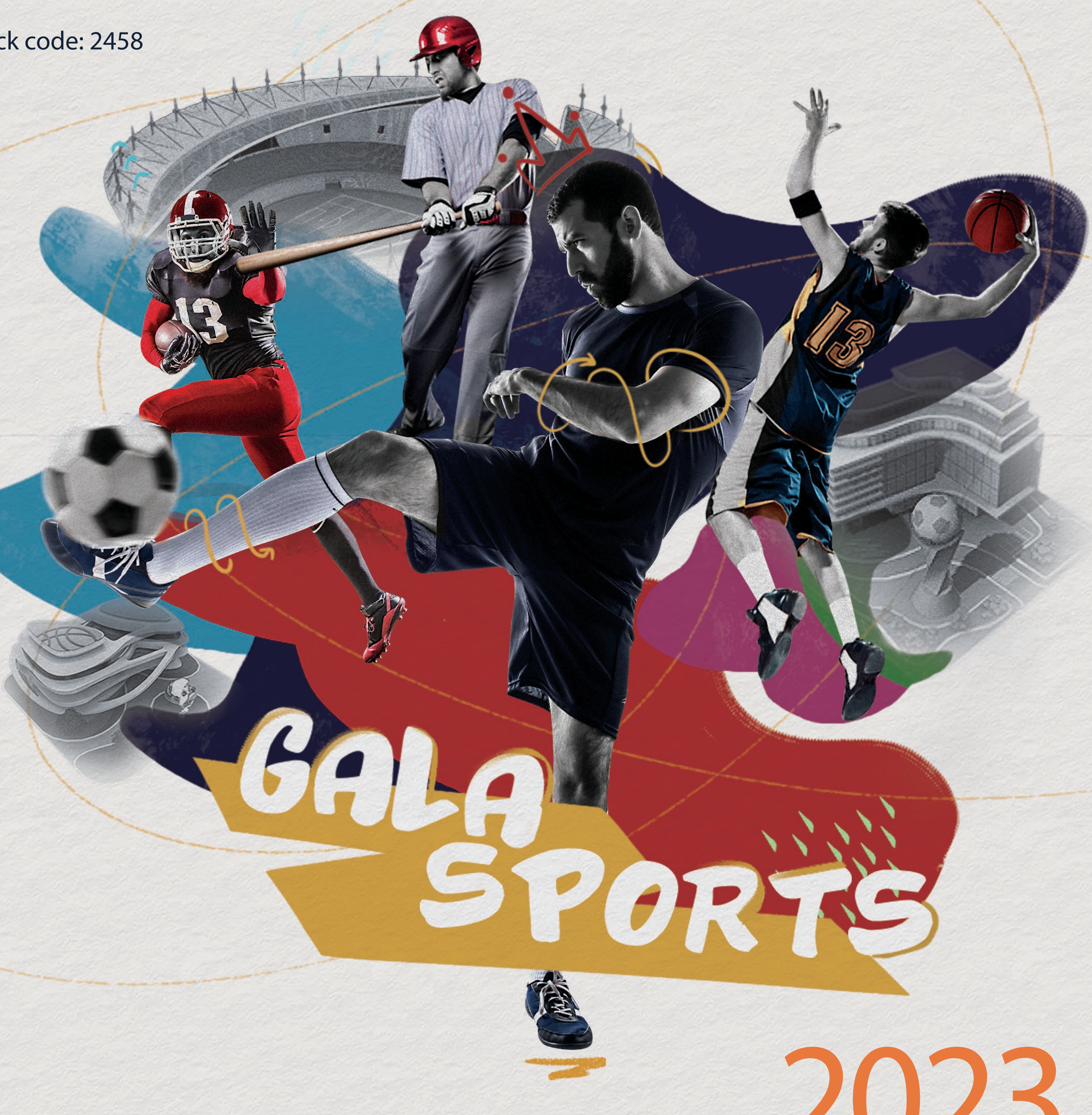
GALA sports
望尘体育科技

望塵科技控股有限公司
Gala Technology Holding Limited

(incorporated in the Cayman Islands with limited liability)

Stock code: 2458



2023
ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

Mr. Jia Xiaodong *(Chairman and Chief Executive Officer)*
Mr. Huang Xiang
Mr. Li Xin

Independent Non-executive Directors

Mr. Leung Ming Shu
Mr. Zhan Peixun
Ms. Chak Hoi Kee Clara

COMPANY SECRETARY

Ms. Cheng Lucy (appointed on 4 May 2023)
Mr. Chu Kai Chi (resigned on 4 May 2023)

AUTHORIZED REPRESENTATIVES

Mr. Li Xin
Ms. Cheng Lucy (appointed on 4 May 2023)
Mr. Chu Kai Chi (resigned on 4 May 2023)

AUDIT COMMITTEE

Mr. Leung Ming Shu (Chairman)
Mr. Zhan Peixun
Ms. Chak Hoi Kee Clara

REMUNERATION COMMITTEE

Mr. Zhan Peixun *(Chairman)*
Mr. Li Xin
Mr. Leung Ming Shu

NOMINATION COMMITTEE

Mr. Jia Xiaodong *(Chairman)*
Ms. Chak Hoi Kee Clara
Mr. Zhan Peixun

ESG OVERSIGHT COMMITTEE

Mr. Jia Xiaodong *(Chairman)*
Ms. Zheng Xiaoping *(Administrative Management Director)*
Ms. Shao Jingfei *(Human Resource Director)*

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKS

Bank of China (Hong Kong) Limited
China Merchants Bank Co., Ltd.
Industrial and Commercial Bank of China Limited

LEGAL ADVISERS

As to Hong Kong Law
Jingtian & Gongcheng

COMPLIANCE ADVISOR

UOB Kay Hian (Hong Kong) Limited

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F., No. 148 Electric Road
North Point
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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No. 3040, Aohai Avenue, Nanshan Street
Qianhai Shenzhen-Hong Kong Cooperation Zone
Shenzhen
PRC

COMPANY'S WEBSITE ADDRESS

www.galasports.com

SHARE REGISTRARS

Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

STOCK CODE

02458

Dear Shareholders,

On behalf of the board (the "**Board**") of the directors (the "**Directors**") of Gala Technology Holding Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I would like to present the annual report of the Group for the year ended 31 December 2023.

2023 was an extraordinary year for us. Our shares were listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 January 2023 (the "**Listing Date**"), allowing us to further strengthen our industry talent pool in 2023, enhance the efficiency of our "research and operation integration" model, and consolidate our leading position in the mobile sports game track in China. As a leading mobile sports gaming company in China, we adhere to the principle of "enhancing sports with technology for more fun". The games launched cover football, baseball and basketball, which are three of the most popular sports worldwide. We have also successfully transitioned from developing management simulation games to developing more technologically advanced action-based games, forming unique game content and a large user base. We actively monitor changes in market trends and user demand, continuously upgrading the content of our existing games and investing in the development of a more diverse product portfolio.

We consolidated and deepened our official cooperation with international sports associations (FIFPro, NBA, and NBPA) as well as top football clubs. We continuously updated game content and launched new versions with new themes. Moreover, in 2023, the Group expanded its intellectual property ("**IP**") reserves, obtaining the official IP rights granted by Major League Baseball ("**MLB**") and the Major League Baseball Players Association ("**MLBPA**"). We launched testing and small-scale operation of the new game MLB Clutch Hit Baseball (MLB棒球大師) in North America in mid-2023, filling the gap in the Group's baseball gaming field. As our Group's first action-based baseball game, MLB Clutch Hit Baseball (MLB棒球大師) was actively optimized in 2023 to ensure the best gaming experience for players while maintaining efficient marketing promotion, receiving widespread praise from users. In 2023, the Group's well-known football management simulation game Football Champion (最佳11人) continued to iterate, carrying out a comprehensive art upgrade and adding a variety of built-in casual games and a Superstar Career Mode, bringing a better paid experience, thus maintaining a stable revenue scale. Our action-based football game Total Football (最佳球會), with its highly realistic player modeling, rich player actions, and delicate operation feel in the game, has steadily increased its recognition and reputation. Moreover, Total Football (最佳球會) signed several well-known football stars from the top five football leagues and domestic leagues in 2023. With the help of rich operational activities and the market effect of major football events, it significantly increased the scale of active users and paying users, resulting in a substantial increase in revenue compared to the same period last year.

In 2023, thanks to the good performance of the above-mentioned core games of the Group, the Group's total revenue for the year ended 31 December 2023, remained stable year-on-year, reaching approximately RMB633.6 million. On the other hand, the action-based games of the Group's core games utilize the Group's latest technology, which has enhanced the game content and user experience as compared with traditional management simulation games, and have received extensive positive feedback from users. Moreover, the Group has adopted a series of measures for all of its games to improve customer acquisition efficiency and refine its operations, thereby further enhancing profitability. Gross profit increased by approximately 3.5% from approximately RMB333.1 million for the year ended 31 December 2022, to approximately RMB344.7 million for the year ended 31 December 2023. Selling and marketing expenses and general and administrative expenses decreased by approximately 25.2% and 18.6% respectively from approximately RMB173.2 million and RMB56.0 million for the year ended 31 December 2022, to approximately RMB129.5 million and RMB45.6 million for the year ended 31 December 2023. The profit for the year and the profit for the year attributable to the owners of the Company increased significantly by approximately 451.2% and 448.6% respectively, to approximately RMB74.2 million and RMB74.2 million respectively, for the year ended 31 December 2023.

Looking forward to the future, as of the report date, the issuance of domestic game licenses has exceeded 100 for four consecutive months and the gaming industry is showing a trend of steady and positive growth. Total Football (最佳球會), representing our Group's top-notch technology, reached new peaks in its revenue and profitability in the first quarter of 2024. The quality of the game versions for overseas Another core game, Football Champion (最佳11人), will continue to consolidate its player activity, in-game community scale and profitability. We have upgraded the North American version of MLB Clutch Hit Baseball (棒球大師) to a satisfactory level and plan to start large-scale promotion in the second quarter of 2024. MLB Clutch Hit Baseball (棒球大師)'s game licence in the Mainland China has been obtained, and versions for Japan, South Korea and Taiwan will be launched in the second quarter of 2024.

In addition, the Group has three games under development, namely the action-based basketball game "Project Code: Action-based Basketball", the fishing simulation game "Project Code: Fishing Master", and the action-based American football game. "Code: Action-based American Football" will use the upgraded motion capture and human motion engine, our Group's artificial intelligence ("**AI**") technology, and realistic audience rendering technology to maximize the restoration of player movements, tactical running positions, and court interactions in real basketball games, allowing players to enjoy the next generation of basketball experience on mobile devices. "Code: Fishing Master" uses a real physics engine, motion capture technology, weather change system, real water surface effects, and high-definition fish modeling to provide players with an immersive fishing experience. Of the games under development, "Code: Action-based Basketball" is expected to be launched in the summer of 2024, and "Code: Fishing Master" and the action-based American football game will be launched within the next one to two years. We firmly believe that, with the Group's decade-long experience in sports game development, the deep implementation of our global strategy, the recruitment and cultivation of high-quality talents, and our pursuit of technological innovation, we are poised to usher in a new chapter of growth and development.

In addition, having taken into account the performance of the Group for the financial year ended 31 December 2023, the Board has resolved to recommend the payment of a final dividend of RMB0.1882 per share for the year ended 31 December 2023, with a total amount of approximately RMB25,971,050.

Finally, on behalf of the Board of Directors, I would like to express my heartfelt thanks to all employees for their hard work, to shareholders for their trust, and to partners for their support.

Chairman of the Board, Executive Director and Chief Executive Officer
Jia Xiaodong

28 March 2024

BUSINESS OVERVIEW

As a leading technology-driven mobile sports game company in China, the Company has accumulated over 10 years of game development and operation experience, adhering to the principle of "enhancing sports with technology for more fun". The games launched cover football, baseball and basketball, which are three of the most popular sports worldwide, forming unique game content and a large user base.

The shares of the Company (the "**Shares**") have been listed on the Main Board of the Stock Exchange on 16 January 2023 (the "**Listing Date**"), allowing us to further strengthen our industry talent pool in 2023, enhance the efficiency of our "research and operation integration" model, and consolidate our leading position in the mobile sports game track in China.

In 2023, our Group focused on the steady development of game development and operation business while striving to improve customer acquisition efficiency and perfect our refined operational strategies, resulting in an increase in gross profit, and a substantial reduction in both selling and marketing expenses as well as general and administrative expenses compared to 2022. The effectiveness of our cost management measures gradually manifested.

We consolidated and deepened our official cooperation with international sports associations (FIFPro, NBA, and NBPA) as well as top football clubs such as F.C. Barcelona, F.C. Bayern Munich, and Manchester City F.C.. We continuously updated game content and launched new versions with new themes, providing users with a rich and diversified gaming experience. In 2023, although the revenue of Football Master (足球大師) and NBA Basketball Master (NBA籃球大師), which have been launched for nearly ten years and seven years respectively, have decreased, our well-known football management simulation game Football Champion (最佳11人) continued to iterate, carrying out a comprehensive art upgrade and adding a variety of built-in casual games and a Superstar Career Mode, bringing a better paid experience and receiving widespread acclaim from users, thus maintaining a stable revenue scale. Our action-based football game Total Football (最佳球會), with its highly realistic player modeling, rich player actions, and delicate operation feel in the game, has steadily increased its recognition and reputation. Moreover, Total Football (最佳球會) signed several well-known football stars from the top five football leagues and domestic leagues in 2023. With the help of rich operational activities and the market effect of major football events, it significantly increased the scale of active users and paying users, resulting in a substantial increase in revenue compared to the same period last year, effectively compensating for the decline in revenue from old games.

In 2023, the Group acquired intellectual properties ("**IP**") right licenses from Major League Baseball ("**MLB**") and Major League Baseball Players Association ("**MLBPA**") and launched testing and small-scale operation of the new game MLB Clutch Hit Baseball (MLB棒球大師) in North America in mid-2023. As our Group's first action-based baseball game, MLB Clutch Hit Baseball (MLB棒球大師) was actively optimized in 2023 to ensure the best gaming experience for players while maintaining efficient marketing promotion. We strategically tailor and carry out our game promotions.

Although the revenue of old games has declined, thanks to the good performance of the Group's core games and the initial success of cost management measures, the Group's total revenue for the year ended 31 December 2023, remained stable year-on-year, reaching approximately RMB633.6 million (2022: RMB637.9 million). Gross profit increased by approximately 3.5% from approximately RMB333.1 million for the year ended 31 December 2022, to approximately RMB344.7 million for the year ended 31 December 2023. Selling and marketing expenses and general and administrative expenses decreased by approximately 25.2% and 18.6% respectively from approximately RMB173.2 million and RMB56.0 million for the year ended 31 December 2022, to approximately RMB129.5 million and RMB45.6 million for the year ended 31 December 2023. The profit for the year and the profit for the year attributable to the owners of the Company increased significantly by approximately 451.2% and 448.6% respectively, to approximately RMB74.2 million and RMB74.2 million respectively, for the year ended 31 December 2023.

PRINCIPAL RISKS AND UNCERTAINTIES

As a mobile sports game developer, publisher and operator 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 able to anticipate or successfully adapt to new trends and may face increasingly intense competition in the mobile game industry, which makes it difficult for us to evaluate our business and prospects; (ii) the Group may fail to renew the IP licensing agreements with the IP right holders or obtain new IP right licenses; and (iii) the Group's new games may not be commercially successful and the Group may not be able to attract new players.

FUTURE OUTLOOK

In the coming year, our Group will further optimise our product matrix and profitability. While striving to increase the scale of our revenue, we will also continue to enhance our customer acquisition efficiency and refine our operations, as we did in 2023, to ensure the quality of our revenue. In 2023, Total Football (最佳球會), representing our Group's top-notch technology, successfully took over from Football Master (足球大師), which had been launched nearly a decade ago, and reached new peaks in its revenue and profitability in the first quarter of 2024. The quality of the game versions for overseas markets has significantly improved after several iterations and upgrades, and we will start promoting in overseas markets in mid-2024. Another core game, Football Champion (最佳11人), will continue to consolidate its player activity, in-game community scale and profitability. MLB Clutch Hit Baseball (棒球大師) is our Group's first baseball game launched in North America. After receiving feedback from the small-scale operation that began in mid-2023, we chose to improve the game quality and localized content to attract players, before engaging in massive promotion it in the market. The good performance of other core games also gave us ample time to optimise and upgrade the content. As of now, we have upgraded the North American version of MLB Clutch Hit Baseball (棒球大師) to a satisfactory level and plan to start large-scale promotion in the second quarter of 2024. MLB Clutch Hit Baseball (棒球大師)'s game licence in the Mainland China has been obtained, and versions for Japan, South Korea and Taiwan will be launched in the second quarter of 2024.

The Group has three games under development, namely the action-based basketball game "Project Code: Action-based Basketball", the fishing simulation game "Project Code: Fishing Master", and the action-based American football game. "Project Code: Action-based American Football" which will use the upgraded motion capture and human motion engine, our Group's artificial intelligence ("**AI**") technology, and realistic audience rendering technology to maximize the restoration of player movements, tactical running positions, and court interactions in real basketball games, allowing players to enjoy the next generation of basketball experience on mobile devices. "Code: Fishing Master" uses a real physics engine, motion capture technology, weather change system, real water surface effects, and high-definition fish modeling to provide players with an immersive fishing experience. Among the games under development, "Project Code: Action-based Basketball" is expected to be launched in the summer of 2024, and "Project Code: Fishing Master" and the "Project Code: Action-based American Football" will be launched within the next one to two years.

The Group is full of confidence in the sports gaming track we are in. Moreover, with the advancement of technology, the Group can further optimise the game quality of the released games, and can increase the efficiency of development and iteration of the games in the pipeline. We will keep up with the pace of technological updates, increase the reserve of core talents in game research and development ("**R&D**") and operations, accelerate the application and research breakthroughs of artificial intelligence generated content ("**AIGC**") technology, expand our layout in the field of casual games, launch a more diversified product portfolio, and provide users with higher quality game content.

FINANCIAL PERFORMANCE

Consolidated Statement of Comprehensive Income

The following table presents items of the audited consolidated statement of comprehensive income of the Group in absolute amounts and as percentages to the total revenue for the years indicated.

	Year ended 31 December			
	2023		2022	
	RMB'000	%	RMB'000	%
Revenue	633,633	100.0	637,886	100.0
Cost of revenue	(288,977)	(45.6)	(304,822)	(47.8)
Gross profit	344,656	54.4	333,064	52.2
Other losses, net	(4,010)	(0.6)	(4,463)	(0.7)
Other income	21,303	3.4	12,352	1.9
Selling and marketing expenses	(129,506)	(20.4)	(173,200)	(27.2)
General and administrative expenses	(45,617)	(7.2)	(56,023)	(8.8)
Research and development expenses	(109,231)	(17.2)	(86,976)	(13.6)
Impairment loss under expected credit loss model, net of reversal	(246)	*	(1,856)	(0.3)
Finance cost	(4,593)	(0.7)	(677)	0.1
Profit before tax	72,756	11.5	22,221	3.5
Income tax credits (expenses)	1,479	0.2	(8,752)	(1.4)
Profit for the year	74,235	11.7	13,469	2.1
Other comprehensive income for the year				
Item that will not be reclassified to profit or loss:				
Exchange differences on translation from functional currency to presentation currency	2,670	0.4	—	*
Total comprehensive income for the year	76,905	12.1	13,469	2.1
Profit/(loss) for the year attributable to:				
Owners of the Company	74,203	11.7	13,525	2.1
Non-controlling interests	32	*	(56)	*

* Less than 0.1%

Non-HKFRS measure

The table sets forth the adjusted net profit (Non-HKFRS measure) of the Group for the years indicated after adjusting for the net fair value changes on the Pre-IPO Convertible Bonds (as defined below), share-based compensation, and the listing expenses as a non-HKFRS measure:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Profit and total comprehensive income for the year, net of tax	**74,235**	13,469
Add:		
Fair value loss on a financial liability measured at fair value through profit or loss ("**FVTPL**")	–	6,816
Listing expenses	**412**	22,356
Share-based compensation	–	2,872
Deduct:		
Fair value gain on extension of a financial liability at FVTPL	–	(3,065)
Adjusted net profit (Non-HKFRS measure)	**74,647**	42,448

The Group believes that the presentation of such non-HKFRS measure when shown in conjunction with the corresponding HKFRS measure provides useful information to potential investors and management in facilitating a comparison of its operating performance from year to year by eliminating potential impacts of the net fair value changes on the convertible bonds issued by the Company on 21 June 2021 in the principal amount of HK$77,112,000 (the "**Pre-IPO Convertible Bonds**"), share-based compensation, and the listing expenses.

