) human resources management. The Board is responsible for maintaining a sound and effective risk management and internal control system in order to safeguard the Group's assets and Shareholders' interests, and is also responsible for reviewing the effectiveness of the Group's internal control and risk management systems on an annual basis so as to ensure that internal control and risk management systems in place are adequate. The Group's internal control and risk management systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable rather than absolute assurance against material misstatement or loss.

The Company also has an internal audit function, which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's and its subsidiaries' risk management and internal control system, and reports their findings to the Board on, at least, an annual basis. The Company implements and strictly enforces procedures on inside information according to the relevant procedures stated under the "Guidelines on Disclosure of Inside Information" promulgated by the SFC in June 2012.

The Group's internal control system includes a well-established organisational structure with clearly defined lines of responsibility and authority. The day-to-day departmental operations are entrusted to individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Company from time to time. Each department is also required to keep the Board informed of material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis so as to identify, evaluate and manage significant risks in a timely manner.

The Board has reviewed the effectiveness of the internal control and risk management systems of the Group for the year ended 31 December 2023 to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. In particular, the Board considered the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions to be adequate. The review was conducted through discussions with the management of the Company, its external and internal auditors and the assessment performed by the Audit Committee. The Board also made reference to the results of the agreed-upon procedures in connection with the internal control of the Company performed by the internal control consultant engaged by the Company in preparation for the Listing, and these procedures did not identify any material internal control deficiencies of the Group.

The Board believes that the existing risk management and internal control systems are adequate and effective, in particular, for financial reporting and Listing Rules compliance as well as for resolving internal control defects (if any).

COMPANY SECRETARY

Ms. LAI Yau Yan Gladys is the company secretary of the Company. For the year ended 31 December 2023, Ms. Lai has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training to update her skills and knowledge. Her biographical detail is set out under the section headed "Biographies of Directors and Senior Management" in this annual report.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening of an Extraordinary General Meeting and Putting Forward Proposals

According to the Articles of Association, general meetings shall be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid-up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Procedures for Shareholders to Propose a Person for Election as a Director of the Company

Shareholders may propose a person for election as a director of the Company. The relevant procedures are available for viewing on the Company's website at www.cmge.com.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

Shareholders' Enquiries and Proposals

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Company's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable the Shareholders and investors to make the informed investment decisions.

Enquiries from the Shareholders for the Board or the Company, or proposals from the Shareholders for consideration at Shareholders' meetings, may be directed to the Company's investor relations team:

By post: 13th Floor, 8 Wyndham Street, Central, Hong Kong

By fax: (852) 2763 4168

By email: serenashen@cmge.com

The enquiries and proposals received by the Company are handled on a case-by-case basis after due consideration by the investors relations team, relevant management and the Board, as appropriate.

Changes to the contact details above will be communicated through the Company's website at www.cmge.com, which also contains information and updates on the Group's business developments and operations, as well as press releases and financial information.

Shareholders can also direct their enquiries about their shareholdings to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, whose address is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

CORPORATE GOVERNANCE REPORT

Shareholder Meetings

The annual general meeting of the Company provides opportunities for the Shareholders to communicate directly with the Directors. The chairman of the Board and the chairmen of the Board Committees will attend annual general meetings to answer Shareholders' questions. The Auditor will also attend annual general meetings to answer questions about the conduct of the audit, the preparation and content of the Auditor's report, the accounting policies and auditor independence.

The Company encourages the Shareholders to attend annual general meetings and other general meetings so the Shareholders can communicate with the Board, and exercise their right to vote.

Shareholders' Communication Policy

To promote effective communication with the Shareholders, the Company has adopted a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders. The Board maintains an on-going dialogue with the Shareholders and the investment community pursuant to the policy through various channels, including the financial reports and other publications of the Company available at the Stock Exchange's website, annual general meetings and other general meetings that may be convened by the Company. The Company maintains a website at www.cmge.com, where up-to-date information on the Company's business operations, developments, financial information, corporate governance practices and other information are available for public access. Shareholders and the investment community are also able to make any query with respect to the Company via the designated contacts set out in the Company's website.

The Board reviews the effectiveness of the above channels of communication between the Company and its shareholders on a regular basis. The Board is satisfied with the implementation and effectiveness of the Company's activities in communicating with shareholders and investors during the reporting period.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company's Articles of Association were amended and adopted by a special resolution passed on 2 June 2023, and are available for viewing on the websites of the Company and the Stock Exchange. Details of the amendments of the Articles of Association can be referred to the circular of the Company dated 25 April 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

The Report Introduction

CMGE Technology Group Limited (the “Company”, together with its subsidiaries, the “Group” or “we” or “us” or “our”) is pleased to present its environmental, social and governance report (the “Report”) for the financial year ended 31 December 2023 (the “Year” or “2023”). The Report illustrates our commitments and strategies on corporate social responsibilities, and summarises the measures, plans and performance for environmental, social and governance in its sustainable development.

Reporting Scope and Reporting Period

The reporting scope is determined based on the Group’s effect on the environmental, social and governance. The scope of the Report covers the locations of the Group’s main operating entities in the People’s Republic of China (the “PRC”), including Hong Kong, Shenzhen, Beijing, Shanghai, Guangzhou, Hainan and Chengdu. The Group will conduct on-going assessment on the effect of various businesses on the environmental, social and governance and will broaden the scope of disclosures when appropriate.

Preparation Basis of the Report

The Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “Reporting Guide”) set out in Appendix 27 (renamed as Appendix C2 since 31 December 2023) to the Listing Rules. The Report has complied with all the compulsory disclosure requirements and “comply or explain” provisions, as well as the principles of materiality, quantitative, balance and consistency. The Group has adopted the emission factors and relevant international standards set out in the Reporting Guide documents issued by the Stock Exchange in preparing the Report in the same manner as in the previous year. For details on the application of materiality reporting principles, please refer to the section headed “Materiality Assessment” in the Report.

Contact Us

The Group values the opinions of the readers of the Report. If you have any questions or suggestions about the Report, you are welcome to give your feedback to the Group’s investor relations team:

By post: 13th Floor, 8 Wyndham Street, Central, Hong Kong

By fax: (852) 2763 4168

By email: serenashen@cmge.com

Source of Information and Reliability Statement

The information disclosed in the Report is sourced from the internal documents of the Group, statistical reports or relevant public information. The Group has confirmed that there are no false representations, misleading statements or material omissions in the Report, and is responsible for the truthfulness, accuracy and completeness of its contents.

Confirmation and Approval

The Group’s management team has confirmed to the board of Directors (the “Board”) that as of 31 December 2023, the Group’s risks management and internal monitoring system concerning environment, social and governance was effective.

The Report was approved at the Board meeting held on 27 March 2024 at 13th Floor, 8 Wyndham Street, Central, Hong Kong. The Report is available in both English and Chinese versions. If there is any inconsistency between the Chinese and English versions of the Report, the Chinese version shall prevail. The electronic version of the Report is available on the websites of the Stock Exchange www.hkexnews.hk and the Company www.cmge.com.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MANAGEMENT

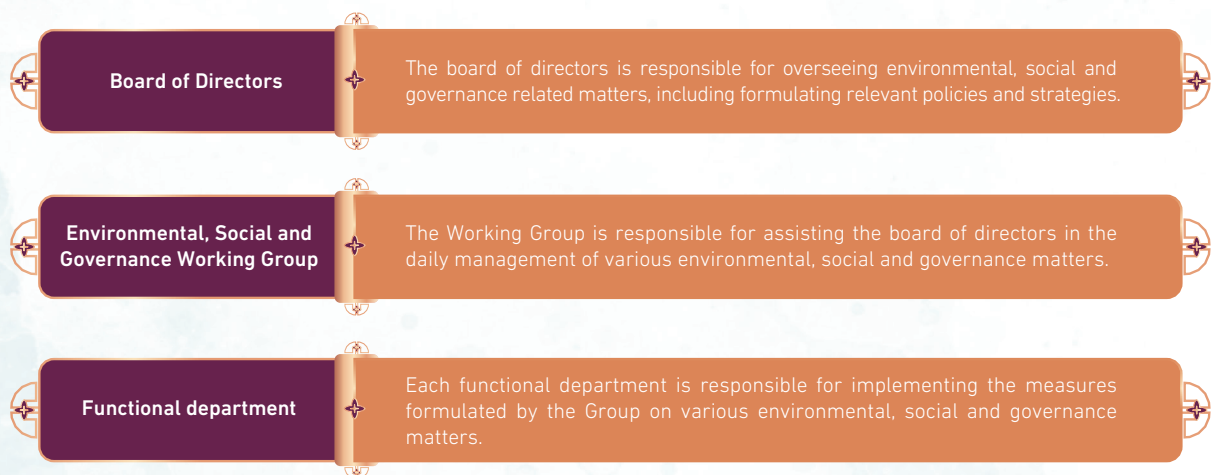
Statement of the Board

As a responsible corporate, the Group adheres to the concept of sustainable development, actively fulfils its corporate social responsibilities, incorporates environmental protection and environmental management into its business decisions, and is committed to building a healthy and harmonious online and offline ecosystem by actively investing in its internet platform and carrying out charitable activities. In addition, the Group has been committed to maintaining close connections with different stakeholders, listening to the voices of game players, caring for and growing with its employees, and taking on more social responsibilities.

The Group has established a governance structure to enhance its efforts in environmental, social and governance related works. The Board has an overall responsibility for the environmental, social and governance strategies and matters of the Group and fully monitors the related risks and opportunities. The Board conducts an enterprise risk assessment at least once a year to identify, evaluate and monitor environmental, social and governance related risks in the ordinary course of business. The Board is also responsible for formulating the Group's environmental, social and governance related management approach, strategies and objectives, regularly reviewing the objectives set by the Group and its performance regarding such objectives and revising its strategies as appropriate. Its target covers three aspects, including emissions reduction targets of greenhouse gases, non-hazardous waste and energy consumption, so as to respond to the national vision of carbon neutrality and enhance the corporate reputation. To carry through the concept of sustainable development and effectively manage environmental, social and governance matters, the Group has established an environmental, social and governance working group ("Working Group") to assist the Board in overseeing and promoting the implementation of various environmental, social and governance strategies. The Working Group is also responsible for assisting the Board to determine and prioritise various important issues of environmental, social and governance, and reporting to the Board regularly on the effectiveness of the environmental, social and governance system and the performance of the Group in relation to environmental and social key performance indicators ("KPIs"), and preparing the annual environmental, social and governance report.

Looking ahead, the Board will continue to oversee and refine the Group's measures and performance on sustainable development in order to create long-term value for all stakeholders and the communities in which we operate.

Environmental, Social and Governance Structure



Stakeholder Identification and Communication

In the course of its operation, the Group attaches great importance on the major issues that the stakeholders are concerned about. The Group understands the expectations and needs of its stakeholders through comprehensive and transparent communication, and continue to improve the Group's sustainable development strategies and plans based on the opinions of its stakeholders, so as to consolidate mutual trust and cooperative relationships, jointly realise its sustainable development plans, and create a future of sustainable economic growth, friendly environment and social development.

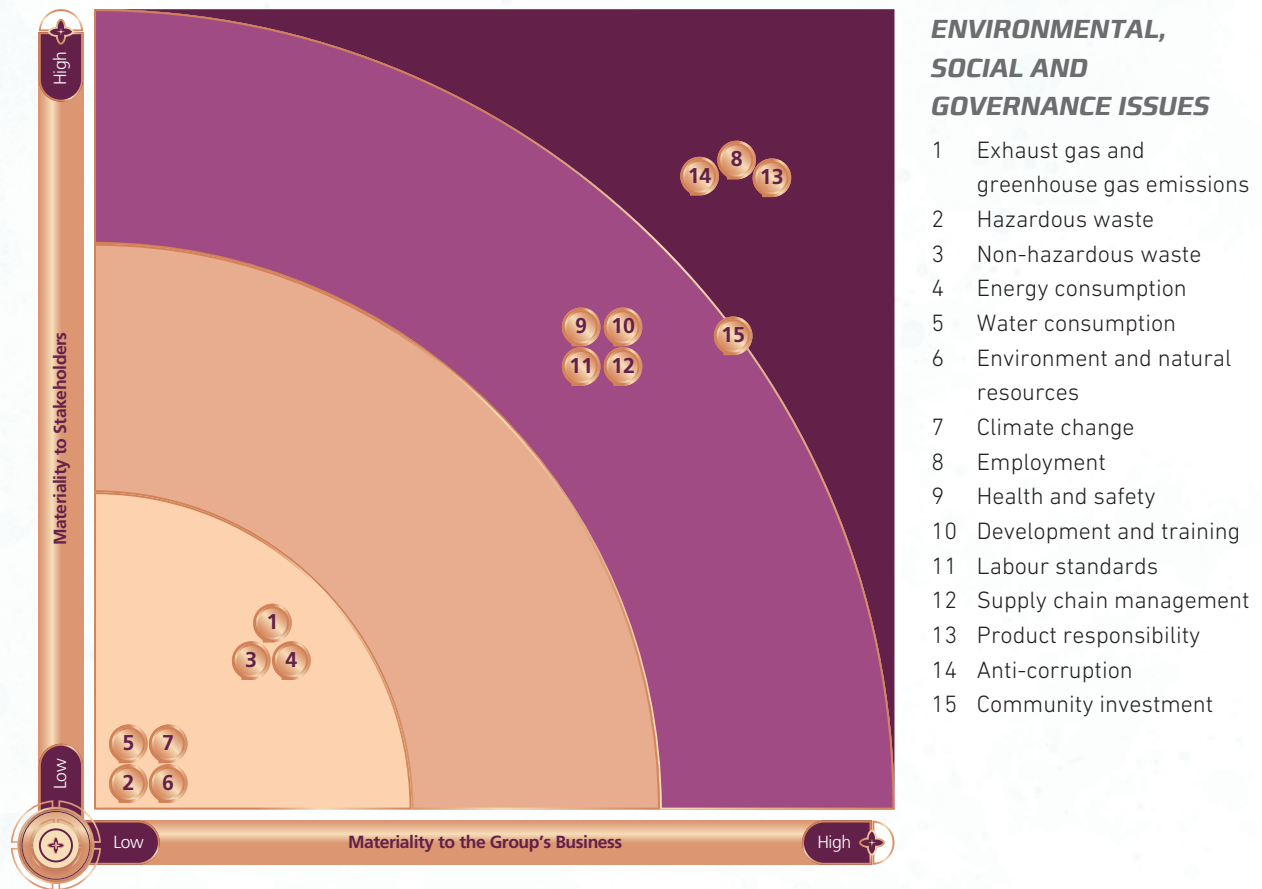
MAJOR ISSUES CONCERNING STAKEHOLDERS AND CORRESPONDING MEASURES

STAKEHOLDERS	KEY MATTERS OF CONCERN	COMMUNICATION CHANNELS
Shareholders and investors	<ul style="list-style-type: none"> • Business strategies • Investment return • Corporate image • Compliance operations 	<ul style="list-style-type: none"> • General meetings • Announcements of the Company • Company's website
Government and regulatory authorities	<ul style="list-style-type: none"> • Compliance operations • Tax payment according to law • Information disclosure and reporting materials 	<ul style="list-style-type: none"> • Announcements of the Company • Company's website
Industry associations	<ul style="list-style-type: none"> • Compliance operations 	<ul style="list-style-type: none"> • Visits • Meetings • Seminars • Exchange activities
Suppliers and business partners	<ul style="list-style-type: none"> • Compliance operations • Quality of products and service 	<ul style="list-style-type: none"> • Agreements • Tenders • Review and evaluation
Employees	<ul style="list-style-type: none"> • Remuneration and benefits • Working environment and safety • Diversification and equal opportunities • Training and room for career development 	<ul style="list-style-type: none"> • Forums • Staff training • Group activities for employees • Staff satisfaction survey • Monthly magazine of the Company
Game players	<ul style="list-style-type: none"> • Product quality • Personal privacy protection 	<ul style="list-style-type: none"> • Company's website • Online customer services • User service agreement • Online and offline promotion activities
Community	<ul style="list-style-type: none"> • Community development • Community services • Employment opportunities • Ecological environment 	<ul style="list-style-type: none"> • Community activities • Volunteer activities • Media enquiries • Promotion activities • Community communication meetings • Press releases and announcements

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

In order to ensure that the Report has comprehensively covered and responded to the key matters of concern to stakeholders, in addition to regular communication with stakeholders, the Group has made reference to certain information such as the matters covered in environmental, social and governance report of the previous year, internal policies of the Group, industry trends and the Materiality Map introduced by the Sustainability Accounting Standards Board, to identify issues that have potential and practical impact on the sustainable development of the Group. The Group has analysed and prioritised the environmental, social and governance issues based on certain factors such as its strategies, development and objectives, and the results are as follows:



ENVIRONMENT

Emissions

As a game publisher and developer, the Group's business nature does not have a significant impact on the environment. We have been transmitting to our employees the importance of protecting our environment on a regular basis and have been taking it as the priority task in achieving sustainable development. To this end, the Group has established Energy Conservation and Reduced Consumption Management System (《節能降耗管理制度》) and Employee Handbook (《員工手冊》), and has incorporated the concept of sustainable development into its daily management to enhance the environmental awareness of the employees of the Group. The Group strictly abides by relevant laws and regulations on environmental protection, including but not limited to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Law on the Air Pollution Prevention and Control of the PRC (《中華人民共和國大氣污染防治法》), the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》), the Solid Waste Pollution Prevention and Control Law of the PRC (《中華人民共和國固體廢物污染環境防治法》) and the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》).

Exhaust gas emissions

The Group's ordinary course of business does not involve significant gaseous fuel consumption emissions. The most significant source of gas emissions of the Group is from vehicles owned by the Group. The Group's performance of exhaust gas emissions, during the Year was summarised as follows:

MAJOR TYPES OF EXHAUST GAS EMISSIONS ¹	UNIT	2023 VOLUME	2022 VOLUME
Nitrogen oxides (NO _x)	kg	40.65	34.89
Sulphur oxides (SO _x)	kg	0.11	0.09
Particulate matter (PM)	kg	3.90	3.34

Due to the prevention and control of the COVID-19 pandemic in 2022, the fuel consumption for vehicles has reduced accordingly. However, the relaxation of the prevention and control policies of the pandemic in 2023 brought business activities back on track, resulting more use of vehicles than in 2022. Therefore, the emissions of exhaust gas have all increased. The Group will continue to actively implement various vehicle management measures to reduce vehicle exhaust gas emissions, please refer to the section headed "Measures to mitigate emissions" in the Report for details.

¹ Exhaust gas emissions is calculated based on the "How to prepare an ESG Report - Appendix 2: Reporting Guidance on Environmental KPIs" published by the Stock Exchange; the vehicle fuel consumption of the Group is calculated on the basis of a vehicle fuel consumption of 16 litres/100 km.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Greenhouse gas emissions

The greenhouse gas (the “GHG”) emissions of the Group mainly come from fuels consumed by vehicles (Scope 1), purchased electricity (Scope 2) and waste paper and business air travels (Scope 3). The performance of GHG emissions during the Year was summarised as follows:

MAJOR TYPES OF GHG EMISSIONS ²	UNIT	2023 VOLUME	2022 VOLUME
Direct GHG Emissions - Scope 1³			
Vehicle fuel - gasoline	Tonnes of carbon dioxide equivalent	19.60	16.77
Energy Indirect GHG Emissions - Scope 2			
Purchased electricity	Tonnes of carbon dioxide equivalent	685.63	689.36
Other Energy Indirect GHG Emissions - Scope 3			
Waste paper	Tonnes of carbon dioxide equivalent	8.30	10.19
Business air travels	Tonnes of carbon dioxide equivalent	160.59	67.36
Total emissions	Tonnes of carbon dioxide equivalent	874.12	783.68
Total emission intensity	Tonnes of carbon dioxide equivalent/m ² ⁴	0.06	0.05

Compared with the year of 2022, the total GHG emissions intensity during the Year increased. Such increase in the total GHG emissions intensity was mainly due to more demand for use of vehicle fuel and for employees to travel for business negotiations than in 2022 after business activities recovered upon the relaxation of the prevention and control policies of the COVID-19 pandemic in 2023. The Group will continue to strive to reduce GHG emissions, aiming to achieve the target of maintaining or reducing the intensity of total GHG emissions in the next year based on that of 2023.

2 GHG emissions data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, “The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards” issued by the World Resources Institute and the World Business Council for Sustainable Development, the grid emission factors included in “Notice on the Report and Verification of GHG Emissions of Enterprises in Certain Key Sectors for 2023 to 2025” (《關於做好2023-2025年部分重點行業企業溫室氣體排放報告與核查工作的通知》) issued by the Ministry of Ecology and Environment of the PRC (中國生態環境部), the global warming potential values in the “Sixth Assessment Report” issued by the Intergovernmental Panel on Climate Change, “How to prepare an ESG Report - Appendix 2: Reporting Guidance on Environmental KPIs” published by the Stock Exchange and the “Sustainability Report 2022” published by the HK Electric Investments Limited.

3 The Group has changed the disclosure manner of relevant data to comply with the requirements of the Reporting Guide of the Stock Exchange and to make more meaningful comparison.

4 The total floor area of the Group’s office is 13,831.85 m² (2022: 15,890.00 m²). The data would also be used for calculating other intensity data.

Measures to mitigate emissions

In order to effectively reduce the emissions generated by the Group, the Group has adopted several measures for the management of vehicles, such as the reasonable use of vehicles by employees, prohibition of the use of the Group's vehicles for personal reasons and strict approval for long-distance travel arrangements to reduce unnecessary travel. The Group's vehicles are examined and maintained on a weekly basis to enhance fuel efficiency.

Hazardous waste

In light of the Group's business nature, the Group does not produce any material hazardous waste in its ordinary course of business, and therefore no relevant targets have been set.

Non-hazardous waste

The non-hazardous waste of the Group mainly comes from its office paper and daily waste, such as office supplies, plastics and epidemic prevention supplies like masks. The performance of the Group's non-hazardous waste discharged during the Year was summarised as follows:

MAJOR TYPES OF NON-HAZARDOUS WASTE ⁵	UNIT	2023 VOLUME	2022 VOLUME
Paper	Tonnes	1.73	N/A
Daily waste	Tonnes	88.20	N/A
Total non-hazardous waste	Tonnes	89.93	93.71
Total non-hazardous waste intensity	Tonnes/m ² ^{4, 6}	0.01	N/A

⁵ The category data on relevant emissions has been disclosed since 2023.

⁶ The Group has kept intensity units the same for more meaningful comparisons.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Measures to reduce waste generation

The Group actively promotes green office practices, and adheres to the four “Rs” principle of environmental protection (Reduce, Reuse, Recycle, Replace) in its daily operation, aiming to minimise the generation of waste and maximise the efficient use of resources.

In terms of paper consumption, the Group promotes a paperless office, measures adopted included but not limited to the following:

- Double-sided printing is set for printers by default; employees are required to use double-sided photocopying and reuse single-sided paper for draft photocopying that without confidential information;
- Employees are encouraged to use online communication;
- Waste paper recycling bins are set up to separate waste paper for recycling; and
- Publications and information are released in digital version, such as the Group’s annual and interim reports.

During the Year, the papers recycled by the Group amounted to approximately 105.00 kg (2022: 135.00 kg). The Group has adopted the above measures, with an aim to achieve the target of maintaining or reducing the total non-hazardous waste intensity by 5% in the next year, on the basis of that in 2023.