The use of the non-HKFRS measure has limitations as any other analytical tool, and should not be considered in isolation from or as a substitute for or superior to, the analysis of the Group's results of operations or financial condition as reported under the HKFRS. In addition, the non-HKFRS measure may be defined differently from similar terms used by other companies.

Key financial ratios

The following table sets forth the key financial metrics of the Group for the years indicated:

	Year ended 31 December	
	2023	2022
Gross profit margin	**54.4%**	52.2%
Net profit margin[(1)]	**11.7%**	2.1%
Return on equity[(2)]	**22.3%**	11.0%
Return on assets[(3)]	**14.1%**	3.6%
Interest coverage ratio[(4)]	**16.8 times**	33.8 times

	As at 31 December	
	2023	2022
Current ratio[(5)]	**2.8 times**	1.3 times
Quick ratio[(6)]	**2.8 times**	1.3 times

Notes:

1. Net profit margin equals profit for the year divided by revenue for the year, multiplied by 100%.
2. Return on equity equals profit attributable to owners of the Company for the year divided by the closing balance of the equity attributable to owners of the Company, multiplied by 100%.
3. Return on assets equals profit for the year divided by the closing balance of total assets, multiplied by 100%.
4. Interest coverage ratio equals operating profit for the year divided by interest expenses for the year.
5. Current ratio equals total current assets divided by total current liabilities as at the year end date.
6. Quick ratio equals total current assets less inventories divided by total current liabilities as at the year end date.

FINANCIAL REVIEW

Revenue

The following table sets out the revenue in absolute amounts and as percentages to the total revenue of the Group by publishing models for the years indicated:

	Year ended 31 December			
	2023		2022	
	RMB'000	%	RMB'000	%
Self-publishing games	630,140	99.4	632,920	99.2
Third-party publishing games	3,493	0.6	4,966	0.8
Total	633,633	100	637,886	100

Revenue decreased by approximately RMB4.3 million, or 0.7%, from approximately RMB637.9 million for the year ended 31 December 2022 to approximately RMB633.6 million for the year ended 31 December 2023, which was mainly attributable to: (i) decrease in revenue from Football Master (足球大師) (which had been launched for almost a decade) and NBA Basketball Master (NBA籃球大師) (which had been launched for nearly 7 years); and (ii) lack of large-scale promotional campaign for MLB Clutch Hit (棒球大師) since its release in mid-year as the Group remained focus in fine-tuning the game during the year.

Cost of revenue

The following table sets forth a breakdown of the cost of revenue in absolute amounts and as percentages to the total cost of revenue of the Group for the years indicated:

	Year ended 31 December			
	2023		2022	
	RMB'000	%	RMB'000	%
Commission fee to the Platforms	180,965	62.6	215,565	70.7
License fees	73,293	25.4	58,902	19.3
Revenue sharing to third-party publishers	2,622	1.0	3,193	1.1
Staff costs	18,053	6.2	14,431	4.7
Server usage expenses	11,990	4.1	11,239	3.7
Others*	2,054	0.7	1,492	0.5
Total	288,977	100	304,822	100

* Others mainly consist of depreciation of property, plant and equipment and depreciation of right-of-use assets.

Cost of revenue decreased by approximately RMB15.8 million or 5.2% from approximately RMB304.8 million for the year ended 31 December 2022 to approximately RMB289.0 million for the year ended 31 December 2023. The decrease in cost of revenue was primarily attributable to the decrease in revenue and the comparatively lower commission rate charged by overseas platforms, resulting in a decrease in commission fee to the Platforms by approximately RMB34.6 million or 16.1%; on the other hand, (i) due to the acquisition of the IP license of the newly launched baseball action simulation game "MLB Clutch Hit Baseball (棒球大師)" by the Group from MLB and MLBPA for the year ended 31 December 2023, and in accordance with some of the Group's IP licensing arrangements that provide for revenue sharing from our income generated, our license fees increased by approximately RMB14.4 million or 24.4%; and (ii) due to the increase in the number of staff for the maintenance, operation and customer service of the newly launched games "Total Football (最佳球會)" and "MLB Clutch Hit Baseball (棒球大師)", our staff costs increased by approximately RMB3.7 million or 25.1%.

Gross profit

The gross profit increased by approximately RMB11.6 million, or 3.5%, from approximately RMB333.1 million for the year ended 31 December 2022 to approximately RMB344.7 million for the year ended 31 December 2023. The gross profit margin of the Group increased from approximately 52.2% for the year ended 31 December 2022 to approximately 54.4% for the year ended 31 December 2023. Commission fee to the Platforms constituting the largest component among the cost of revenue, representing approximately 62.6% (2022: 70.7%) of the total cost of revenue of the Group during the year ended 31 December 2023. The increase in gross profit and gross profit margin was primarily due to (i) the Group's continuous effort in consolidating revenue from overseas markets, thus enjoyed lower commission rate charged by overseas distribution platforms; and (ii) decrease in commission fee to the Platforms as a result of the Group's effort in expansion into the local distribution platforms in the PRC with lower commission fee level, leading to the improvement of the Group's gross profit and gross profit margin for the year ended 31 December 2023.

Other losses, net

Other losses, net decreased by approximately RMB0.5 million, or 10.2%, from approximately RMB4.5 million for the year ended 31 December 2022 to approximately RMB4.0 million for the year ended 31 December 2023, mainly due to currency exchange fluctuations.

Other income

Other income increased by approximately RMB8.9 million, or 72.5%, from approximately RMB12.4 million for the year ended 31 December 2022 to approximately RMB21.3 million for the year ended 31 December 2023, mainly attributable to (i) certain new grants and/or subsidies of approximately RMB10.5 million received by the Group from the local governmental departments during the year ended 31 December 2023; and (ii) the Group's interest income of approximately RMB5.7 million.

Selling and marketing expenses

Selling and marketing expenses decreased by approximately RMB43.7 million, or 25.2%, from approximately RMB173.2 million for the year ended 31 December 2022 to approximately RMB129.5 million for the year ended 31 December 2023, primarily attributable to the significant decrease in operating expenses as a result of our constantly improving efficiency of customer acquisition and refined operation in the year ended 31 December 2023.

General and administrative expenses

General and administrative expenses decreased by approximately RMB10.4 million, or 18.6%, from approximately RMB56.0 million for the year ended 31 December 2022 to approximately RMB45.6 million for the year ended 31 December 2023, which was primarily attributable to (i) the decrease in listing expenses by approximately RMB21.9 million, or 98.2%; partially offset by (ii) the increase in traveling and office expenses by approximately RMB3.4 million, or 49.2%; (iii) professional fees incurred upon listing of approximately RMB3.7 million; (iv) the increase in the employee benefits and salaries for general and administrative staff by approximately RMB2.5 million, or 18.4%; and (v) other general and administrative expenses increase as a result of business development by approximately RMB2.5 million, or 81.1%.

R&D expenses

R&D expenses increased by approximately RMB22.2 million, or 25.5%, from approximately RMB87.0 million for the year ended 31 December 2022 to approximately RMB109.2 million for the year ended 31 December 2023, which was primarily attributable to the increase in employee benefits and salaries of the R&D staff by approximately RMB20.9 million, or 27.9% primarily due to the increase in the number of the Group's R&D staff for the year ended 31 December 2023 for the development of the new games released during the year and in the pipeline and the salary increment offered to reward the talented R&D personnel of the Group.

Impairment losses under expected credit loss model, net of reversal

Net of impairment loss on financial assets decreased by approximately RMB1.7 million, or 86.7% from approximately RMB1.9 million for the year ended 31 December 2022 to approximately RMB0.2 million for the year ended 31 December 2023, which was mainly because the Group has since 2023 implemented measures primarily through establishing a repayment monitoring mechanism to track debtor's repayment status in a timely manner, in order to reduce the occurrence of bad debts.

Finance cost

For the year ended 31 December 2023, finance cost amounted to approximately RMB4.6 million, mainly attributable to the interest accretion on non-current license fee and royalties payables of approximately RMB4.2 million arising from the Group's acquisition of the IP license for the newly launched baseball action simulation game "MLB Clutch Hit Baseball (棒球大師)" from MLB and MLBPA.

Income tax credits (expenses)

The Group recorded income tax expenses of approximately RMB8.8 million for the year ended 31 December 2022, while the Group recorded income tax credits of approximately RMB1.5 million for the year ended 31 December 2023, which was primarily due to a change in enacted tax rate applied on the taxation of 深圳市望塵科技有限公司 (Shenzhen Wangchen Technology Co., Ltd*) ("**Wangchen Technology**") from 25% to 15% during the year ended 31 December 2023 and the tax provision overprovided in prior year has been adjusted accordingly.

Liquidity, Financial and Capital Resources

As at 31 December 2023, the total assets of the Group increased by approximately 42.4% to RMB527.4 million (2022: RMB370.3 million), the net current assets increased by 253.0% to RMB268.6 million (2022: RMB76.1 million) and total equity increased by 170.4% to RMB331.6 million (2022: RMB122.6 million) as compared to that as at 31 December 2022. The increase in net current assets is primarily due to increase in cash and cash equivalents and financial assets at FVTPL leading to an increase in current assets, and a decrease in current liabilities resulting from the full conversion of the Pre-IPO convertible bonds into the Shares on the Listing Date. The increase of total equity was mainly attributable to the share premium arisen from the issue of Shares on the Listing Date and the profit made for the year ended 31 December 2023.

As at 31 December 2022 and 31 December 2023, the Group had no bank borrowings.

The Group's current ratio increased to approximately 2.8 times for the year ended 31 December 2023 compared from approximately 1.3 times for the year ended 31 December 2022.

As at 31 December 2023, the Group had cash and cash equivalents of approximately RMB300.4 million (2022: RMB232.6 million). The cash and cash equivalents were mainly denominated in Renminbi ("**RMB**"). For the purpose of presentation in the consolidated statement of cash flows, the cash and cash equivalents comprise cash on hand and demand deposits, which are subject to an insignificant risk of changes in value. The Group generally deposits its excess cash in interest-bearing bank accounts and current accounts.

* *for identification purpose only*

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

	Year ended 31 December	
	2023 **RMB'000**	2022 RMB'000
Net cash generated from operating activities	**98,264**	74,182
Net cash used in investing activities	**(95,061)**	(24,341)
Net cash generated from/(used in) financing activities	**61,972**	(9,365)
Net increase in cash and cash equivalents	**65,175**	40,476
Cash and cash equivalents at end of the year	**300,411**	232,566

Net cash generated from operating activities

Primary source of cash generated from operating activities consists of revenue generated from game development and operation of the Group. Cash used in operating activities are mainly used to fund the development, publishing and operation of the games. Cash flows generated from operating activities for the year ended 31 December 2023 was approximately RMB98.3 million, representing an increase of approximately RMB24.1 million when compared to approximately RMB74.2 million for the year ended 31 December 2022. The increase in cash flows from operating activities was mainly due to increase in our profit before tax of approximately RMB50.5 million, coupled with increase in amortization of intangible assets of approximately RMB18.3 million and increase in interest received of RMB3.5 million.

Net cash used in investing activities

Net cash used in investing activities primarily reflects cash used for purchases of financial assets at FVTPL, and purchases of property, plant and equipment, purchases of intangible assets; offset by proceeds from disposal of financial assets at FVTPL and repayment from related parties. Cash flows used in investing activities for the year ended 31 December 2023 was approximately RMB95.1 million, representing an increase of approximately RMB70.8 million when compared to approximately RMB24.3 million for the year ended 31 December 2022. The increase in cash flows used in investing activities was mainly due to (i) the purchases of financial assets at FVTPL of approximately RMB83.1 million; (ii) increase in purchase of intangible assets of approximately RMB14.6 million and partially offset by (iii) the disposals of financial assets at FVTPL of approximately RMB41.7 million.

Net cash generated from/(used in) financing activities

Net cash generated from/(used in) financing activities primarily reflects proceeds from issue of Shares, payment for Listing expenses and payment for principal elements of lease liabilities. Net cash generated from financing activities for the year ended 31 December 2023 was approximately RMB62.0 million, which was mainly due to the proceeds received from issue of Shares of approximately RMB69.4 million.

Gearing ratio

As at 31 December 2023, gearing ratio (defined as debt divided by total equity, where debt includes lease liabilities and a financial liability at FVTPL) was 0.01 times (2022: 0.66 times).

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Leases liabilities		
• Current	**4,330**	6,651
• Non-current	**330**	4,475
Financial liability at FVTPL	**—**	69,393
Debt	**4,660**	80,519
Equity	**331,588**	122,614
Gearing ratio	**0.01 times**	0.66 times

Contingent Liabilities

As at 31 December 2023, the Group did not have any contingent liabilities (2022: nil).

Pledge of Assets

As at 31 December 2023, none of the assets of the Group was pledged (2022: nil).

Capital Commitments

As at 31 December 2023, the Group did not have any capital commitments (2022: RMB92.3 million).

Material Acquisitions and Disposal of Subsidiaries

The Group had neither material acquisition nor disposal of subsidiaries, associates and joint ventures for the year ended 31 December 2023 (2022: nil).

Significant Investments

The significant investments held by the Group during the year ended 31 December 2023 are as follows:

Name of investment	Cost (RMB)	Redeemed during the year ended 31 December 2023 (RMB)	Fair value as at 31 December 2023 (RMB)	Realised fair value gain/ interest income during the year ended 31 December 2023 (RMB)	Percentage to the total assets as at 31 December 2023
Wealth management product known as 招銀理財招贏日日鑫現金管理類理財計劃 (代碼：80008) issued by CMB Wealth Management Co., Ltd. (招銀理財有限責任公司) ("**CMB Wealth Management**")	34 million	(24 million)	10,016,886.44	170,092.07	1.9%
Wealth management product known as 招銀理財招贏朝招金多元穩健型現金管理類理財計劃 (代碼：7007) issued by CMB Wealth Management	31 million	(23 million)	8,013,565.92	136,474.23	1.5%
Wealth management product known as 工銀理財法人"添利寶"淨值型理財產品 (代碼： TLB1801) issued by ICBC Wealth Management Co., Ltd. (工銀理財有限責任公司) ("**ICBC Wealth Management**")	5 million	N/A	5,043,460.91	43,460.91	1.0%
Wealth management product known as 工銀理財法人"添利寶2號"淨值型理財產品 (代碼：XTL1901) issued by ICBC Wealth Management	5 million	N/A	5,042,835.58	42,835.58	1.0%

The Board believes that the investment is reasonable and serves as an effective means to utilise the surplus cash reserve resources of the Group and generate satisfactory capital gain for the Group. The risk level associated with the wealth management products is low, while also providing the Group with better return as compared to fixed deposits generally offered by commercial banks in the PRC. Please refer to the announcement of the Company dated 8 September 2023 for further details regarding the purchases and disposals of wealth management products issued by CMB Wealth Management.

Save as disclosed above, the Group did not have any significant investments for the year ended 31 December 2023 (2022: nil).

Future Plans for Material Investments and Capital Assets

As at 31 December 2023, save as disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 December 2022 (the "**Prospectus**"), the Group did not have any other future plans for material investments or capital assets (2022: same).

Treasury Policies and Foreign Exchange Exposure

The Group has adopted a prudent approach on treasury management for the purpose of investing the sufficient financial resources in wealth management products.

The Group's foreign currency transactions are mainly denominated in United States dollar ("**US$**"), European dollar ("**EUR**") and Hong Kong dollar ("**HK$**"). The majority of assets and liabilities are denominated in RMB, US$, EUR and HK$ and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities denominating in a currency other than RMB, which is the functional currency of the major operating companies within the Group.

The Group did not experience any significant liquidity problems resulting from currency exchange fluctuations during the year ended 31 December 2023 (2022: same). The Group did not hedge its foreign currency exposure during the year ended 31 December 2023 (2022: same).

Employees and Remuneration Policy

The Group had 412 full-time employees as at 31 December 2023 (2022: 367), most of whom were based in the PRC. The total staff costs amounted to approximately RMB144.6 million for the year ended 31 December 2023 (2022: RMB116.4 million).

The Group has established rules and procedures of recruitment, job promotion, compensation, benefits, leave, dismissal, etc. The Group determines employees' compensation packages on the basis of work performance and the market standard of remuneration. The Group compensates its employees with base salaries and performance-based bonuses. The Group has adopted a share option scheme and the share award schemes as a long term incentive to directors and employees.

The Group's companies incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan and other defined contribution social security plans organized by relevant government authorities in the PRC on a monthly basis. The Group is committed to enhancing the professional knowledge and skills of our employees and promoting their personal growth and development. Our employees are also provided with training opportunities on various fronts, including induction training, business-related training and training on compliance and corruption prevention.

EXECUTIVE DIRECTORS

Mr. Jia Xiaodong (賈小東), aged 37, co-founded our Group with Mr. Huang in December 2013. Mr. Jia was appointed as our Director on 12 June 2018 and was re-designated as our executive Director and appointed as the chairman of our Board and the chief executive officer of our Group on 23 June 2021. Mr. Jia is also the chairman of the nomination committee of the Board (the "**Nomination Committee**") and the environmental, social and governance oversight committee of the Board (the "**ESG Oversight Committee**"). Mr. Jia is primarily responsible for formulating the overall business direction and strategic planning of our Group. Mr. Jia is also a director of certain other members of our Group, namely 深圳市望塵莫及科技有限公司 (Shenzhen Wangchen Moji Technology Co., Ltd.) ("**WFOE**"), 深圳市創真視界科技有限公司 (Shenzhen Chuangzhen Shijie Technology Co., Ltd.) ("**Chuangzhen Shijie**"), Gala Technology International Limited ("**Gala Technology (BVI)**"), Gala Technology (Hong Kong) Limited ("**Gala Technology (HK)**") and Gala Sports Technology Limited ("**Gala Sports HK**"). Mr. Jia is the sole director of Great Shine Holding Limited ("**Great Shine**"), a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "**SFO**").

Prior to founding our Group in December 2013, from June 2010 to August 2013, Mr. Jia served as the main planner of "Fantasy Basketball Manager" and product manager of Shenzhen Fantasy Technology Co., Ltd. (深圳市範特西科技有限公司), and was subsequently promoted to be the general manager of the mobile department, where he was primarily responsible for the research and development of this company's only mobile game at the time, team management, publishing management and market development.

Mr. Jia has been a qualified High-Level Talents (高層次人才) certified by Human Resources Bureau of Bao'an District, Shenzhen (深圳市寶安區人力資源局) since October 2018 and a qualified High-Level Professional (高層次專業人才) certified by Human Resources and Social Security Administration of Shenzhen Municipality (深圳市人力資源和社會保障局) since May 2018.

Mr. Jia obtained a bachelor's degree in telecommunications engineering from Xi'an College of Posts & Telecommunications (西安郵電學院) in the PRC in July 2010 and obtained a master's degree in science in telecommunications from The Hong Kong University of Science and Technology in Hong Kong in November 2012.

Mr. Huang Xiang (黃翔), aged 40, co-founded our Group with Mr. Jia in December 2013. He was appointed as our Director on 12 June 2018 and was re-designated as our executive Director on 23 June 2021. Mr. Huang has been primarily responsible for overseeing the operations and technical aspects (including product development and know-how management) of our Group. Mr. Huang is also a director of certain other members of our Group, namely Gala Technology (BVI), Gala Technology (HK) and Wild Caly Pte. Ltd ("**Wild Caly**"). Mr. Huang is the sole director of High Triumph Holding Limited ("**High Triumph**"), a substantial shareholder of the Company within the meaning of Part XV of the SFO.

Mr. Huang has over 12 years of experience in the electronic engineering industry. From 2009 to 2012, Mr. Huang served as a software engineer at In2media Group, a creative digital agency, where he was primarily responsible for creative content and 3D engine development.

Mr. Huang obtained a bachelor's degree in business administration from Changsha University of Science and Technology (長沙理工大學) in the PRC in June 2006 and he is currently a doctoral student majoring in engineering science in Tsinghua University (清華大學) in the PRC.

Mr. Li Xin (李欣), aged 41, was appointed as our Director on 12 June 2018 and was re-designated as our executive Director on 23 June 2021. Mr. Li is a member of the remuneration committee of the Board (the "**Remuneration Committee**"). He is primarily responsible for overseeing the financial management, human resources management, marketing and business development of our Group. Mr. Li is also a director of Gala Technology (HK). Mr. Li is the sole director of Neo Honour Holding Limited ("**Neo Honour**"), a substantial shareholder of the Company within the meaning of Part XV of the SFO.

Prior to joining our Group in April 2016, from May 2010 to March 2014, Mr. Li served as a head of business development department of Chengdu High-tech Investment Group Co., Ltd. (成都高新投資集團有限公司), an investment company, where he was primarily responsible for overseeing the sales and business development. From April 2014 to April 2016, he served as a vice president of Tap4fun Co., Ltd. (成都創人所愛科技股份有限公司), a mobile game development and publishing company, where he was primarily responsible for overseeing the business development, investment and overall management.

Mr. Li obtained a bachelor's degree in information engineering from Shanghai Jiaotong University (上海交通大學) in the PRC in July 2006.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhan Peixun (詹培勛), aged 37, was appointed as an independent non-executive Director on 20 December 2022. He is also the chairman of the Remuneration Committee and a member of each of the audit committee of the Board (the "**Audit Committee**") and the Nomination Committee. Mr. Zhan is primarily responsible for providing independent advice on the operations and management of our Group.

Mr. Zhan has more than 6 years of finance experience. From December 2012 till now, he has been serving as director at Shenzhen Chiu Heung Tea Co., Ltd. (深圳潮鄉茶業有限公司), a brand retail firm, where he is mainly responsible for company strategy development and public relation management. Since May 2018, he has been serving as a director at Shenzhen Bonuo Management Consulting Company Limited (深圳博諾管理諮詢有限責任公司), a business consulting firm, where he is mainly responsible for providing professional advice to corporate clients on fundraising, investment and management.

Mr. Zhan has been a member of Chinese Financial Association of Hong Kong (香港中國金融協會) since November 2014. Since March 2017, he has been serving as the Deputy Secretary-General of Hong Kong Chiu Chow Chamber of Commerce (香港潮州商會), a prestigious centennial chamber of commerce. He was appointed as a committee member of the Youth Committee of All-China Federation of Returned Overseas Chinese (中國僑聯青年委員會) since November 2019. He was appointed as a Member of Guangdong Youth Federation (廣東省青聯委員) since June 2022. Mr. Zhan obtained a bachelor's degree in management from Sun Yat-sen University in June 2010 and a master's degree in social science from The Hong Kong University of Science and Technology in November 2011. Since 2019, he has been a part-time PhD candidate in finance at the Shanghai University of Finance and Economics.

Mr. Leung Ming Shu (梁銘樞), aged 49, was appointed as an independent non-executive Director on 20 December 2022. He is also the chairman of the Audit Committee and a member of the Remuneration Committee. Mr. Leung is primarily responsible for providing independent advice on the operations and management of our Group.

Mr. Leung has more than 24 years of corporate finance and management experience. From September 1998 to July 2001, he served as an accountant at PricewaterhouseCoopers (羅兵咸永道會計師事務所), an accounting firm, where he was mainly responsible for providing annual audit services for listed companies. From October 1999 to December 2000, he served as a senior consultant at Arthur Andersen & Co (安達信會計師事務所), where he was mainly responsible for providing consultancy service for mergers and acquisitions and business restructuring projects. From February 2003 to March 2006, he worked as a senior manager in the mergers and acquisitions department at CDC Corporation, a NASDAQ listed company, and as chief financial officer of Sino Splendid Holdings Limited (中國華泰瑞銀控股有限公司) (formerly known as Chinadotcom Incorporation (中華網科技公司)), a subsidiary of CDC Corporation and mainly engaged in the provision of software and online information whose shares are listed on GEM of the Stock Exchange (stock code: 8006), where he was mainly responsible for investor relations, leading mergers and acquisition activities and overseeing the finance operations of the company. From November 2006 to January 2008, he served as chief financial officer of Beijing Lingtu Spacecom Technology Co., Ltd. (北京靈圖星訊科技有限公司), a subsidiary of Beijing Lingtu Software Co., Ltd. (北京靈圖軟件技術有限公司), a company mainly engaged in the provision of digital map and global positioning system (GPS) service, where he was responsible for conducting equity fund raising, and overseeing the finance operations of that company. Mr. Leung has been the company secretary of China ITS (Holdings) Co., Ltd. (中國智能交通系統 (控股) 有限公司) since January 2008 and the chief financial officer of this company from January 2008 to December 2012, a company mainly engaged in the provision of intelligent transportation solutions covering expressway, railway, and urban traffic sectors whose shares are listed on the Main Board of the Stock Exchange (stock code: 1900), where he was mainly responsible for strategies, financial management and investor relations. From January 2013 to January 2017, he served as chief financial officer of Visual China Group (視覺中國文化發展股份有限公司) whose shares are listed on the Main Board of the Shenzhen Stock Exchange (stock code: 000681.SZ), a company mainly engaged in the provision of image authorization, where he was mainly responsible for mergers and acquisitions, overall financial management of the company. Since January 2018, he has been serving as a founding and managing partner at Harmony Capital (和諧資本), an investment fund with a focus on internet and consumer sectors, where he is mainly responsible for fund overall management and investment operations.

Since April 2021, he has been serving as chief financial officer and a member of strategy committee of 58 Group and managing partner of 58 Industry Fund, where he is mainly responsible for overseeing overall financial and legal functions and strategic investment and management of 58 Industry Fund.

Mr. Leung had served or has been serving as a director of the following listed companies during the three years immediately preceding the date of this annual report:

Period of service	Name of company	Principal business	Place of listing and stock code/ticker symbol	Position
June 2008 to February 2021	Comtec Solar Systems Group Limited (卡姆丹克太陽能系統集團有限公司)	Provision of solar rooftop distributed generators	Main Board of the Stock Exchange (stock code: 0712)	Independent non-executive director
February 2013 to present	Cabbeen Fashion Limited (卡賓服飾有限公司)	Sale of apparel and related accessories in the PRC	Main Board of the Stock Exchange (stock code: 2030)	Independent non-executive director
March 2017 to present	Sun.King Technology Group Limited (賽晶科技集團有限公司) (formerly known as Sun.King Power Electronics Group Limited (賽晶電力電子集團有限公司))	Provision of power electron capacitor (電力電子電容器)	Main Board of the Stock Exchange (stock code: 0580)	Independent non-executive director
November 2019 to present	Renrui Human Resources Technology Holdings Limited (人瑞人才科技控股有限公司)	Provision of human resources services	Main Board of the Stock Exchange (stock code: 6919)	Independent non-executive director
February 2020 to April 2022	Glory Star New Media Group Holdings Limited (耀世星輝新文娛集團控股有限公司)	Provision of mobile entertainment	NASDAQ (ticker symbol: GSMG.US)	Independent director
July 2021 to present	GOGOX HOLDINGS LIMITED (快狗打車控股有限公司)	Provision of logistic and delivery solution services and platform services which uses technology to connect transacting user and logistic and delivery service provider in the PRC, Hong Kong, Singapore, Republic of Korea, and other Eastern and Southern Asian countries	Main Board of the Stock Exchange (stock code: 2246)	Non-executive director
May 2022 to present	Infinities Technology International (Cayman) Holding Limited (多牛科技國際（開曼）集團有限公司) (formerly known as Jiu Zun Digital Interactive Entertainment Group Holdings Limited (九尊數字互娛集團控股有限公司))	Development and operation of mobile games and the distribution of digital media content in the PRC	Main Board of the Stock Exchange (stock code: 1961)	Independent non-executive director

Mr. Leung has been a Fellow Member of Association of Chartered Certified Accountants and the Fellow Member of the Hong Kong Institute of Certified Public Accountants since February 2007 and June 2010, respectively. Mr. Leung obtained a First Class Honor bachelor's degree in accounting from the City University of Hong Kong in November 1998 and a master's degree in accounting from The Chinese University of Hong Kong in November 2001.

Ms. Chak Hoi Kee Clara (翟凱琪), age 51, was appointed as an independent non-executive Director on 20 December 2022. She is also a member of each of the Audit Committee and the Nomination Committee. Ms. Chak is primarily responsible for providing independent advice on the operations and management of our Group.

Ms. Chak has more than 17 years of experience in the field of corporate development, mergers and acquisitions and private equity investments. From January 2004 to August 2006, she served with her last position as Associate Director at Sun Hung Kai Properties Direct Investment Ltd., an investment company where she was responsible for private equity and related investments. From September 2006 to May 2008, she served as Associate Director at GE Corporate Financial Services Asia, a financial services division of General Electric where she was responsible for conducting due diligence, valuation and negotiation on investments including the potential investments in financial institutions in the PRC and Vietnam. From June 2008 to April 2012, she served as Vice President at JRE Partners, a joint venture focused on Greater China where she was responsible for the full investment cycle from deal sourcing, due diligence, financial projections, terms negotiation to investment documentation. From May 2012 to April 2018, she served as Head of Business Development at Maxim's Caterers Limited, a Hong Kong based food, beverage and restaurant chain where she was responsible for the group's M&A and business development activities. From November 2018 to October 2019, she served as Chief Financial Officer at Bayshore Pacific Hospitality Limited, a Taiwan based restaurant chain where she was mainly responsible for the full accounting, finance and fund-raising functions. Since November 2019, she has been serving as Managing Director at LionRock Capital Limited, a Hong Kong based private equity fund where she was responsible for leading direct investment activities from deal sourcing, due diligence, financial projections, terms negotiation to investment documentation.

Ms. Chak has been qualified as a Chartered Financial Analyst (CFA) by the CFA Institute since August 2002. Ms. Chak obtained a bachelor's degree Economics and Political Science from University of Toronto in June 1995 and a master's degree in Business Administration from The Chinese University of Hong Kong in December 2000.

SENIOR MANAGEMENT

Mr. Zeng Ke (曾科), aged 40, joined our Group as the vice president of research and development department in April 2014 and he is primarily responsible for project management and engine development of our Group. Prior to joining our Group, from March 2011 to March 2014, he served as a software engineer of Microsoft Corporation, where he was primarily responsible for development of Microsoft Office 2013.

Mr. Zeng obtained a master's degree in computer science from University of Southern California in the United States in December 2010.

Mr. Zhao Xin (趙鑫), aged 36, joined our Group as the vice president in April 2016 and he is responsible for overseeing the business development for the domestic and overseas markets.

Prior to joining our Group, from July 2011 to November 2012, Mr. Zhao served as the product manager of Gospell Digital Technology Co., Ltd. (高斯貝爾數碼科技股份有限公司), a company mainly engaged in R&D and manufacturing of communication equipment, whose shares are listed on the Main Board of the Shenzhen Stock Exchange (stock code: 2848), where he was primarily responsible for overseeing the strategy planning of the products and overall management of mobile department. From December 2012 to November 2015, Mr. Zhao served as the marketing director of Tap4fun Co., Ltd. (成都尼畢魯科技股份有限公司), a software development company, where he was primarily responsible for the promotion and distribution of the company's products in the global market.

Mr. Zhao obtained a bachelor's degree in science from Texas Christian University in the United States in May 2011.

Mr. Zhang Boyang (張伯楊), aged 34, joined the Company on 29 January 2023 as the secretary to the Board and a director of Investor Relations of the Company. Mr. Zhang was subsequently appointed as the chief financial officer on 4 May 2023. Mr. Zhang has more than 9 years of experience in the field of finance, audit and investor relations. Prior to joining the Company, Mr. Zhang served as finance manager and chief financial officer for several companies. Mr. Zhang graduated from Wheaton College in the United States of America with dual degrees in bachelor of mathematics and bachelor of economics in 2013. Mr. Zhang is a registered member of the Chinese Institute of Certified Public Accountants.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are mobile sports game development, publishing and operation in the PRC, details of which are set out in Note 15 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2023 which contains a fair review of the Company's business using financial key performance indicators, a description of the principal risks and uncertainties faced by the Group and an indication of likely future development in the Company's business, is set out in the Chairman's Statement and Management Discussion and Analysis sections from pages 3 to 16 of this annual report.

These discussions form part of the Report of Directors.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to leveraging its established business to deliver value, make contribution and fulfill its corporate responsibility for the society. Moreover, it endeavors to adhere to a high standard of corporate governance and operate its business with integrity and on a compliant basis by adopting and implementing its environmental, social and governance policy. The Group operates its business in compliance with applicable environmental protection laws and regulations and has implemented relevant environmental protection measures in compliance with the required standards under applicable PRC laws and regulations. The "Environmental, Social and Governance Report", which forms part of this report, is set out on pages 56 to 84 of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and the management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2023, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

The Group believes that its success depends on the support from key stakeholders which comprise employees, customers and suppliers.

Discussions on the Group's relationships with its employees, customers and suppliers is contained in the section headed "Environmental, Social and Governance Report" on pages 56 to 84 of this annual report.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

On 16 January 2024, the trustee of the executive aligned share award scheme of the Company (the "**Executive Aligned Share Award Scheme**", which was adopted on 15 December 2023) purchased an aggregate of 3,240,000 Shares from the market for a total amount of HK$15,681,600 pursuant to the rules of the Executive Aligned Share Award Scheme and the terms of the trust deed. Up to the date of this report, these Shares have not been granted. Save as disclosed above, there were no other material and important events affecting the Group that had occurred after 31 December 2023 and up to the date of this report.

RESULTS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of comprehensive income on page 89 of this annual report.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Tuesday, 4 June 2024 (the "**2024 AGM**"). A notice convening the 2024 AGM will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.galasports.com), and will be issued and despatched to the shareholders of the Company (the "**Shareholders**") within such time and in such manner as required under the Listing Rules.

FINAL DIVIDEND

A final dividend in respect of the year ended 31 December 2023 of RMB18.82 cents (2022: nil) per Share, in an aggregate amount of RMB25,971,050 (2022: nil), has been proposed by the Directors and is subject to the approval of the Shareholders at the 2024 AGM. The proposed final dividend is expected to be paid on or before Friday, 30 August 2024 to Shareholders whose names appear on the register of members of the Company (the "**Register of Members**") at the close of business on Friday, 5 July 2024, being the record date for determining Shareholders' entitlement to the proposed final dividend. Final dividend will be paid in HKD. The amount of the final dividend payable in HKD shall be calculated based on the average exchange rate of RMB to HKD as announced by the People's Bank of China for the calendar week prior to the date of the 2024 AGM.

There is no arrangement for any Shareholder of the Company to waive or agree to waive any dividend.

CLOSURE OF REGISTER OF MEMBERS

For 2024 AGM

For the purpose of determining Shareholder's eligibility to attend and vote at the 2024 AGM, the Register of Members will be closed from Thursday, 30 May 2024 to Tuesday, 4 June 2024 (both days inclusive). In order to qualify to attend and vote at the 2024 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Wednesday, 29 May 2024. Shareholders whose names appear on the Register of Members at the close of business on Tuesday, 4 June 2024 are entitled to attend and vote at the 2024 AGM.

For the final dividend

For the purpose of ascertaining Shareholders' entitlement to receive the proposed final dividend, the Register of Members will be closed from Wednesday, 3 July 2024 to Friday, 5 July 2024 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the proposed final dividend, the non-registered Shareholders must lodge all duly completed transfer forms accompanied by the relevant share certificates with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 2 July 2024.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company during the year ended 31 December 2023 are set out in Note 34 to the consolidated financial statements.

As at 31 December 2023, the Company had no distributable reserves available for dividend distribution, calculated in accordance with the provisions of the applicable laws and regulations of the Cayman Islands (2022: nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year ended 31 December 2023 are set out in Note 16 to the consolidated financial statements.

BORROWINGS

The Group had no bank borrowings during the year ended 31 December 2023 (2022: nil).

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 23 to the consolidated financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 136 of this annual report.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023 (2022: nil).

CONVERSION OF PRE-IPO CONVERTIBLE BONDS

On 21 June 2021, the Company issued the Pre-IPO Convertible Bonds in the principal amount of HK$77,112,000 (equivalent to RMB64,163,000) to Garena Ventures Private Limited. On 16 January 2023, the Shares were listed on the Main Board of the Stock Exchange and the Pre-IPO Convertible Bonds were automatically converted into 12,000,000 Shares on the same date at a conversion price of HK$6.426 per Share, representing approximately 8.70% of the issued share capital of the Company as at the date of listing and the date of this report.

SHARE OPTION SCHEME

On 21 December 2022 (the "**Option Adoption Date**"), the Company adopted the share option scheme (the "**Share Option Scheme**"), pursuant to which the Company may grant options to eligible participants to subscribe for the Shares subject to the terms and conditions stipulated therein. The main purpose of the Share Option Scheme is to recognize and acknowledge the contributions that the Eligible Participants (as defined below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain an on-going relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "**Eligible Participants**") to subscribe for such number of new Shares: (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; and (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries.

Pursuant to the terms and conditions of the Share Option Scheme, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date, being 13,800,000 Shares.

Total number of Shares issued and to be issued upon exercise of the share options granted to each Eligible Participant in any 12-month period must not exceed 1% of the total number of Shares in issue on the date of grant. Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director (or any of their respective associates (as defined in the Listing Rules)) which will result in the total number of Shares issued and to be issued in respect of all options granted to such person under the Share Option Scheme of the Company (excluding any options lapsed in accordance with the terms of such schemes) in the 12-month period up to and including the date of such grant exceeding 0.1% of the issued Shares of the relevant class, such further grant of options will be subject to, in addition to the abovementioned approval of the independent non-executive Directors, the approval of our Shareholders in general meeting in accordance with Rule 17.04(4) of the Listing Rules and/or such other requirements prescribed under the Listing Rules from time to time. The vesting period of any options shall not be less than 12 months. An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

Subject to adjustments in accordance with the terms of the Share Option Scheme, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; and (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant.

Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption. As at the date of this report, the remaining life of the Share Option Scheme is about 8 years and 8 months.

No share options have been granted since the Option Adoption Date. Therefore, no share options were exercised or cancelled or lapsed during the year ended 31 December 2023. As at the date of this report, there were a total of 13,800,000 Shares available for issue under the Share Option Scheme, which represented 10% of the issued Shares. As at 1 January 2023 and 31 December 2023, share options in respect of 13,800,000 Shares available for grant under the Share Option Scheme, respectively.

The total number of Shares that may be issued in respect of options granted under all schemes of the Company during the year ended 31 December 2023 divided by the weighted average number of Shares in issue for the year ended 31 December 2023 was Nil.