Use of Resources

The Group strictly complies with the relevant local environmental laws and regulations and has developed the Energy Conservation and Reduced Consumption Management System (《節能降耗管理制度》) and Employee Handbook (《員工手冊》), to achieve energy conservation and consumption reduction, in order to reduce the negative impact of its business operations on the environment. For details of the energy efficiency policy and green practices adopted by the Group, please refer to the following section headed “Resource use efficiency” in the Report.

The energy consumption of the Group mainly comes from direct energy consumption for vehicle use and indirect energy consumption for purchased electricity. The performance of the Group’s energy consumption during the Year was summarised as follows:

Energy consumption

MAJOR TYPES OF ENERGY CONSUMPTION ⁷	UNIT	2023 VOLUME	2022 VOLUME
Direct energy consumption			
Vehicle fuel-gasoline	kWh	71,224.50	61,126.93
Indirect energy consumption			
Purchased electricity	kWh	1,198,175.00	1,203,426.30
Total energy consumption	kWh	1,269,399.50	1,264,553.23
Total energy consumption intensity	kWh/m ² ⁴	91.77	79.58

Compared to the year of 2022, the total energy consumption intensity for the Year increased, which is mainly due to business growth as a result of the alleviation of the epidemic situation. Although the mentioned energy consumption level does not have significant impacts on environment and society, the Group keeps the aim to maintain or reduce the total energy consumption intensity in the next year, on the basis of that in 2023.

⁷ The conversion of units for energy consumption data is based on the Energy Statistics Manual (《能源數據手冊》) published by the International Energy Agency.

Water consumption

Water consumption of the Group is mainly for daily use in offices. Given the geographical location of the Group's operations, we are not aware of any issue in sourcing water that is fit for purpose.

Water consumption at all of the Group's offices is charged as part of the property management fee and there is no separate water consumption data. Therefore, the Group does not disclose water consumption volume and has not set relevant targets.

Resource use efficiency

In terms of electricity consumption, the Group adopts low-consumption and recyclable energy-saving lights for office lighting to reduce its electricity consumption for lighting products and thus related carbon emissions. The Group has also posted notices near various power switches to remind employees to switch off equipment and power when they leave the premises or when they are not using it. In office, the Group maintains the air conditioner temperature at 24 degrees Celsius or above to reduce unnecessary energy use.

In terms of water consumption, the Group adopts various water-saving measures, such as cleaning staff regularly patrolling the toilets to prevent leakage of water taps. Reminders are posted in prominent places in toilets to remind employees to save water.

In terms of use of fuels, the Group has adopted certain energy-saving measures, please refer to the section headed "Measures to mitigate emissions" in the Report.

Use of packaging materials

In light of the Group's business nature, the Group does not involve any material usage of packaging materials in its ordinary course of business.

Environment and Natural Resources

The Group does not have significant impacts on environment or natural resources in its daily operation. The Group has always adhered to the principle of environment and natural resources protection in the course of its operations, complied with the Energy Conservation and Reduced Consumption Management System (《節能降耗管理制度》) and Employee Handbook (《員工手冊》), applied relevant energy saving policies and green measures, and strived to avoid causing significant impacts on the environment or over-consumption of natural resources.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Climate Change

In response to international concerns about climate change, the Group has included climate change related risks as one of its environmental, social and governance issues, and has made relevant disclosures in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures.

The Group's analysis of potential financial risks brought by climate change and response strategies are as follows:

Risk types	Possible financial impacts	Short-term (the Year)	Medium-term (1 to 3 years)	Long-term (4 to 10 years)	Response strategies
	Low ■ Medium ■ High ■				
Physical risks	<u>Acute</u> Extreme weather conditions such as increased flooding resulting in asset losses or supply chain disruptions				Developing safety rules and contingency plans in response to extreme weather conditions
	<u>Chronic</u> Electricity consumption increases due to continuous hot weather, which in turn affects operating costs				Adopting energy saving policies and green measures to avoid excessive consumption of natural resources
Transition risk	<u>Policies and regulations</u> More stringent climate policies and regulations (such as stricter power constraints) may increase compliance costs and operating costs				Strictly implementing emission reduction measures (e.g. vehicle management measures) to maintain a low emission level
	<u>Market</u> Revenue declines as consumers willingly shift to game products that are more active in incorporating environmentally friendly concepts into their games				We strictly control the game publishing process and strive to produce high-quality game products featuring sustainable development concepts to meet consumer and market expectations.

Although the climate change risks identified by the Group do not have a significant impact on its business, the Group also reviews the potential impact of climate change on its business on an annual basis and adopts corresponding measures to mitigate any potential risks.

SOCIAL

Employment

The Group firmly believes that its employees are the most valuable assets of an enterprise and one of the most important factors for the sustainable development and success of the Group. The Group strictly complies with all employment-related laws and regulations, including but not limited to the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Labour Law of the PRC (《中華人民共和國勞動法》), the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》), the Law on the Protection of Rights and Interests of Women of the PRC (《中華人民共和國婦女權益保障法》), Provisions of the State Council on Working Hours of Workers and Staff (《國務院關於職工工作時間的規定》), the Law on the Protection of Disabled Persons of the PRC (《中華人民共和國殘疾人保障法》) and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》).

The Group has established policies such as the Employee Handbook (《員工手冊》) and the Employee Development Management System (《員工發展管理制度》) to regulate the workflow of recruiting, induction and training, employee transfers, dismissals and promotions, in order to standardise its workflow and improve its efficiency. The Group is committed to creating a corporate culture centred on the “battleman (戰功者)”, providing the “battleman” with an innovative working environment, and providing business-oriented and market-competitive remuneration and incentive systems. It is also committed to building diverse and non-discriminatory inclusive working environments, strictly forbids any harassment and inappropriate behaviour, provides a promotion and development system for career ranks, and creates a fair, equal, respectful and open corporate development environment, so that the value of the Group’s talents can be reflected on, assessed and rewarded fairly. The Group ensures that employees are not discriminated against or deprived of such opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age, marital status or family status during recruitment and promotion.

The Group recruits talented candidates with good attributes based on its business planning and needs, and uses structured interview tools, such as written tests and background checks as far as possible, to assess candidates for positions at junior manager level or above, so as to maintain the fairness of recruitment and avoid the subjective personal judgement of interviewers on the strengths and weaknesses of the candidates. The Group also highly values career management of its employees, and accordingly has set up two development paths for employees, namely the professional and management paths. The Group provides two opportunities for applying for job promotion each year, in order to encourage its employees to fully realise their career development potential.

The Group invests resources to attract, retain and motivate talents. By providing employees with competitive remuneration packages and benefits, the Group hopes to attract high-calibre talents in the market and motivate its existing employees. The Group regularly reviews the remuneration package of its employees and makes necessary adjustments to conform to market expectations. The Group’s employees work 8 hours per day, 40 hours per week on average and at least 1 day off per week. In addition to basic salary, statutory social insurances and housing fund, as well as basic statutory festive holidays and public holidays, the Group’s employees are also entitled to welfare leave and additional welfare allowances, including but not limited to:

- meal allowance and afternoon tea;
- snack store selling at half-price;
- birthday gifts;
- festival gifts;
- red packets for Lunar New Year;
- fitness programme; and
- annual medical checkup.

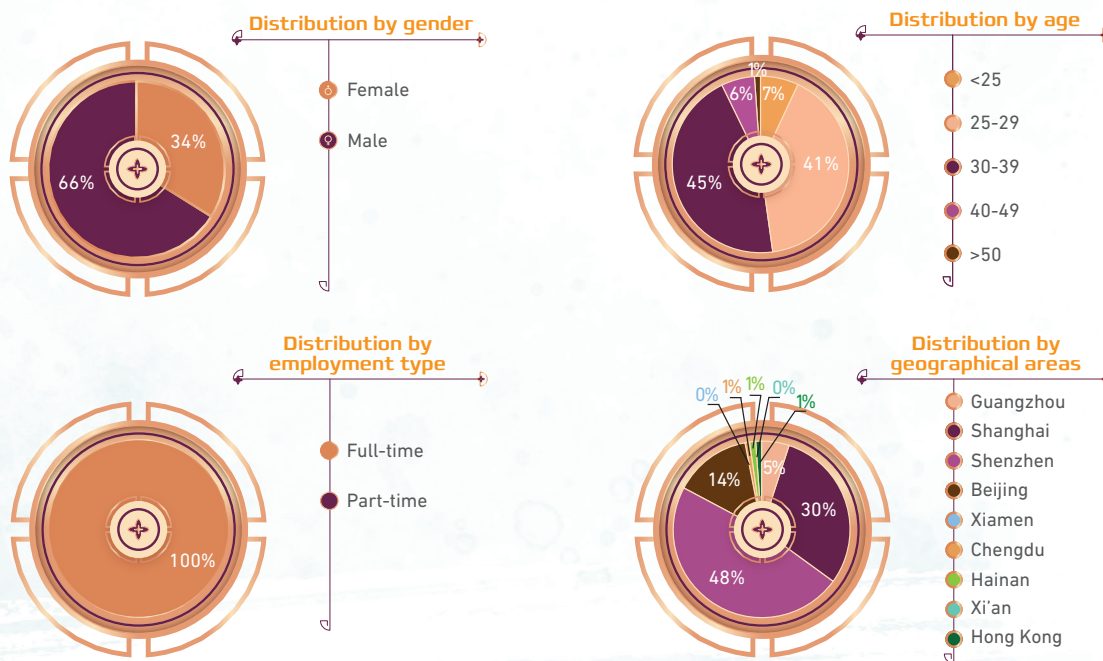
In order to enhance team cohesion and create a harmonious working atmosphere, the Group regularly organises various holiday activities and group gatherings, such as birthday parties, sports days, International Women’s Day, Children’s Day and overseas tours.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Total number and classification of employees

As at 31 December 2023, the total number of employees of the Group was 832, and the details of employees are as follows:

TOTAL NUMBER OF EMPLOYEES	
Total number of employees	832
By gender	
Female	286
Male	546
By age group	
<25	64
25-29	339
30-39	372
40-49	49
>50	8
By employment types	
Full-time	832
Part-time	/
By geographical areas	
Guangzhou	43
Shanghai	246
Shenzhen	403
Beijing	117
Xiamen	/
Chengdu	6
Hainan	8
Xi'an	1
Hong Kong	8



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee turnover rate

Details of the employee turnover rate of the Group as at 31 December 2023 are as follows:

TOTAL EMPLOYEE TURNOVER ⁸		
	Number of employees	Employee turnover ratio
Total turnover	647	78%
By gender		
Female	197	69%
Male	450	82%
By age group		
<25	40	63%
25-29	225	66%
30-39	319	86%
40-49	59	120% ⁹
>50	4	50%
By geographical areas		
Guangzhou	32	74%
Shanghai	193	78%
Shenzhen	143	35%
Beijing	261	223% ⁹
Xiamen	14	/
Chengdu	/	/
Hainan	1	13%
Xi'an	/	/
Hong Kong	3	38%

8 Total employee turnover ratio = (the total number of employees who left during the Year/ the total number of employees at the end of the Year) x 100%; the employee turnover rate in each category = (the total number of employees who left during the Year in the category / the total number of employees at the end of the Year in the category) x 100%.

9 The number of employees who left during the Year exceeded the total number of employees at the end of the Year. Therefore, the ratios over 100% are due to arithmetic limit.

HEALTH AND SAFETY

The Group strictly complies with, including but not limited to the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), 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》), the Provisions on the Supervision and Administration of Occupational Health at Work Sites (《工作場所職業衛生監督管理規定》) and other applicable laws and regulations in the PRC. As for laws and regulations regarding occupational health standards and safe production in the PRC, the Group did not record any material non-compliance with occupational health and safety during the Year. Due to the nature of the Group's business, employees mainly work in the office and are not involved in high-risk activities, therefore, the Group did not have any work-related death for the past three years, including this Year. During the Year, the Group did not have any work-related injuries. The Group has established various occupational health and safety measures including purchase of commercial medical and accident insurance, health check-ups for employees and safety guidelines for staff induction training to enhance their safety awareness.

In addition, to create and maintain a good, comfortable and healthy working environment, the Group has established health and safety-related policies as set out in the "Environmental, Social and Safety" section of the Employee Handbook (《員工手冊》) and implemented a series of measures, including but not limited to:

- to maintain accessibility of emergency exits in workplace;
- to provide adequate illumination and moderate temperature in workplace;
- to ensure no smoking is allowed in workplace; and
- to conduct safety inspections and fire drills regularly in workplace.

In addition to maintaining a safe and comfortable working environment, the Group understands the importance of work-life balance. Therefore, in case of adequate resources, the Group actively organises various recreational activities, including holiday activities, weekend ball games and overseas trips to allow employees to relax in their leisure time, in order to build up a sense of belonging and team spirit among its employees. The Group also regularly organised various health clubs, including fitness club, yoga club, basketball club, badminton club and football club, to provide employees with various sports programmes, which are beneficial to their physical and mental health.

During the outbreak of the COVID-19 pandemic, the Group has taken relevant countermeasures to ensure the health and safety of our employees and their families:

- to clean and sterilise workplace on a regular basis to keep environment clean; and
- to provide employees with epidemic prevention supplies, such as medical surgical masks, hand sanitiser and disinfectant hand rub.

DEVELOPMENT AND TRAINING

The Group values talent training and believes that employees will continue to grow along with the Group's business expansion, and provides targeted, systematic and forward-looking training for employees to ensure that they can quickly meet the needs of relevant positions and explore their potential to support the sustainable development of the Group. At the same time, the Group believes that the skills and experience of employees are important factors for the long-term development of the Group. Therefore, in addition to establishing the Employee Handbook (《員工手冊》) and the Employee Development Management System (《員工發展管理制度》), the Group also enhances employees' work performance through effective training, coaching and on-the-job training according to the CMGE College Management System (《中手游學院管理制度》). In addition, the Group has sufficient training opportunities for employees of different departments and levels every year.

The training of the Group is mainly divided into internal training and external training. The Group provides necessary internal training for relevant operational positions based on the development needs of employees, including internal sharing among departments, cross-department sharing and training. The Group also commissioned external professional training providers to provide professional training courses, including induction training, external training, and certification training involving enterprise qualification certification, to the Group's technical staff.

In addition, the Group provides different types of training for employees of different ranks, such as training for new employees recruited publicly, training for new employees recruited from schools and training for trainees. The Group provides position-based vocational training, including general ability training and professional ability training. The Group also provides leadership development training, including project manager training (professional direction), high potential mandatory training (management direction), cadre training and senior management training.

Details of the staff training of the Group for the Year are as follows:

STAFF TRAINING ¹⁰		
	Number of employees trained	% of employees trained
Total number trained	715	86%
By gender		
Female	253	35%
Male	462	65%
By employee category		
Junior staff	659	92%
Middle and senior staff	56	8%
Training hours		
Total hours (hours)	9,255	
Average training hours¹¹		
By gender		
Female	32.36	
Male	16.95	
By employee category		
Junior staff	12.47	
Middle and senior staff	102.83	

10 The percentage of total employees trained= (the total number of employees trained during the Year/ the total number of employees as at the end of the Year) x 100%; the percentage of employees trained in each category= (the total number of employees trained during the Year in the category/ the total number of employees trained during the Year) x 100%.

11 The average training hours= (the total training hours during the Year in the category/ the total number of employees as at the end of the Year).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Labour Standards

The Group resolutely resists and opposes any form of employment of child labour and forced labour, and strictly complies with applicable PRC 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 Law on the Protection of Minors of the PRC (《中華人民共和國未成年人保護法》), the Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》) when recruiting employees so as to protect their legitimate rights and interests.

In order to avoid the illegal employment of child labour, the human resources department of the Group strictly monitors the recruitment process, conducts background checks on its job applicants and verifies their credentials, and will not employ any candidates if they are found not suitable. Any use of false documents will be deemed as fraudulent and any related signed labour contract will be deemed invalid. To prevent forced labour, the Group has set out the rights of employees in relation to working hours and rest periods in the Employee Handbook (《員工手冊》). Any violations will be dealt with depending on conditions in accordance with the Group's internal policies, and serious offenders will be dealt with in accordance with the law. The human resources department of the Group regularly monitors and reviews the applicable labour laws and regulations in order to ensure compliance with local labour requirements including avoiding employment of any child and forced labour.

During the Year, the Group was not aware of any material non-compliance with laws and regulations relating to the employment of child labour and forced labour.

Supply Chain Management

The Group understands that supply chain management has an inseparable relationship with its sustainable development, and is therefore committed to establishing a long-term and harmonious cooperation relationship with its suppliers. The Group expects its suppliers to uphold the principles of integrity and pragmatism, and provide products and services in strict compliance with the requirements of applicable laws and regulations.

In order to standardise the procurement procedures of products and services and strengthen the monitoring and management of suppliers, the Group has adopted the Suppliers Management System (《供應商管理制度》) specifying the relevant approval procedure through a preliminary review of standardised suppliers' information, screening, information database management, examination of suppliers and selecting suppliers to properly manage the environmental and social risks of the Group's supply chain.

When selecting potential suppliers, the supplier investigation team, comprising the requesting department, and members from the Group's finance, internal audit and administration departments, will conduct a preliminary investigation on the candidates from different channels to understand the scale of the suppliers, their professional qualifications, speed of response, service quality and reputation in the industry. Suppliers are included in the list of qualified suppliers only after passing the inspection by the supplier investigation team. Considering the potential environmental and social impacts of the supply chain, the Group takes into account occupational health and safety, labour rights and compliance with laws and regulations when selecting potential suppliers, gives preference to suppliers that promote environmentally friendly products and services, with an aim to bring positive impacts to the entire supply chain.

For compliance purposes, when inviting bids from suppliers, the Group will require such suppliers to comply with the Tendering and Bidding Law of the PRC (《中華人民共和國招標投標法》) and the Procurement Law of the PRC (《中華人民共和國採購法》) in the bidding process. Suppliers are also required to protect the safety of employees in accordance with the Labour Law of the PRC (《中華人民共和國勞動法》) and the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》). In addition, the Group also requires suppliers to pay taxes according to law to ensure compliance.

To ensure the quality of suppliers, the Group closely monitors the performance of suppliers and reviews approved suppliers on an annual basis. The performance of suppliers is assessed based on price, quality, delivery schedule and volume, service and other aspects. In addition, the Group will also continuously evaluate and monitor suppliers for their track record of handling social issues in the past. For suppliers who fail to meet the standards of the Group, the cooperation with these suppliers will be terminated after the Group rated them as "rectification is needed" for two consecutive times.

The Group has 57 major qualified suppliers for the Year, all of which are located in the PRC and are evaluated carefully.

Product Responsibility

The Group believes that maintaining good game services is crucial to its sustainable development and is the key to its success. Therefore, the Group is committed to publishing high-quality games and having stringent game selection procedures to ensure better gaming experience for players. The Group continues to improve its technical services and player services and provides valuable technical support to game developers according to their specific needs. The Group also continues to implement its long-term strategies, including improving service quality by analysing the data collected and enhancing player loyalty and satisfaction by improving the quality of the games based on the Group's understanding of player preferences. The Group will upgrade the data collection system and big data platform to more accurately analyse player behaviour and more effectively monetise the value of games. The Group also enhanced its game development capabilities by investing more in research and development. In addition, the Group has established a comprehensive game development and publishing process, and will conduct multiple rounds of testing before the display version of its games is produced and the games are officially approved for publishing to ensure the quality of the games and player experience.

In recent years, the Group has promoted national culture through innovative game forms, and at the same time closely followed relevant national guidelines and policies, focusing on the inheritance of traditional culture, in order to build the Group into a Chinese game brand with worldwide influence.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has accumulated a closed loop of IP game ecosystem of “IP resources – self-development and joint development – global publishing – proprietary IP operation – Chinese-style metaverse platform (IP資源-自主研發與聯合研發-全球發行-自有IP運營-國風元宇宙平台)”, and the games launched with IP as the core have received tremendous support and numerous recognitions from game players and business partners. As one of the world’s leading IP-based game operators, the Group and its games have received various awards on different ceremonies. Awards and honours received by the Group and its games during the Year are as follows:

Award/Recognition	Date of Award	Awarding Institution/Authority
Tribute to the Most Beautiful Enterprise – Activity of “Adhering to the Spirit of the 20th CPC National Congress and Making Path on a New Journey” by the Work Committee for Internet Enterprise of Shenzhen Municipal Party Committee (市委互聯網企業工委) Outstanding Grassroots Party Organization (先進基層黨組織)	January 2023	Organisation Department of Shenzhen Municipal Party Committee (深圳市委組織部), Guidance of Publicity Department of Shenzhen Municipal Party Committee (深圳市委宣傳部指導), Work Committee for Internet Enterprise of Shenzhen Municipal Party Committee (深圳市委互聯網企業工委)
Tribute to the Most Beautiful Enterprise – Activity of “Adhering to the Spirit of the 20th CPC National Congress and Making Path on a New Journey” by the Work Committee for Internet Enterprise of Shenzhen Municipal Party Committee (市委互聯網企業工委) Five-star Party Branch (五星支部)	January 2023	Organisation Department of Shenzhen Municipal Party Committee (深圳市委組織部), Guidance of Publicity Department of Shenzhen Municipal Party Committee (深圳市委宣傳部指導), Work Committee for Internet Enterprise of Shenzhen Municipal Party Committee (深圳市委互聯網企業工委)

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Award/Recognition	Date of Award	Awarding Institution/Authority
Outstanding Contribution of “Golden Diamond Award” 2022 (金鑽榜2022年度突出貢獻獎)	February 2023	The Department of Culture and Tourism of Guangdong Province (廣東省文化和旅游廳), Guangdong Entertainment & Game Industry Association (廣東省遊戲產業協會)
Social Responsibility of “Golden Diamond Award” 2022 (金鑽榜2022社會責任獎)	February 2023	The Department of Culture and Tourism of Guangdong Province (廣東省文化和旅游廳), Guangdong Entertainment & Game Industry Association (廣東省遊戲產業協會)
GTC2022 Jing Ming Award (鯨鳴獎) Outstanding Overseas Games Publisher Award of 2022 (2022年度優秀出海遊戲廠商獎)	February 2023	Baijingapp (白鯨出海)
2022 Innovative Enterprise in Game Industry (2022年度遊戲行業精益創新企業)	April 2023	China Internet Weekly published by the Chinese Academy of Sciences (中國科學院《互聯網週刊》), IT Research Centre under Chinese Academy of Social Sciences (中國社會科學院信息化研究中心), eNet Research Centre (eNet研究院) and Deben Consultation (Beijing) Co., Ltd. (德本諮詢(北京)有限公司)
2022 Best Overseas Game - Dynasty Warriors: Hegemony (2022年最佳出海遊戲《真·三國無雙霸》)	April 2023	Guangdong Entertainment & Game Industry Association (廣東省遊戲產業協會)