2023 SHARE AWARD SCHEME

On 14 December 2023 (the "**Award Adoption Date**"), the Company adopted the 2023 Share Award Scheme (the "**2023 Share Award Scheme**"), pursuant to which the Board may, in its discretion, grant share awards to the following parties (collectively, the "**Eligible Participant(s)**"): (i) full-time or part-time employees of the Group (other than its core connected persons thereof, such as its Directors and chief executive officer) (the "**Employee Participants**"); or (ii) full-time or part-time employees of the holding companies, fellow subsidiaries or associated companies of the Company (the "**Related Entity(ies)**"), but excluding core connected person(s) of the Related Entity(ies), such as chief executive officers, directors and etc (the "**Related Entity Participants**").

The Share Award Scheme aims to (i) recognise and reward the contribution of the Eligible Participants (being Employee Participants and Related Entity Participants) to the growth and development of the Group and to provide incentives to them to retain their continued service to the operation and development of the Group; and (ii) to attract suitable talents for the further development of the Group.

The total number of Shares which may be issued in any financial year in respect of all options and awards to be granted under the 2023 Share Award Scheme and other share schemes of the Company, if any (the "**Scheme Mandate Limit**") shall not exceed 5% of the total number of Shares in issue as at the date of adoption or the date on which the refreshment of the Scheme Mandate Limit has been approved (as at the Latest Practicable Date, the Scheme Mandate Limit was 6,900,000 Shares, representing 5% of the Shares in issue as at the date of this report); and the maximum number of Shares in respect of one or more awards granted to a selected participant during the 12-month period up to and including the date of the award, together with any Shares issued and to be issued pursuant to all options and awards granted to such selected participant under any share scheme of the Company, shall not in aggregate exceed 1% of the issued share capital of the Company as at the adoption date.

The vesting date in respect of any award shall be not less than 12 months from the grant date, provided that for Employee Participants, the vesting date may be less than 12 months from the grant date (including on the grant date) in the following circumstances: (a) grants of "make whole" awards to new Employee Participants to replace share awards such new Employee Participants forfeited when leaving their previous employers; (b) grants to an Employee Participant whose employment is terminated due to death, disability or event of force majeure; (c) grants of awards which are subject to the fulfilment of performance targets specified in the award Notice; (d) grants of awards the timing of which is determined by administrative or compliance requirements not connected with the performance of the relevant Employee Participant, in which case the vesting date may be adjusted to take account of the time from which the award would have been granted if not for such administrative or compliance requirements; (e) grants of awards with a mixed vesting schedule such that the awards vest evenly over a period of 12 months; (f) grants of awards with a total vesting and holding period of more than 12 months; or (g) grants of awards to an Employee Participant who has retired at his normal retirement date or an earlier retirement date (with prior agreement given by the Company or the subsidiary or the Related Entity), or there is any change in control of the Company by way of offer, merger, scheme of arrangement or otherwise. Notwithstanding any contrary provisions set forth in (a) to (g) above, the vesting period for non-Employee Participants shall not be less than 12 months.

The Board or the Committee may determine in its absolute discretion the amount (if any) payable on application or acceptance of an award and the period within which any such payments must be made, which amounts (if any) and periods shall be set out in the award notice.

The Board and the Committee may determine and specify the purchase price of the awarded shares (if any) in the award notice. The purchase price of the awarded shares (i.e. the price payable by a selected person to purchase the awarded shares), if any, shall be such price which shall be determined by the Board from time to time based on considerations such as the prevailing closing price of the Shares, the purpose of the award and the characteristics and profile of the selected person. Such room for discretion provides the Board with flexibility to stipulate, if necessary, a purchase price for awarded shares, while balancing the purpose of the award and the interests of Shareholders.

The scheme shall be valid and effective for a period of ten years from the adoption date unless the Board decides to terminate it in accordance with the rules of the scheme. As at the date of this report, the remaining term of the 2023 Share Award Scheme is approximately 9 years 8 months.

No share awards had been granted since the adoption date of the 2023 Share Award Scheme. Accordingly, as at 31 December 2023, no share awards had been vested/delivered/cancelled/lapsed under the 2023 Share Award Scheme. As at 1 January 2023, the number of awards that could be granted under the Scheme Mandate Limit was nil as the 2023 Share Award Scheme had not been adopted at that time; as at 31 December 2023, the number of awards that could be granted under the Scheme Mandate Limit was 6,900,000 Shares.

The total number of Shares that could be issued as a result of share awards granted under all of the Company's schemes during the year ended 31 December 2023, divided by the weighted average number of Shares in issue during the year ended 31 December 2023, is nil.

EXECUTIVE ALIGNED SHARE AWARD SCHEME

On 15 December, 2023, the Company adopted a share award scheme (the "**Executive Aligned Share Award Scheme**" or the "**scheme**") pursuant to which the Board may, in its discretion, grant share awards to the following parties (collectively, the "**Eligible Participant(s)**"): (i) officers or directors of the Group; and (ii) any person determined by the Board to be eligible to participate in the scheme. The Board may cause to be paid to the trustee or the trust holding company, either before or after the determination of Eligible Participants, such sums as may be necessary for the purpose of purchasing existing Shares from the market as awards under the scheme and for other purposes set out in the rules of the scheme and the trust deed. The trustee or the trust holding company will be an independent third party to the Company.

The Executive Aligned Share Award Scheme aims to (i) recognise and acknowledge the contribution that the Eligible Participants have made or may make to the Group; and (ii) reward the Eligible Participants who have achieved outstanding performance in order to attract suitable talents to drive the further development of the Group.

The total number of Shares to be granted by the Board under the scheme shall not exceed 5% of the issued share capital of the Company as at 15 December 2023 (being not more than 6,900,000 Shares, representing 5% of the Shares in issue as at the date of this report). There is no restriction on the grantee in relation to (i) the number of Shares that may be awarded under the Executive Aligned Share Award Scheme; and (ii) the amount that is required to be paid to the trustee in respect of the making of such purchases.

The Board shall issue or direct the trustee to issue a vesting notice to the relevant grantee thirty (30) business days prior to the vesting date specified in the relevant grant letter to be issued, and, subject to the receipt by the trustee of the requisite information and documents duly signed by the grantee within the period specified in the vesting notice, the trustee shall, as soon as practicable after the vesting date, transfer or cause the trust holding company to transfer the relevant award shares to the relevant grantee and in any event not later than thirty (30) business days after the vesting date. The management committee may, in its sole discretion, determine the vesting schedule (the "**Vesting Date**").

Unless the Board decides to terminate it in accordance with the rules of the scheme, the scheme shall be valid and effective from the adoption date until the earlier of (i) the date falling on the fifth anniversary of the adoption date; or (ii) the date on which all the unvested award shares have been fully vested, delivered, lapsed, forfeited or cancelled (as the case may be). As at 31 December 2023, no share award had been vested/delivered/cancelled/lapsed under the Executive Aligned Share Award Scheme. As at the date of this report, the remaining term of the Executive Aligned Share Award Scheme is approximately 4 years and 8 months.

On 24 October 2023, the Company appointed Futu Trustee Limited as trustee for the purposes of share award scheme in accordance with the rules of the 2023 Share Award Scheme. On 15 December 2023, the Company appointed Kastle Limited as trustee for the purposes of scheme in accordance with the rules of the Executive Aligned Share Award Scheme. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the trustees and their ultimate beneficial owners is third parties independent of the Company and the connected persons of the Company. The Company has entered into trust deeds (the "**Trust Deeds**") with each of the two trustees in respect of their respective appointments as trustee of the 2023 Share Award Scheme and the Executive Aligned Share Award Scheme. The trustees shall administer the corresponding share award scheme in accordance with the rules of the share award schemes and the respective Trust Deeds. As at the date of this report, the Company has not granted any awards share under the Executive Aligned Share Award Scheme since its adoption date.

For details of the accounting policy for share-based payments, please see Note 3.10 to the financial statements.

DIRECTORS

During the year ended 31 December 2023 and up to the date of this report, the Directors of the Company were:

Executive Directors

Mr. Jia Xiaodong *(Chairman and Chief Executive Officer)*
Mr. Huang Xiang
Mr. Li Xin

Independent Non-Executive Directors

Mr. Leung Ming Shu
Mr. Zhan Peixun
Ms. Chak Hoi Kee Clara

In accordance with Article 16.19 of the articles of association of the Company (the "**Articles**"), Mr. Huang Xiang and Mr. Li Xin will retire from office by rotation at the 2024 AGM. The retiring Directors, being eligible, have offered themselves for re-election thereat.

The Company has received from each independent non-executive Director an annual written confirmation of his/her independence in accordance with Rule 3.13 of the Listing Rules. The Company considers each of the independent non-executive Directors to be independent.

The biographical details of the Directors and the senior management of the Company are set out in the Directors and Senior Management section on pages 17 to 21 of this annual report.

DIRECTORS' SERVICE AGREEMENT

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the executive Directors is entitled to remuneration and shall be paid on the basis of a twelve-month year. The aggregate remuneration (including salary, bonus, social security costs and housing benefits and other employee benefits) paid by the Group to the Directors in respect of the year ended 31 December 2023 was approximately RMB3.4 million (2022: RMB3.0 million). Please see Note 10(a) to the consolidated financial statements of the Group for further details.

Each of the independent non-executive Directors has been appointed for a term of three years. The director's fee payable by the Group is RMB144,000 per annum to each of the independent non-executive Directors. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

None of the Directors proposed for re-election at the 2024 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

EMOLUMENT POLICY

The emolument policy of the employees of the Group was set up by the Board upon the recommendation of the Remuneration Committee on the basis of their merit, qualifications, competence, work performance and comparable market statistics. The emolument of the Directors are determined by the Board based on recommendation of the Remuneration Committee, having regard to their time commitment and responsibilities, the salaries paid by comparable companies and the performance of the Group.

The Company has adopted a share option scheme and the share award schemes as a long term incentive to directors and employees.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

During the year ended 31 December 2023, there was no transaction, arrangement or contract of significance, to which the Company, its holding company or subsidiary was a party, and in which the Directors or their respective connected entities were materially interested, either directly or indirectly.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2023, none of the Directors or their respective associates (as defined under the Listing Rules) had any interests in any business which competes or is likely to compete with the business of the Group, either directly or indirectly.

MANAGEMENT CONTRACTS

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

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of remuneration of Directors and five highest paid individuals for the year ended 31 December 2023 are set out in Note 10 to the consolidated financial statements.

None of the Directors waived his/her emoluments or has agreed to waive his/her emoluments for the year ended 31 December 2023.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2023, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be 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 or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), were as follows:

(a) Interest in Shares

Name of Director or chief executive	Capacity/Nature of interest	Number of Shares interested[1]	Approximate percentage of interest
Mr. Jia Xiaodong ("**Mr. Jia**")[2]	Interest in controlled corporation/ corporate interest	31,307,986(L)	22.69%
Mr. Huang Xiang ("**Mr. Huang**")[3]	Interest in controlled corporation/ corporate interest	21,837,345(L)	15.82%
Mr. Li Xin ("**Mr. Li**")[4]	Interest in controlled corporation/ corporate interest	3,654,323(L)	2.65%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) These Shares were held directly by Great Shine. Mr. Jia is the sole shareholder of Great Shine. By virtue of the SFO, Mr. Jia is deemed to be interested in all the Shares held by Great Shine.

(3) These Shares were held directly by High Triumph. Mr. Huang is the sole shareholder of High Triumph. By virtue of the SFO, Mr. Huang is deemed to be interested in all the Shares held by High Triumph.

(4) These Shares were held directly by Neo Honour. Mr. Li is the sole shareholder of Neo Honour. By virtue of the SFO, Mr. Li is deemed to be interested in all the Shares held by Neo Honour.

(b) Interest in shares and underlying shares in associated corporations of the Company

Name of Director or chief executive	Name of associated corporation	Capacity/Nature of interest	Number of shares interested[1]	Approximate percentage shareholding interest
Mr. Jia[2]	Wangchen Technology	Beneficial owner/Personal interest	2,771,342 (L)	23.53%
		Interest in controlled corporations/ corporate interests	1,780,280 (L)	15.12%
Mr. Huang	Wangchen Technology	Beneficial owner/Personal interest	2,049,475 (L)	17.40%
Mr. Li[3]	Wangchen Technology	Beneficial owner/Personal interest	274,444 (L)	2.33%
		Interest in controlled corporations/ corporate interests	118,333 (L)	1.00%

Notes:

(1) The letter "L" denotes the person's long position in the shares.

(2) Mr. Jia is a general partner of 深圳市望伯納烏科技企業 (有限合夥) (Shenzhen Wangbo Nawu Technology Enterprise (Limited Partnership)*) ("**Wangbo Nawu**"), 深圳市望聖西羅科技企業 (有限合夥) (Shenzhen Wangsheng Xiluo Technology Enterprise (Limited Partnership)*) ("**Wangsheng Xiluo**"), 深圳市騁望投資中心 (有限合夥) (Shenzhen Chengwang Investment Centre (Limited Partnership)*) ("**Chengwang Investment**") and 深圳市望諾坎普科技企業 (有限合夥) (Shenzhen Wangnuo Kanpu Technology Enterprise (Limited Partnership)*) ("**Wangnuo Kanpu**"). By virtue of the SFO, Mr. Jia is deemed to be interested in the equity interest in Wangchen Technology held by Wangbo Nawu, Wangsheng Xiluo, Chengwang Investment and Wangnuo Kanpo.

(3) Mr. Li is a general partner of Wangsheng Xiluo. By virtue of the SFO, Mr. Li is deemed to be interested in the equity interest in Wangchen Technology held by Wangsheng Xiluo.

Save as disclosed above, as at 31 December 2023, none of the Directors and chief executives of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

* for identification purpose

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARE AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2023, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company) had or were deemed or taken to have an interest or short position in the Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Interests in the Shares or Underlying Shares

Name of Shareholder	Capacity/Nature of interest	Number of Shares held[1]	Approximate percentage in total number of Shares[10]
Great Shine[2]	Beneficial owner/Personal interest	31,307,986 (L)	22.69%
High Triumph[3]	Beneficial owner/Personal interest	21,837,345 (L)	15.82%
Crystal Pleasant[4]	Beneficial owner/Personal interest	8,036,353 (L)	5.82%
Suzhou Fudebo[4]	Interest in controlled corporations/ corporate interests	8,036,353 (L)	5.82%
Mr. Song Yubo[4]	Interest in controlled corporations/ corporate interests	8,036,353 (L)	5.82%
Mr. Lu Yaoping[4]	Interest in controlled corporations/ corporate interests	8,036,353 (L)	5.82%
Mr. Gong Peigen[4]	Interest in controlled corporations/ corporate interests	8,036,353 (L)	5.82%
Easy Flourish[5]	Beneficial owner/Personal interest	8,036,353 (L)	5.82%
Zhuiyuan Caifu[5]	Interest in controlled corporations/ corporate interests	8,036,353 (L)	5.82%
Zhuiyuan Venture[5]	Interest in controlled corporations/ corporate interests	8,036,353 (L)	5.82%
Zhongguancun Venture[5]	Interest in controlled corporations/ corporate interests	8,036,353 (L)	5.82%
Mr. Liu Chengmin[5][6]	Interest in controlled corporations/ corporate interests	10,179,380 (L)	7.38%
Garena Ventures[7]	Beneficial owner/Personal interest	12,000,000 (L)	8.70%
Sea Limited[7]	Interest in controlled corporations/ corporate interests	12,000,000 (L)	8.70%

Notes:

(1) The letter "L" denotes a long position in our Shares.

(2) Great Shine is wholly-owned by Mr. Jia. By virtue of the SFO, Mr. Jia is deemed to be interested in the Shares in which Great Shine is interested. Ms. Yuan Qingyun is the spouse of Mr. Jia. By virtue of the SFO, Ms. Yuan Qingyun is deemed to be interested in the Shares in which Mr. Jia is interested.

(3) High Triumph is wholly-owned by Mr. Huang. By virtue of the SFO, Mr. Huang is deemed to be interested in the Shares in which High Triumph is interested. Ms. Zou Wenjing is the spouse of Mr. Huang. By virtue of the SFO, Ms. Zou Wenjing is deemed to be interested in the Shares in which Mr. Huang is interested.

(4) Crystal Pleasant Holding Limited ("**Crystal Pleasant**") is wholly-owned by 蘇州富德博企業管理諮詢合夥企業 (有限合夥) (Suzhou Fudebo Enterprise Management Consultancy Partnership Enterprise (Limited Partnership)*) ("**Suzhou Fudebo**"), one of the Pre-IPO Investors (as defined in the Prospectus). Mr. Song Yubo (宋宇博) is the general partner of Suzhou Fudebo with 2.00% partnership interest in Suzhou Fudebo, and each of Mr. Lu Yaoping (陸耀平) and Mr. Gong Peigen (龔培根) is a limited partner of Suzhou Fudebo with 49.00% and 49.00% partnership interest in Suzhou Fudebo, respectively. Please refer to the section headed "History, Reorganization and Corporate Structure — Pre-IPO Investments — Background information about the existing Onshore Pre-IPO Investors" in the Prospectus for further details on Suzhou Fudebo. By virtue of the SFO, each of Mr. Song Yubo, Mr. Lu Yaoping, Mr. Gong Peigen and Suzhou Fudebo is deemed to be interested in the Shares in which Crystal Pleasant is interested.

(5) Easy Flourish Holding Limited ("**Easy Flourish**") is wholly-owned by 北京追遠財富資本合夥企業 (有限合夥) (Beijing Zhuiyuan Caifu Capital Partnership Enterprise (Limited Partnership)*) ("**Zhuiyuan Caifu**"), one of the Pre-IPO Investors. 北京追遠創業投資有限公司 (for identification only, Beijing Zhuiyuan Venture Investment Co., Ltd.) ("**Zhuiyuan Venture**") is the general partner of Zhuiyuan Caifu and is controlled by Mr. Liu Chengmin (劉成敏). 北京中關村創業投資發展有限公司 (for identification only, Beijing Zhongguancun Venture Investment Development Co., Ltd.) ("**Zhongguancun Venture**") is a limited partner of Zhuiyuan Caifu with approximately 34.68% partnership interest in Zhuiyuan Caifu and is ultimately controlled by 北京市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality). Please refer to the section headed "History, Reorganization and Corporate Structure — Pre-IPO Investments — Background information about the existing Onshore Pre-IPO Investors" in the Prospectus for further details on Zhuiyuan Caifu. By virtue of the SFO, each of Zhongguancun Venture, Mr. Liu Chengmin, Zhuiyuan Venture and Zhuiyuan Caifu is deemed to be interested in the Shares in which Easy Flourish is interested.

(6) Mr. Liu Chengmin is the general partner of 天津龍淵雲騰投資管理合夥企業 (有限合夥) (Tianjin Longyuan Yunteng Investment Management Partnership Enterprise (Limited Partnership)*) ("**Longyuan Yunteng'**") (one of the Onshore Pre-IPO Investors (as defined in the Prospectus)), which holds 100% shareholding interest in Perfect Ranger Holding Limited ("**Perfect Ranger**"). Perfect Ranger was interested in 2,143,027 Shares. By virtue of the SFO, each of Mr. Liu Chengmin and Longyuan Yunteng is deemed to be interested in the Shares in which Perfect Ranger is interested.

(7) Garena Ventures Private Limited ("**Garena Ventures**") is wholly-owned by Sea Limited. By virtue of the SFO, Sea Limited is deemed to be interested in the Shares in which Garena Ventures is interested.

Save as disclosed above, as at 31 December 2023, the Directors were not aware that any other person has any interests or short positions in the Shares and underlying Shares, which is required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which is required to be entered in the register maintained by the Company under section 336 of the SFO.