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Award/Recognition	Date of Award	Awarding Institution/Authority
Best Game of "3D (Character/Scene) Art Design Award" - The King of Fighters: All Stars (最佳遊戲3D(人物/場景)美術設計獎《全明星激鬥》)	April 2023	China Joy (Howell International Trade Fair Ltd. (上海漢威信恒展覽有限公司))
Outstanding Game of the Year Rakshasa Street: Chosen One (年度傑出遊戲《鎮魂街:天生為王》)	April 2023	Huawei Cloud (華為雲)
2022-2023 Games Enterprises Corporate Social Responsibility Report (2022-2023 遊戲企業社會責任報告) Outstanding Games Enterprise for Performance of the Social Responsibility of China's Games Enterprises of the Year (年度中國遊戲企業社會責任綜合表現較為突出遊戲企業)	July 2023	People.cn (人民網), Beijing Xicheng District Municipal Government (北京市西城區人民政府)
The 16th Time Marketing Awarding Ceremony (第十六屆時代營銷盛典) 2023 Charity Pioneer of The Time (2023年度時代公益先鋒獎)	November 2023	Guangdong Times Media Group (廣東時代傳媒集團)
The Golden Finger (金手指) Outstanding Enterprise in the Chinese Game Industry 2023 (2023年度中國遊戲行業優秀企業)	November 2023	The 19th Chinese Game Industry Annual Conference 2023 (《2023(第十九屆)中國遊戲行業年會》) of China Culture and Entertainment Industry Association (中國文化娛樂行業協會)
The Golden Finger (金手指) Outstanding Mobile Game in the Chinese Game Industry 2023 (2023年度中國遊戲行業優秀手機遊戲) World of Castellan (城主天下) Sword and Fairy: Wen Qing (新仙劍奇俠傳之揮劍問情)	November 2023	The 19th Chinese Game Industry Annual Conference 2023 (《2023(第十九屆)中國遊戲行業年會》) of China Culture and Entertainment Industry Association (中國文化娛樂行業協會)
The 13th List of Chinese Listed Companies with Good Reputation 2023 (2023第十三屆中國上市公司口碑榜) Most Socially Responsible Listed Company Award (最具社會責任上市公司獎)	November 2023	12th Summit Forum for Chinese Listed Companies 2023 of National Business Daily (每日經濟新聞《2023第十二屆中國上市公司高峰論壇》)

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Award/Recognition	Date of Award	Awarding Institution/Authority
<p>Outstanding Game Selection 2023 (Golden Plume Award) (2023年度優秀遊戲評選大賽 (金翎獎))</p> <p>Most influential Mobile Game Publisher (最具影響力移動遊戲發行商)</p>	November 2023	Shanghai Hanwei Xinheng Exhibition Co., Ltd (上海漢威信恒展覽有限公司)
<p>Outstanding Game Selection 2023 (Golden Plume Award) (2023年度優秀遊戲評選大賽 (金翎獎))</p> <p>Gamers' Most Anticipated Online Mobile Game (玩家最期待的移動網路遊戲)</p> <p>Legend of Sword and Fairy: World (仙劍世界)</p>	November 2023	Shanghai Hanwei Xinheng Exhibition Co., Ltd (上海漢威信恒展覽有限公司)
<p>2023 Ceremony of High Quality Development of Shenzhen Internet Industry (2023年深圳互聯網行業高品質發展星光大典)</p> <p>Top Ten Pioneer Projects of High Quality Development of Internet Enterprises Guided by the Party (黨建引領互聯網企業高品質發展十大先鋒項目)</p>	December 2023	Cyberspace Administration of Shenzhen Municipal Party Committee (深圳市委網信辦), Work Committee for Internet Enterprise of Shenzhen Municipal Party Committee (深圳市委互聯網企業工委)
<p>Capital Market Communication & Innovation Team Award (資本市場傳播創新團隊獎)</p>	December 2023	The 4th Annual Selection of Listed Companies on Futubull of FUTU (富途《第四屆富途牛牛上市公司年度評選》)
<p>2023 Xiaomi Games Year-end Appreciation Party and Award Ceremony (2023小米遊戲年終答謝會暨頒獎典禮)</p> <p>Most Anticipated Game of 2023 (2023年最受期待遊戲)</p> <p>Legend of Sword and Fairy: World (仙劍世界)</p>	December 2023	Mi Game (小米遊戲)
<p>List of Selected Enterprises of 2023 (2023年年度評選企業名單)</p> <p>The Most Attractive Enterprise for Investors (最受投資者關注獎)</p>	December 2023	Valuable Capital (華盛證券)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group will launch more quality IP-based games to reward and meet the expectations of players and the market.

The Group takes active and effective measures to protect the physical and mental health of minors, which include launching and implementing the Parents' Guardian Project of Minors Online Games (網絡遊戲未成年人家長監護工程) by setting up special monitoring channels for parents on the homepage of games to guide the healthy participation of minors in online games. In addition, the Group participated in the research and development of four group standards, namely, Game Age- Appropriate Tips Specification (《遊戲適齡提示規範》), Parental Monitoring Platform Specification (《家長監護平台規範》), Online Game Terminology (Group Standards) (《網絡遊戲術語》團體標準) and Game Enterprise Content Self-assessment Process Specification (《遊戲企業內容自審流程規範》), and worked with departments such as the Publicity Department of the Communist Party of China (中共中央宣傳部), China Press and Publication Research Institute (中國新聞出版研究院) and enterprise representatives of the drafting group to promote the standardisation of the industry, so as to facilitate the healthy development of the game industry. At the same time, all games of the Group have adopted a real-name authentication system, an anti-addiction system and an age reminder, and strictly implemented the Notice on Further Strict Management and Practically Preventing Minors from Indulging in Online Games (《國家新聞出版署關於進一步嚴格管理切實防止未成年人沉迷網絡遊戲的通知》) issued by the National Press and Publication Administration on 30 August 2021. Only one hour of online game services will be provided to minors from 8:00 p.m. to 9:00 p.m. on Fridays, Saturdays, Sundays and statutory holidays, with a view to fully protecting the healthy growth of minors.

The Group also established the Game Content Risk Prevention and Control Standards and Procedures (《遊戲內容風險防控標準及流程》), and is committed to comply with laws and regulations related to product responsibility, which include the Provisions on the Administration of Online Publishing Services (《網絡出版服務管理規定》), Mobile Game Content Standards (《移動遊戲內容規範》) and the Measures for the Administration of Internet Information Services (《互聯網信息服務管理辦法》),

while ensuring that all games have obtained the Online Publishing Service License (《網絡出版服務許可證》). The advertisements released by the Group were also in line with the relevant regulatory requirements, including but not limited to the Advertising Law of the PRC (《中華人民共和國廣告法》).

During the Year, the Group did not receive any material complaints and compensation requests from audiences and customers as a result of deceptive, unfair or inappropriate contents, poor service quality or recall game products due to safety reasons related to the Group.

Service complaints and responses

In order to establish a good relationship and mutual trust with the players, the Group has established the Customer Service Enquiry and Complaint Process and Implementation Standards (客服諮詢與投訴流程及執行標準), which is handled by the Group's customer service department, to deal with players' enquiries and complaints. The customer service representatives will handle customers' complaints and requests with patience. Every complaint will be recorded in a standardised customer complaint record, which includes work order number, game name, user source, label of the work order, staff code of customer service representative, processing time of work order, complaint content and the handling results, in order to facilitate the customer service department to follow up and improve in the future, and to also serve as a source of information for the Group to improve its game quality continuously.

Intellectual property rights

Intellectual property rights are extremely important to the business of the Group and the Group is committed to protecting its intellectual property rights. The Group's copyright centre is responsible for monitoring the risk of infringement of its intellectual property rights. The Group stringently controls the authorisation procedures of its IP. Before entering into an IP licensing agreement, the copyright centre conducts independent background checks on the identity of the legal owner of the IP. For games developed based on IP licensed from game developers, the copyright centre also requires the game developers to provide authorisation letters issued by the IP owners to the Group. Before entering into a game licensing agreement, the copyright centre requires the relevant game developer

to provide its software copyright registration certificate, and such game licensing agreement also contains an undertaking by the game developer as the legal owner of the game copyright. The Group has established the Trademark Management System (《商標管理制度》) and Management System for the Declaration of Game Copyright Qualifications (《遊戲著作權資質申報管理制度》) to regulate the application process of its trademarks and copyrights. The Group has also included information such as application number, application date and duration of the software copyrights and trademarks of the Group in a copyright list.

In order to continuously monitor the abuse of the Group's IP rights by others, the business department of the Group regularly searches for the application market and distribution platforms to identify any potential infringement of the Group's games. Once a game infringement is discovered, the business department collects and compiles evidence and submits such evidence to the relevant application market or publishing platform in order to request for removal of the infringing games. If the application market or publishing platform fails to remove the infringing games within the prescribed period, the Group will issue a lawyer's letter to them. The Group will also consider initiating legal proceedings against infringing application market or distribution platforms and infringing game developers.

Privacy protection policy

The Group emphasises the protection of personal data to safeguard business and personal privacy by strictly implementing the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》). To this end, the Group has formulated the Information Security Management System (資訊安全管理系統) to regulate the organisation, storage, confidentiality and use of files to reduce the risk of data leakage. Employees are required to keep the information and data necessary for their work properly and keep them confidential. Important information, electronic files and important data are backed up regularly to prevent data loss due to mechanical failure or accidental deletion. In addition, the Group has clearly stated in its Employee Handbook (《員工手冊》) and Users' Personal Information Management System (《用戶個人信息管理制度》) that employees must keep the Group's information strictly confidential, and must not disclose confidential information of the Group to other unrelated employees or external parties. In the event that the leakage of the

Group's confidential information results in losses to the customers and the Group, the Group will impose penalties or initiate legal proceedings in accordance with the Group's internal stringent procedures to protect the interests of the Group and its customers. The Group strictly adheres to Network Security Law of the PRC (《中華人民共和國網絡安全法》), and there were no incidents of non-compliance in relation to data privacy during the Year.

Improving network security management

In order to reduce the Group's exposure to cyber-attacks, the Group has developed a series of network security management measures, including Information Security Policy (《信息安全方針》) and Information Security Organization and Management System (《信息安全組織管理制度》), which specify the prohibition of (i) employees from browsing or logging on unknown illegal websites, browsing illegal information and sending or receiving emails related to the above contents; (ii) downloading and installing virus spreading and hacker programmes on the Internet or by disks; (iii) unauthorised access to computer systems to change system information and user data; and (iv) any form of attack of computers or servers of the Group. All computer equipment must be installed with anti-virus software on a uniform basis, and no measures such as unauthorised anti-virus software and personal firewalls are allowed to be installed in computers without the consent of the Group's technology centre.

Anti-corruption

The Group strictly complies with the relevant laws and regulations, including but not limited to the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》), the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) and the Criminal Law of the PRC (《中華人民共和國刑法》), and adheres to the fundamental standards of integrity and self-discipline. The Group has formulated the Anti-fraud and Reporting Management Policy (《反舞弊與舉報管理制度》) to prevent fraud in corporate operation and reduce operational risks of the Group. All Directors of the Group have received corporate governance training provided by the Group before listing or in induction, so that the Directors would clearly understand their responsibility and exercise their fiduciary duties. The Group also encourages the Directors to participate in continuous professional development activities, and will arrange anti-corruption trainings according to the actual needs.

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The Group's Employee Handbook (《員工手冊》) clearly states the business conducts and professional ethics that employees should strictly follow, and prohibits any act of bribery, insider trading and fraud. The Group offers new employee induction training at the time when employees join, which includes trainings in relation to basic employee ethics, such as anti-corruption trainings.

If any employee discovers any violation, he/she can report to the Group's head of internal audit department, either named or anonymously, through the reporting hotline or e-mail provided by the Group, and will be rewarded according to the Anti-fraud and Reporting Management Policy (《反舞弊與舉報管理制度》). The department is responsible for investigating and collecting evidence and submitting the same to the Audit Committee. The head of the internal audit department will determine the corresponding penalties for the violations based on the nature, severity and evidence obtained. The Group intends to protect whistleblowers from common concerns such as confidentiality and potential retaliation. Therefore, even if a complaint is subsequently proved to be unsubstantiated, employees who report in good faith under the whistleblowing mechanism can be assured of the protection against unfair dismissal or victimisation.

During the Year, there were no concluded legal cases regarding corrupt practices brought against the Group or its employees, and the Group was also not aware of any violations of corruption, bribery, extortion, fraud or money laundering related to the Group.

Community Investment

The Group upholds the philosophy of "earnestly fulfilling social responsibilities and actively carrying out community activities" and regards community activity as an important part of its corporate culture, and has established the CMGE Dream Builder Volunteer Team Activity Regulations (《中手游築夢志願者團隊活動章程》), which clearly defines the purpose, responsibilities, and tasks of the volunteer team. Since the Group engages in game licensing and publishing business, the Group focuses on the charity for the youth and gives back to the society with a grateful heart.

Since 2018, the Group has cooperated with China Population Welfare Foundation (中國人口福利基金會) and Wuxi Lingshan Foundation (無錫靈山慈善基金會) to carry out a series of public welfare activities, aiming to set up at least 10 "CMGE Dream Libraries (中手游築夢圖書館)"

across China, so that local students can further enhance their learning interests on the basis of meeting their daily reading needs. As of 31 December 2023, a total of 12 "CMGE Dream Libraries (中手游築夢圖書館)" have been built and put into use in Yunan of Guangdong, Zhengding of Hebei, Meihokou of Jilin, Yangchun of Guangdong, Jishan of Shanxi, Pingxiang of Jiangxi, Lu'an of Anhui, Enshi of Hubei, Jiyuan of Henan, Heyuan of Guangdong, Jizhou of Tianjin and Ji'an of Jiangxi.



In addition to the public welfare construction and activities to promote the reading culture, the Group has conducted several community volunteer activities during the Year due to the alleviation of the COVID-19 pandemic in China. In which, 13 employees participated in the donation activities in Jizhou of Tianjin and Ji'an of Jiangxi in the CMGE Dream Libraries Plan (中手游築夢圖書館計劃), Guangdong-Guangxi Cooperation Donation to Longkai Village, Jiafang Township, Mashan County (馬山縣加方鄉龍開村粵桂協作幫扶捐款) and the donation activity of "I have a Garden in Guangxi (我在廣西有個園)", donating about 192 hours in total.

The Group helped various types of institutions by way of donations and participated various social activities to make contribution and give back to the society in its capacity as a corporate citizen to fulfill its social responsibilities and establish a good image in the public. During the Year, the Group has donated RMB123,000 in total to support local economy and provide social benefits to the disadvantaged groups in Hong Kong and Mainland China.

Besides, the Group is committed to nurturing and providing a broader platform for young artists and cultivating more outstanding art creative talents. Since 2021, the Group entered into school-enterprise cooperation contracts with the School of Digital Arts (數字藝術學院) under Xi'an University of Posts and Telecommunications (西安郵電大

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

學) and Guangzhou Huashang Vocational College (廣州華商職院), respectively, and the Group will establish long-term school-enterprise cooperation partnerships with more colleges and universities in various regions to support and develop together, so as to contribute new forces into the development of the game industry.

As a result of its outstanding performance in corporate social responsibility, the Group has been awarded a number of social responsibility related awards, including the Social Responsibility Award 2022 (2022社會責任獎) in the Golden Diamond Award (金鑽榜) organised by the Association of Game Industry of Guangdong (廣東省遊戲產業協會) under the guidance of the Department of Culture and Tourism of Guangdong Province (廣東省文化和旅遊廳) and the Guangdong Press and Publication Administration (廣東省新聞出版局); the Outstanding Games Enterprise for

Performance of the Social Responsibility of China's Games Enterprises of the Year (年度中國遊戲企業社會責任綜合表現較為突出遊戲企業) in the 2022-2023 Games Enterprises Corporate Social Responsibility Report (2022-2023遊戲企業社會責任報告) organised by People.cn (人民網) and the 2023 Charity Pioneer of The Time (2023年度時代公益先鋒獎) in The 16th Time Marketing Awarding Ceremony (第十六屆時代營銷盛典) organised by the Guangdong Times Media Group (廣東時代傳媒集團). The Group will continue to contribute to the future prosperity and growth of the youth, promote the established social welfare projects and continue to explore more different social and cultural activities, so as to establish a healthy and positive corporate image for the game industry.



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General disclosures and KPIs set out in the Reporting Guide of the Stock Exchange:

Items	Descriptions	Sections for reference
A. Environmental		
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.	Emissions
KPIs	A1.1 The types of emissions and respective emissions data.	Exhaust gas emissions
	A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Greenhouse gas emissions
	A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable
	A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Non-hazardous waste
	A1.5 Description of emissions target(s) set and steps taken to achieve them.	Greenhouse gas emissions; Measures to mitigate emissions
	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.	Non-hazardous waste; Measures to reduce waste generation
A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPIs	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Energy consumption
	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water consumption
	A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	Energy consumption Resource use efficiency
	A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water consumption; Resource use efficiency
	A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Items	Descriptions	Sections for reference	
A. Environmental			
A3: The Environment and Natural Resources			
General Disclosure KPIs	A3.1	<p>Policies on minimising the issuer's significant impacts on the environment and natural resources.</p> <p>Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.</p>	<p>Environment and Natural Resources</p> <p>Environment and Natural Resources</p>
A4: Climate Change			
General Disclosure KPIs	A4.1	<p>Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.</p> <p>Description of the significant climate-related issues which have impacted, and those which may impact the issuer, and the actions taken to manage them.</p>	<p>Climate Change</p> <p>Climate Change</p>
B. Social			
B1: Employment			
General Disclosure KPIs	B1.1	<p>Information on:</p> <p>(a) the policies; and</p> <p>(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.</p> <p>Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.</p>	<p>Employment</p> <p>Total number and classification of employees</p>
KPIs	B1.2	Employee turnover rate by gender, age group and geographical region.	Employee turnover rate
B2: Health and Safety			
General Disclosure KPIs	B2.1	<p>Information on:</p> <p>(a) the policies; and</p> <p>(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.</p> <p>Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.</p>	<p>Health and Safety</p> <p>Health and Safety</p>
KPIs	B2.2	Lost days due to work injury.	Health and Safety
KPIs	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Items		Descriptions	Sections for reference
B. Social			
B3: Development and Training			
General Disclosure		Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPIs	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
	B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
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
KPIs	B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
	B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
B5: Supply Chain Management			
General Disclosure		Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPIs	B5.1	Number of suppliers by geographical region.	Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
	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
	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

Items	Descriptions	Sections for reference
B. Social		
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.	Product Responsibility
KPIs	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
	B6.2 Number of products and service related complaints received and how they are dealt with.	Product Responsibility
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	Intellectual property rights
	B6.4 Description of quality assurance process and recall procedures.	Product Responsibility
	B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	Privacy protection policy; Improving network security management
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
KPIs	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
	B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
	B7.3 Description of anti-corruption training provided to directors and staff.	Anti-corruption

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Items	Descriptions	Sections for reference
B. Social		
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.	Community Investment
KPIs	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
	B8.2 Resources contributed (e.g. money or time) to the focus area.	Community Investment

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CMGE TECHNOLOGY GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of CMGE Technology Group Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 107 to 207, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 ("HKSAAs") issued by the 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 significant 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.

INDEPENDENT AUDITOR'S REPORT

Impairment assessment on goodwill

Refer to notes 3(b) and 16 to the consolidated financial statements and the accounting policies in note 2.4 to the consolidated financial statements.

The carrying value of goodwill amounted to RMB1,059 million as at 31 December 2023. The Group is required to perform impairment test for goodwill annually. The impairment test is based on the recoverable amounts of respective cash-generating units ("CGUs") to which the goodwill is allocated. Management performed impairment test using value-in-use calculation based on discounted cash flow method. Management also involved external experts to perform impairment assessment on the respective CGUs. Assumptions such as discount rate and long-term growth rate were set up applying significant judgements and estimates.

We identified assessing potential impairment of goodwill as a key audit matter because the impairment assessments prepared by management are complex and involve a significant degree of judgement in determining the assumptions, particular the long term growth rates, gross margin, revenue growth rate, pre-tax discount rates applied, and could be subject to management bias.

Our response

Our procedures on the management's impairment assessment on goodwill included:

- (i) Assessing the competence, capabilities and objectivity of the Group's external experts;
- (ii) Involving our internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group and external experts;
- (iii) Assessing the reasonableness of market data, discount rates and growth rates applied in determining the recoverable amount;
- (iv) Challenging the reasonableness of key assumptions of the forecasts based on our knowledge of the business and industry; and
- (v) Checking input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.

Impairment of trade receivables and financial assets included in prepayments, other receivables and other assets

Refer to notes 3(b), 21, 22 and 38 to the consolidated financial statements and the accounting policies in note 2.4 to the consolidated financial statements.

At as 31 December 2023, the gross carrying value of trade receivables and financial assets included in prepayments, other receivables and other assets amounted to RMB1,451 million and RMB274 million for which loss allowances of RMB263 million and RMB68 million were recorded respectively.

Management applied judgement in assessing the expected credit losses ("ECLs"). Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for loss allowance. Management also involved external experts to perform assessments of ECL for certain financial assets.

ECLs are also estimated by grouping the remaining receivables based on shared credit risk characteristics and ageing of billing and then collectively assessed for the likelihood of recovery, taking into account the nature of customers and ageing category, and applying the ECL rates to the respective gross carrying amounts of the receivables.

The ECL rates are determined based on historical credit loss experience and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables.

We focused on this area due to the magnitude of these financial assets and the estimation and judgement involved in determining the ECL allowance.

Our response

Our procedures on the management's ECL assessment on these financial assets included:

- (i) Obtaining an understanding of the Group's policy for calculating ECL;
- (ii) Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are adjusted based on current economic conditions and forward-looking information and assessing whether there was an indication of management bias when recognising the loss allowances;
- (iii) Checking the accuracy of the ageing classification of the trade receivables balance on a sample basis; and
- (iv) Assessing the competence, capabilities and objectivity of the Group's external expert.

INDEPENDENT AUDITOR'S REPORT

Fair value measurement of financial instruments

Refer to notes 3(b), 20, 25 and 37 to the consolidated financial statements and the accounting policies in note 2.4 to the consolidated financial statements.

The Group has financial instruments that have been measured at fair value where no market price has been available, and in these cases, fair value is determined using valuation models based on market data. These financial instruments are categorised as Level 2 in the fair value valuation hierarchy. The Group also has some financial instruments for which the fair value measurement has been determined using valuation models where the value is affected by input data that cannot be verified by external market data. These financial instruments are categorised as Level 3 in the fair value valuation hierarchy. Management involved external experts to perform assessments of the fair value for these financial instruments.

The Group has financial assets categorised as Level 2 and Level 3 totalling RMB1,820 million and financial liabilities categorised as Level 3 totalling RMB100 million.

We focused on this area due to the high degree of judgment required in determining the respective fair values of Level 2 and Level 3 financial instruments which do not have direct open market quoted values, with respect to the adoption of applicable valuation methodology and the application of appropriate assumptions in the valuation.

Our response

Our procedures on the management's fair value measurement of financial instruments included:

- (i) Assessing the competence, capabilities and objectivity of the Group's external experts;
- (ii) Involving our internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group and external experts; and
- (iii) Checking the reasonableness of the estimates by conducting sample tests and performed our own independent valuation computation.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include 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.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirement 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in the regard.

AUDITOR'S RESPONSIBILITY 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. This report is made solely to you, as a body, in accordance with the terms of our engagement, 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.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism 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.

INDEPENDENT AUDITOR'S REPORT

- 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.

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, action taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, 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.

BDO Limited

Certified Public Accountants

Wong Kwok Wai

Practising Certificate Number P06047

Hong Kong

27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	2,605,884	2,713,892
Cost of sales		(1,662,782)	(1,602,197)
Gross profit		943,102	1,111,695
Other income and gains, net	6	117,426	63,877
Selling and distribution expenses		(306,494)	(237,981)
Administrative expenses		(525,956)	(730,695)
Impairment of financial and contract assets, net		(89,936)	(137,033)
Other expenses		(147,778)	(193,368)
Finance costs	8	(19,638)	(35,280)
Share of profits and losses of:			
A joint venture		—	(8)
Associates		3,545	(16,680)
LOSS BEFORE TAX	7	(25,729)	(175,473)
Income tax expense	11	(12,312)	(41,407)
LOSS FOR THE YEAR		(38,041)	(216,880)
Attributable to:			
Owners of the parent		(20,079)	(205,035)
Non-controlling interests		(17,962)	(11,845)
		(38,041)	(216,880)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic			
– For loss for the year		RMB(0.73) cents	RMB(7.42) cents
Diluted			
– For loss for the year		RMB(0.73) cents	RMB(7.42) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 RMB'000	2022 RMB'000
LOSS FOR THE YEAR	(38,041)	(216,880)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	12,379	(78,668)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation from functional currency to presentation currency	2,990	174,755
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	15,369	96,087
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(22,672)	(120,793)
Attributable to:		
Owners of the parent	(4,710)	(108,948)
Non-controlling interests	(17,962)	(11,845)
	(22,672)	(120,793)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property and equipment	14	14,222	17,873
Right-of-use assets	15	24,860	40,904
Goodwill	16	1,059,304	1,124,781
Other intangible assets	17	610,665	538,765
Investment in a joint venture	18	—	4,684
Investments in associates	19	159,329	156,629
Financial assets at fair value through profit or loss	20	2,021,044	2,099,456
Deferred tax assets	27	73,870	58,416
Prepayments	22	910,287	881,220
Total non-current assets		4,873,581	4,922,728
CURRENT ASSETS			
Trade receivables	21	1,187,136	1,070,799
Prepayments, other receivables and other assets	22	808,992	909,899
Due from related parties	35	8,851	12,368
Other deposits	23	—	1,000
Cash and cash equivalents	23	210,609	236,960
Total current assets		2,215,588	2,231,026
CURRENT LIABILITIES			
Trade payables	24	261,054	307,670
Other payables and accruals	25	311,556	282,741
Contingent consideration for business combination	25	100,000	168,925
Interest-bearing bank borrowings	26	495,000	444,169
Tax payable		114,717	133,063
Due to related parties	35	1,998	7,338
Lease liabilities	15	11,077	15,435
Total current liabilities		1,295,402	1,359,341
NET CURRENT ASSETS		920,186	871,685
TOTAL ASSETS LESS CURRENT LIABILITIES		5,793,767	5,794,413
NON-CURRENT LIABILITIES			
Deferred tax liabilities	27	83,124	75,474
Lease liabilities	15	15,830	27,056
Total non-current liabilities		98,954	102,530
Net assets		5,694,813	5,691,883

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	28	1,915	1,925
Reserves	30	5,693,790	5,672,888
		5,695,705	5,674,813
Non-controlling interests		(892)	17,070
Total equity		5,694,813	5,691,883

Mr. XIAO Jian
Director

Mr. SIN Hendrick M.H.
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to owners of the parent									
	Share capital	Capital reserve	Treasury shares	Statutory surplus	Share incentive	Exchange fluctuation	Retained profits	Total	Non-controlling interests	Total equity
	(Note 28)	(Note 30)	(Note 30)	(Note 30)	(Note 30)	(Note 30)	(Note 30)			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	1,925	3,426,097*	(19,316)*	18,510*	778,613*	(30,392)*	1,499,376*	5,674,813	17,070	5,691,883
Loss for the year	—	—	—	—	—	—	(20,079)	(20,079)	(17,962)	(38,041)
Exchange differences on translation	—	—	—	—	—	15,369	—	15,369	—	15,369
Total comprehensive income/(loss) for the year	—	—	—	—	—	15,369	(20,079)	(4,710)	(17,962)	(22,672)
Cancellation of ordinary shares	(10)	(19,306)	19,316	—	—	—	—	—	—	—
Appropriation of statutory reserve	—	—	—	7,898	—	—	(7,898)	—	—	—
Share-based compensation (note 29)	—	—	—	—	25,602	—	—	25,602	—	25,602
At 31 December 2023	1,915	3,406,791*	—	26,408*	804,215*	(15,023)*	1,471,399*	5,695,705	(892)	5,694,813

* These reserve accounts comprise the consolidated reserves of RMB5,672,888,000 and RMB5,693,790,000 in the consolidated statement of financial position as of 31 December 2022 and 2023 respectively.

	Attributable to owners of the parent									
	Share capital	Capital reserve	Treasury shares	Statutory surplus	Share incentive	Exchange fluctuation	Retained profits	Total	Non-controlling interests	Total equity
	(Note 28)	(Note 30)	(Note 30)	(Note 30)	(Note 30)	(Note 30)	(Note 30)			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	1,925	3,426,097*	—	18,510*	769,398*	(126,479)*	1,704,411*	5,793,862	—	5,793,862
Loss for the year	—	—	—	—	—	—	(205,035)	(205,035)	(11,845)	(216,880)
Exchange differences on translation	—	—	—	—	—	96,087	—	96,087	—	96,087
Total comprehensive income/(loss) for the year	—	—	—	—	—	96,087	(205,035)	(108,948)	(11,845)	(120,793)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	28,425	28,425
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	490	490
Repurchase of shares	—	—	(19,316)	—	—	—	—	(19,316)	—	(19,316)
Share-based compensation (note 29)	—	—	—	—	9,215	—	—	9,215	—	9,215
At 31 December 2022	1,925	3,426,097*	(19,316)*	18,510*	778,613*	(30,392)*	1,499,376*	5,674,813	17,070	5,691,883

CONSOLIDATION STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(25,729)	(175,473)
Adjustments for:			
Finance costs	8	19,638	35,280
Share of profits and losses of a joint venture and associates		(3,545)	16,688
Interest income	6	(1,567)	(5,560)
Dividend income from financial assets of fair value through profit or loss	6	(10,569)	—
Fair value losses on financial assets at fair value through profit or loss	7	33,538	56,284
Fair value adjustment of contingent consideration for business combination	7	(68,925)	(9,311)
Equity-settled share-based expense		25,458	8,901
Impairment of trade receivables, net	7	103,232	64,823
Impairment of an investment in an associate	7	846	58,092
Impairment of an investment in a joint venture	7	4,684	—
(Reversal of impairment)/impairment of financial assets included in prepayments, other receivables and other assets	7	(13,296)	72,210
Impairment of goodwill	7	65,477	12,288
Write-off of prepayments, net	7	26,858	50,934
Loss on disposal of items of property and equipment	7	333	103
Gain on lease modification	7	(317)	(779)
Depreciation of property and equipment	7	6,458	4,284
Depreciation of right-of-use assets	7	13,916	18,875
Amortisation of other intangible assets	7	108,863	69,991
Impairment of other intangible assets	7	3,094	10,636
Operating profit before working capital changes		288,447	288,266
Increase in trade receivables		(219,569)	(83,176)
Decrease/(increase) in prepayments, other receivables and other assets		29,327	(104,524)
Decrease/(increase) in amounts due from related parties		3,517	(1,304)
Decrease in trade payables		(46,616)	(71,837)
Increase/(decrease) in other payables and accruals		26,268	(6,562)
(Decrease)/increase in amounts due to related parties		(5,340)	3,123
Cash generated from operations		76,034	23,986
Income tax paid		(29,477)	(25,571)
Net cash flows generated from/(used in) operating activities		46,557	(1,585)

CONSOLIDATION STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,567	5,560
Dividends received from financial assets at fair value through profit or loss		10,569	27,982
Purchases of items of property and equipment	14	(3,397)	(14,366)
Proceeds from disposal of items of property and equipment		329	149
Additions to other intangible assets		(133,250)	(527,958)
Acquisition of subsidiaries, net	31	—	14,209
Purchase of investment in an associate		—	(81,650)
Disposal of investments in associates		—	74,397
Purchases of financial assets at fair value through profit or loss		(164,184)	(707,318)
Disposal of financial assets at fair value through profit or loss		201,109	495,564
Withdrawal of other deposits	23	1,000	489,235
Net cash flows used in investing activities		(86,257)	(224,196)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares		—	(19,316)
Contribution from non-controlling interests		—	490
New bank and other loans		609,000	474,172
Repayments of bank and other loans		(557,633)	(812,581)
Principal portion of lease payments		(13,140)	(17,349)
Interest paid		(19,638)	(35,568)
Net cash flows generated from/(used in) financing activities		18,589	(410,152)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(21,111)	(635,933)
Cash and cash equivalents at beginning of year		236,960	818,520
Effect of foreign exchange rate changes, net		(5,240)	54,373
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	210,609	236,960

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2023

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 20 March 2018 as an exempted company with limited liability under the Companies Act (as revised) of the Cayman Islands. The registered address of the office of the Company is P.O. Box 309, Umland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in mobile game publishing, game development and licensing of intellectual property in Mainland China, Hong Kong, Taiwan, Korea and Japan; and investment business in Mainland China.

In the opinion of the directors, the controlling shareholders of the Company are Mr. Xiao Jian and Mr. Sin Hendrick *M.H.*.

Information about subsidiaries

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

Name	Date and place of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Chengdu Zhouxing Technology Co., Ltd. (成都卓星科技有限公司) ("Chengdu Zhuoxing")*	24 June 2013 PRC/Mainland China	Reminbi ("RMB") 10,000,000	—	100	Mobile game publishing
China Mobile Games and Entertainment Group Limited Shenzhen (深圳市中手游網絡科技有限公司) ("Shenzhen Zhongshouyou")*	10 July 2015 PRC/Mainland China	RMB10,000,000	—	100	Mobile game publishing
Shenzhen Douyue Network Technology Co., Ltd. (深圳市豆悅網絡科技有限公司) ("Shenzhen Douyue")* ^	21 November 2014 PRC/Mainland China	RMB10,000,000	—	100	Mobile game publishing
Victory Games Network Technology Co., Ltd. (深圳市勝利互娛網絡科技有限公司)*	1 July 2015 PRC/Mainland China	RMB15,000,000	—	100	Mobile game publishing
Tibet Jichuang Internet Technology Co., Ltd. (西藏極創網絡科技有限公司) ("Tibet Jichuang")* ^	24 March 2016 PRC/Mainland China	RMB30,000,000	—	100	Investment holding

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2023

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Date and place of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
China Mobile Games and Entertainment Group (HK) Limited	11 October 2012 Hong Kong	Hong Kong Dollars ("HK\$") 100	—	100	Mobile game publishing
CMGE International Limited	3 December 2013 British Virgin Islands ("BVI")	United State Dollars ("US\$") 1	—	100	Investment holding
香港商悅動娛樂有限公司台灣分公司	17 October 2014 Taiwan	Taiwan New Dollars ("TWD") 1,000,000	—	100	Game publishing
CMGE Global Limited	28 October 2013 Hong Kong	HK\$1	—	100	Mobile game publishing
CMGE Korea Co., Limited	28 February 2014 Korea	South Korean Won ("KRW") 274,456,000	—	100	Mobile game publishing
Majesty Enterprises Limited	22 November 2013 Hong Kong	HK\$1	—	100	Mobile game publishing
SuperNova Overseas Limited	31 July 2014 Hong Kong	HK\$1	—	100	Mobile game publishing
Blooming City Holding Limited	8 January 2015 Republic of Seychelles	US\$1	—	100	Mobile game publishing
CMGE Group Limited	23 October 2017 Hong Kong	HK\$1	—	100	Investment holding
CMGE Group Limited	21 December 2017 BVI	US\$1	—	100	Investment holding
Shengyue Software (Shenzhen) Co., Ltd. (盛悅軟件(深圳)有限公司) ("Shengyue Software")**	5 March 2018 PRC/Mainland China	HK\$800,000,000	—	100	Investment holding
Tianhu Software Technology (Shenzhen) Company Limited (天互軟件科技(深圳)有限公司)** ^	7 March 2018 PRC/Mainland China	HK\$150,000,000	—	100	Investment holding

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2023

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Date and place of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Rocket Parade Investment Limited	21 March 2018 BVI	US\$0.01	100	—	Investment holding
Beijing Wenmai Hudong Technology Company Limited (北京文脈互動科技有限公司) ("Wenmai Hudong")* ^	12 December 2014 PRC/Mainland China	RMB1,000,000	—	100	Game development
Horgos Bell Mutual Entertainment Technology Co., Ltd. (霍爾果斯鐘聲互娛科技有限公司) ("Zhongsheng Huyu")* ^ #	21 June 2016 PRC/Mainland China	RMB1,000,000	—	100	Game development
Softstar Technology (Beijing) Co., Ltd. (軟星科技(北京)有限公司) ("Beijing Softstar")**	19 September 2000 PRC/Mainland China	RMB16,873,388	69.23	30.77	Game development
Softstar Technology (Shanghai) Co., Ltd. (軟星科技(上海)有限公司)** ^	14 June 2001 PRC/Mainland China	RMB70,375,625	—	100	Game development
Beijing Zhongsheng Huyu Entertainment Technology Company Limited (北京鐘聲互娛科技有限公司) ("Beijing Zhongsheng")* ^	1 August 2019 PRC/Mainland China	RMB1,000,000	—	100	Game development
Horgos Wenmai Hudong Technology Company Limited (霍爾果斯文脈互動科技有限公司) ("Horgos Wenmai")* ^ #	25 March 2020 PRC/Mainland China	RMB1,000,000	—	100	Game development

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Date and place of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Softstar Technology (Shenzhen) Company Limited (軟星科技(深圳)有限公司)** ^	17 August 2020 PRC/Mainland China	RMB20,000,000	—	100	Game development
Beijing Fenhao Huyu Technology Company Limited (北京分號互娛科技有限公司)* ^	19 January 2020 PRC/Mainland China	RMB5,000,000	—	100	Mobile game publishing
Shenzhen Full Stop Mutual Entertainment Network Technology Co., Ltd. (深圳市句號互娛網絡科技有限公司)* ^	24 December 2019 PRC/Mainland China	RMB10,000,000	—	100	Mobile game publishing
Yichun Dongdian Huyu Internet Technology Company Limited (宜春市動點互娛網絡科技有限公司) ("Yichun Dongdian")* ^	26 November 2019 PRC/Mainland China	RMB5,000,000	—	100	Mobile game publishing
Hainan Chuangyue Technology Company Limited (海南創躍科技有限公司) ("Hainan Chuangyue")* ^	24 December 2019 PRC/Mainland China	RMB5,000,000	—	100	Game development
Hainan Zhanshen Internet Technology Company Limited (海南戰神網絡科技有限公司) ("Hainan Zhanshen")* ^	27 April 2020 PRC/Mainland China	RMB5,000,000	—	100	Mobile game publishing
Shanghai Fanying Network Technology Co., Ltd. (上海凡影網絡科技有限公司) ("Shanghai Fanying")* ^	31 July 2020 PRC/Mainland China	RMB1,000,000	—	100	Game development
Beijing Shanxunxingkong Technology Co., Ltd. (北京閃訊星空科技有限公司) ("Beijing Shanxunxingkong")* ^	23 December 2020 PRC/Mainland China	RMB1,000,000	—	100	Game development

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2023

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Date and place of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shenzhen Fansheng Network Technology Co., Ltd. (深圳市凡盛網絡科技有限公司) ("Shenzhen Fansheng")* ^	4 June 2020 PRC/Mainland China	RMB1,000,000	—	100	Mobile game publishing
Mighty Leader Limited	19 January 2021 Samoa	US\$1,000,000	—	100	Investment holding
Best Classic International Limited	11 January 2021 Samoa	US\$1,000,000	100	—	Investment holding
Guangzhou Chuxin Technology Company Ltd. (廣州初歆科技有限公司) ("Guangzhou Chuxin")* ^ #	13 July 2021 PRC/Mainland China	RMB1,000,000	—	70	Software, information and technology operation
Hainan Guming Technology Company Ltd. (海南古茗科技有限公司) ("Hainan Guming")* ^	10 March 2022 PRC/Mainland China	RMB10,000,000	—	51	Digital art
Shanghai Zhoujing Network Technology Co., Ltd. (上海洲競網絡科技有限公司) ("Shanghai Zhoujing")* ^	1 December 2022 PRC/Mainland China	RMB2,040,816	—	51	Game development
Shanghai Yunnan Network Technology Co., Ltd. (上海雲南網絡科技有限公司) ("Shanghai Yunnan")* ^	6 January 2021 PRC/Mainland China	RMB1,000,000	—	100	Game development
Guangzhou Manshikong Network Technology Co., Ltd. (廣州漫時空網絡科技有限公司) ("Guangzhou Manshikong")* ^	28 April 2023 PRC/Mainland China	RMB5,000,000	—	100	Game development

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2023

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Date and place of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Hengwan Network Technology Co., Ltd. (北京恒玩網絡科技有限公司) ("Beijing Hengwan")* ^	17 March 2023 PRC/Mainland China	RMB1,000,000	—	100	Mobile game publishing
CMGE Japan Co., Ltd.	11 December 2013 Japan	Japanese Yen ("JPY") 70,000,000	—	100	Mobile game publishing

* These subsidiaries are registered as limited liability companies under PRC law.

** These subsidiaries are registered as wholly-foreign-owned enterprises under PRC law.

^ The English names of these subsidiaries registered in Mainland China represent the translated names of these companies as no English names have been registered.

Horgos Wenmai, Zhongsheng Huyu, and Guangzhou Chuxin were deregistered during the year ended 31 December 2023.

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.

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2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and contingent consideration for business combination which have been measured at fair value. These consolidated financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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 new and revised HKFRSs for the current year's consolidated financial statements:

HKFRS 17	<i>Insurance Contracts and related Amendments</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

Impacts on application of HKFRS 17 - Insurance Contracts

HKFRS 17 defines an insurance contract as a contract under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

In October 2020, the HKICPA issued Amendments to HKFRS 17 to address concerns and implementation challenges that were identified after HKFRS 17 was published. The amendments defer the date of initial application of HKFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the HKICPA issued Amendments to HKFRS 4 Extension of the Temporary Exemption from HKFRS 9 that extends the fixed expiry date of the temporary exemption from applying HKFRS 9 in HKFRS 4 to annual reporting periods beginning on or after 1 January 2023.

In February 2022, the HKICPA issued Amendment to HKFRS 17 Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information to address implementation challenges that were identified after HKFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

Certain contracts entered into by the Group, including contingent consideration for business combination with the details as set out in note 25 to the consolidated financial statements, meet the definition of insurance contracts under HKFRS 17. However, these contracts are specifically scoped out from HKFRS 17 and the Group continues to account for these contracts under relevant accounting standards. Therefore, the application of HKFRS 17 in the current year had no material impact on the consolidated financial statements.

Disclosure of Accounting Policies (Amendments to HKAS 1 - Presentation of Financial Statements and HKFRS Practice Statement 2 - Making Materiality Judgements)

The HKICPA issued HKFRS Practice Statement 2 - Making Materiality Judgements in March 2021 to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. In April 2021, the HKICPA issued amendments to HKAS 1 and HKFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure. These amendments have no effect on the measurement or presentation of any items in the consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

The adoption of other new or amended HKFRSs and HKAS did not have any material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> ¹
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> ¹
HK Interpretation 5 (Revised)	<i>Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause</i> ¹
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ¹
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i> ¹
Amendments to HKAS 21	<i>Lack of Exchangeability</i> ²

¹ Effective for annual periods beginning on or after 1 January 2024.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after a date to be determined.

The Group is in the process of making an assessment of the impact of these revised HKFRSs upon initial application. Up to now, the Group considers that these standards will not have a significant impact on the Group's financial performance and financial position in the foreseeable future.

2.4 ACCOUNTING POLICIES

a) Investments in associates and a joint venture

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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and a joint venture 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 and a joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively.

2.4 ACCOUNTING POLICIES *(continued)*

(b) Goodwill

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.

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.

(c) Fair value measurement

The Group measures certain financial instruments and contingent consideration for business combination 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.

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2.4 ACCOUNTING POLICIES *(continued)*

(c) Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the consolidated 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 consolidated 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.

(d) 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 and financial 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 ("CGU") 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 consolidated 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 consolidated statement of profit or loss in the period in which it arises.

2.4 ACCOUNTING POLICIES *(continued)*

(e) Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property 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 and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated 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 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 and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Electronic devices	33%
Motor vehicles	20%
Leasehold improvements	Shorter of estimated useful lives and remaining lease terms of the leasehold lands
Buildings	Shorter of estimated useful lives and remaining lease terms of the leasehold lands

Where parts of an item of property 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 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 consolidated statement of profit or loss in the year for the asset derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

(f) Other intangible assets (other than goodwill)

Other intangible assets acquired separately are measured on initial recognition at cost. The cost of other intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of other 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 other intangible assets may be impaired. The amortisation period and the amortisation method for other intangible assets with a finite useful life are reviewed at least at each financial year end.

Intellectual property licences ("IP licences") and IP rights

Under IP licensing arrangements entered into between the Group and the IP owners, the Group pays loyalty fees to the IP owners as the Group is entitled to develop, publish and operate mobile games based upon the IP. The Group recognises the IP loyalty fees and acquisition costs as intangible assets. These intangible assets are amortised on a straight-line basis over the shorter of the expected economic life and licence period of 2 to 20 years.

NOTES TO FINANCIAL STATEMENTS

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2.4 ACCOUNTING POLICIES *(continued)*

(f) Other intangible assets (other than goodwill) *(continued)*

Content provider licences ("CP licences")

Under the exclusive game arrangements entered into between the Group and the game developers, the Group pays upfront loyalty fees to the game developers as the Group is entitled to an exclusive right to operate/publish the developed games. The Group recognises the upfront loyalty fees as an intangible asset. These intangible assets are amortised on a straight-line basis over the shorter of the expected economic life and licence period, from 3 to 5 years.

Computer software

Acquired computer software is stated at historical cost less amortisation. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software, and is amortised on a straight-line basis over the useful life of 5 years.

Copyrights

Under the buyout arrangements for copyrights entered into between the Group and the IP owners, the Group pays a sum of copyright fees to the IP owners as the Group is entitled to buy out the copyrights upon which the Group can further develop, publish and operate mobile games with an indefinite period. The Group recognises the copyrights brought out as an intangible asset. These intangible assets are initially recorded at cost and amortised on a straight-line basis over their expected economic lives of 3 to 10 years.

The Group recognises copyrights acquired through business combinations as intangible assets. These intangible assets are initially recognised and measured at estimated fair value. Copyrights acquired through business combinations are amortised using a straight-line method which reflects the estimated consumption patterns and expected economic lives.

The Group develops its estimation on the expected economic lives of the copyright based on a number of factors such as typical product life cycles, public information on estimation of useful lives of similar assets, technical, commercial or other types of obsolescence and legal expiry dates.

Trademarks

Trademarks are initially recognised and measured at costs incurred to register. The costs are amortised on the straight-line basis over their estimated useful lives of 5 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 contract periods, commencing from the date when the products are put into commercial production.

2.4 ACCOUNTING POLICIES *(continued)*

(g) 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.

(i) 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.

(ii) 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 incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. 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.

(iii) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office properties (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). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

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2.4 ACCOUNTING POLICIES *(continued)*

(h) 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 HKFRS 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 consolidated statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 ACCOUNTING POLICIES *(continued)*

(h) Financial assets *(continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Fair value gains or losses on financial assets at fair value through profit or loss incorporate any dividend earned on financial assets.

(i) 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.

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.

(j) 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.

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2.4 ACCOUNTING POLICIES *(continued)*

(j) Impairment of financial assets *(continued)*

General approach (continued)

The Group considers a financial asset in default when contractual payments are 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. 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.

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 trade receivables 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.

(k) Financial liabilities

Initial recognition and measurement

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 contingent consideration for business combination, trade and other payables, amounts due to related parties and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

2.4 ACCOUNTING POLICIES *(continued)*

(k) Financial liabilities *(continued)*

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the consolidated statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

After initial recognition, trade and other payables, amounts due to related parties and interest-bearing bank 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 consolidated 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.