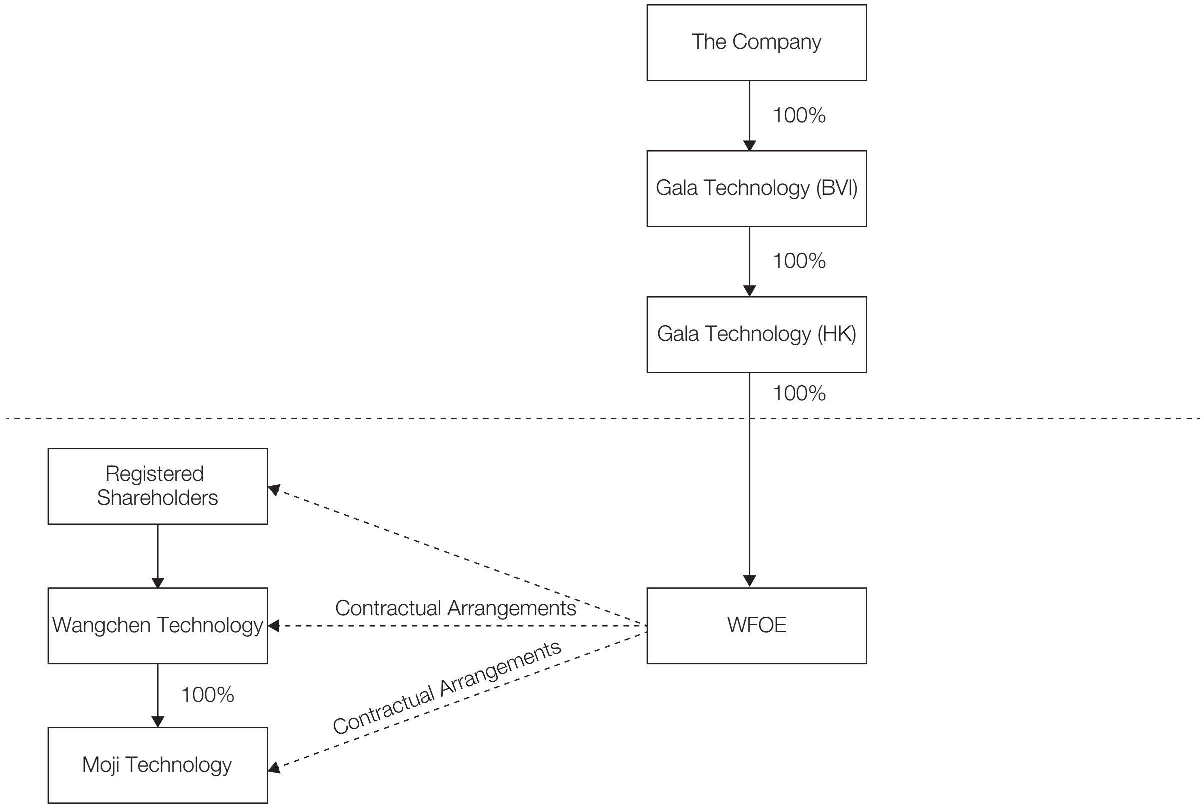
RETIREMENT BENEFITS PLAN

As at 31 December 2023, no forfeited contributions were available to reduce the contribution payable by the Group in the future years.

CONTRACTUAL ARRANGEMENTS

Because foreign investment in certain areas of the industry in which the Group currently operates is subject to restrictions under current PRC laws and regulations, the Group decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions and prohibitions, it would gain effective control over, and receive substantially all the economic benefits generated by the businesses currently operated by Wangchen Technology and 深圳市莫及科技有限公司 (Shenzhen Moji Technology Co., Ltd.*) ("**Moji Technology**", together with Wangchen Technology, the "**PRC Operating Entities**") through a series of contractual arrangements entered into by, among others between (i) 深圳市望塵莫及科技有限公司 (Shenzhen Wangchen Moji Technology Co., Ltd.*) ("**WFOE**", an indirect wholly-owned subsidiary of the Company) on the one hand, and Wangchen Technology and its direct shareholders (the "**Registered Shareholders**", being (1) Mr. Jia, (2) Mr. Huang, (3) Suzhou Fudebo, (4) Zhuiyuan Caifu, (5) Wangnuo Kanpu, (6) Wangbo Nawu, (7) Yashang Mobeier, (8) Tap4fun, (9) Yashang Nuohui, (10) Chengwang Investment, (11) Shenzhen Yunda, (12) Chuangxingu, (13) Longyuan Tianqi, (14) Mr. Zhang Litao (張栗滔), (15) Mr. Li Xin (李欣), (16) Longyuan Yunteng, (17) Jiadao Gongcheng, (18) Wangsheng Xiluo, and (19) Mr. Ma Guolin (馬國琳)) on the other hand; and (ii) WFOE on the one hand, and Moji Technology and its sole shareholder, Wangchen Technology, on the other hand (collectively the "**Contractual Arrangements**").

The following simplified diagram illustrates the flow of economic benefits from the PRC Operating Entities to the Group as stipulated under the Contractual Arrangements:



Agreements under the Contractual Arrangements

A summary of the agreements under the Contractual Arrangements is set out below.

Exclusive Business Cooperation Agreement

Pursuant to the exclusive business cooperation agreement dated 13 May 2021 entered into between WFOE and Wangchen Technology and the exclusive business cooperation agreement dated 15 November 2022 entered into between WFOE and Moji Technology (together, the "Exclusive Business Cooperation Agreement"), WFOE agreed to provide exclusive services such as technical support, development, maintenance and update of software, business management consultation, marketing and promotion services, leasing, assignment or disposal of equipment or properties, and other services for which Wangchen Technology and Moji Technology shall pay a service fee consisted of 100% of the total consolidated profit of Wangchen Technology and Moji Technology, after the deduction of any accumulated deficit of Wangchen Technology and Moji Technology and their affiliated entities in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions.

During the term of the Exclusive Business Cooperation Agreement, WFOE enjoys all the economic benefits in relation to Wangchen Technology's and Moji Technology's business operation while not being held legally responsible for their debts or other obligations and risks. WFOE may provide Wangchen Technology and Moji Technology with financial assistance by way of bank entrusted loans or other loans, and enter into separate agreements where necessary.

The Exclusive Business Cooperation Agreement also provides that WFOE has the exclusive ownership, rights, and interests in all intellectual properties arising out of or created during the performance of the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement shall remain effective unless terminated (a) in accordance with the provisions of the Exclusive Business Cooperation Agreement; (b) in advance in writing by the WFOE; or (c) renewal of the business operation term of the WFOE, Wangchen Technology or Moji Technology is not approved or consented by the relevant governmental authorities, at which time the Exclusive Business Cooperation Agreement will terminate upon expiry of that business operation term.

Exclusive Option Agreement

Pursuant to (i) an exclusive option agreement dated 13 May 2021 entered into between WFOE, Wangchen Technology and the Registered Shareholders, and (ii) an exclusive option agreement dated 15 November 2022 entered into between WFOE, Moji Technology and its sole shareholder, Wangchen Technology (together, the "**Exclusive Option Agreement**"), WFOE has the irrevocable and exclusive right to purchase (or to designate one or more persons to purchase) from the Registered Shareholders any part of their equity interests in Wangchen Technology and from Wangchen Technology all or any part of its equity interest in Moji Technology at any time and from time to time in WFOE's sole and absolute discretion to the extent permitted by PRC laws. The consideration shall be the lowest price as permitted under applicable PRC laws. The Registered Shareholders and Wangchen Technology have agreed to donate to WFOE or its designated person any consideration they will receive in the event WFOE exercises its option under the Exclusive Option Agreement after deducting the relevant taxes pursuant to applicable PRC laws.

The Exclusive Option Agreement shall remain effective unless terminated in the event that the entire equity interests held by the Registered Shareholders and Wangchen Technology in Wangchen Technology and Moji Technology, respectively, have been transferred to WFOE or its appointee(s).

Equity Pledge Agreement

Pursuant to the equity pledge agreement dated 13 May 2021 entered into between WFOE, Wangchen Technology and the Registered Shareholders and the equity pledge agreement dated 15 November 2022 (together, the "**Equity Pledge Agreement**"), the Registered Shareholders and Wangchen Technology pledge all their respective equity interests in Wangchen Technology and Moji Technology to WFOE as collateral security for any and all of the secured indebtedness under the Contractual Arrangements and for securing the performance of their obligations under the Contractual Arrangements. WFOE is entitled to receive any dividends or other distributable benefits arising from the equity interests in Wangchen Technology and Moji Technology during the pledge period. The pledge remains valid until after all the contractual obligations of the Registered Shareholders, Moji Technology and Wangchen Technology under the Contractual Arrangements have been fully performed and all the secured indebtedness under the Contractual Arrangements have been fully paid. Upon the occurrence of an event of default (as stipulated in the Equity Pledge Agreement), WFOE shall have the right to require the Registered Shareholders and/or Wangchen Technology to immediately pay all outstanding amounts due under the Contractual Arrangements and/or dispose of the pledged equity interest to repay any outstanding amounts due to WFOE.

Powers of Attorney

The Registered Shareholders have executed powers of attorney dated 13 May 2021 and Wangchen Technology has executed power of attorney dated 15 November 2022 (together, the "**Power of Attorney**"), pursuant to which the Registered Shareholders and Wangchen Technology irrevocably appointed WFOE and its appointees (including but not limited to the directors of WFOE and their successors and liquidators replacing the directors but excluding those non-independent or who may give rise to conflict of interests) as their exclusive agents and attorneys-in-fact to act on their behalf on all matters concerning Wangchen Technology and Moji Technology and to exercise all of their respective rights as a registered shareholder of Wangchen Technology and Moji Technology in accordance with the PRC laws and the articles of association.

The Powers of Attorney executed by the Registered Shareholders shall be irrevocable and remain effective for so long as each Registered Shareholder holds equity interest in Wangchen Technology. The Power of Attorney executed by Wangchen Technology shall be irrevocable and remain effective for so long as Wangchen Technology holds equity interest in Moji Technology.

Spouse Undertakings

The spouse of each of Mr. Jia, Mr. Huang, Mr. Li Xin and Mr. Ma Guolin (each being a Registered Shareholder who is an individual and has a spouse) (the "**Relevant Individual Shareholders**"), where applicable, has signed an undertaking dated 13 May 2021 to the effect that (i) the respective Relevant Individual Shareholder' interests in the respective Registered Shareholder (together with any other interests therein) do not fall within the scope of communal properties, (ii) he/she has no right to or control over such interests of the respective Relevant Individual Shareholder and will not have any claim on such interests; (iii) confirms that the respective spouse may further amend or terminate the Contractual Arrangements without the need for authorization or consent by him/her; and (iv) if he/she is transferred any shares held by their spouse for any reason, he/she will be bound by the Contractual Arrangements and will observe obligations as a shareholder of the Wangchen Technology, and will sign all necessary documents and to take all necessary actions to ensure the Contractual Arrangements are properly preformed.

Business of the PRC Operating Entities and significance to the Group

The PRC Operating Entities are engaged in publication and operation of games through mobile apps. The Company believes that the Group's internet cultural business and value-added telecommunications services business are fundamental components and inseparable parts of its game publication and operation business because (i) as confirmed by its PRC legal advisers, publication and operation of games through mobile apps, according to the Interim Measures on the Administration of Internet Culture (《互聯網文化管理暫行規定》), falls within the scope of "internet cultural activity" where foreign ownership is prohibited pursuant to the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (外商投資准入特別管理措施 (負面清單) (2021年版)); and (ii) the value-added telecommunications services provided by the Group, along with the internet cultural business, which involves the publication and operation of mobile games, forms an integral part of the Group's game services.

By virtue of the Contractual Arrangements, WFOE can effectively control, recognize and receive substantially all the economic benefit of the business and operations of the PRC Operating Entities. Accordingly, the PRC Operating Entities are treated as controlled structured entities of the Company and their financial results are consolidated by the Company. For the year ended 31 December 2023, the revenue of the PRC Operating Entities was RMB362.5 million. As at 31 December 2023, the total assets of the PRC Operating Entities was RMB206.3 million.

The Company believed that the Contractual Arrangements are narrowly tailored to achieve its business purpose and minimize the potential conflict with relevant PRC laws and regulations. To the best understanding of the Company, apart from the foreign investment restrictions as mentioned above, the Contractual Arrangements do not relate to any other regulatory requirements. The Company's PRC legal advisers have advised that the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements are legal, valid and binding on the parties under applicable PRC laws and regulations. As of the date of this report, the Group had not encountered any interference or encumbrance from any PRC governing bodies in operating the Group's businesses through the PRC Operating Entities under the Contractual Arrangements.

Risks associated with the Contractual Arrangements and mitigation measures

The risks associated with the Contractual Arrangements are set out in the section headed "Risk Factors — Risks Relating to Our Contractual Arrangements" in the Prospectus. In particular:

1. Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the South China International Economic and Trade Arbitration Commission for arbitration, in accordance with the then effective arbitration rules and procedures. However, the Company's PRC legal advisers have advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitration tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Wangchen Technology and Moji Technology pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. Therefore, in the event that Wangchen Technology, Moji Technology or the Registered Shareholders breach any of the Contractual Arrangements, the Company may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over the PRC Operating Entities and conduct business could be materially and adversely affected.

2. The Company has been advised by its PRC legal advisers that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion of the PRC legal advisers. If the PRC government finds that the Contractual Arrangements do not comply with its restrictions on foreign investment in businesses, or if the PRC government otherwise finds that the Company or its VIE lack the necessary permits or licenses to operate its business, or there is a possibility that the PRC government may adopt new laws and regulations in the future which may invalidate the Contractual Arrangements, the relevant PRC regulatory authorities would have broad discretion in dealing with such violations or failures, such as requiring the nullification of the Contractual Arrangements or restricting the Group's right to collect revenue, which may cause significant disruption to the Group's business operations and materially and adversely affect the Group's business, financial condition and results of operations.

   Notwithstanding the foregoing, on 26 May 2020, the Shenzhen Communications Administration was consulted and the Company's legal advisers have advised the Company that (i) Shenzhen Communications Administration is the competent government authority for the Company's principal business activities; and (ii) based on such consultations, the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations and would not be challenged or subject to penalty for any violation of relevant PRC Laws and regulations.

To mitigate the above risks, the Board will closely monitor the implementation and compliance with the Contractual Arrangements and will handle any regulatory enquiries from the government authorities in a timely manner, and will consult its legal advisers or other professional advisors whenever necessary.

Overall performance and compliance with the Contractual Arrangements

During the year ended 31 December 2023, all obligations were performed in compliance with the terms and conditions under the Contractual Arrangements. There was no material change in the Contractual Arrangements or the circumstances under which they were established and there was no material non-compliance with the Contractual Arrangements. We will unwind and terminate the Contractual Arrangements wholly or partly once our businesses are no longer prohibited or restricted from foreign investment and to the extent permissible under PRC Laws.

For further details of the Contractual Arrangements, please refer to the section headed "Contractual Arrangements" in the Prospectus.

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

Since some of the Registered Shareholders, namely Mr. Jia (an executive Director and substantial shareholder of the Company), Mr. Huang (an executive Director and substantial shareholder of the Company), Mr. Li Xin (an executive Director) and Mr. Zhang Litao (an executive director of Wangchen Technology), are connected persons of the Company under Chapter 14A of the Listing Rules, the Contractual Arrangements therefore constituted continuing connected transactions for the Company under the Listing Rules after the Listing subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company was granted a waiver by the Stock Exchange from strict compliance with (i) announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) the requirement of setting a maximum aggregate annual value (i.e. an annual cap) for the fees payable to the Group under the Contractual Arrangements; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less, for so long as the Shares are listed on the Stock Exchange and subject to certain other conditions as set out in the section headed "Connected Transaction" in the Prospectus.

For details of the Contractual Arrangements, please refer to the section headed "Contractual Arrangements" above.

REVIEW AND CONFIRMATION BY INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 14A.55 of the Listing Rules, all independent non-executive Directors have reviewed the continuing connected transactions and have confirmed that such continuing connected transactions were:

(1) entered into in the ordinary and usual course of business of the Group;

(2) conducted on normal commercial terms or better terms; and

(3) carried out pursuant to the agreements of relevant transactions, the terms of which are fair and reasonable, and in the interests of shareholders of the Company as a whole.

In addition, all independent non-executive Directors have confirmed that:

(i) 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

(ii) no dividends or other distributions have been made by the PRC Operating Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.

REVIEW AND CONFIRMATION BY AUDITOR

Pursuant to Rule 14A.56 of the Listing Rules, the Company's external auditor, Deloitte Touche Tohmatsu was engaged to report on the Group's continuing connected transactions.

The auditor has confirmed that:

- the disclosed continuing connected transactions have been approved by the Board;
- the disclosed continuing connected transactions were entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- with respect of the disclosed continuing connected transactions with Wangchen Technology and Moji Technology under the Contractual Arrangements, no dividends or other distributions have been made by Wangchen Technology and Moji Technology to the holders of the equity interests of Wangchen Technology and Moji Technology which are not otherwise subsequently assigned or transferred to the Group.

RELATED PARTY TRANSACTIONS

The continuing connected transactions disclosed above also constitute related party transactions under HKFRSs. Details of other significant related party transactions entered into by the Group during the year ended 31 December 2023 set out in Note 30 to the consolidated financial statements. Such transactions did not constitute connected transactions or continuing connected transactions subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules. Among other things, the remuneration paid to the directors of the Company constitutes connected transactions of the Company but is wholly exempted pursuant to Rule 14A.95 of the Listing Rules.

In relation to the continuing connected transactions mentioned above, the Board confirms that the Company has complied with the requirements under Chapter 14A of the Listing Rules (including disclosure requirements).

MAJOR SUPPLIERS AND CUSTOMERS

During the year ended 31 December 2023, the percentage of the Group's revenue from rendering of services attributable to the five largest customers combined was less than 30%.

The percentages of purchases for the year attributable to the Group's major suppliers for the year ended 31 December 2023 were as follows:

— the largest supplier	18.0%
— five largest suppliers in aggregate	54.4%

None of the Directors, their respective associates or any shareholders of the Company (which to the best knowledge of the Directors owns more than 5% of the Company's issued shares) had any interests in the Group's major customers or major suppliers.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the minimum public float required under the Listing Rules since the Listing Date and up to the date of this report.

EQUITY-LINKED AGREEMENTS

During the year ended 31 December 2023, other than the Share Option Scheme and 2023 Share Award Scheme as set out in the paragraph headed "Share Option Scheme" and "2023 Share Award Scheme" of this report, the Company did not enter into any other equity-linked agreement, nor did any other equity-linked agreement exist during the year.

SIGNIFICANT CONTRACTS

During the year ended 31 December 2023, save as disclosed in the section headed "Contractual Arrangements" in this report and the section headed "Related Party Transactions" in Note 30 to the consolidated financial statements, there was no significant contract relating to the business of the Group between the Company (or any of its subsidiaries) and its controlling shareholders (or any of its/their subsidiaries), nor was there any significant contract for the provision of services by the controlling shareholders (or any of its/their subsidiaries) to the Company (or any of its subsidiaries).

ARRANGEMENT TO PURCHASE EQUITY OR DEBT SECURITIES

As at 31 December 2023, or at any time during the year ended 31 December 2023, none of the Company, its holding company, or any of its subsidiaries was a party to any arrangement enabling the Directors to acquire benefits by means of the acquisition of equity or debt securities, including the debentures of the Company or any other body corporate.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company issued 12,420,000 Shares in the global offering and was listed on the Main Board of the Stock Exchange on 16 January 2023. These Shares have an aggregate nominal value of HK$124,200 at an issue price of HK$6.5 per Share. The Company's net proceeds from the Global Offering were approximately HK$11.0 million (after deducting the underwriting commissions and other expenses in connection with the Global Offering). The following table sets forth details of the use of net proceeds from the Listing Date to 31 December 2023:

Purpose of the net proceeds	Percentage of total amount of net proceeds (%)	Amount of net proceeds allocated* (HK$'000)	Actual usage from the Listing Date and up to 31 December 2023 (HK$'000)	Unutilised net proceeds as at 31 December 2023 (HK$'000)	Expected timeline for usage of net proceeds
Renewing existing IP right licenses and obtaining additional IP right licenses from sports leagues, sports associations and sports clubs for the development of existing and new mobile sports games	30	3,289	1,328	1,961	By December 2024
Solidifying the marketing efforts to actively promote the Group's games to both PRC and overseas markets	35	3,838	2,006	1,832	By December 2024
Further strengthening the Group's talent pool and further improving the Group's research and development capabilities	25	2,741	1,795	946	By December 2024
Working capital and general corporate purposes	10	1,096	450	646	By December 2024
Total	100%	10,964	5,579	5,385	

* Refers to the intend to use of proceeds under heading "Use of Proceeds" as stated in the Prospectus.

The unutilised net proceeds are currently held in bank deposits at authorised financial institutions and/or licensed banks as defined under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong and laws in the relevant jurisdictions (where applicable) and it will be used in the manner consistent with the proposed allocations and expected timeframe as disclosed in the Prospectus and above.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles, every Director, auditor or other officer 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, auditor 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 taken out liability insurance for its Directors and senior officers, which provides the Directors and officers of the Group with indemnity assurance in respect of the potential liabilities arising from the Group's business activities. Such insurances were in force during the reporting period and remains in force at the date of this report.

PRE-EMPTIVE RIGHTS AND TAX RELIEF OR EXEMPTION

There is no provision on pre-emptive rights in the Articles or the laws of the Cayman Islands. The Company is not aware of any tax relief or exemption available to any existing Shareholder by reason of his/her holding of the securities of the Company.

LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

The Company did not enter into any new loan agreement, which contained any covenant relating to specific performance of the controlling Shareholders and shall be disclosed as required by Rule 13.18 of the Listing Rules.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance practices. Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 42 to 55 of this annual report.

AUDIT COMMITTEE

The Group has established the Audit Committee on 21 December 2022 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and code provision D.3.3 of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Listing Rules. The Audit Committee consists of three members, namely, Mr. Leung Ming Shu (chairman of the Audit Committee), Ms. Chak Hoi Kee Clara and Mr. Zhan Peixun, all being independent non-executive directors.

The primary duties of the Audit Committee include, but are not limited to, (i) reviewing and supervising the financial reporting process and internal control system of the Group, risk management and internal audit; (ii) providing advice and comments to the Board; and (iii) performing other duties and responsibilities as may be assigned by the Board.

The Audit Committee had discussed and reviewed the Company's consolidated financial statements for the year ended 31 December 2023 with the Company's management.

CHANGE OF INDEPENDENT AUDITOR

As disclosed in the Company's announcement and circular dated 22 May 2023 and 24 May 2023 respectively, PricewaterhouseCoopers retired as the independent auditor of the Company upon expiration of its term of office at the conclusion of the annual general meeting of the Company held on 16 June 2023 (the "**2023 AGM**"). Deloitte Touche Tohmatsu has been appointed as the Company's independent auditor with effect from the conclusion of the 2023 AGM until the conclusion of the next annual general meeting of the Company. Save as disclosed, there has been no changes in the independent auditor in any of the preceding three years.

INDEPENDENT AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2023 have been audited by Deloitte Touche Tohmatsu, the independent auditor of the Company, which will retire at the 2024 AGM and, being eligible, offer itself for re-appointment.

By order of the Board

Gala Technology Holding Limited
Jia Xiaodong
Chairman and Chief Executive Officer

Hong Kong, 28 March 2024

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Company is committed to maintaining corporate governance of high standards and quality procedures. Since the Listing, the Company has put in place governance practices with emphasis on transparency, accountability and ethical behavior. The Company believes that good corporate governance is essential for the long-term success and sustainability of the business.

The Company has adopted and applied the code provisions under the CG code set out in Appendix C1 to the Listing Rules as its own corporate governance code. The Board has reviewed the Company's corporate governance practices and is satisfied that save as disclosed below, the Company has been in compliance with the code provisions set out in Part 2 of the CG Code during the year ended 31 December 2023.

According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Jia is currently the chairman of the Board and the chief executive officer of the Group. Taking into account Mr. Jia's extensive experience in the online game industry and in view of Mr. Jia's role in the overall management of the Group since the Group's founding, the Board believes that it is in the interest of the Group for Mr. Jia to take up both roles for effective management and operations. Therefore, the Directors consider that the deviation from such code provision is appropriate. Notwithstanding such deviation, the Directors are of the view that the Board is able to function efficiently and perform its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions will be made in consultation with the members of the Board and the relevant Board committees, and there are three independent non-executive Directors on the Board who can provide independent advice on the operations and management of the Group, the Board takes the view that there is adequate safeguard in place to ensure a sufficient balance of powers within the Board. The Board will also review the structure and composition of the Board and senior management team from time to time in light of the prevailing circumstances to maintain a high standard of corporate governance practices of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the guidelines for the Directors' dealings in the securities of the Company. The Company has made specific enquiry with the Directors and all Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2023.

BOARD OF DIRECTORS

The Board currently consists of six Directors comprising three executive Directors and three independent non-executive Directors. The Board assumes responsibility for the Company's leadership and control and is collectively responsible for promoting its success by directing and supervising its affairs, but the day-to-day management, administration and operation of the Company are delegated to the three executive Directors who assume the roles of senior management of the Company.

The powers and duties of the Board include convening general meetings and reporting the Board's work at Shareholders' meetings, determining the business and investment plans, preparing the annual financial budgets and final reports, formulating proposals for profit distributions and exercising other powers, functions and duties as conferred by the Articles.

BOARD COMPOSITION

Executive Directors

Mr. Jia Xiaodong (Chairman of the Board and Chief Executive Officer)
Mr. Huang Xiang
Mr. Li Xin

Independent Non-executive Directors

Mr. Zhan Peixun
Mr. Leung Ming Shu
Ms. Chak Hoi Kee Clara

The biographical details of the Directors are set out in the Directors and Senior Management section on pages 17 to 21 of this annual report.

There is no financial, business, family and other material or relevant relationship among the respective Directors, the chairman and the general manager of the Company.

The Company is committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment. During the year ended 31 December 2023, the Board has been in compliance with Rules 3.10 of the Listing Rules regarding the appointment of at least three independent non-executive Directors and at least one independent non-executive Director who shall have appropriate professional qualifications or accounting and financial management expertise. The three independent non-executive Directors account for more than one-third of the Board, which complies with Rule 3.10A of the Listing Rules.

The term of appointment of the independent non-executive Directors is subject to retirement by rotation and re-election provisions under the Articles of Association of the Company and the Listing Rules.

All independent non-executive Directors entered into a letter of appointment for an initial term of three years commencing on 16 January 2023, which may be terminated by not less than three months' notice in writing served by either party on the other.

The Company has received from each independent non-executive Director an annual written confirmation of his/her independence in accordance with Rule 3.13 of the Listing Rules. The Company considers each of the independent non-executive Directors to be independent.

CHAIRMAN AND GROUP CHIEF EXECUTIVE OFFICER

Mr. Jia is currently the chairman of the Board and the chief executive officer of the Group. Taking into account Mr. Jia's extensive experience in the online game industry and in view of Mr. Jia's role in the overall management of the Group since the Group's founding, the Board believes that it is in the interest of the Group for Mr. Jia to take up both roles for effective management and operations. The Directors are of the view that the Board is able to function efficiently and perform its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions are made in consultation with the members of the Board and the relevant Board committees, and there are three independent non-executive Directors on the Board who can provide independent advice on the operations and management of the Group, the Board takes the view that there is adequate safeguard in place to ensure a sufficient balance of powers within the Board. The Board also reviews the structure and composition of the Board and senior management team from time to time in light of the Company's prevailing circumstances to maintain a high standard of corporate governance practices of the Company.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the corporate governance duties as set out below:

(a) to develop and review an issuer's policies and practices on corporate governance and make recommendations to the board;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the issuer's compliance with the CG Code and disclosure in the Corporate Governance Report.

BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. During the year ended 31 December 2023, 7 Board meetings, one annual general meeting (the "**AGM**") and one extraordinary general meeting (the "**EGM**") were held. The attendance of each Director during the year ended 31 December 2023 is set out as follows:

Name of Directors	Number of Board meetings attended/held	AGM	EGM
Mr. Jia Xiaodong (Chairman and Chief Executive Officer)	7/7	1/1	1/1
Mr. Huang Xiang	7/7	1/1	1/1
Mr. Li Xin	7/7	1/1	1/1
Mr. Leung Ming Shu	7/7	1/1	1/1
Mr. Zhan Peixun	7/7	1/1	1/1
Ms. Chak Hoi Kee Clara	7/7	1/1	1/1

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

During the year ended 31 December 2023, all the Directors, namely Mr. Jia Xiaodong, Mr. Huang Xiang, Mr. Li Xin, Mr. Leung Ming Shu, Mr. Zhan Peixun and Ms. Chak Hoi Kee Clara, have attended trainings conducted by the Company's Hong Kong legal advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the Listing Rules and the Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong and provided a record of training to the Company. To ensure the Directors' compliance with code provision C.1.4 of the CG Code, the Company will, from time to time, appoint external legal advisers, where applicable, to advise the Directors on compliance with and to provide the Directors with updates on the changes in the Listing Rules and the latest developments in the applicable laws, rules and regulations from time to time to see if any change is required to be made with the Company's operation and internal control system as well as help the Directors make informed decisions and discharge their duties and responsibilities as Directors. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills, in order to ensure that their contribution to the Board remains informed and relevant.

BOARD INDEPENDENCE

The Group has established mechanisms to ensure independent views and input are available to the Board:

- At least one-third of the Board are independent non-executive Directors in compliance with the Listing Rules requirements, and the Company will assess the independence of the independent non-executive Directors on at least an annual basis.
- The Nomination Committee will assess the independence of a candidate who is nominated to be a new independent non-executive Director before appointment and the continued independence of the current long-serving independent non-executive Directors on an annual basis. All independent non-executive Directors are required to submit a written confirmation to the Company annually to confirm their independence in accordance with Rule 3.13 of the Listing Rules.
- All Directors are entitled to retain independent professional advisors as and when it is required.
- All Directors are encouraged to express their views in an open and candid manner during the Board/Board committee meetings.
- The chairman of the Board will meet with the independent non-executive Directors at least annually without the presence of the executive Directors.

The Board would review the implementation and effectiveness of the above mechanisms on an annual basis.

BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee, the Nomination Committee and the ESG Oversight Committee and delegated various responsibilities to these committees, which assist the Board in discharging its duties and overseeing particular aspects of the Group's activities. Each of the Board committees has specific written terms of reference which set out their authority and duties.

Audit Committee

The Group has established the Audit Committee on 21 December 2022 with written terms of reference in compliance with code provision D.3.3 of the CG Code. The Audit Committee consists of three members, namely, Mr. Leung Ming Shu, Ms. Chak Hoi Kee Clara and Mr. Zhan Peixun. Mr. Leung Ming Shu has been appointed as the chairman of the Audit Committee as he has the appropriate professional qualifications or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The primary duties of the Audit Committee include, but are not limited to (i) reviewing and supervising the financial reporting process and internal control system of the Group, risk management and internal audit; (ii) providing advice and comments to the Board; and (iii) performing other duties and responsibilities as may be assigned by the Board.

During the year ended 31 December 2023, the Audit Committee held 4 meetings, amongst other matters, to (i) review the annual consolidated financial statements of the Group for the year ended 31 December 2022 and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023; (ii) review the Company's relationship with the external auditor, discussed with the Company's external auditor on the tasks performed by them including the nature and scope of their audit and reporting obligations, and reviewed the terms of engagement and their remuneration; (iii) review the risk management and internal control systems of the Group and make relevant recommendations to the Board; (iv) review the effectiveness of the internal audit function of the Group; (v) review the adoption of the relevant accounting principles generally accepted and make recommendations to the Board on the adoption of accounting policies; and (vi) the change of auditors.

Details of the attendance of the Audit Committee meetings are as follows:

Members	Number of meetings attended/held
Mr. Leung Ming Shu (Chairman)	4/4
Ms. Chak Hoi Kee Clara	4/4
Mr. Zhan Peixun	4/4

The Audit Committee met on 28 March 2024 and, among other matters, reviewed the Group's audited consolidated results for the year ended 31 December 2023.

Remuneration Committee

The Group has established the Remuneration Committee on 21 December 2022 with written terms of reference in compliance code provision E.1.2 of the CG Code. The Remuneration Committee consists of three members, namely Mr. Zhan Peixun, Mr. Leung Ming Shu and Mr. Li Xin. Mr. Zhan Peixun has been appointed as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include, but are not limited to (i) establishing, reviewing and providing advices to the Board on its policy and structure concerning remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) recommend the terms of the specific remuneration package of each Director and senior management member; (iii) recommend performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time; and (iv) review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

During the year ended 31 December 2023, the Remuneration Committee held 1 meeting, amongst other matters, to (i) discuss and make recommendations to the Board on the Company's policy for remuneration of Directors and senior management; (ii) review and recommend to the Board on the remuneration packages of Directors and senior management of the Company; (iii) assess the performance of Directors and review the terms of service agreements for Directors and senior management; and (iv) review and/or approving matters relating to the Share Award Scheme under Chapter 17 of the Listing Rules.

Details of the attendance of the Remuneration Committee meeting are as follows:

Members	Number of meetings attended/held
Mr. Zhan Peixun (Chairman)	1/1
Mr. Li Xin	1/1
Mr. Leung Ming Shu	1/1

The Remuneration Committee met on 28 March 2024 and considered certain remuneration-related matters of the Directors and senior management.

Nomination Committee

The Group has established the Nomination Committee on 21 December 2022 with written terms of reference in compliance code provision B.3.1 of the CG Code. The Nomination Committee consists of three members, namely Mr. Jia, Mr. Zhan Peixun and Ms. Chak Hoi Kee Clara. Mr. Jia has been appointed as the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include, but are not limited to (i) reviewing the structure, size and composition of the Board on a regular basis and making recommendations to the Board regarding any proposed changes to the composition of the Board; (ii) identifying, selecting or making recommendations to the Board on the selection of individuals nominated for directorship, and ensuring the diversity of the Board members; (iii) assessing the independence of the independent non-executive Directors; and (iv) making recommendations to the Board on relevant matters relating to the appointment, re-appointment and removal of Directors and succession planning for Directors.

During the year ended 31 December 2023, the Nomination Committee held 1 meeting, amongst other matters, to (i) review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board; (ii) assess the independence of independent non-executive Directors; (iii) review the policy on Board diversity and measurable objectives for implementing the Board Diversity Policy; and (iv) review the re-appointment of Directors who are subject to retire by rotation at the forthcoming annual general meeting of the Company.

Details of the attendance of the Nomination Committee meeting are as follows:

Members	**Number of meetings attended/held**
Mr. Jia Xiaodong (Chairman)	1/1
Ms. Chak Hoi Kee Clara	1/1
Mr. Zhan Peixun	1/1

The Nomination Committee met on 28 March 2024 and, based on the Nomination Policy, recommended the re-appointment of all the retiring Directors at the forthcoming annual general meeting of the Company.

ESG Oversight Committee

The Group has established the ESG Oversight Committee which consists of three members, being Mr. Jia (an executive Director and the Chief Executive Officer of the Company), the head of human resources and the head of administrative management and Mr. Jia has been appointed as the chairman of the ESG Oversight Committee.

The primary duties of the ESG Oversight Committee include, but are not limited to (i) assisting in identifying, assessing, prioritising and managing ESG-related major issues, including risks and opportunities faced by the Group; (ii) collecting and analysing ESG data, monitoring and evaluating the Group's ESG performance, following up and reviewing the progress of the Group's ESG-related goals, and ensuring compliance with ESG-related laws and regulations; and (iii) compiling the Group's ESG report, which will be submitted to the Board for approval and publication.

During the year ended 31 December 2023, the ESG Oversight Committee held 1 meeting to (i) review and discuss the major ESG-related issues of the Group; (ii) review and evaluate the Group's ESG performance; and (iii) review the Group's ESG report and submit it to the Board for approval and publication.

Details of the attendance of the ESG Oversight Committee meeting are as follows:

Members	Number of meetings attended/held
Mr. Jia Xiaodong (Chairman)	1/1
Ms. Zheng Xiaoping (Administrative Management Director)	1/1
Ms. Shao Jingfei (Human Resource Director)	1/1

The ESG Oversight Committee met on 28 March 2024 and reviewed and evaluated the Group's ESG performance.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve diversity of the Board. The Group recognizes the benefits of having a diversified Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of the Group's strategic objectives and sustainable development. The Group seeks to achieve diversity of the Board through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, education background, gender, age and ethnicity. Directors have a balanced mix of skills and experiences, including overall management, brand improvement, business development, investment, finance auditing and accounting experiences. The Company have three independent non-executive Directors who have different industry backgrounds, including accounting, finance and investment. Furthermore, Directors are of a wide range of age, from 37 years old to 51 years old.

The Nomination Committee reviews the Board Diversity Policy and its implementation from time to time to ensure its implementation and monitor its continued effectiveness. The Board shall appoint at least one female director. Ms. Chak Hoi Kee Clara, being the independent non-executive Director who was appointed as a Director prior to the listing of the Company and has practical experience in her fields, could contribute to gender diversity of the Board and bringing valuable views from a female perspective to the Board in managing the Company.

The effective implementation of the Board Diversity Policy will depend, to a certain extent, on the Shareholders' independent judgment on the suitability of individual candidates and their views on the scale of gender diversity of the Board. To ensure gender diversity of the Board, including senior management of the Company, the Nomination Committee reviews the Board composition, including senior management of the Company, from time to time and identify suitable Director candidates of both genders to the Board, including senior management of the Company, for consideration where appropriate.

Based on the Nomination Committee's review for the year ended 31 December 2023, the Nomination Committee considered that there was sufficient diversity in the Board, which comprising one female Director and five male Directors, in accordance with the Board Diversity Policy and the Board had not set any measurable objectives.

Due to the business nature of the Group, as at 31 December 2023, there were 315 male employees and 97 female employees, representing approximately 76.4% and 23.6% of the workforce (including senior management) respectively. The Group has taken into account gender diversity in the recruitment process and is committed to increasing the proportion of female workers as far as possible in the future.

NOMINATION POLICY

The Nominations Committee has been delegated authority to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships.

The Nomination Committee will consider a number of criteria in evaluating and selecting candidates for directorships, including but not limited to (i) the business strategy, (ii) expertise and skills, (iii) integrity, (iv) the Board Diversity Policy, and (v) independence.

All the Directors, including independent non-executive Directors, are subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Articles.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The Board reviews and determines the remuneration and compensation packages of Directors and senior management and receives recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of Directors and performance of the Group.

Directors and members of the Company's senior management receive compensation from the Company in the form of fees, salaries, bonuses and other benefits in kind such as contributions to pension plans. The aggregate remuneration (including fees, salaries, contributions to pension schemes, bonus, share-based payments, retirement benefits scheme, allowance and other benefits in kind) paid to Directors for the year ended 31 December 2023 was approximately RMB3.4 million (2022: RMB3.0 million). Please see Note 10 to the consolidated financial statements of the Group for further details. Other than that, no other amounts have been paid or are payable by any member of the Group to the Directors during the year ended 31 December 2023 (2022: same).

Please refer to Note 10(b) to the consolidated financial statements of the Group for details on the emoluments of the five highest paid individuals in the Group during the years ended 31 December 2022 and 2023.

No remuneration was paid by the Company to Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the year ended 31 December 2023 (2022: same). Further, none of Directors had waived or agreed to waive any remuneration during the year ended 31 December 2023 (2022: same).

The annual remuneration of the members of the senior management by band for the years ended 31 December 2023 and 2022 are as follows:

	Number of individuals	
	Year ended 31 December	
	2023	2022
HK$1,000,001 to HK$1,500,000	**3**	3
	3	3

AUDITOR'S REMUNERATION

PricewaterhouseCoopers ("**PricewaterhouseCoopers**") retired as the independent auditor of the Company at conclusion of an AGM of the Company held on 16 June 2023. During the year ended 31 December 2023, the remunerations paid or payable to PricewaterhouseCoopers in respect of its audit services and non-audit services are RMB2.3 million and RMB0.1 million, respectively.