(l) 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, associates and joint ventures, 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.

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2.4 ACCOUNTING POLICIES *(continued)*

(l) Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward 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 carry forward 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, associates and joint ventures, 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.

2.4 ACCOUNTING POLICIES *(continued)*

(m) 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.

(i) **Mobile game publishing**

The Group is primarily engaged in providing services of publishing developed mobile games to the various publishing channels including application stores and software websites.

The mobile games are generally operated under a free-to-play basis whereby players can play the games free of charge and are charged for purchase of a virtual currency that can exchange for virtual items in the games. Game players pay for the virtual items through the publishing channels. Such payments are generally non-refundable and non-cancellable. The publishing channels are entitled to withhold and deduct prescribed fixed percentages of the gross proceeds collected from the players as their channel service fee, and the Group, game developers ("CPs") and intellectual property ("IPs") owners, if any IPs are involved, are entitling the remaining amount.

Gross versus net consideration

The Group evaluates agreements with the CPs, publishing channels and IPs (if any) in order to determine whether the Group acts as the principal or as an agent in the arrangement with each party, respectively. The Group identified the specified service to be provided to the customers and assessed whether it controls each specified service before that is transferred to the customers. The indicators that the Group controls the specified service include, but are not limited to, whether the Group (i) is primarily responsible for fulfilling the promise to provide the specified service; (ii) has inventory risk before the specified service has been transferred to a customer; (iii) has discretion in establishing prices for the specified services. The assessment is performed for all of the Group's mobile game publishing revenue.

With respect to most of the Group's game publishing arrangements entered into during the reporting period, the Group views the CPs as its customers and the Group provides game publishing services to CPs. The Group is responsible for identifying, contracting with and maintaining the relationships of the publishing channels and IPs (if any), and accordingly, the Group records the amount collected from game players by publishing channels, net of the amounts shared by the CPs, as the revenue on a gross basis and commission fees paid to the publishing channels and IPs (if any) are included in cost of sales. For the other game publishing arrangements, the Group is not responsible for identifying, contracting with and maintaining the relationships of the publishing channels. And accordingly, the Group records the amount collected from publishing channels, net of commission fees to such channels and the amounts shared by the CPs, as the revenue.

Timing of revenue recognition

The Group's publishing services are provided over the whole publishing periods, and the publishing revenue is recognised when the services are provided and the revenue amounts are determinable.

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2.4 ACCOUNTING POLICIES *(continued)*

(m) Revenue recognition *(continued)*

Revenue from contracts with customers (continued)

(ii) Self-developed and self-operating games

The Group is also engaged in developing online games including web-based and mobile games.

The games are operated under a free-to-play basis whereby players can play the games free of charge and are charged for purchase of a virtual currency that can exchange for virtual items in the games. The gross payments from players are collected as revenue. The payment received to purchase of virtual items is non-refundable and the related contracts are non-cancellable.

The Group has determined that when it is obligated to provide on-going services to the game players who purchased virtual items to gain an enhanced game-playing experience over the playing period of the paying players, ratably over the estimated average playing period of these paying players ("Player Relation Period"), starting from the point in time when virtual items are delivered to the players' accounts, and all other revenue recognition criteria are met.

The Group estimates the Player Relation Period and re-assesses such period semi-annually. If a new game is launched and only a limited period of paying players' data is available, then the Group considers other qualitative factors, such as the playing patterns for paying players for other games with similar characteristics.

Gross versus net consideration

The Group considered itself as a principal in games as the Group takes primary responsibilities of game operation, providing customer services, hosting game servers, controlling games and service specifications and pricing. Accordingly, the revenue derived from games is recorded on a gross basis and the amounts withheld by the publishing channels and other publishers are recorded as cost of sales.

Timing of revenue recognition

When the Group operates game as principal, revenue is recognised overtime.

(iii) Licensing of intellectual property

The Group also generates revenue from licensing intellectual property to third parties for certain periods. The revenue from licensing agreements is recognised over the license period (for a right to access) or at the point in time when the customer can first use the licensed intellectual property (for a right to use). Sales-based royalties on licenses of intellectual property are recognised only upon the later of when the sale or usage occurs or the satisfaction of the related performance obligation.

2.4 ACCOUNTING POLICIES *(continued)*

(m) Revenue recognition *(continued)*

Revenue from contracts with customers (continued)

(iv) 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 shareholders' right to receive 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.

(n) 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).

(o) Contract costs

Other than the costs which are capitalised as property 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 consolidated 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.

(p) Share-based payments

The Company operates a share option scheme 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 is measured by reference to the fair value at the date at which they are granted.

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2.4 ACCOUNTING POLICIES *(continued)*

(p) **Share-based payments** *(continued)*

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 consolidated 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.

(q) **Other employee benefits**

Pension scheme

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities in various areas other than Mainland China. The Group's liability in respect of these plans is limited to the contributions payable at the end of each period. Contributions to these plans are expensed as incurred.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiary operating in Mainland China is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund - Mainland China

The Group contributes on a monthly basis to a defined contribution housing fund plan operated by the local municipal government. Contributions to this plan by the Group are expensed as incurred.

2.4 ACCOUNTING POLICIES *(continued)*

(r) Foreign currencies

These consolidated financial statements are presented in RMB. The Company's functional currency is the Hong Kong dollar. 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 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).

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company 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 consolidated 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.

NOTES TO FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated 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.

(a) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Contractual arrangements

Chengdu Zhuoxing, Shenzhen Zhongshouyou, Shenzhen Douyue, Hainan Chuangyue, Yichun Dongdian, Hainan Zhanshen, Shanghai Zhoujing, Hainan Guming, Guangzhou Chuxin, Shenzhen Fansheng, Shanghai Fanying, Shanghai Yunnan, Guangzhou Manshikong and Beijing Hengwan (collectively referred to as the "PRC Operating Entities") are mainly engaged in the provision of mobile game publishing in the PRC, which falls in the scope of "Catalogue of Restricted Foreign Investment Industries" that foreign investors are prohibited to invest in.

As disclosed in note 2.1 to the consolidated financial statements, the Group exercises control over the PRC Operating Entities and enjoys all economic benefits of the PRC Operating Entities through the contractual arrangements.

The Group considers that it controls the PRC Operating Entities, notwithstanding the fact that it does not hold a direct equity interest in the PRC Operating Entities, as it has power over the financial and operating policies of the PRC Operating Entities and receives substantially all of the economic benefits from the business activities of the PRC Operating Entities through the contractual arrangements. Accordingly, the PRC Operating Entities have been accounted for as subsidiaries during the reporting period.

Withholding tax arising from the distribution of dividends

The Group's determination, as to whether to accrue deferred tax liabilities in respect of withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(a) Judgements *(continued)*

Revenue recognition

Determining whether the Group is acting as a principal or as an agent when a third-party is in the provision of certain services to its customers requires judgement and consideration of all relevant facts and circumstances. In evaluation of the Group's role as a principal or agent, the Group considers factors to determine whether the Group controls the specified goods or services before they transferred to the customer include, but are not limited to the following: (a) who is primarily responsible for fulfilling the contract, (b) who is subject to inventory risk, and (c) who has discretion in establishing prices. Refer to note 2.4(m) for details.

Significant influence over investee

The Group hold 33.93%, 25.65% and 39.01% equity interest of Angel Fund (Asia) Investments Limited ("Angel fund"), China Prosperity Capital Mobile Internet Fund L.P. ("CPC Fund") and Guohong Jiaxin (Shenzhen) Angel Venture Capital Enterprise (L.P.) ("Angel Venture") during the year, respectively. The directors of the Company consider that the Group has no significant influence nor control over the entities based on the fact that the Group does not participate in any operating and financial policies of the entities and exercise its influence on the operating and financial policies in the board of directors of entities. The Group therefore accounted for these entities as financial assets at FVTPL.

Capitalisation of development expenditure

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 (f) to the consolidated financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets and the expected period of benefits. At 31 December 2023, the best estimate of the carrying amount of capitalised development costs was RMB 76,410,000 (note 17).

(b) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each 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 discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2023 was RMB1,059,304,000 (2022: RMB1,124,781,000). Further details are given in note 16 to the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(b) Estimation uncertainty *(continued)*

Provision for ECL on trade receivables and financial assets included in prepayments, other receivables and other assets

The measurement of ECL under HKFRS 9 across all categories of financial assets at amortised cost requires judgements, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining ECL and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Receivables relating to debtors with known financial difficulties or significant doubt on collection of receivables are assessed individually for loss allowance.

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the mobile game sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and financial assets included in prepayments, other receivables and other assets are disclosed in notes 21 and 22 to the consolidated financial statements.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2023 was RMB28,905,000 (2022: RMB24,043,000). The amount of unrecognised tax losses at 31 December 2023 was RMB1,310,911,000 (2022: RMB741,439,000). Further details are contained in note 27 to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(b) Estimation uncertainty *(continued)*

Valuation of financial assets at fair value through profit or loss

Where fair values of financial assets cannot be derived directly from active markets, they are determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimation is required in establishing fair values. The estimations include considerations of inputs such as liquidity risk, credit risk and volatility changes in assumptions about these factors could affect the reported fair value of financial instruments. Further details are disclosed in notes 20 and 37 to the consolidated financial statements.

Estimates of the Player Relation Period in the Group's game development services

The Group recognises the revenue rateably over the estimated average Player Relation Period for self-developed games and the Group acts as principal. The determination of the Player Relation Period in each game is made based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a semi-annual basis. Future paying player usage patterns and behaviour may differ from the historical usage patterns, and therefore, the estimated average Player Relation Period may change in the future. The Group will continue to monitor the estimated average Player Relation Period, which may differ from the historical period, and any change in the estimate may result in the revenue being recognised on a different basis to that in prior periods. Any adjustments arising from changes in the Player Relation Period as a result of new information will be accounted for as a change in accounting estimates.

Fair value of contingent consideration

The contingent consideration arising from business combination was estimated using the discounted cash flow model and Monte Carlo simulation model. These models require the Group to make estimations about the expected future profits, discount rate and volatility, and hence, they are subject to uncertainty. Further details are disclosed in notes 25 and 37 to the consolidated 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 at the end of each years. 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 such available data as 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.

NOTES TO FINANCIAL STATEMENTS

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4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in mobile game publishing, game development and licensing of intellectual property.

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker ("CODM") in order to allocate resources to segments and to assess their performance. There were no segment assets and segment liabilities information provided to the CODM, as the CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

For the year ended 31 December 2023

Segments	Game publishing RMB'000	Game development RMB'000	Licensing of intellectual property RMB'000	Total RMB'000
Segment revenue (note 5)				
Sales to external customers	2,133,803	215,105	256,976	2,605,884
Intersegment sales	—	26,336	—	26,336
	2,133,803	241,441	256,976	2,632,220
Reconciliation:				
Elimination of intersegment sales				(26,336)
Total revenue from contracts with customers				2,605,884
Segment results	633,657	69,516	239,929	943,102
Reconciliation:				
Other income and gains, net				117,426
Selling and distribution expenses				(306,494)
Administrative expenses				(525,956)
Impairment of financial and contract assets, net				(89,936)
Other expenses				(147,778)
Finance costs				(19,638)
Share of profits and losses of:				
A joint venture				—
Associates				3,545
LOSS BEFORE TAX				(25,729)

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4. OPERATING SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2022

Segments	Game publishing RMB'000	Game development RMB'000	Licensing of intellectual property RMB'000	Total RMB'000
Segment revenue (note 5)				
Sales to external customers	2,114,226	452,569	147,097	2,713,892
Intersegment sales	—	159,307	—	159,307
	2,114,226	611,876	147,097	2,873,199
Reconciliation:				
Elimination of intersegment sales				(159,307)
Total revenue from contracts with customers				2,713,892
Segment results	722,854	253,475	135,366	1,111,695
Reconciliation:				
Other income and gains, net				63,877
Selling and distribution expenses				(237,981)
Administrative expenses				(730,695)
Impairment of financial and contract assets, net				(137,033)
Other expenses				(193,368)
Finance costs				(35,280)
Share of profits and losses of:				
A joint venture				(8)
Associates				(16,680)
LOSS BEFORE TAX				(175,473)

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2023

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2023 RMB'000	2022 RMB'000
Mainland China	2,379,078	2,352,649
Other countries/regions	226,806	361,243
	2,605,884	2,713,892

The revenue information above is based on the locations of the game publishing, game development and licensing of intellectual property.

(b) Non-current assets

	2023 RMB'000	2022 RMB'000
Mainland China	2,694,972	2,727,662
Other countries/regions	83,695	37,194
	2,778,667	2,764,856

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

During the year ended 31 December 2023, revenue of approximately RMB 389,220,000 was derived from a single external customer that accounted for more than 10% of total revenue.

During the year ended 31 December 2022, revenue of approximately RMB 584,237,000 was derived from a single external customer that accounted for more than 10% of total revenue.

5. REVENUE

An analysis of revenue is as follows:

(a) Disaggregated revenue information

For the year ended 31 December 2023

Segments	Game publishing RMB'000	Game development RMB'000	Licensing of intellectual property RMB'000	Total RMB'000
Types of goods and services:				
Mobile game publishing services	2,133,803	—	—	2,133,803
Game development related services	—	215,105	—	215,105
Licensing of intellectual property	—	—	256,976	256,976
Total revenue	2,133,803	215,105	256,976	2,605,884
Revenue from contracts with customers under HKFRS 15 by geographical markets:				
Mainland China	1,926,081	215,105	237,892	2,379,078
Other countries/regions	207,722	—	19,084	226,806
	2,133,803	215,105	256,976	2,605,884
Revenue from contracts with customers under HKFRS 15 by timing of revenue recognition:				
Services transferred over time	2,133,803	215,105	143,768	2,492,676
Services transferred at a point in time	—	—	113,208	113,208
	2,133,803	215,105	256,976	2,605,884

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2023

5. REVENUE *(continued)*

(a) Disaggregated revenue information *(continued)*

For the year ended 31 December 2022

Segments	Game publishing RMB'000	Game development RMB'000	Licensing of intellectual property RMB'000	Total RMB'000
Types of goods and services:				
Mobile game publishing services	2,114,226	—	—	2,114,226
Game development related services	—	452,569	—	452,569
Licensing of intellectual property	—	—	147,097	147,097
Total revenue	2,114,226	452,569	147,097	2,713,892
Revenue from contracts with customers under HKFRS 15 by geographical markets:				
Mainland China	1,767,075	452,569	133,005	2,352,649
Other countries/regions	347,151	—	14,092	361,243
	2,114,226	452,569	147,097	2,713,892
Revenue from contracts with customers under HKFRS 15 by timing of revenue recognition:				
Services transferred over time	2,114,226	452,569	45,832	2,612,627
Services transferred at a point in time	—	—	101,265	101,265
	2,114,226	452,569	147,097	2,713,892

5. REVENUE *(continued)*

(a) Disaggregated revenue information *(continued)*

The following table shows the amounts of revenue from contracts with customers under HKFRS 15 recognised in the current reporting period that were included in the contract liabilities at the beginning of each reporting period:

	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of year:		
Short-term advances received from game publishing and IP licensing income	53,754	42,453
Sales of game points in self-developed games	61,606	69,231
	115,360	111,684

(b) Performance obligations of revenue from contracts with customers under HKFRS 15

Information about the Group's performance obligations is summarised below:

Publishing services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 180 days from the date of billing.

Game development related services

The performance obligation from self-developed and self-operating games is satisfied over the estimated Player Relation Period. The performance obligation from licensing self-developed games to other publishers as customer is satisfied over time during the licence period for granting the customer a right to access, or at a point for granting the customer a right to use.

Intellectual property licensing services

The performance obligation is satisfied over the license period (for a right to access) or at the point in time when the customer can first use the licensed intellectual property (for a right to use). Payment is generally due within 180 days from delivery.

NOTES TO FINANCIAL STATEMENTS

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5. REVENUE *(continued)*

(b) Performance obligations of revenue from contracts with customers under HKFRS 15 *(continued)*

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2023 RMB'000	2022 RMB'000
Amounts expected to be recognised as revenue: Within one year	154,331	128,841

The amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

6. OTHER INCOME AND GAINS, NET

	2023 RMB'000	2022 RMB'000
Bank interest income (note 7)	1,567	5,560
Government grants*	28,680	23,454
Fair value adjustment of contingent consideration for business combination	68,925	9,311
Dividend income from financial assets at fair value through profit or loss	10,569	—
Foreign exchange differences, net	—	1,473
Others	7,685	24,079
	117,426	63,877

* Various government grants have been received from local government authorities. There are no unfulfilled conditions and other contingencies relating to these grants.

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7. LOSS BEFORE TAX

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

	Note	2023 RMB'000	2022 RMB'000
Commissions charged by publishing channels and third-party game developers ^(a)		1,264,338	1,366,266
Commissions charged by IPs owners		151,989	114,607
Promotion expenses		262,741	186,423
Employee benefit expense (excluding directors' remuneration (note 9)):			
Wages and salaries		303,238	375,106
Equity-settled share-based expense		21,753	8,263
Pension scheme contributions (defined contribution scheme) ^(b)		48,121	74,996
		373,112	458,365
Depreciation of property and equipment	14	6,458	4,284
Depreciation of right-of-use assets	15	13,916	18,875
Amortisation of other intangible assets ^(c)	17	108,863	69,991
Research and development costs		446,666	526,745
Less: Amounts capitalised in intangible assets	17	(76,410)	—
		370,256	526,745
Lease payments not included in the measurement of lease liabilities	15	6,569	8,981
Foreign exchange differences, net		5,904	(1,473)
Impairment of an investment in an associate ^(e)	19	846	58,092
Impairment of an investment in a joint venture	18	4,684	—
Impairment of trade receivables, net	21	103,232	64,823
(Reversal of impairment)/impairment of financial assets included in prepayments, other receivables and other assets	22	(13,296)	72,210
		89,936	137,033
Write-off of prepayments, net ^(d)		26,858	50,934
Impairment of goodwill ^(e)	16	65,477	12,288
Impairment of other intangible assets ^(e)	17	3,094	10,636
Bank interest income	6	(1,567)	(5,560)
Loss on disposal of items of property and equipment		333	103
Gain on lease modification	15	(317)	(779)
Auditor's remuneration		6,200	6,150
Fair value loss on financial assets at fair value through profit or loss		33,538	56,284
Fair value adjustment of contingent consideration for business combination		(68,925)	(9,311)

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7. LOSS BEFORE TAX (continued)

- (a) Zhejiang Shiji Huatong Group Limited ("Shiji Huatong"), a listed company on the Shenzhen Stock Exchange (SZSE:002602), and a wholly-owned subsidiary of Shiji Huatong is a limited partner of Changpei (Shanghai) Investment Centre (Limited Partnership) ("Changpei Shanghai"). Pursuant to the partnership agreement of Changpei Shanghai, the general partner shall have the exclusive and sole right of management of the affairs of the partnership and limited partners shall have no power to conduct the business of the partnership nor shall limited partners represent the partnership. Also, limited partners shall not participate in the management or control of the investment business of the partnership. As Shiji Huatong neither has any voting rights in the Company through its holding vehicles nor has significant influence on the Company, the directors of the Company believe that Shiji Huatong is an independent third party with the Group. Shiji Huatong provided publishing channel services to the Group, which amounted to RMB53,835,000 during the year ended 31 December 2023 (2022: RMB62,620,000), and the balance of trade receivables from Shiji Huatong as at 31 December 2023 was RMB909,000 (2022: RMB9,741,000).
- (b) There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.
- (c) The amortisation of other intangible assets for the year is included in "Cost of sales" in the consolidated statement of profit or loss.
- (d) Write-off of prepayments is included in "other expenses" in the consolidated statement of profit or loss. These prepayments are relating to certain mobile game projects which the Group had decided to terminate.
- (e) Impairment of goodwill, other intangible assets and investment in an associate are included in "other expenses" in the consolidated statement of profit or loss.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 RMB'000	2022 RMB'000
Interest expenses on:		
Bank borrowings	17,917	32,877
Lease liabilities (note 15)	1,721	2,403
	19,638	35,280

9. DIRECTORS' REMUNERATION

Directors' 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:

	2023 RMB'000	2022 RMB'000
Fees	1,242	1,190
Other emoluments:		
Salaries, allowances and benefits in kind	3,313	7,286
Equity-settled share-based expense	3,705	638
Pension scheme contributions	142	134
	8,402	9,248

9. DIRECTORS' REMUNERATION *(continued)*

On 29 March 2021, 27 May 2022, and 20 January 2023, certain directors of the Company were granted share options, in respect of their services to the Group, under the share incentive scheme of the Company, further details of which are set out in note 29 to the consolidated financial statements. The fair value of such granted options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant.

(a) Independent non-executive directors

The fees and equity-settled share-based expense paid to independent non-executive directors during the year were as follows:

2023	Fees RMB'000	Equity-settled share-based expense RMB'000	Total remuneration RMB'000
Independent non-executive directors			
Mr. TANG Liang (唐亮)	—	113	113
Ms. NG Yi Kum (伍綺琴)	216	114	330
Mr. HO Orlando Yaukai (何猷啟)	162	113	275
	378	340	718

2022	Fees RMB'000	Equity-settled share-based expense RMB'000	Total remuneration RMB'000
Independent non-executive directors			
Mr. TANG Liang (唐亮)	—	34	34
Ms. NG Yi Kum (伍綺琴)	207	41	248
Mr. HO Orlando Yaukai (何猷啟)	155	34	189
	362	109	471

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9. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

2023	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share-based expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:					
Mr. XIAO Jian (肖健)	270	1,523	1,491	63	3,347
Mr. SIN Hendrick (洗漢迪)	270	1,196	1,491	16	2,973
Mr. FAN Yingjie (樊英傑)	162	594	275	63	1,094
	702	3,313	3,257	142	7,414
Non-executive director:					
Mr. ZHANG Shengyan (張聖晏)	162	—	108	—	270
	864	3,313	3,365	142	7,684

2022	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share-based expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:					
Mr. XIAO Jian (肖健)	259	3,475	—	60	3,794
Mr. SIN Hendrick (洗漢迪)	259	3,222	—	16	3,497
Mr. FAN Yingjie (樊英傑)	155	589	529	58	1,331
	673	7,286	529	134	8,622
Non-executive director:					
Mr. ZHANG Shengyan (張聖晏)	155	—	—	—	155
	828	7,286	529	134	8,777

Mr. TANG Liang waived his own emolument of HK\$180,000 (2022:HK\$180,000) for the year ended 31 December 2023. Except that, there was no other arrangement under which a director waived any remuneration during the years ended 31 December 2022 and 2023.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two directors (2022: two directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2022: three) highest paid employees who are not a director of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	8,743	4,293
Equity-settled share-based expense	1,152	1,067
Pension scheme contributions	143	172
	10,038	5,532

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

	Number of employees	
	2023	2022
Nil to HKD\$1,000,000	—	—
HKD\$1,000,001 to HKD\$1,500,000	—	2
HKD\$1,500,001 to HKD\$2,000,000	—	—
HKD\$2,000,001 to HKD\$2,500,000	—	—
HKD\$2,500,001 to HKD\$3,000,000	1	—
HKD\$3,000,001 to HKD\$3,500,000	—	—
HKD\$3,500,001 to HKD\$4,000,000	1	1
HKD\$4,000,001 to HKD\$4,500,000	—	—
HKD\$4,500,001 to HKD\$5,000,000	1	—
	3	3

On 29 March 2021, 27 May 2022, and 20 January 2023, share options were granted to the three non-director highest paid employees in respect of their services to the Group, further details of which are set out in note 29 to the consolidated financial statements. The fair value of such granted options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant.