Deloitte Touche Tohmatsu ("**Deloitte**") has been appointed on the same day to hold office until the conclusion of the forthcoming AGM. During the year ended 31 December 2023, the remunerations paid or payable to Deloitte in respect of its audit services and non-audit services are RMB1.6 million and RMB0.7 million, respectively. The non-audit services mainly comprised tax advisory interim review service and certain agree-upon-procedure work.

The Audit Committee is responsible for reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee receives letters from the external auditor, confirms the independence and objectiveness of the external auditor, and holds meetings with the external auditor for the purpose of consideration of the audit scope offered by them, and consideration of and approval for the fees charged by them and the scope and appropriateness of non-audit services (if any). The Audit Committee also advises the Board on the appointment, reappointment and removal of the external auditor.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibilities for preparing all information and representations contained in the consolidated financial statements of the Group for the year ended 31 December 2023. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements of the Group on a going concern basis.

The statements of the external auditor of the Group about its reporting responsibility on the consolidated financial statements of the Group are set out in the section headed "Independent Auditor's Report" on pages 85 to 88 of this annual report.

COMPLIANCE ADVISER

The Company has appointed UOB Kay Hian (Hong Kong) Limited as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser advises the Company in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including shares issues and share repurchases;
- where the Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in the Prospectus or where its business activities, developments or results deviate from any forecast, estimate or other information in the Prospectus; and
- where the Stock Exchange makes an inquiry of the Company under Rule 13.10 of the Listing Rules.

The term of the appointment of the compliance adviser has been commenced on 16 January 2023 (i.e. the Listing Date) and will end on the date on which the Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date.

COMPANY SECRETARY

Following the resignation of Mr. Chu Kai Chi as the company secretary of the Company (the "**Company Secretary**") with effect from 4 May 2023, Ms. Cheng Lucy ("**Ms. Cheng**") was appointed as the Company Secretary on the same day.

Ms. Cheng was nominated by Boardroom Corporate Services (HK) Limited ("**Boardroom**") to assume such position and Boardroom has been providing certain corporate secretarial services to the Company pursuant to an engagement letter entered into between the Company and Boardroom. The primary person at the Company with whom Ms. Cheng has been contacting in respect of company secretarial matters is Mr. Zhang Boyang, the Chief Financial Officer, or his delegate.

Ms. Cheng has conducted and received at least 15 hours of continuous professional learning and training to update her skills and knowledge.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board acknowledges its overall responsibility for maintaining appropriate and effective risk management and internal control systems of the Group on an ongoing basis and reviewing their effectiveness. The management is responsible for implementing the Board's risk management policy and procedures. It also designs, implements and monitors the risk management and internal control systems and confirms to the Board on the effectiveness of the systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Group has internal audit and risk control function, which carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems.

The risk management and internal control systems are continuously reviewed and evaluated by the Audit Committee, the internal audit team and the senior management of the Company, and further reviewed and evaluated by the Board at least annually, covering all material controls, including financial, operational and compliance controls, to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit, financial reporting functions, as well as those relating to the issuer's ESG performance and reporting.

During the year ended 31 December 2023, the management has confirmed to the Board and the Audit Committee on the effectiveness and adequateness of the risk management and internal control systems, and the Board has reviewed the Company's internal control and risk management systems and considered the systems to be effective and adequate.

INTERNAL CONTROL

It is the responsibility of the Board to ensure that the Company maintains sound and effective internal controls to safeguard the Shareholders' interests and the Group's assets at all times. To manage risks and to ensure the smooth operation of the Group's business, the Company engaged an internal control adviser to assist in reviewing the Company's internal control system, and providing recommendations for improvement. The internal control adviser also conducted assessments on (i) the Company's mechanisms and internal control measures in complying the relevant laws and regulations relating to data and security protection; (ii) the Company's operational control over the game management system; (iii) information technology general control measures; and (iv) the integrity and reasonableness of the Company's key operational data. The Group has adopted a series of internal control policies and procedures designed to provide reasonable assurances for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

Highlights of the Group's internal control system include the following:

Financial reporting

The Group has adopted comprehensive policies and procedures in connection with its financial reporting and disclosure controls, including financial report management policies, budget management policies and financial statement preparation policies. The Group provides ongoing training to employees in its finance department to ensure that such policies are observed and implemented.

Licensing

In accordance with its internal measures, the Group's administrative team is assigned to ensure it have all necessary licenses for its business operation and to keep track of the licensing update and renewal.

Human resource

The Group has internal control policies covering various aspects of human resource management such as recruiting, training, work ethics and legal compliance. The Group provides specific training tailored to the needs of its employees in various departments. Its employee handbook contains guidelines on work ethics and prevention of fraud and corruption. Furthermore, the human resources policy stipulates that the human resources function is responsible for monitoring the requirements of the latest labour laws and regulations and ensuring that they are reflected in current practice.

Compliance with Listing Rules and relevant laws and regulations

The Group continues to monitor its compliance with relevant laws and regulations and its senior management team works closely with its employees to implement actions required to ensure its compliance with relevant laws and regulations. The Group also continues to arrange ongoing training to be provided by Hong Kong legal advisers to its Directors, senior management and employees on the Listing Rules, including but not limited to aspects related to corporate governance and connected transactions. The senior management, internal audit team and the Audit Committee together monitor the implementation of the Group's internal control system on an ongoing basis to ensure its policies and implementation are effective and sufficient.

The Directors are of the view that, the Company had implemented the enhanced internal control measures recommended and its internal control measures and policies with regard to the relevant regulatory requirements, game management system and IT general controls in place are adequate and effective to support the daily operations of the Group for the year ended 31 December 2023.

RISK MANAGEMENT

The ultimate goal of the Group's risk management process is to bring focus and effort to the issues arising from its business operations that create impediments to the success.

The Group's risk management process starts with identifying the major risks that are associated with its corporate strategy, goals and business operation (including ESG risks). The Group adopted risk management policies to assess it risks in terms of their likelihood and potential impact, and then prioritize and pair each risk with a mitigation plan. The Group provide training to the employees and adopt risk management measures to ensure that all employees are aware of and responsible for managing risks. Each of the Group's operating departments is responsible for identifying and analyzing risks associated with its function. The Group's established departments, the Audit Committee, and ultimately the Board supervises the implementation of the risk management policy at the corporate level by bringing together each operating department, such as development, quality control, sales and marketing to collaborate on mitigating risk issues among different functions. For details about the qualifications and experience of the members of the Audit Committee of and the Board, please refer to the section headed "Directors and Senior Management" in this annual report. The following table sets out some of the primary risks relating to the business and the existing risk management measures:

Risk identified	Risk management measures and procedures
Information risk management, cybersecurity and data protection	The Group has implemented relevant internal procedures and controls to ensure that user data are protected and that leakage and loss of such data is avoided. The Group did not experience any material information leakage or loss of user data during the year ended 31 December 2023 (2022: same). The Group strives to ensure that the usage, maintenance and protection of user data are in compliance with its internal rules and the applicable laws and regulations. The Group provides regular training to the information technology team and discuss any issues and necessary updates.

Risk identified	Risk management measures and procedures
External communication policies	The Group has introduced written policies on external communications and procedures for handling enquiries from regulatory authorities. The Group has also appointed a contact person who will be responsible for its external communications and ensure implementation of its external communication policies.
Conflict of interest reporting and policy	The Group requires the new employees to undertake that they will not participate in or carry on any business which is in competition with the Group, and shall not be employed or engaged by any other third party while employed by the Group. The Group has also introduced a conflict of interest policy for the Directors and management to regulate and regularly report any existing and potential conflicts of interest.
Procedures and policies on anti-bribery and anti-corruption	The staff from the research and development department, finance department and sales and marketing department are required to comply with anti-bribery and anti-corruption controls. The Group has introduced a reporting mechanism and regular declarations of conflicts of interests for all staff, as well as provide regular training on corruption and bribery prevention.
Procedures on connected transactions	The Group has introduced procedures for the approval of connected transactions, comprising connected transactions identification and testing, decision making authority, information disclosure, auditing and financial reconciliation procedures. Under the procedures on connected transactions, approval from the Board is required prior to the entry into any connected transaction.
Whistleblowing	The Group has established a whistleblowing policy for employees and those who deal with the Group to raise concerns about possible improprieties in any matter relating to the Group. The Group has maintained an open channel to handle and discuss internal reports concerning finance, internal control and fraud to ensure that all reports will receive sufficient attention and any significant internal control weakness or reports will directly reach and be reported to the chairman of the Audit Committee. The Group has established a mechanism for remediating any internal control deficiency under which management of each level are assigned clear responsibilities relating to remediating the internal control deficiency in accordance with their respective levels.

DISSEMINATION OF INSIDE INFORMATION

The Company has adopted an inside information policy in accordance with the SFO and the Listing Rules, and made corresponding information disclosures in a timely manner. Before the information is fully disclosed to the public, any persons who possess the knowledge of such information must ensure strict confidentiality, so as to ensure effective protection of the rights and interests of investors and stakeholders.

INFORMATION DISCLOSURE

The Company discloses information in compliance with the Listing Rules and other applicable laws, and publishes periodic reports and announcements to the public in accordance with relevant laws and regulations. The primary focus is to ensure that information disclosure is timely, fair, accurate, truthful and complete, thereby enabling Shareholders, investors as well as the public to make informed decisions.

SHAREHOLDERS' RIGHTS

Convene an Extraordinary General Meeting

In accordance with Article 12.3 of the Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within three months after the deposit of such requisition. If within 21 days of such deposit the Board fails to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting forward Proposals at a General Meeting

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Cayman Companies Act**"). However, shareholders who wish to propose resolutions may follow Article 12.3 of the Articles for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of Article 12.3 are set out above.

Putting forward Enquiries to the Board

Shareholders may send the enquiries to the Company for the attention of the Board at the Company's principal place of business at 31/F., 148 Electric Road, North Point, Hong Kong or by email at gala_ir@galasports.com.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATION

The Company recognizes the importance of effective communication with its Shareholders and investors to enhance investor relations and understanding of the Group's business performance and strategies. The Company is committed to maintaining an ongoing dialogue with its Shareholders through various means of communication, including annual general meetings and other general meetings. Current information about the Company including the annual report, announcements, circulars and press releases can be accessed through the Company's website (www.galasports.com).

The Company has adopted a shareholders' communication policy (the "**Shareholders' Communication Policy**") with the objective of ensuring that both individual and institutional Shareholders, and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments and governance) in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company.

The Company has also established an investor relations department (the "**Investor Relations Departments**") to communicate with research analysts, institutional investors, and Shareholders in an ongoing and timely manner, providing them with necessary information, data, and services to understand the Company's operations, strategies, and development.

Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors by contacting the Investor Relations Department through email at gala_ir@galasports.com.

The Company shall review the Shareholders' Communication Policy annually to ensure its implementation and effectiveness. Having considered the multiple channels of communication and engagement in place, the Board is satisfied that the Shareholders' Communication Policy has been properly in place during the Year and remains effective.

DIVIDEND POLICY

The Company has adopted the following dividend policy on 16 January 2023:

The Board will determine any declaration of dividends at its full discretion, taking into account a variety of factors such as the Company's distributable profit, the Group's financial performance, the Group's working capital requirements, the Group's liquidity position, the business environment and the availability of investment opportunities and will be subject to approval of the Shareholders. Additionally, the Board may recommend interim and/or annual dividends from time to time if it is justified taking into account the factors above, in accordance with the Articles. However, to ensure the Company's financial resources are appropriately allocated to support its business growth and provide long-term value for the Shareholders, there can be no assurance that dividends of any amount will be declared or distributed in any given year.

CONSTITUTIONAL DOCUMENTS

During the Year, the Company had not made any change to its Articles. A copy of the Articles is available on the websites of the Company and the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE GROUP

Gala Technology Holding Limited (the "**Company**") and its subsidiaries (collectively the "**Group**" or "**we**") are a mobile sports game developer, publisher and operator in Hong Kong and the People's Republic of China ("**China**" or the "**PRC**"), and our business model is based on developing, launching, publishing, operating and monetising our games.

We adhere to the philosophy of "Gameplay First (遊戲至上), Always Commit To Quality (始終致力於品質), Love What You Do (熱愛你的事業), Athletic Spirit (運動精神)", and continue to focus on and deepen our efforts in the sports game market. With years of deep cultivation in the sports game market and stable high-quality products R&D, we have become a leading sports game producer in China with comprehensive R&D strength. We firmly believe that sports represent love and life, and we will continue to create a greater "Sports Empire".

ABOUT THIS REPORT

This Environmental, Social and Governance Report ("**ESG Report**", "**Report**") summarises the environmental, social and governance ("**ESG**") initiatives, plans and performances of the Group and demonstrates its commitment to sustainable development. This Report is available in traditional Chinese and English for the readers. In case of any inconsistency between the two versions, the Chinese version prevails.

Reporting Period

Unless otherwise stated, the ESG Report covers the activities, challenges and measures with respect to ESG aspects of the Group for the year ended 31 December 2023 (the "**Reporting Period**" or "**2023**").

Reporting Scope

The reporting scope is consistent with the annual report and is determined based on the materiality and revenue contribution of the business segments under the Group's direct operational control. This ESG report covers the major operational locations and business scope of the group, representing the primary sources of income and ESG-related business operations. It includes initiatives, plans, and performance in various aspects of ESG at our offices in Shenzhen and Chengdu, China, demonstrating our commitment to sustainability. ESG key performance indicators ("**KPIs**") data are obtained from these operations. We will continue to expand the scope of disclosure in the future when the data collection system of the Group is more refined and the sustainable development work is enhanced.

Reporting Framework

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Information relating to the Group's corporate governance practices can be found in the Corporate Governance Report of the annual report.

During the preparation for this ESG Report, the Group has applied the reporting principles in the ESG Reporting Guide as follows:

Reporting Principles	The Group's Responses
Materiality	Materiality assessment was conducted to identify material issues during the Reporting Period, thereby adopting the confirmed material issues as the focus for the preparation of the ESG Report. The materiality of issues was reviewed and confirmed by the Board of Directors (the "**Board**") and the Environmental, Social and Governance Oversight Committee (the "**ESG Oversight Committee**"). For further details, please refer to the sections headed "Stakeholder Engagement" and "Materiality Assessment" in this ESG Report.
Quantitative	The standards, methodologies and applicable assumptions used in the calculation of KPIs data were supplemented by explanatory notes.
Consistency	This is the second ESG report prepared by the Group. Unless otherwise stated, the preparation approach of this ESG Report is consistent with the disclosure in the previous report for comparison. The Group has adopted consistent statistical methods for meaningful comparison.
Balance	ESG data and content are presented in an objective and fair manner to ensure that the disclosed information truly reflects the Group's overall ESG performance.

BOARD STATEMENT

The Board of the Group, which assumes the highest liability and is the decision-making body of ESG-related matters, takes the ultimate responsibility of ESG work and monitors ESG-related issues that may affect the Company's business or operations, shareholders and other stakeholders. The ESG Oversight Committee is set under the Board, which is responsible for identifying and evaluating ESG risks and opportunities related to the Group, monitoring and evaluating the Group's ESG performance, ensuring compliance with ESG related laws and regulations, and regularly reporting to and conducting review with the Board. Please refer to the section headed "Sustainable Development Governance Structure" in this ESG Report for further details.

The Group attaches great importance to the suggestions and opinions of all stakeholders, ensures that there are sufficient channels for communication with major stakeholders, discusses and identifies material ESG issues and potential ESG risks which the Group may be exposed to, and continuously improves ESG related strategies and policy systems. The Board has reviewed the material ESG issues for the year and has passed the proposal to adjust the level of materiality of addressing various ESG issues, ensuring the timeliness and rationality of the materiality evaluation matrix. Please refer to the section headed "Materiality Assessment" in this ESG report for further details.

To evaluate and monitor the risks which the Group may be exposed to in operating activities, the Group has formulated the Enterprise Risks Management System and established a risk management team. The risk management team is responsible for reviewing and promoting the Enterprise Risks Management System, organizing and implementing enterprise risk self-evaluation, ensuring the effectiveness of risk management governance structure and the coordination between other management systems, identifying the priorities of risks, promoting risk control measures, and minimizing enterprise risks (including health, safety and environment risks). The risk management team also participates in regular law and regulation trainings every year to understand and deepen their knowledge of the latest laws and regulations, and to improve their risk identification and evaluation level.

The Group has established an ESG target management system for greenhouse gas ("**GHG**") emissions, waste, energy consumption, water resources management and other indicators, and the Board will review the progress of the targets on an annual basis and examine any necessary adjustments or improvements to ensure that the Group makes continuous progress in achieving the ESG targets. Please refer to the relevant parts in the section headed "A. Environment" in this ESG Report for further details.

The Board and all Directors ensure that this report does not contain any false entries, misleading statements, or material omissions, and accept responsibility for the truthfulness, accuracy, and completeness of the report. This report, which discloses in detail the progress and effectiveness of the Group's ESG work in 2023, was considered and approved by the Board at the meeting held on 28 March 2024.

SUSTAINABILITY GOVERNANCE STRUCTURE

The Group has developed an ESG governance structure to ensure that ESG governance is consistent with our business strategy in relation to sustainable development and to integrate ESG management into our business operations and decision-making process.

The Board assumes overall responsibility for the Group's ESG issues and is required to develop ESG management approach, strategy, priorities and objectives. The Board is diverse and has the appropriate skills, experience, knowledge and perspectives to oversee the Group's ESG matters. In order to better manage the Group's ESG performance, related issues and potential risks, the Board gathers and discusses ESG topics every year, assesses and determines the Group's ESG risks and opportunities, and reviews the materiality of ESG issues, and evaluate its performance and progress in relation to ESG-related targets. The Board is also responsible for ensuring the effectiveness of ESG-related policies, risk management and internal control systems, and discussing and approving any revisions that may need to be made from time to time, as well as approving disclosures in ESG reports.

In order to systematically manage ESG issues under the authorisation of the Board, the Group has established an ESG Oversight Committee under the Board. Members of the ESG Oversight Committee include the chief executive officer, human resources director, administration director and other core management representatives appointed from time to time, who have relevant professional knowledge in all aspects of ESG to assist the Board in overseeing ESG matters. The ESG Oversight Committee is mainly responsible for assisting in identifying, assessing, prioritising and managing ESG-related major issues, including risks and opportunities faced by the Group. The ESG Oversight Committee is also responsible for collecting and analysing ESG data, monitoring and evaluating the Group's ESG performance, following up and reviewing the progress of the Group's ESG-related goals, and ensuring compliance with ESG-related laws and regulations. The ESG Oversight Committee supports the Board to formulate, monitor and update ESG-related policies and strategies. The ESG Oversight Committee will also be mainly responsible for compiling our ESG report, which will be submitted to the Board for approval and publication.

The ESG Oversight Committee meets no less than once a year to determine, evaluate and manage the progress of the main annual goals agreed by the Board. The ESG Oversight Committee adopts monitoring and risk self-assessment methodology, and continuously evaluates and manages its ESG and climate-related risk profile. ESG and climate-related risks to the Group are identified, assessed and prioritised based on their likelihood, financial implications and impact on the Group's reputation. The ESG Oversight Committee uses risk indicators and red flags to monitor the priority of risks identified, and requires the head of respective business units of the Group to submit risk alerts with risk mitigation plans. It submits ESG and climate-related risk reports to the ESG Oversight Committee for the formulation of mitigation and management measures, and continuously review and monitor them to mitigate ESG risks and impacts.

The ESG Oversight Committee must report its findings, decisions and recommendations to the Board at least once a year. Where necessary, third-party consultants will be involved in providing expertise and professional advice for the ESG management process to support us in achieving our ESG goals, and the ESG Oversight Committee will be responsible for managing this third party.