NOTES TO FINANCIAL STATEMENTS

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11 INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the BVI and the Cayman Islands (the "Cayman"), the Group is not subject to any income tax in the BVI and Cayman.

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof. Pursuant to the PRC Corporate Income Tax Law (the "PRC Tax Law") effective on 1 January 2008, the PRC corporate income tax rate of the Group's subsidiaries operating in Mainland China during the reporting period was 25% of their taxable profits.

Shenzhen Douyue and Shenzhen Zhongshouyou were accredited as High and New Technology Enterprises ("HNTE") in 2023 under relevant PRC laws and regulations. Accordingly, Shenzhen Douyue and Shenzhen Zhongshouyou were entitled to a preferential Corporate Income Tax ("CIT") rate of 15% from 2023 to 2026.

Wenmai Hudong was accredited as a HNTE since 2016 and the certificate is valid for three years since its renewal in December 2022. The applicable tax rate for Wenmai Hudong is 15% for the year ended 31 December 2022 and 2023.

Beijing Softstar has been accredited as a HNTE since 2009 and was entitled to a tax rate of 15% when the certificate was valid for three years since its renewal in 2021.

Zhongsheng Huyu was established in the Horgos Development Zone of Xinjiang in 2016. According to the applicable regulations promulgated by the State Council and relevant authorities, it was entitled to tax exemption for five years from 2016 which was the first tax year with production and operation income and is entitled to a preferential CIT rate of 12.5% from 2021 to 2025.

Beijing Zhongsheng was accredited as a "software enterprise" in 2020 under relevant PRC laws and regulations. According to relevant policies, it was entitled to tax exemption from 2019 to 2020 and a preferential CIT rate of 12.5% from 2021 to 2023.

11 INCOME TAX *(continued)*

Shengyue Software was accredited as a “software enterprise” in 2019 under relevant PRC laws and regulations. Accordingly, it was entitled to tax exemption from 2019 to 2020 and is entitled to a preferential CIT rate of 12.5% from 2021 to 2023.

Horgos Wenmai was established in the Horgos Development Zone of Xinjiang in 2020. According to the applicable regulations promulgated by the State Council and relevant authorities, it was entitled to tax exemption for five years from 2020 which was the first tax year with production and operation income.

Tibet Jichuang was established in Lhasa, Tibet. According to the applicable regulations promulgated by the State Council and relevant authorities, the applicable tax rate for Tibet Jichuang was 15% for the year ended 31 December 2022 and 2023.

Hainan Chuangyue and Hainan Zhanshen were established in the Hainan Free Trade Port. According to the applicable regulations promulgated by the State Council and relevant authorities, the applicable tax rate for Hainan Chuangyue and Hainan Zhanshen was 15% each for the year ended 31 December 2022 and 2023.

Shanghai Fanying was accredited as a “software enterprise” in 2021 under relevant PRC laws and regulations. According to relevant policies, it was entitled to tax exemption from 2021 to 2022 and is entitled to a preferential CIT rate of 12.5% from 2023 to 2026.

Super Deduction

According to a policy promulgated by the State Tax Bureau of the PRC that was effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development (“R&D”) expenses incurred as tax deductible expenses in determining tax assessable profits. Certain qualified subsidiaries of the Group have claimed such super deduction in ascertaining their tax assessable profits/(losses) for the year ended 31 December 2023.

On 26 March 2023, the State Tax Bureau of the PRC issued the Public Notice 2023 No.7, announcing that the enterprises engaging in research and development activities are entitled to claim 200% of their “R&D” expenses incurred as tax deductible expenses in determining tax assessable profits from 2023 onwards. Certain qualified subsidiaries of the Group have claimed such super deduction in ascertaining their tax assessable profits/(losses) for the year ended 31 December 2023.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2023

11 INCOME TAX *(continued)*

The major components of the income tax expense for the year are as follows:

	2023 RMB'000	2022 RMB'000
Current tax expense		
PRC	25,874	34,518
Hong Kong		
Charge for the year	—	4,622
Overprovision in prior years	(7,912)	—
Elsewhere	2,154	—
Total	20,116	39,140
Deferred tax expense (note 27)		
PRC	(7,804)	2,267
Total tax charge for the year	12,312	41,407

NOTES TO FINANCIAL STATEMENTS

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11 INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to loss before tax at the statutory rate of Mainland China (i.e., 25%) where the main operating entity is domiciled to the tax expense at the effective tax rate as follows:

	2023 RMB'000	2022 RMB'000
Loss before tax	(25,729)	(175,473)
Tax at the statutory tax rate	(6,432)	(43,869)
Effect of different applicable tax rates for specific jurisdictions or enacted by local authority	(28,876)	40,597
Profits and losses attributable to a joint venture and associates	(3,331)	1,890
Super deduction for research and development expenses	(29,738)	(25,162)
Expenses not deductible for tax	10,131	15,211
Overprovision of income tax in previous year	(7,912)	—
Utilisation of previously unrecognised tax losses	(9,692)	(26,451)
Tax losses not recognised	88,162	79,191
Tax charge at the Group's effective rate	12,312	41,407

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% and may be reduced to 5% if certain criteria could be met under the Double Taxation Arrangement (Hong Kong). 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.

As at 31 December 2023, no deferred tax (2022: Nil) 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 in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries and associates in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB285,140,000 (2022: RMB307,667,000).

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2023

12. DIVIDENDS

The board of directors of the Company has resolved not to recommend payment of a final dividend for the year ended 31 December 2023 (2022: nil).

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent of RMB20,079,000 (2022: RMB205,035,000), and the weighted average number of ordinary shares of 2,752,672,000 (2022: 2,764,646,362) in issue during the year.

The computation of diluted loss per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for both 2023 and 2022. The Group did not have any dilutive ordinary potentially shares in issue during the year ended 31 December 2023 (2022: Nil).

The calculations of basic and diluted loss per share are based on:

	2023 RMB'000	2022 RMB'000
<u>Loss</u>		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	(20,079)	(205,035)

	Number of shares	
	2023	2022
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	2,752,672,000	2,764,646,362

14. PROPERTY AND EQUIPMENT

	Electronic devices RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Total RMB'000
31 December 2023					
At 1 January 2023:					
Cost	18,985	193	18,958	6,395	44,531
Accumulated depreciation	(9,125)	(193)	(17,340)	—	(26,658)
Net carrying amount	9,860	—	1,618	6,395	17,873
At 1 January 2023, net of accumulated depreciation	9,860	—	1,618	6,395	17,873
Additions	3,344	—	53	—	3,397
Disposals	(662)	—	—	—	(662)
Depreciation provided during the year (note 7)	(5,004)	—	(1,310)	(144)	(6,458)
Exchange realignment	3	—	69	—	72
At 31 December 2023, net of accumulated depreciation	7,541	—	430	6,251	14,222
At 31 December 2023:					
Cost	19,147	193	13,357	6,395	39,092
Accumulated depreciation	(11,606)	(193)	(12,927)	(144)	(24,870)
Net carrying amount	7,541	—	430	6,251	14,222

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2023

14. PROPERTY AND EQUIPMENT *(continued)*

	Electronic devices RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Total RMB'000
31 December 2022					
At 1 January 2022:					
Cost	13,375	193	17,320	—	30,888
Accumulated depreciation	(5,582)	(193)	(16,366)	—	(22,141)
Net carrying amount	7,793	—	954	—	8,747
At 1 January 2022, net of accumulated depreciation					
	7,793	—	954	—	8,747
Additions	6,324	—	1,647	6,395	14,366
Disposals	(243)	—	(9)	—	(252)
Depreciation provided during the year (note 7)	(3,310)	—	(974)	—	(4,284)
Exchange realignment	(704)	—	—	—	(704)
At 31 December 2022, net of accumulated depreciation	9,860	—	1,618	6,395	17,873
At 31 December 2022:					
Cost	18,985	193	18,958	6,395	44,531
Accumulated depreciation	(9,125)	(193)	(17,340)	—	(26,658)
Net carrying amount	9,860	—	1,618	6,395	17,873

15. LEASES

The Group leases certain of its office properties under operating lease arrangements. Leases for office properties are for terms ranging from one to five years.

The Group also leased certain office premises under short-term (i.e., within 12 months) lease arrangements. The Group has elected not to recognise right-of-use assets on these short-term lease contracts.

(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:

	2023 RMB'000	2022 RMB'000
As at 1 January	40,904	24,180
Additions	2,492	55,638
Effect of modification to lease terms	(4,576)	(22,132)
Depreciation charge (note 7)	(13,916)	(18,875)
Exchange realignment	(44)	2,093
As at 31 December	24,860	40,904

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2023

15. LEASES (continued)

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	42,491	25,075
New leases	2,492	55,638
Effect of modification to lease terms	(4,893)	(22,911)
Accretion of interest recognised during the year (note 8)	1,721	2,403
Payments	(14,861)	(19,752)
Exchange realignment	(43)	2,038
Carrying amount at 31 December	26,907	42,491
Analysed into:		
Current portion	11,077	15,435
Non-current portion	15,830	27,056

The maturity analysis of lease liabilities is disclosed in note 38 to the consolidated financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities (note 8)	1,721	2,403
Depreciation charge of right-of-use assets (note 7)	13,916	18,875
Expense relating to short-term leases (note 7)	6,569	8,981
Gain on lease modification (note 7)	(317)	(779)
Total amount charged in profit or loss	21,889	29,480

(d) The total cash outflows for leases is disclosed in note 32(c) to the consolidated financial statements.

16. GOODWILL

	RMB'000
At 1 January 2022:	
Cost	1,118,617
Accumulated impairment	(10,680)
Net carrying amount	1,107,937
Cost at 1 January 2022, net of accumulated impairment	1,107,937
Acquired through business combinations (note 31)	29,132
Impairment during the year (note 7)	(12,288)
Net carrying amount at 31 December 2022	1,124,781
At 31 December 2022 and 1 January 2023:	
Cost	1,147,749
Accumulated impairment	(22,968)
Net carrying amount	1,124,781
Cost at 1 January 2023, net of accumulated impairment	1,124,781
Impairment during the year (note 7)	(65,477)
Net carrying amount at 31 December 2023	1,059,304
At 31 December 2023:	
Cost	1,147,749
Accumulated impairment	(88,445)
Net carrying amount	1,059,304

Impairment testing of goodwill

As at 31 December 2023, goodwill is allocated to CGUs namely the Mobile Game Publishing CGU, the Wenmai Hudong CGU, the Beijing Softstar CGU, the Shanghai Zhoujing CGU, the Guangzhou Chuxin CGU and the Hainan Guming CGU for impairment testing. The recoverable amounts of the CGUs have been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

NOTES TO FINANCIAL STATEMENTS

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16. GOODWILL (continued)

Impairment testing of goodwill (continued)

The respective recoverable amounts and the carrying values of the Mobile Game Publishing CGU, the Wenmai Hudong CGU, the Beijing Softstar CGU and the Shanghai Zhoujing CGU as at 31 December 2023 and 2022 are as follows:

Mobile Game Publishing CGU:

	2023 RMB'000	2022 RMB'000
Recoverable amount	1,720,000	2,030,000
Carrying value including allocated goodwill	1,408,572	1,353,893

Wenmai Hudong CGU:

	2023 RMB'000	2022 RMB'000
Recoverable amount	672,380	795,271
Carrying value including allocated goodwill	672,380	725,017

Beijing Softstar CGU:

	2023 RMB'000	2022 RMB'000
Recoverable amount	631,225	706,745
Carrying value including allocated goodwill	521,542	550,154

Shanghai Zhoujing CGU:

	2023 RMB'000	2022 RMB'000
Recoverable amount	52,000	33,027
Carrying value including allocated goodwill	33,027	16,844

NOTES TO FINANCIAL STATEMENTS
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16. GOODWILL *(continued)*

Impairment testing of goodwill *(continued)*

The pre-tax discount rates applied to the cash flow projections, the forecasted growth rates and gross margin used to extrapolate cash flow projections and terminal growth rates are follows:

Mobile Game Publishing CGU:

	2023	2022
Growth rates (during the five-year period)	2%-127%	3%-20%
Gross margin	39%	65%
Pre-tax discount rate	16%	19%
Terminal growth rate	2%	3%

Wenmai Hudong CGU:

	2023	2022
Growth rates (during the five-year period)	16%-213%	5%-485%
Gross margin	14%	21%
Pre-tax discount rate	19%	21%
Terminal growth rate	2%	2%

Beijing Softstar CGU:

	2023	2022
Growth rates (during the five-year period)	(14%)-18%	2%-240%
Gross margin	90%	85%
Pre-tax discount rate	19%	15%
Terminal growth rate	2%	2%

Shanghai Zhoujing CGU:

	2023	2022
Growth rates (during the five-year period)	5%-44%	5-84%
Gross margin	79%	24%
Pre-tax discount rate	29%	28%
Terminal growth rate	2%	3%

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2023

16. GOODWILL *(continued)*

Impairment testing of goodwill *(continued)*

Assumptions were used in the value-in-use calculation of the CGUs for 31 December 2023 and 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue growth rate - The revenue growth rate is based on the average growth achieved in the past years and the expected revenue from newly launched games.

Budgeted gross margins - The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the past years and the expectation for market development.

Discount rate - The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development and the discount rate are consistent with external information sources.

Software, information and technology operation of Guangzhou Chuxin CGU and digital art related business of Hainan Guming CGU

During the year ended 31 December 2022, management of the Group has provided impairment loss on goodwill of RMB9,632,000 and RMB2,656,000 allocated to software, information and technology operation of Guangzhou Chuxin CGU and digital art related business of Hainan Guming CGU respectively to write down their recoverable amounts to nil due to their closure of businesses under the Group's latest strategy.

Game development operation of Wenmai Hudong CGU

During the year ended 31 December 2023, management of the Group has provided impairment loss on goodwill of RMB 65,477,000 allocated to game development operation of Wenmai Hudong CGU to write down their carrying amounts to RMB672,380,000 since the annual results of Wenmai Hudong CGU have underperformed with loss results.

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17. OTHER INTANGIBLE ASSETS

	IP licenses RMB'000	CP licenses RMB'000	Computer software RMB'000	Copyrights RMB'000	Development expenditure RMB'000	IP rights of Legend of Sword and Fairy RMB'000	Others RMB'000	Total RMB'000
Cost at 1 January 2023, net of accumulated amortisation and impairment	52,872	27,971	5,707	—	—	441,334	10,881	538,765
Additions	13,709	93,131	22	—	76,410	—	—	183,272
Amortisation provided during the year (note 7)	(22,818)	(56,589)	(3,004)	—	—	(23,446)	(3,006)	(108,863)
Impairment during the year (note 7)	—	(261)	—	—	—	—	(2,833)	(3,094)
Exchange realignment	295	290	—	—	—	—	—	585
At 31 December 2023	44,058	64,542	2,725	—	76,410	417,888	5,042	610,665
At 31 December 2023: Cost	151,674	210,538	13,864	79,000	76,410	468,910	5,900	1,006,296
Accumulated amortisation and impairment	(107,616)	(145,996)	(11,139)	(79,000)	—	(51,022)	(858)	(395,631)
Net carrying amount	44,058	64,542	2,725	—	76,410	417,888	5,042	610,665

	IP licenses RMB'000	CP licenses RMB'000	Computer software RMB'000	Trademarks RMB'000	Copyrights RMB'000	Development expenditure RMB'000	IP rights of Legend of Sword and Fairy RMB'000	Others RMB'000	Total RMB'000
Cost at 1 January 2022, net of accumulated amortisation and impairment	21,640	43,195	9,660	—	—	—	462,018	—	536,513
Additions	47,850	16,243	968	—	—	—	—	5,900	70,961
Acquisition of subsidiaries (note 31)	—	—	—	—	—	—	—	7,200	7,200
Amortisation provided during the year (note 7)	(16,618)	(20,831)	(4,921)	—	—	—	(25,402)	(2,219)	(69,991)
Impairment during the year (note 7)	—	(10,636)	—	—	—	—	—	—	(10,636)
Exchange realignment	—	—	—	—	—	—	4,718	—	4,718
At 31 December 2022	52,872	27,971	5,707	—	—	—	441,334	10,881	538,765
At 31 December 2022: Cost	155,435	191,709	14,752	17	79,000	49,525	470,659	13,100	974,197
Accumulated amortisation and impairment	(102,563)	(163,738)	(9,045)	(17)	(79,000)	(49,525)	(29,325)	(2,219)	(435,432)
Net carrying amount	52,872	27,971	5,707	—	—	—	441,334	10,881	538,765

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17. OTHER INTANGIBLE ASSETS *(continued)*

Development expenditure are internally generated. All of the Group's IP licenses, CP licenses, computer software, certain copyrights and IP rights of Legend of Sword and Fairy were acquired from third parties. The above trademarks, certain copyrights and other intangible assets was purchased as part of business combination in prior years.

Impairment tests for development expenditure

For the purpose of impairment testing, development expenditure have been allocated to Mobile Game Publishing CGU. The basis of the recoverable amounts of the Mobile Game Publishing CGU and their major underlying assumptions are summarised in note 16. No impairment loss was recognised for the year ended 31 December 2023.

18. INVESTMENT IN A JOINT VENTURE

	2023 RMB'000	2022 RMB'000
Share of net assets	4,684	4,684
Accumulated provision for impairment loss	(4,684)	—
	—	4,684

The Group's joint venture is as follows:

Name	Particulars of registered capital held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Shenzhen Boliang Technology Co., Ltd. (深圳博良科技有限公司)	RMB850,000 as registered capital	PRC/Mainland China	60.00%	Mobile game development

The above investment is held through a wholly-owned subsidiary of the Company.

19. INVESTMENTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Share of net assets	75,670	72,124
Goodwill on acquisition	148,403	148,403
Accumulated impairment	(64,744)	(63,898)
	159,329	156,629

The Group's trade payable and other payable balances with the associates are disclosed in note 35 to the consolidated financial statements.

Particulars of the Group's associates are as follows:

Name	Particulars of registered capital held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Shanghai Fengguo Network Technology Co., Ltd. (上海蜂果網絡科技有限公司)	RMB1,551,254	PRC/ Mainland China	43.47%	Mobile game development
Shenzhen Zhichengqianli Investment Enterprise (Limited Partnership) (深圳市志成千里投資企業(有限合夥))	RMB101,500,000	PRC/ Mainland China	49.26%	Investment
Shenzhen Sparks Interactive Entertainment Co., Ltd. (深圳市火花幻境互動娛樂有限公司)	RMB156,250	PRC/ Mainland China	20%	Mobile game development
Hangzhou Huanwen Technology Co., Ltd. (杭州幻文科技有限公司)	RMB10,000,000	PRC/ Mainland China	19.5%	Mobile game development
Guangzhou Zhonghui Digital Co., Ltd. (廣州中繪數碼有限公司)	RMB1,200,000	PRC/ Mainland China	25%	Provision of software and information technology services

Shanghai Fengguo Network Technology Co., Ltd, Shenzhen Zhichengqianli Investment Enterprise (Limited Partnership), Shenzhen Sparks Interactive Entertainment Co., Ltd, and Hangzhou Huanwen Technology Co., Ltd. are considered material associates of the Group, are strategic partners of the Group and are accounted for using the equity method.

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19. INVESTMENTS IN ASSOCIATES *(continued)*

The following table illustrates the summarised financial information in respect of Shanghai Fengguo Network Technology Co., Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2023 RMB'000	2022 RMB'000
Current assets	35,490	37,251
Non-current assets	5,615	6,564
Current liabilities	(18,813)	(26,369)
Net assets	22,292	17,446
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	43.47%	43.47%
Group's share of net assets of the associate	3,874	1,763
Goodwill on acquisition	64,750	64,750
Carrying amount of the investment	68,624	66,513
Revenue	94,031	48,989
Profit/(loss) for the year	4,846	(18,068)
Total comprehensive income/(loss) for the year	4,846	(18,068)
Dividend paid	—	—

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19. INVESTMENTS IN ASSOCIATES *(continued)*

The following table illustrates the summarised financial information in respect of Shenzhen Zhichengqianli Investment Enterprise (Limited Partnership) adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2023	2022
	RMB'000	RMB'000
Current assets	9,975	2,695
Non-current assets	79,300	40,300
Current liabilities	(1,708)	(1,757)
Net assets	87,567	41,238
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	49.26%	49.26%
Group's share of net assets of the associate	43,136	20,314
Goodwill on acquisition	4,205	4,205
Carrying amount of the investment	47,341	24,519
Revenue	—	—
Profit for the year	46,329	6,366
Total comprehensive income for the year	46,329	6,366
Dividend paid	—	—

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19. INVESTMENTS IN ASSOCIATES *(continued)*

The following table illustrates the summarised financial information in respect of Shenzhen Sparks Interactive Entertainment Co., Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2023 RMB'000	2022 RMB'000
Current assets	14,385	13,465
Non-current assets	921	1,492
Current liabilities	(3,416)	(2,468)
Net assets	11,890	12,489
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	20.0%	20.0%
Group's share of net assets of the associate	2,390	2,510
Goodwill on acquisition	46,780	46,780
Accumulated impairment	(5,806)	(5,806)
Carrying amount of the investment	43,364	43,484
Revenue	21,603	19,994
Loss for the year	(599)	(2,578)
Total comprehensive loss for the year	(599)	(2,578)
Dividend paid	—	—

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19. INVESTMENTS IN ASSOCIATES *(continued)*

The following table illustrates the summarised financial information in respect of Hangzhou Huanwen Technology Co., Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2023 RMB'000	2022 RMB'000
Current assets	31,314	63,994
Non-current assets	223,852	321,369
Current liabilities	(120,452)	(142,167)
Net assets	134,714	243,196
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	19.50%	19.50%
Group's share of net assets of the associate	26,270	47,424
Goodwill on acquisition	32,668	32,668
Accumulated impairment	(58,938)	(58,092)
Carrying amount of the investment	—	22,000
Revenue	—	32,075
Loss for the year	(108,482)	(59,274)
Total comprehensive loss for the year	(108,482)	(59,274)
Dividend paid	—	—

Hangzhou Huanwen Technology Co., Ltd. incurred significant loss during the year ended 31 December 2023 and this has an adverse impact on the projected value in use of this entity. Consequentially, impairment loss of RMB846,000 (2022: RMB58,092,000) (note 7) was resulted.

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

	2023 RMB'000	2022 RMB'000
Share of the associates' (loss)/profit for the year	(113)	112
Share of the associates' total comprehensive (loss)/income	(113)	112
Aggregate carrying amount of the Group's investments in the associates	—	113

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20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Listed equity investments, at fair value	201,133	179,739
Unlisted equity investments, at fair value	1,251,887	1,373,812
Convertible loans and other debt instrument, at fair value	568,024	545,905
	2,021,044	2,099,456

In May 2018, the Group acquired 26% of the issued shares of Angel Fund (Asia) Investments Limited from Angel (Partners) Investments Limited with the consideration of 1,270,963 issued shares of Ridgeview Well Investment Limited, the then sole shareholder of the Company. Angel Fund held 9,740,562 shares, representing 20.368% of the total issued shares of Softstar Entertainment Inc, which is a company listed on the Taiwan Stock Exchange (TAIPEI: 6111). The fair value of the investment in Angel Fund was RMB39,906,000 (2022: RMB45,806,000) as at 31 December 2023.

In April 2018, CMGE Group Limited transferred the investment in China Prosperity Capital Mobile Internet Fund L.P to the Group. In June 2018, the Group injected cash of US\$8,300,000 (equivalent to RMB54,442,000) to CPC Fund. The Group acted as a limited partner and held 25.65% of its limited partnership interests. The fair value of the investment in CPC Fund was RMB218,359,000 (2022: RMB221,720,000) as at 31 December 2023.

In February 2020, Guohong Jiaxin (Shenzhen) Angel Venture Capital Enterprise (L.P.) has been set up after obtaining all the related licences and approval documentation. The fair value of the investment in Angel Venture was RMB219,000,000 (2022: RMB201,000,000) as at 31 December 2023.

The Group holds 33.93%, 25.65% and 39.01% interests in Angel Fund, CPC Fund, and Angel Venture, respectively. Pursuant to the relevant agreements of these three funds, the Group is entitled to investment return, but has no right or power to participate in the management or control of the funds. Therefore, the Group has neither control nor significant influence on Angel Fund, CPC Fund and Angel Venture and they are treated as financial instruments at fair value through profit or loss.

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21. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	1,450,544	1,232,102
Allowance for impairment	(263,408)	(161,303)
Trade receivables, net	1,187,136	1,070,799

Trade receivables mainly represent amounts receivable from third-party publishing channels. The Group normally allows credit terms of 180 days for established channels and other counterparties and extends credit terms up to 270 days for major channels and other major counterparties. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the billing date and net of loss allowance, is as follows:

	2023 RMB'000	2022 RMB'000
Within 6 months	746,711	737,740
6 months to 1 year	325,281	155,602
1 year to 18 months	52,405	100,177
18 months to 2 years	36,474	60,762
Over 2 years	26,265	16,518
	1,187,136	1,070,799

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	161,303	96,480
Provision for impairment losses, net (note 7)	103,232	64,823
Receivable written off during the year as uncollectible	(1,127)	—
At end of year	263,408	161,303

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2023

21. TRADE RECEIVABLES *(continued)*

The Group applies the simplified approach in calculating expected credit losses (“ECL”) under HKFRS 9, and the provision rates are based on days past due for groupings of various customer segments with similar loss patterns. For certain trade receivables for which the counterparty failed to make demanded repayment, the Group has made a 100% provision (“default receivables”). Except for default receivables, the Group used the calculation which 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.

Set out below is the information during the reporting period about the credit risk exposure on the Group’s trade receivables using a provision matrix:

As at 31 December 2023

	Amount RMB'000	Expected credit loss rate	Impairment RMB'000
Default receivables	3,461	100.0%	3,461
Other trade receivables aged:			
Current	776,207	3.8%	29,496
Past due for less than 6 months	368,382	11.7%	43,101
Past due for 6 months to 1 year	67,186	22.0%	14,781
Past due for 1 year to 18 months	61,820	41.0%	25,346
Past due for 18 months to 24 months	79,111	66.8%	52,846
Past due for over 24 months	94,377	100.0%	94,377
	1,450,544		263,408

As at 31 December 2022

	Amount RMB'000	Expected credit loss rate	Impairment RMB'000
Default receivables	2,543	100.0%	2,543
Other trade receivables aged:			
Current	758,992	2.8%	21,252
Past due for less than 6 months	169,132	8.0%	13,530
Past due for 6 months to 1 year	119,685	16.3%	19,508
Past due for 1 year to 18 months	94,940	36.0%	34,178
Past due for 18 months to 24 months	64,398	74.4%	47,880
Past due for over 24 months	22,412	100.0%	22,412
	1,232,102		161,303

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22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 RMB'000	2022 RMB'000
Non-current portion Prepayments*	910,287	881,220
Current portion Prepayments*	519,035	648,526
Deposits and other receivables**	205,595	215,682
Contract costs***	84,362	45,691
	808,992	909,899
	1,719,279	1,791,119

* Prepayments as at 31 December 2023 mainly included prepaid minimum guarantee of approximately RMB513,229,000 (31 December 2022: RMB567,925,000) and prepaid license fees of approximately RMB899,731,000 (31 December 2022: RMB868,051,000).

** Deposits and other receivables as at 31 December 2023 mainly included receivable from disposal of investments of approximately RMB60,255,000 (31 December 2022: RMB 75,144,000), deductible Input VAT of approximately RMB34,960,000 (31 December 2022: RMB23,956,000) and deposit for expense mainly including marketing of approximately RMB86,576,000 (31 December 2022: RMB 84,193,000)

*** Contract costs relate to commissions charged by the platforms which meet the contract acquisition cost criteria. They are capitalised as contract acquisition costs and amortised over the Player Relation Period, which is consistent with the pattern of recognition of the associated revenue. The Group had no impairment losses recognised on contract costs.

The financial assets included in the deposits and other receivables for which there was no recent history of default and past due amounts except for the gross carrying amount for receivables of RMB91,768,000 (2022: RMB129,373,000) which is considered as credit-impaired at 31 December 2023 and is classified as stage 3.

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22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(continued)*

The following table shows reconciliation of impairment loss allowance that has been recognised for financial assets included in prepayments, other receivables and other assets:

	12-month ECLs		Lifetime ECLs		Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000		
As at 1 January 2022	—	—	24,744		24,744
Changes due to financial instruments recognised as at 1 January 2022: (note 7)					
– Impairment loss recognised	—	—	84,287		84,287
– Reversal of impairment loss			(12,077)		(12,077)
Exchange realignment	—	—	(1,793)		(1,793)
As at 31 December 2022 and 1 January 2023	—	—	95,161		95,161
Changes due to financial instruments recognised as at 1 January 2023:					
– Reversal of impairment loss (note 7)	—	—	(13,296)		(13,296)
– Write-off			(13,992)		(13,992)
Exchange realignment			91		91
As at 31 December 2023	—	—	67,964		67,964

23. CASH AND CASH EQUIVALENTS AND OTHER DEPOSITS

	2023 RMB'000	2022 RMB'000
Cash and bank balances	210,609	236,960
Time deposits	—	1,000
	210,609	237,960
Less: Time deposits with original maturity of over three months	—	(1,000)
Cash and cash equivalents	210,609	236,960

23. CASH AND CASH EQUIVALENTS AND OTHER DEPOSITS *(continued)*

At the end of the reporting period, most of the cash and bank balances of the Group were denominated in RMB. 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 and other deposits are deposited with creditworthy banks with no recent history of default.

24. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the billing date, is as follows:

	2023 RMB'000	2022 RMB'000
Within 3 months	93,933	169,871
3 to 6 months	54,625	65,710
6 months to 1 year	47,358	26,639
Over 1 year	65,138	45,450
Total	261,054	307,670

The trade payables are non-interest-bearing and are normally settled on 180-day terms.

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25. OTHER PAYABLES AND ACCRUALS AND CONTINGENT CONSIDERATION FOR BUSINESS COMBINATION

	2023 RMB'000	2022 RMB'000
Current portion		
Contingent consideration for business combination	100,000	168,925
Contract liabilities*	154,331	128,841
Salary and welfare payables	25,798	73,261
Other tax payables	45,748	38,554
Accruals	65,847	34,214
Other payables**	19,832	7,871
	311,556	282,741
	411,556	451,666

* Details of contract liabilities are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000	1 January 2022 RMB'000
Game publishing and licensing income	40,397	81,370	44,096
Self-developed and self-operating games	113,934	47,471	69,231
	154,331	128,841	113,327

** Other payables are non-interest-bearing and repayable on demand.

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26. INTEREST-BEARING BANK BORROWINGS

	2023			2022		
	Effective interest rate per annum(%)	Maturity	RMB'000	Effective interest rate per annum(%)	Maturity	RMB'000
Current						
Bank loans – secured	—	—	—	6.67	2023	104,248
Bank loans – unsecured	1.80-5.50	2024	495,000	1.85-5.50	2023	339,921
			495,000			444,169

In 2023, the Group obtained bank loans of RMB609,000,000 (2022: RMB474,172,000) and repaid the loans of RMB557,633,000 (2022: RMB812,581,000).

The bank borrowings bear interest at fixed rate.

As at 31 December 2022, bank loan of approximately RMB104,248,000 was secured by equity interests of certain subsidiaries and a financial asset at the fair value through profit and loss of the Group of approximately RMB133,933,000.

	2023 RMB'000	2022 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	495,000	444,169

27. DEFERRED TAX

	2023 RMB'000	2022 RMB'000
Deferred tax assets	73,870	58,416
Deferred tax liabilities	83,124	75,474

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27. DEFERRED TAX *(continued)*

The movements in deferred tax assets during the reporting period are as follows:

	Deferred tax assets				Total RMB'000
	Impairment of financial and contract assets RMB'000	Write-off prepayments RMB'000	Impairment of other intangible assets RMB'000	Losses available for offsetting against future taxable profits RMB'000	
At 1 January 2022	13,570	4,733	1,951	37,928	58,182
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	5,173	6,886	2,060	(13,885)	234
At 31 December 2022	18,743	11,619	4,011	24,043	58,416
At 1 January 2023	18,743	11,619	4,011	24,043	58,416
Deferred tax credited to the consolidated statement of profit or loss during the year	7,021	3,571	—	4,862	15,454
At 31 December 2023	25,764	15,190	4,011	28,905	73,870

The movements in deferred tax liabilities during the reporting period are as follows:

	Deferred tax liabilities			Total RMB'000
	Revaluation of financial assets at fair value through profit or loss RMB'000	Development costs RMB'000		
At 1 January 2022	58,434	14,539		72,973
Deferred tax (credited)/charged to the consolidated statement of profit or loss during the year	(231)	2,732		2,501
At 31 December 2022	58,203	17,271		75,474
At 1 January 2023	58,203	17,271		75,474
Deferred tax charged to the consolidated statement of profit or loss during the year	4,698	2,952		7,650
At 31 December 2023	62,901	20,223		83,124

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27. DEFERRED TAX *(continued)*

Deferred tax assets have not been recognised in respect of the following item:

	2023 RMB'000	2022 RMB'000
Tax losses	1,310,911	741,439

The tax losses are available in five years, in ten years and indefinitely for offsetting against future taxable profits arising from Mainland China, Taiwan and Hong Kong, respectively. Moreover, the tax losses of HNTe are available in ten years for offsetting against future taxable profits arising from Mainland China. Deferred tax assets have not been recognised in respect of the above item as it is not considered probable that taxable profits will be available against which the above item can be utilised.

28. SHARE CAPITAL

Shares

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 20 March 2018 with an authorized share capital of US\$50,000 divided into 5,000,000,000 shares of US\$0.0001 each.

	2023 RMB'000	2022 RMB'000
Issued and fully paid: 2,752,672,000 (2022: 2,768,050,000) ordinary shares at US\$0.0001 each	1,915	1,925

A summary of movements in the Company's issued share capital is as follows:

	Number of ordinary shares	Share capital RMB'000
At 1 January 2022, 31 December 2022 and 1 January 2023	2,768,050,000	1,925
Cancellation of shares (note)	(15,378,000)	(10)
At 31 December 2023	2,752,672,000	1,915

Note:

A total of 15,378,000 ordinary shares (previously repurchased on market in September and October 2022) were cancelled on 3 April 2023.

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29. SHARE-BASED COMPENSATION

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme including the Company's directors, independent non-executive directors, and other employees of the Group.

On 29 March 2021, the Company granted options to subscribe for a total of 50,000,000 ordinary shares to eligible participants of the Group to incentivise and reward the eligible persons for their contribution to the Group ("2021 Share Options").

On 27 May 2022, the Company granted options to subscribe for a total of 2,080,000 ordinary shares to eligible participants of the Group to incentivise and reward the eligible persons for their contribution to the Group ("2022 Share Options").

On 20 January 2023, the Company granted options to subscribe for a total of 50,000,000 ordinary shares to eligible participants of the Group to incentivise and reward for their contribution to the Group ("2023 Share Options").

2021 Share Options, 2022 Share Options and 2023 Share Options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

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

	2023		2022	
	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	2.90	37,077	2.90	37,375
Granted during the year	2.50	50,000	2.90	2,080
Forfeited during the year	2.68	(3,901)	2.90	(2,378)
Exercised during the year	—	—	—	—
Expired during the year	—	—	—	—
At 31 December	2.67	83,176	2.90	37,077

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29. SHARE-BASED COMPENSATION *(continued)*

The exercise prices and exercise periods of the share options outstanding as at 31 December 2023 and 2022 are as follows:

2023

Number of options '000	Exercise price HK\$ per share	Exercise period
965	2.90	29 March 2023 to 28 March 2024
965	2.90	27 May 2022 to 28 March 2024
10,999	2.90	31 January 2022 to 28 March 2024
5,766	2.90	29 March 2022 to 28 March 2024
5,500	2.90	31 January 2023 to 28 March 2024
11,132	2.90	29 March 2023 to 28 March 2024
25,000	2.50	20 January 2023 to 19 January 2026
22,849	2.50	20 January 2024 to 19 January 2026

2022

Number of options '000	Exercise price HK\$ per share	Exercise period
965	2.90	29 March 2023 to 28 March 2024
965	2.90	27 May 2022 to 28 March 2024
11,583	2.90	31 January 2022 to 28 March 2024
6,057	2.90	29 March 2022 to 28 March 2024
5,791	2.90	31 January 2023 to 28 March 2024
11,716	2.90	29 March 2023 to 28 March 2024

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29. SHARE-BASED COMPENSATION *(continued)*

The fair value of 2023 Share Options on 20 January 2023 was HK\$30,260,000 (equivalent to approximately RMB 26,105,000), of which the Group recognised a share option expense of HK\$28,228,000 (equivalent to approximately RMB25,436,000) during the year ended 31 December 2023.

The fair value of 2022 Share Options on 27 May 2022 was HK\$668,000 (equivalent to approximately RMB576,000), of which the Group recognised a share option expense of HK\$91,000 (equivalent to approximately RMB82,000) (2022: HK\$529,000 (equivalent to approximately RMB456,000)) during the year ended 31 December 2023.

The fair value of 2021 Share Options on 29 March 2021 was HK\$47,568,000 (equivalent to approximately RMB39,448,000), of which the Group recognised a share option credit of HK\$67,000 (equivalent to approximately RMB60,000) (2022: HK\$9,787,000 (equivalent to approximately RMB8,445,000)) during the year ended 31 December 2023.

The fair value of equity-settled share options granted was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2023 Share Options	2022 Share Options	2021 Share Options
Option pricing model used	Binomial model	Binomial model	Binomial model
Exercise price (HK\$ per share)	HK\$2.50	HK\$2.90	HK\$2.90
Dividend yield (%)	0%	0%	0%
Expected volatility (%) (note)	54.87%	51.51%	51.43%
Risk-free interest rate (%)	3.42%	1.86%	0.37%
Expected life of options (year)	3 years	1.84 years	3 years
Spot price (HK\$ per share)	HK\$1.96	HK\$2.01	HK\$2.83

29. SHARE-BASED COMPENSATION *(continued)*

Note:

The expected volatility, measured as the standard deviation of the expected share price returns, is determined based on the average daily trading price volatility of the shares of the Company.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 83,176,000 (2022: 37,077,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 83,176,000 additional ordinary shares of the Company and additional share capital of RMB59,000 (before issue expenses) (2022: RMB26,000).

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 111 of the consolidated financial statements.

(a) Capital reserve

The capital reserve of the Group represents the difference between the aggregate of the paid-up share capital of the subsidiaries, the consideration paid by the Group for the business combination under common control and contribution from the shareholders.

(b) Statutory surplus reserve

In accordance with the Company Law of the PRC and the respective articles of association of the group companies, each of the companies that is domiciled in the PRC is required to allocate 10% of its profit after tax, as determined in accordance with PRC GAAP, to the statutory surplus reserve until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

The statutory surplus reserve is non-distributable except that in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, it can be used to offset accumulated losses or be capitalised as paid-up capital.

(c) Share incentive reserve

The share incentive reserve comprises the fair value of equity-settled share-based payments granted in 2015, 2019, 2021, 2022 and 2023.

(d) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside Mainland China. The reserve is dealt with in accordance with the accounting policy set out in note 2.4 to the consolidated financial statements.

(e) Treasury shares

The Company acquired its own shares in the open market which are held as treasury shares during the year ended 31 December 2022. All treasury shares were cancelled during the year ended 31 December 2023.

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31. BUSINESS COMBINATION AND ACQUISITION OF INTERESTS IN SUBSIDIARIES

(a) Business combination

- (i) In January 2022, the Group acquired 70% equity interest in Guangzhou Chuxin by capital injection of RMB30 million. Guangzhou Chuxin is principally engaging in software, information and technology operation in the PRC. The acquisition was made with the objective to expand the Group's mobile game publishing business and has been accounted for using the acquisition method. The fair value of the identifiable assets and liabilities of the Guangzhou Chuxin as at the date of acquisition was as follows:

	RMB'000
Fair value:	
Intangible assets	2,800
Other receivables	315
Cash and cash equivalents	11,621
Trade and other payables and accruals	(639)
Net identifiable assets	14,097
Deposit paid by the Group before acquisition completion	(15,000)
Net liabilities before capital injection	(903)
Capital injection	30,000
Net assets after capital injection	29,097
Non-controlling interests	8,729
Fair value of net identifiable liabilities assumed	903
Goodwill	9,632
Cash and cash equivalents acquired and net inflows	11,621

Goodwill arose in the above business combination as the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

The fair value of other receivables is approximately the book value and is considered as fully recoverable.

No acquisition-related costs had been incurred in relation to the acquisition.

Guangzhou Chuxin contributed total revenue of RMB459,000 and contributed net loss of RMB9,178,000 to the Group from its acquisition date during the year ended 31 December 2022. Had Guangzhou Chuxin been consolidated from 1 January 2022, the consolidated statement of profit or loss would have shown pro-forma revenue of RMB2,713,892,000 and loss for the year ended 31 December 2022 of RMB217,075,000.

31. BUSINESS COMBINATION AND ACQUISITION OF INTERESTS IN SUBSIDIARIES

(continued)

(a) Business combination (continued)

- (ii) In June 2022, the Group acquired 51% equity interest in Hainan Guming by capital injection of RMB10 million. Hainan Guming is principally engaging in digital art related business in the PRC. The acquisition was made with the objective to diversifying the Group's business and has been accounted for using the acquisition method. The fair value of the identifiable assets and liabilities of Hainan Guming as at the date of acquisition was as follows:

	RMB'000
Fair value:	
Net identifiable assets acquired — Intangible assets	4,400
Capital injection	10,000
Net assets after capital injection	14,400
Non-controlling interests	7,056
Less: fair value of net identifiable assets acquired	(4,400)
Goodwill	2,656

Goodwill arose in the above business combination as the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

No acquisition-related costs had been incurred in relation to the acquisition.

Hainan Guming contributed total revenue of RMB1,734,000 and contributed net loss of RMB2,110,000 to the Group from its acquisition date during the year ended 31 December 2022. Had Hainan Guming been consolidated from 1 January 2022, the consolidated statement of profit or loss would have shown pro-forma revenue of RMB2,713,892,000 and loss for the year ended 31 December 2022 of RMB216,880,000.

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31 DECEMBER 2023

31. BUSINESS COMBINATION AND ACQUISITION OF INTERESTS IN SUBSIDIARIES

(continued)

(a) Business combination (continued)

- (iii) In June 2022, the Group acquired 51% equity interest in Shanghai Zhoujing by capital injection of RMB30 million. Shanghai Zhoujing principally engaged in game development business in the PRC. The acquisition was made with the objective to expand the Group's eSports business and has been accounted for using the acquisition method. The fair value of the identifiable assets and liabilities of Shanghai Zhoujing as at the date of acquisition was as follows:

	RMB'000
Fair value:	
Other receivables	1,596
Cash and cash equivalents	2,588
Trade and other payables and accruals	(380)
Tax payables	(8)
Net identifiable assets	3,796
Deposit paid by the Group before acquisition completion	(8,000)
Net liabilities before capital injection	(4,204)
Capital injection	30,000
Net assets after capital injection	25,796
Non-controlling interests	12,640
Fair value of net liabilities assumed	4,204
Goodwill	16,844
Cash and cash equivalents acquired and net inflows	2,588

Goodwill arose in the above business combination as the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

The fair value of other receivables is approximately the book value and is considered as fully recoverable.

No acquisition-related costs had been incurred in relation to the acquisition.

Shanghai Zhoujing did not contributed any revenue and contributed net loss of RMB7,251,000 to the Group from its acquisition date during the year ended 31 December 2022. Has Shanghai Zhoujing been consolidated from 1 January 2022, the consolidated statement of profit or loss would have shown pro-forma revenue of RMB2,713,892,000 and loss for the year ended 31 December 2022 of RMB221,064,000.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2023, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,492,000 (2022: RMB55,638,000) and RMB2,492,000 (2022: RMB55,638,000), respectively, in respect of lease arrangements for office properties.

(b) Changes in liabilities arising from financing activities

2023

	Bank loans RMB'000	Lease liabilities RMB'000
At 1 January 2023	444,169	42,491
Proceeds from loans and borrowings	609,000	—
Additions to lease liabilities	—	2,492
Effect of modification to lease terms	—	(4,893)
Accretion of interest expenses	17,917	1,721
Repayment of interest expenses	(17,917)	(1,721)
Repayment of loans and borrowings	(557,633)	—
Principal elements of lease payments	—	(13,140)
Exchange realignment	(536)	(43)
At 31 December 2023	495,000	26,907

2022

	Bank loans RMB'000	Lease liabilities RMB'000
At 1 January 2022	764,601	25,075
Proceeds from loans and borrowings	474,172	—
Additions to lease liabilities	—	55,638
Effect of modification to lease terms	—	(22,911)
Accretion of interest expenses	32,877	2,403
Repayment of interest expenses	(32,877)	(2,403)
Repayment of loans and borrowings	(812,581)	—
Principal elements of lease payments	—	(17,349)
Exchange realignment	17,977	2,038
At 31 December 2022	444,169	42,491

NOTES TO FINANCIAL STATEMENTS

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32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(c) Total cash outflows for leases

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

	2023 RMB'000	2022 RMB'000
Within operating activities	6,569	8,981
Within financing activities	14,861	17,349
	21,430	26,330

33. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as of 31 December 2023.

34. COMMITMENTS

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

	2023 RMB'000	2022 RMB'000
Contracted, but not provided for: Purchase of IP and game licences	280,017	300,171

35. RELATED PARTY TRANSACTIONS

(a) Names of related parties

	Relationship with the Group
Guangzhou Xiangyu Technology Co., Ltd.	Subsidiary of the management
Guangxi Chuxin Technology Co., Ltd.	Subsidiary of the management
Shanghai Fengguo Network Technology Co.,Ltd.	Associate
Shenzhen Sparks Interactive Entertainment Co., Ltd.	Associate
Shenzhen Boliang Technology Co., Ltd.	Joint venture
Mr. Fan Yingjie	Executive director

(b) Transactions with related parties

In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group had the following material related party transactions during the reporting period:

	2023 RMB'000	2022 RMB'000
Promotion services received from Shanghai Fengguo Network Technology Co., Ltd.	—	134
Promotion services received from Shenzhen Sparks Interactive Entertainment Co., Ltd.	19,655	4,553

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35. RELATED PARTY TRANSACTIONS *(continued)*

(c) Outstanding balances with related parties

As disclosed in the consolidated statement of financial position, the Group had outstanding balances with related parties at 31 December 2023 and 2022.

Amounts due from related parties

	2023 RMB'000	2022 RMB'000
Mr. Fan Yingjie**	8,851	9,850
Shenzhen Boliang Technology Co., Ltd.*	—	1,200
Shanghai Fengguo Network Technology Co., Ltd.*	—	1,318
	8,851	12,368

* These balances are trade in nature.

** The balance is non-trade in nature.

Amounts due to related parties

	2023 RMB'000	2022 RMB'000
Shanghai Fengguo Network Technology Co., Ltd.*	—	3,330
Shenzhen Sparks Interactive Technology Co., Ltd.*	1,998	4,008
	1,998	7,338

* These balances are trade in nature.

The amounts due from related parties and amounts due to related parties are unsecured, interest-free and repayable on credit terms similar to those offered to the major customers of the Group.

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

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	12,179	17,250
Equity-settled share-based expense	18,757	3,670
Pension scheme contributions	515	503
	31,451	21,423

Further details of directors' emoluments are included in note 9 to the consolidated financial statements.

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36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	2023 RMB'000	2022 RMB'000
Financial assets		
Financial assets at fair value through profit or loss	2,021,044	2,099,456
At amortised cost:		
Trade receivables	1,187,136	1,070,799
Due from related parties	8,851	12,368
Financial assets included in prepayments, other receivables and other assets	205,595	215,682
Cash and cash equivalents	210,609	237,960
	1,612,191	1,536,809
	3,633,235	3,636,265
Financial liabilities		
Financial liabilities at fair value through profit or loss:		
Contingent consideration for business combination	100,000	168,925
At amortised cost:		
Trade payables	261,054	307,670
Due to related parties	1,998	7,338
Financial liabilities included in other payables and accruals	85,679	42,085
Interest-bearing bank borrowings	495,000	444,169
	843,731	801,262
Other financial liabilities:		
Lease liabilities	26,907	42,491
	970,638	1,012,678

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37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2023 and 2022, the fair values of the Group's financial assets or liabilities at amortised cost approximated to their respective carrying amounts.

Management has assessed that the carrying amounts of cash and cash equivalents, trade receivables, amounts due from related parties, financial assets included in prepayments, other receivables and other assets, trade payables, amounts due to related parties, financial liabilities included in other payables and accruals and interest-bearing bank borrowings approximate to their fair values because these financial instruments are mostly short term in nature.

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. 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 directors review the results of the fair value measurement of financial instruments periodically for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices. The fair values of the unlisted equity investments, convertible loans and other debt instrument have been estimated by using various applicable valuation techniques, including the discounted cash flow approach, adjusted net assets value method and other option pricing models. The fair value of contingent consideration payable is estimated by using the discounted cash flow model and Monte Carlo simulation model.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2023 and 2022:

	Valuation technique	Significant unobservable inputs	Range	Relationship between fair value and the inputs
Financial assets at fair value through profit or loss	Discounted cash flow method	Long term growth rate	2.2% (2022: 3%)	Increase/(decrease) in growth rate would result in increase/(decrease) in fair value
		Long term operating margin	16% to 64% (2022: 17% to 64%)	Increase/(decrease) in operating margin would result in increase/(decrease) in fair value
		Weighted average cost of capital (WACC)	17% to 25% (2022: 17% to 24%)	Increase/(decrease) in WACC would result in (decrease)/increase in fair value
	Adjusted net assets value method with equity allocation model	Volatility	23% to 47% (2022: 25.55% to 37.86%)	Increase/(decrease) in volatility would result in increase/(decrease) in fair value
		Risk free rate	1.92% to 2.14% (2022: 2.33% to 2.38%)	Increase/(decrease) in risk free rate would result in (decrease)/increase in fair value
	Binomial method	Volatility	53% to 94% (2022: 44% to 95%)	Increase/(decrease) in volatility would result in increase/(decrease) in fair value
		Discount rate	22% to 26% (2022: 16% to 21%)	Increase/(decrease) in discount rate would result in (decrease)/increase in fair value

NOTES TO FINANCIAL STATEMENTS

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37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

	Valuation technique	Significant unobservable inputs	Range	Relationship between fair value and the inputs
Financial liabilities at fair value through profit or loss	Discounted cash flow method with Monte Carlo simulation model	Volatility	50.69% (2022: 46.07%)	Increase/(decrease) in volatility would result in increase/(decrease) in fair value
		Discount rate	6.7% (2022: 6.7%)	Increase/(decrease) in discount rate would result in (decrease)/increase in fair value

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss				
– Listed equity investments	201,133	—	—	201,133
– Unlisted equity investment	—	437,359	814,528	1,251,887
– Convertible loans and other debt instruments	—	—	568,024	568,024
	201,133	437,359	1,382,552	2,021,044

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at 31 December 2022

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss				
– Listed equity investments	179,739	—	—	179,739
– Unlisted equity investment	—	430,845	942,967	1,373,812
– Convertible loans and other debt instruments	—	—	545,905	545,905
	179,739	430,845	1,488,872	2,099,456

Liabilities measured at fair value:

As at 31 December 2023

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Contingent consideration for business combination	—	—	100,000	100,000

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2023

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Fair value hierarchy (continued)

Liabilities measured at fair value: (continued)

As at 31 December 2022

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Contingent consideration for business combination	—	—	168,925	168,925

The movements in fair value measurements within level 3 during the year are as follows:

	Financial assets at fair value through profit or loss		Contingent consideration for business combination	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
At 1 January	1,488,872	1,258,341	(168,925)	(178,236)
(Loss)/gain recognised in profit or loss	(66,813)	(37,664)	68,925	9,311
Additions	184,172	494,836	—	—
Disposals	(223,679)	(226,641)	—	—
At 31 December	1,382,552	1,488,872	(100,000)	(168,925)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise trade receivable, other receivables, trade payables, other payables, interest-bearing bank borrowings, financial assets at fair value through profit or loss and cash and cash equivalents. The Group has various other financial assets and liabilities, such as amounts due from related parties, amounts due to related parties and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, liquidity risk, price risk on listed investment. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of each reporting period to a reasonably possible change in the foreign exchange rates due to changes in fair value of monetary assets and liabilities, with all other variables held constant, of the Group's loss before tax.

	2023 Decrease/ (increase) in loss before tax RMB'000	2022 Decrease/ (increase) in loss before tax RMB'000
RMB/HK\$		
Strengthened by 5%	3,952	8,852
Weakened by 5%	(3,952)	(8,852)
RMB/US\$		
Strengthened by 5%	222	3,087
Weakened by 5%	(222)	(3,087)

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, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts and the Group's exposure to loss allowance for impairment is not significant.

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Maximum exposure and year-end staging

The tables below show 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 financial assets.

As at 31 December 2023

	12-month ECLs		Lifetime ECLs		Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade receivables*	—	—	—	1,450,544	1,450,544
Financial assets included in prepayments, other receivables and other assets					
– Normal**	181,791	—	—	—	181,791
– Doubtful**	—	—	91,768	—	91,768
Due from related parties					
– Normal**	8,851	—	—	—	8,851
Cash and cash equivalents					
– Not yet past due	210,609	—	—	—	210,609
	401,251	—	91,768	1,450,544	1,943,563

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Maximum exposure and year-end staging *(continued)*

As at 31 December 2022

	12-month ECLs		Lifetime ECLs		Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade receivables*	—	—	—	1,232,102	1,232,102
Financial assets included in prepayments, other receivables and other assets					
– Normal**	181,470	—	—	—	181,470
– Doubtful**	—	—	129,373	—	129,373
Due from related parties					
– Normal**	12,368	—	—	—	12,368
Pledged deposits					
– Not yet past due	1,000	—	—	—	1,000
Cash and cash equivalents					
– Not yet past due	236,960	—	—	—	236,960
	431,798	—	129,373	1,232,102	1,793,273

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the consolidated financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets, and amounts due from related parties 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 these financial assets is considered to be “doubtful”.

Further quantitative data in respect of the Group’s exposure to credit risk arising from trade receivables are disclosed in note 21 to the consolidated 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. There are no significant concentrations of credit risk within the Group as the counterparty bases of the Group’s trade receivables are widely dispersed.

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31 DECEMBER 2023

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operation and bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2023					
	On demand	Less than 3 months	3 to less than 12 months	1 to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Due to related parties	1,335	624	39	—	—	1,998
Trade payables	112,496	93,933	54,625	—	—	261,054
Contingent consideration for business combination	—	—	—	100,000	—	100,000
Financial instruments included in other payables and accruals	—	19,832	65,847	—	—	85,679
Interest-bearing bank borrowings	—	209,546	294,820	—	—	504,366
Lease liabilities	—	4,024	8,528	17,564	—	30,116
	113,831	327,959	423,859	117,654	—	983,213

	2022					
	On demand	Less than 3 months	3 to less than 12 months	1 to 3 years	Over 3 Years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Due to related parties	—	1,853	5,485	—	—	7,338
Trade payables	72,090	65,710	169,870	—	—	307,670
Contingent consideration for business combination	—	—	168,925	—	—	168,925
Financial instruments included in other payables and accruals	7,871	254	33,960	—	—	42,085
Interest-bearing bank borrowings	—	173,022	276,958	—	—	449,980
Lease liabilities	—	4,517	12,897	29,075	—	46,489
	79,961	245,356	668,095	29,075	—	1,022,487

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business.

The directors of the Company review the asset-liability ratio, which is total assets divided by total liability, on a continuous basis, taking into account the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the raising of new debts as well as the redemption of the existing debts and manage the asset-liability ratios. The Group's overall strategy remained unchanged during the reporting period.

The asset-liability ratios as at the end of each reporting period are as follows:

	2023 RMB'000	2022 RMB'000
Total assets	7,089,169	7,153,754
Total liabilities	1,394,356	1,461,871
Asset-liability ratio	19.7%	20.4%

Price risk

The Group's exposure to price risk arises from investments held by the Group and classified as financial assets at FVTPL (Note 20). The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. The investments made by the Group are either for the purpose of improving investment yield and maintaining high liquidity level simultaneously or for strategic purpose. Each investment is managed by senior management on a case-by-case basis. The sensitivity analysis is performed by management, see note 37 for details.

39. EVENTS AFTER THE REPORTING PERIOD

As at the date of approval of the consolidated financial statement, save as disclosed in other notes, there are no significant events after the reporting period.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2023

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Right-of-use assets	1,876	3,867
Investments in subsidiaries	798,562	787,194
Financial assets at fair value through profit or loss	648,063	597,920
Prepayments	30,933	30,530
Total non-current assets	1,479,434	1,419,511
CURRENT ASSETS		
Due from subsidiaries	890,994	946,474
Prepayments, deposits and other receivables	28,412	51,984
Cash and cash equivalents	14,967	16,559
Total current assets	934,373	1,015,017
CURRENT LIABILITIES		
Other payables and accruals	1,517	1,820
Interest-bearing bank borrowings	—	104,248
Lease liabilities	1,903	1,995
Due to subsidiaries	435,356	399,233
Total current liabilities	438,776	507,296
NET CURRENT ASSETS	495,597	507,721
TOTAL ASSETS LESS CURRENT LIABILITIES	1,975,031	1,927,232
NON-CURRENT LIABILITIES		
Lease liabilities	—	1,877
Total non-current liabilities	—	1,877
Net assets	1,975,031	1,925,355
EQUITY		
Issued capital	1,915	1,925
Reserves (Note)	1,973,116	1,923,430
Total equity	1,975,031	1,925,355

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2023

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Treasury shares RMB'000	Share incentive reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	2,132,924	—	453,077	(129,870)	(500,156)	1,955,975
Loss for the year	—	—	—	—	(197,199)	(197,199)
Other comprehensive loss for the year:						
Exchange differences on translation	—	—	—	174,755	—	174,755
Total comprehensive loss for the year	—	—	—	174,755	(197,199)	(22,444)
Repurchase of share	—	(19,316)	—	—	—	(19,316)
Share-based compensation (note 29)	—	—	9,215	—	—	9,215
At 31 December 2022 and 1 January 2023	2,132,924	(19,316)	462,292	44,885	(697,355)	1,923,430
Loss for the year	—	—	—	—	(3,709)	(3,709)
Other comprehensive income for the year:						
Exchange differences on translation	—	—	—	27,783	—	27,783
Total comprehensive income for the year	—	—	—	27,783	(3,709)	24,074
Cancellation of ordinary shares	(19,306)	19,316	—	—	—	10
Share-based compensation (note 29)	—	—	25,602	—	—	25,602
At 31 December 2023	2,113,618	—	487,894	72,668	(701,064)	1,973,116

41. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 27 March 2024.

DEFINITIONS

In this annual report, unless the context otherwise requires, the following words and expressions shall have the following meanings:

"Ambitious Profit"	Ambitious Profit Investment Limited, an exempted company incorporated in the Cayman Islands with limited liability on 5 January 2018 and one of the Controlling Shareholders
"ARPPU"	average revenue per month per paying user, which represents the Group's revenue recognised for a particular game, a particular type of game or all of its games, as applicable, in the period divided by the number of paying users of the game, the type of game or all of its games, as applicable, in such period
"Articles of Association"	the articles of association of the Company, as amended, supplemented or otherwise modified from time to time
"Audit Committee"	the audit committee of the Company
"Auditor"	BDO Limited, the independent auditor of the Company
"Beijing Hengwan"	Beijing Hengwan Network Technology Co., Ltd. (北京恒玩網絡科技有限公司), a company established in the PRC on 17 March 2023 and wholly-owned by Shenzhen Douyue, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
"Beijing Orient L.P."	Beijing Orient Zhike Equity Investment Centre (Limited Partnership) (北京東方智科股權投資中心(有限合夥)), one of the Substantial Shareholders and an investment fund established on 22 May 2015 in the form of a limited partnership under the laws of the PRC, is controlled by its executive general partner ultimately controlled by Mr. Ma Yuntao (馬雲濤)
"Beijing Softstar"	Softstar Technology (Beijing) Co., Ltd. (軟星科技(北京)有限公司), a company established in the PRC on 19 September 2000, which is an indirect wholly owned subsidiary of the Company
"Board"	the board of Directors
"Board Committees"	Audit Committee, Nomination Committee, Remuneration Committee, and Corporate Governance Committee
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code as set out in Appendix 14 (renamed as Appendix C1 since 31 December 2023) to the Listing Rules
"Changpei Cayman"	Changpei Investment Centre, L.P., an exempted limited partnership registered in the Cayman Islands on 2 March 2018 and one of the Controlling Shareholders
"Changpei Shanghai"	Changpei (Shanghai) Investment Centre (Limited Partnership) (長霽(上海)投資中心(有限合夥)), a limited partnership registered in the PRC on 2 June 2015
"Chengdu Zhuoxing"	Chengdu Zhuo Xing Technology Co., Ltd. (成都卓星科技有限公司), a company established in the PRC on 24 June 2013 and wholly-owned by Shenzhen Lanyue, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
"CMGE Group"	CMGE Group Limited (formerly known as China Mobile Games and Entertainment Group Limited), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 20 January 2011, which is wholly-owned by CMGE Mobile Tech

“CMGE Group BVI”	CMGE Group Limited, a company incorporated in the BVI on 21 December 2017, which is a wholly-owned subsidiary of the Company
“CMGE Mobile Tech”	China Mobile Game Technology Company Limited (中手游移動科技有限公司), a limited liability company established under the laws of the PRC on 14 October 2015, which is held as to 44.67% by Changpei Shanghai, 18.90% by Shanghai Pegasus, 31.53% by Zhongshouyou Brothers PRC and 4.90% by Yichong Investment
“Company”	CMGE Technology Group Limited (中手游科技集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 20 March 2018, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 0302)
“connected person(s)”	has the meaning ascribed to it/them under the Listing Rules
“Contractual Arrangements”	the series of contractual arrangements entered into by Shengyue Software and the PRC Operating Entities
“Controlling Shareholder(s)”	has the meaning ascribed to it/them under the Listing Rules
“core connected person(s)”	has the meaning ascribed to it/them under the Listing Rules
“Corporate Governance Committee”	the corporate governance committee of the Company
“Director(s)”	the director(s) of the Company
“Fairview Ridge”	Fairview Ridge Investment Limited, a company incorporated in the BVI with limited liability on 6 March 2018 and one of the Controlling Shareholders
“Group”	the Company, its subsidiaries and the PRC Operating Entities
“Guangzhou Chuxin”	Guangzhou Chuxin Technology Company Limited (廣州初歆科技有限公司), a company established in the PRC on 13 July 2021 and non-wholly owned as to 70% equity interest by Shenzhen Zhongshouyou, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
“Guangzhou Manshikong”	Guangzhou Manshikong Network Technology Co., Ltd. (廣州漫時空網絡科技有限公司), a company established in the PRC on 28 April 2023 and wholly-owned by Chengdu Zhuoxing, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hainan Chuangyue”	Hainan Chuangyue Technology Company Limited (海南創躍科技有限公司), a company established in the PRC on 24 December 2019 and wholly-owned by Shenzhen Zhongshouyou, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
“Hainan Guming”	Hainan Guming Technology Company Limited (海南古茗科技有限公司), a company established in the PRC on 10 March 2022 and non-wholly owned as to 51% equity interest by Shenzhen Zhongshouyou, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements

DEFINITIONS

"Hainan Zhanshen"	Hainan Zhanshen Internet Technology Company Limited (海南戰神網絡科技有限公司), a company established in the PRC on 27 April 2020 and wholly-owned by Hainan Chuangyue, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
"HKFRS"	Hong Kong Financial Reporting Standards, as issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IP(s)"	intellectual property(ies)
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	31 October 2019, being the date on which the Shares of the Company became listed and commenced trading on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MAUs"	monthly active users, which refers to the number of active users in the relevant calendar month; 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 (renamed as Appendix C3 since 31 December 2023) to the Listing Rules
"Motion Game"	Motion Game Company Limited (動力遊戲娛樂有限公司), a company incorporated in Hong Kong with limited liability on 20 July 2017 and one of the Controlling Shareholders
"MPUs"	monthly paying users, which refers to the number of paying users in the relevant calendar month; average MPUs for a particular period is the average of the MPUs in each month during that period
"Mr. Sin"	Mr. SIN Hendrick (洗漢迪) <i>M.H.</i> , the executive Director and vice chairman of the Company, and one of the Controlling Shareholders
"Mr. Xiao"	Mr. XIAO Jian (肖健), the executive Director, chairman and chief executive officer of the Company, and one of the Controlling Shareholders
"Nomination Committee"	the nomination committee of the Company
"PC"	personal computer
"Post-IPO Share Option Scheme"	the post-IPO share option scheme of the Company approved and adopted by the Shareholders on 20 September 2019
"PRC" or "China"	the People's Republic of China excluding, for the purpose of this report only, Hong Kong, the Macau Special Administrative Region and Taiwan
"PRC Operating Entities"	Chengdu Zhuoxing, Shenzhen Zhongshouyou, Shenzhen Douyue, Hainan Chuangyue, Yichun Dongdian, Hainan Zhanshen, Shenzhen Fansheng, Shanghai Fanying, Guangzhou Chuxin, Hainan Guming, Shanghai Zhoujing, Shanghai Yunnan, Guangzhou Manshikong and Beijing Hengwan

“Profound Power”	Profound Power Investment Limited, a company incorporated in BVI with limited liability on 8 March 2018 and one of the Controlling Shareholders
“Prospectus”	the Company’s prospectus dated 19 October 2019 issued for Listing purpose
“Remuneration Committee”	the remuneration committee of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Fanying”	Shanghai Fanying Network Technology Co., Ltd. (上海凡影網絡科技有限公司), a company established in the PRC on 31 July 2020 and wholly-owned by Shenzhen Fansheng, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
“Shanghai Yunnan”	Shanghai Yunnan Network Technology Co., Ltd. (上海雲藍網絡科技有限公司), a company established in the PRC on 6 January 2021 and wholly-owned by Shanghai Fanying, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
“Shanghai Zhoujing”	Shanghai Zhoujing Network Technology Co., Ltd. (上海洲競網絡科技有限公司), a company established in the PRC on 1 December 2021 and non-wholly owned as to 51% equity interest by Shenzhen Zhongshouyou, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
“Share(s)”	ordinary share(s) of the Company with nominal value of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shengyue Software”	Shengyue Software (Shenzhen) Co., Ltd. (盛悅軟件(深圳)有限公司), a company established in the PRC on 5 March 2018 and an indirectly wholly-owned subsidiary of the Company
“Shenzhen Douyue”	Shenzhen Douyue Network Technology Co., Ltd. (深圳市豆悅網絡科技有限公司), a company established in the PRC on 21 November 2014 and wholly-owned by Shenzhen Lanyue, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
“Shenzhen Fansheng”	Shenzhen Fansheng Network Technology Co., Ltd. (深圳市凡盛網絡科技有限公司), a company established in the PRC on 4 June 2020 and wholly-owned by Shenzhen Zhongshouyou, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
“Shenzhen Lanyue”	Shenzhen Lanyue Internet Technology Company Limited (深圳市嵐悅網絡科技有限公司), a company established in the PRC on 7 June 2013 and the registered shareholder of the PRC Operating Entities
“Shenzhen Shengli Huyu”	Shenzhen Shengli Huyu Internet Technology Company Limited (深圳市勝利互娛網絡科技有限公司), a company established in the PRC on 1 July 2015 and an indirectly wholly-owned subsidiary of the Company

DEFINITIONS

"Shenzhen Zhongshouyou"	China Mobile Games and Entertainment Group Limited Shenzhen (深圳市中手游網絡科技有限公司), a company established in the PRC on 10 July 2015 and wholly-owned by Shenzhen Lanyue, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
"Silver Joyce"	Silver Joyce International Limited, a company incorporated in the BVI on 5 July 2012 and wholly-owned by Mr. Sin, which is one of the Controlling Shareholders
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it/them under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed to it/them under the Listing Rules
"US\$" or "USD"	U.S. dollars, the lawful currency of the United States of America
"Wenmai Hudong"	Beijing Wenmai Hudong Technology Company Limited (北京文脈互動科技有限公司), a company established in the PRC on 12 December 2014, which is an indirect wholly-owned subsidiary of the Company
"Xiao Family Trust"	the ZSY Trust, a discretionary trust set up by Mr. Xiao, as settlor, and Trident Trust Company (B.V.I.) Limited, as trustee, for the benefit of Mr. Xiao and his spouse
"Yichong Investment"	Shanghai Yichong Investment Centre (Limited Partnership) (上海一翀投資中心(有限合夥)), one of the Shareholders and a limited partnership established in the PRC on 20 April 2015, the general partner of which is Dazi Dingcheng
"Yichun Dongdian"	Yichun Dongdian Huyu Internet Technology Company Limited (宜春市動點互娛網絡科技有限公司), a company established in the PRC on 26 November 2019 and wholly-owned by Shenzhen Douyue, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
"Zhongshouyou Brothers BVI"	Zhongshouyou Brothers Limited (中手游兄弟有限公司), a company incorporated in the BVI on 2 January 2018 and wholly-owned by ZSY Holding for the Xiao Family Trust, which is one of the Controlling Shareholders
"Zhongshouyou Brothers PRC"	Shaoxing Shangyu Zhongshouyou Brothers Investment Partnership (Limited Partnership) (紹興市上虞中手游兄弟投資合夥企業(有限合夥)), a limited partnership established on 23 November 2015 under the laws of the PRC, a shareholder of CMGE Mobile Tech
"ZSY Holding"	ZSY Holding Company Limited, a limited company incorporated in the BVI on 20 June 2022, which is nominated by Trident Trust Company (B.V.I.) Limited, the trustee of the Xiao Family Trust