During the Reporting Period, the Group confirmed that it has established appropriate and effective management policies and monitoring systems for ESG matters, and confirmed that the disclosed content complies with the requirements of the ESG Reporting Guide.

Role	Composition	Scope of Responsibilities
The Board	Board Diversity	• Ensure the effectiveness of ESG-related policies, risk management and internal control systems • Review the significance of ESG issues and assess and determine ESG risks and opportunities • Regularly review and monitor ESG-related targets, their performance and progress • Review and approve the content of the annual ESG report
ESG Oversight Committee	Chief Executive Officer, head of human resources, head of administrative department, and other representatives of core management as may be appointed from time to time	• Assist in identifying, evaluating, prioritising and managing material ESG-related issues • Collect and analyse ESG data, monitor and evaluate ESG performance • Follow up and review the progress of ESG related targets • Assist the Board in formulating, monitoring, and updating ESG related policies and strategies • Prepare ESG reports

STAKEHOLDER ENGAGEMENT

As a responsible enterprise, the Group not only actively develops business and improves profitability but also attaches great importance to engagement with stakeholders and their feedback on our business and ESG issues. This approach helped us actively balance the interests of all parties and promote corporate sustainability. Stakeholder engagement is, therefore, an essential component of the Group's ongoing efforts to improve its sustainable development performance. To fully understand, respond to and address the core concerns of different stakeholders, we have been working with key stakeholders, including but not limited to investors and shareholders, players and customers, suppliers and partners, employees, government and regulatory institutions, communities, NGOs and the media to maintain close communication. Our commitment is to work hand-in-hand with these stakeholders to enhance the Group's ESG performance and continue creating greater value for the broader community.

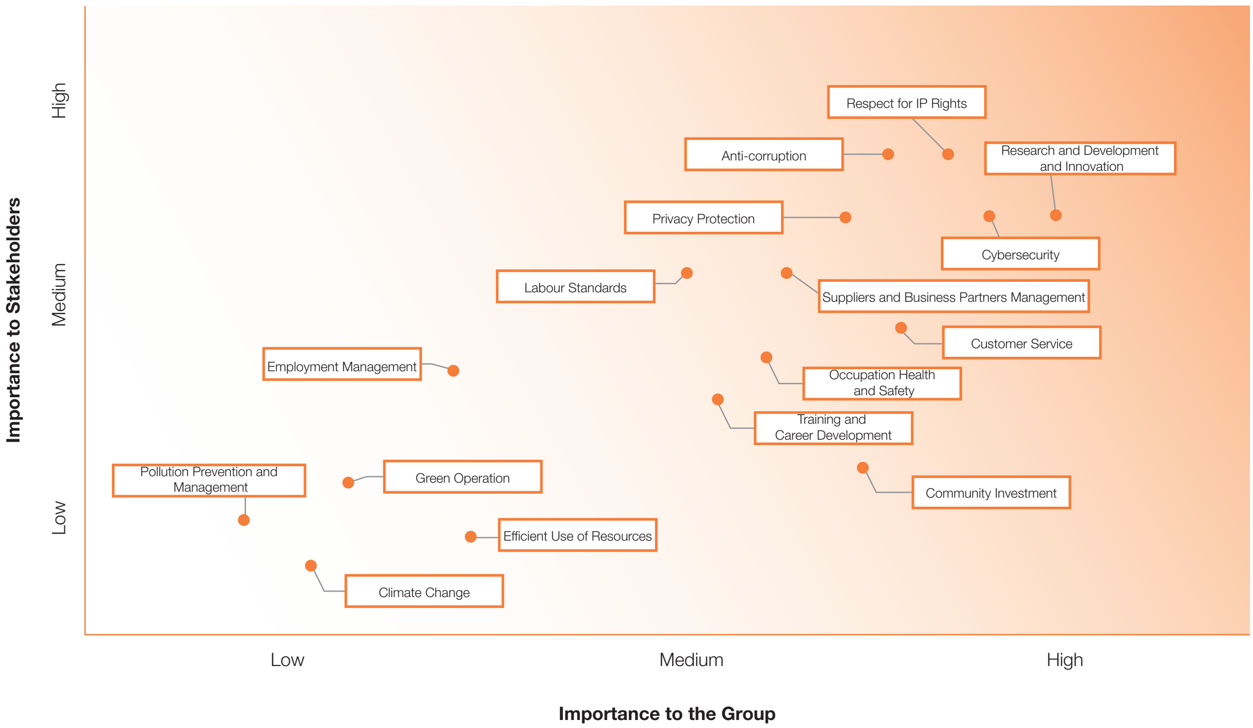
Through the use of diversified cooperation methods and communication channels as shown in the table below, we bring stakeholders' expectations into our operations and ESG strategies.

Stakeholders	Communication Channels	Expectations
Investors and shareholders	• Annual general meeting and other shareholder meetings • Financial reports • Announcements and circulars • Official website	• Compliance with the relevant laws and regulations • Timely announcement of the latest corporate information • Corporate sustainable development • Results
Players and customers	• Customer satisfaction survey and questionnaire • Customer service hotline • Complaint and review meetings • Social media platform support and communication	• Performing product and service responsibilities • Internet safety and data security • Compliance operation • Customers' feedback processing
Suppliers and partners	• Supplier management meetings and activities • Bidding • Offline marketing activities	• Fair competition • Cooperation to achieve win-win scenario • Business ethics and credibility • Safety and stability on internet platforms • Patents, copyrights and intellectual property ("**IP**") rights licenses
Employees	• Employee opinion survey • Channels for employees to express their opinions (forms, suggestion boxes, etc.) • Regular management communications • Regular work performance assessment • Employee training classes • Employee group activities	• Work environment • Work performance • Salary and benefit • Career development
Government and regulatory institutions	• Regular performance reporting • Written response to public consultation	• Lawful tax payment • Compliance operation

Stakeholders	Communication Channels	Expectations
Communities, NGOs and the media	• Official website • Community investment plan • ESG report • Social media platforms • Press release	• Giving back to society • Environmental protection • Compliance operation • Corporate social responsibilities

MATERIALITY ASSESSMENT

In hope of understanding the views and expectations of stakeholders on the Group's ESG performance effectively, we adopt a systematic approach in conducting the annual materiality assessment. With reference to its business development strategy and industry practices, the Group identified and determined a list of material ESG issues, and prepared a questionnaire based on the list and invited relevant stakeholder representatives to rate the potential material issues according to the importance of the ESG issues and their impacts on the economy, environment and society. The results of the survey were analyzed and a materiality matrix was developed. The materiality matrix and the identified material topics were reviewed and confirmed by the Board and the ESG Oversight Committee and disclosed in the ESG Report. During the Reporting Period, the Group's materiality matrix is shown below:



CONTACT US

The Group welcomes stakeholders' opinions and suggestions. Please provide your valuable advice in respect of this ESG Report or the Group's performance in sustainable development through the following means:

Postal address: 43/F, Qianhai Shimao Tower, 3040 Xinghai Avenue, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen

Telephone: 755–21629650
Email: gala_ir@galasports.com

AWARDS AND ACHIEVEMENTS

The Group has received the following awards and achievements:

Year	Awarding Institutions	Name of Awards and Achievements
2023	Game media: Game United	China Overseas Sailing Game Award "Top 10 Overseas Cultural Export Enterprises"* (中國遊戲出海揚帆獎「十佳海外文化輸出企業」)
2022	Industry and Information Technology Bureau of Shenzhen Municipality	Technologically Advanced Small to Medium Enterprise of Shenzhen Municipality
2019	Shenzhen Science and Technology Innovation Commission* (深圳市科技創新委員會), Shenzhen Finance Bureau* (深圳市財政局), and Shenzhen Tax Bureau under State Tax Administration* (國家稅務總局深圳市稅務局)	High-tech Enterprise
2018	Toutiao	New Game of the Year

* For identification purpose only

A. ENVIRONMENTAL

A1. Emissions

The Group acknowledges the increasing awareness of the general public and investors towards environmental protection and corporate social responsibilities. As such, we always value the importance of environmental management and commit to environmental protection for the sake of fulfilling the Group's social responsibilities. By formulating the "Environmental Policy", we strive to enhance environmental management via a series of initiatives and adhere to the prevailing applicable environment-related laws and standards, with the aim of minimising the pollution and environmental damage caused by our routine business operation.

The Group keeps abreast of the latest developments in nationwide and local environmental laws and regulations, making them the basis for focusing on strengthening environmental protection measures to comply with the relevant laws and regulations of local authorities and to consistently implement the "Environmental Policy". In 2023, the Group was not aware of any material breach of the relevant laws and regulations regarding the emission of exhaust gas and greenhouse gas, discharges to water and land as well as hazardous and non-hazardous wastes, including but not limited to the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environment Pollution

Caused by Solid Wastes, the Law of the People's Republic of China on the Prevention and Control of Water Pollution and the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, that caused significant impact to the Group (2022: Nil).

Exhaust Gas Emissions

Owing to the Group's business nature, the Group does not use any vehicles in its course of operation. As such, the Group does not directly generate an enormous amount of exhaustive gas and thus does not have corresponding disclosure of relevant policy and data nor set a corresponding target. Nonetheless, the Group remains focused on environmental protection as we conserve energy and reduce waste as much as possible during routine course of operation to minimise exhaust gas emissions. Moreover, the Group promotes environmental protection and sustainable development concepts to staff via multiple channels to enhance their awareness on reducing exhaust emissions.

GHG Emissions

The Group's operations do not have direct GHG emissions from gasoline consumed by vehicles (Scope 1), and its GHG emissions are mainly generated from energy indirect GHG emissions from purchased electricity (Scope 2). In response to increased awareness of climate change, the Group is actively reducing GHG emissions by reducing energy usage, thereby enhancing the Group's reputation. Please refer to the section "Use of Resources — Energy Management" in this ESG Report for more details.

The carbon reduction awareness of employees is enhanced through the implementation of energy saving measures. Set out below is the summary of the Group's GHG emissions performance in 2023:

Indicators[1]	Unit	2023	2022
Scope 1: Direct GHG emissions	tonnes of CO_2 equivalent ("**tCO_2e**")	—	—
Scope 2: Energy indirect GHG emissions	tCO_2e	212.77	208.73
• Purchased electricity	tCO_2e	212.77	208.73
Total GHG emissions	tCO_2e	212.77	208.73
Total GHG emissions intensity	tCO_2e/full-time employee[2]	0.52	0.57

The Group has set an emissions target of maintaining the total GHG emissions intensity for the year ended 31 December 2024 ("**2024**") to be not more than the 2023 baseline, namely 0.52 tCO_2e/full-time employee.

Sewage Discharge

We do not generate a vast amount of sewage as we do not use a large amount of water in our business activities. As the wastewater discharged by the Group is sent to the local sewage treatment plant via the municipal sewage network, the Group's water consumption is considered the same amount as its sewage discharged. The Group's water consumption data will be illustrated in the section "Water Resources Management" under Aspect A2.

1 GHG emissions information is presented in terms of carbon dioxide equivalents on the basis of, including but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by World Resources Institute and World Business Council for Sustainable Development, the "Notice on the Management of Enterprise Greenhouse Gas Emissions Reporting by Power Generation Industry for 2023–2025" promulgated by the Ministry of Ecology and Environment of the PRC, the "Global Warming Potential Values" from the Intergovernmental Panel on Climate Change Fifth Assessment Report, "How to Prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and the "2012 China Regional Power Grid Average Carbon Dioxide Emission Factor" published by the National Development and Reform Commission of the PRC.

2 As at 31 December 2023, the Group had 412 full-time employees. Such figure is also used to calculate other intensity data.

Waste Management

The Group upholds the “3R” principle of reduce, reuse and recycle and is committed to sensibly managing and disposing of the wastes generated from business activities. The Group maintains high standards in waste reduction as well as educates employees on the significance of sustainability by providing them with relevant support to enhance their skills and knowledge in sustainability.

Hazardous Wastes

Due to its business nature, the Group does not generate significant amounts of hazardous wastes in its daily operation and therefore no target has been set in this regard. Nevertheless, we are still devoted to reducing wastes. If any hazardous waste is generated, the Group must engage a qualified chemical waste collector to dispose of such waste in order to comply with relevant environmental laws and regulations.

Non-hazardous Wastes

The major non-hazardous wastes we generate during our operation is paper. In addition to requiring our employees to properly dispose of such office wastes and encouraging them to sort such office wastes before disposal, we also arrange staff to centralise the wastes. With regard to paper consumption in the office, we have implemented the following policies:

- Execute multiple internal administrative procedures that are electronically processed or automated;
- Recycle used paper;
- Avoid printing and copying documents whenever possible; and
- Use double-sided printing or copying whenever possible.

Set out below is the summary of the Group’s non-hazardous waste discharge performance in 2023 and 2022:

Type of waste	Unit	2023	2022
Total non-hazardous waste disposal	kg	261.16	314.39
• Used toner box	kg	6	—
• Paper	kg	255.16	314.39
Total non-hazardous waste disposal intensity	kg/full-time employee	0.63	0.86

The Group has set a waste generation target of maintaining the total non-hazardous waste disposal intensity for 2024 to be not more than the 2023 baseline, namely 0.63 kg/full-time employee. To achieve such target amount of waste generated, we have implemented the following measures to minimise the generation of waste paper:

- Put collection boxes clearly marked with “waste paper” and “reusable paper” in office;
- Prioritise the use of single-sided paper collected in the “reusable paper” collection box for printing and copying;
- Reduce unnecessary printing and copying;
- Print and copy on both sides; and

- Encourage employees to work paperlessly through electronic office systems such as office work automation and emails.

A2. Use of Resources

The Group strictly adheres to relevant local laws and regulations on environmental protection. The "Environmental Policy" has been formulated and the Group works in line with the rules of the office building, in order to achieve energy saving and consumption reduction as well as minimise the negative environmental impact of our business operation.

We review the operation of our business regularly and carry out improvement measures for effective use of resources like water and electricity, reducing or stopping the use of materials that cause wastage or damage to the environment so as to fulfil the goal of higher energy efficiency and reduction of unnecessary consumption of resources.

Energy Management

In daily operation, the major sources of the Group's energy consumption are electricity consumed in office. To uphold the Group's commitment to energy saving and consumption reduction, the Group actively adopts the following measures to reduce consumption:

- Adjust the temperature of the office air conditioner in accordance with real-time weather;
- Use energy saving lights and electrical appliances in the office;
- Light up the corridor at intervals instead of fully on;
- Encourage employees to open curtains to fully utilise natural light and reduce electricity consumption; and
- Remind employees to switch off computers and electronic devices completely outside of office hours or when they are not in use.

The Group reviews the effectiveness of these measures from time to time and make adjustments according to its operation to improve the efficiency of the use of resources. With these energy saving measures, the awareness of employees on energy saving has increased.

Set out below is the summary of the Group's energy consumption performance in 2023 and 2022:

Type of energy	Unit	2023	2022
Direct energy consumption	MWh	–	–
Indirect energy consumption		404	366
• Purchased electricity	MWh	404	366
Total energy consumption	MWh	404	366
Total energy consumption intensity	MWh/full-time employee	0.98	1.00

The Group has set its electricity consumption target in each of the two years ended 31 December 2023 at approximately 430MWh. The Group has achieved the target in 2023 through implementing the above measures. By nurturing a culture of conservation within the Group through various training programmes and related activities, we expect to enhance the electricity conservation awareness of our employees and reduce the electricity consumption of each employee in the future. The Group has set a target of maintaining the total energy consumption intensity for each of the two years ended 31 December 2025 to be not more than the intensity for the current year, namely 0.98MWh/full-time employee.

Water Resources Management

The Group's water consumption is mainly domestic water of the office. The Group does not have any issues in sourcing water that is fit for purpose due to the geographical location of its business.

The Group adopts the following measures to reduce the waste of water resources:

- Maintain water pipes and faucets regularly and inspect any potential leaks in office facilities;
- Store the water discharged from air conditioner for utilization; and
- Restrict the use of water in washroom in accordance with the need for water.

Set out below is the summary of the Group's water consumption performance in 2023 and 2022:

Indicator	Unit	2023	2022
Total water consumption	thousand litre	1,761	1,607
Total water consumption intensity	thousand litre/full-time employee	4.27	4.38

The Group has set its water consumption target for each of the two years ended 31 December 2023 at approximately 1,590 thousand litres. However the target was not achieved in 2023 due to an increase in the total number of employees, which resulted in higher water consumption and reduced intensity. We intend to nurture a culture of conservation within the Group through various training programs and activities promoting water conservation, and continue to reduce water consumption in our operation in the future. The Group has set a target of maintaining the total water consumption intensity for each of the two years ended 31 December 2025 to be not more than the intensity for the current year, namely 4.27 thousand litre/full-time employee.

Use of Packaging Materials

Owing to its business nature, the Group does not have physical products for sale and does not have any factory facilities. Thus, the Group's business does not involve the use of packaging materials.

A3. The Environment and Natural Resources

Despite the fact that the Group's major operations have no significant impact on the environment and natural resources, we, as a responsible corporate, are committed to minimising such negative impact, and assessing environmental risks caused by our operations, so as to formulate relevant "Environmental Policy" measures and make efforts in protecting the environment. The Group is committed to implementing an environmental management system to standardise the Group's management practices and reduce the environmental impact caused by its operation. For any environmental complaints and enquiries, the Group will duly take necessary actions to address any problems or concerns as soon as possible and take preventive measures to avoid recurrence of similar incidents. In addition to adhering to environmental regulations and international standards, we also strive to achieve environmental sustainability by incorporating the concept of environmental and natural resources protection into our internal management and daily operational activities.

Enhance Environmental Awareness

We firmly believe that, in addition to mandating our employees to adhere to the internal environmental measures established by the Group, we must also actively enhance their environmental awareness to effectively elevate our environmental protection standards. As such the Group reviews its own code of conduct, issues environmental guidelines and internal communications to its employees and shares green office and other relevant environmental information from time to time. We will also consider participating in more feasible and appropriate activities with a view to assisting our employees in enhancing their recognition over environment and natural resources as well as promoting and facilitating the change in their behaviors to take the lead in reducing energy and resource consumption.

Manage Value Chain

The Group strives to integrate sustainability considerations into its business activities and extend such principle to its supply chain. The Group's suppliers are stimulated by the enhanced awareness towards environmental issues, environmental practices and professional environmental considerations outlined in the Supplier Code of Conduct. Through collaboration with industry associations and environmental organisations where appropriate, we keep enhancing awareness of environmental issues and promoting environmental practices in the communities in which the Group operates.

A4. Climate Change

The general public is increasingly concerned with environmental impact and climate change. The Group understands the significance of identifying and mitigating any material impact of climate change. The Group's management has adopted the Climate Change Policy and formulated a strategy consistent with the best global practices, with a view to taking sufficient measures to enhance resilience in the face of climate change. Under such policy, the Group has assessed and identified climate-related risks and corresponding opportunities that have an impact on the Group's business. Based on the assessment results, climate risks are incorporated into the corporate risk management process to manage and review climate related risks and seize relevant opportunities. Upon referring to the financial advisory report published by the Task Force on Climate-related Financial Disclosures ("**TCFD**"), the Group has identified the following potential climate-related risks and corresponding management measures:

Physical Risks

In recent years, we have identified short-term environmental risks due to changes in weather pattern caused by environmental impact whereas climate change increases the frequency of extreme weather condition. The disaster caused by extreme weather condition could wreck the Group's information technology facilities, resulting in temporary or long-term shutdowns of the Group's facilities and operations and significant costs to maintain, repair or replace damaged or destroyed facilities. To manage and mitigate such impact, we will use backup facilities in case the operation of the information technology facilities is suspended, including but not limited to backup power supply, backup air-conditioners, backup computers, etc. In the event of prolonged heat condition, the Group's hardware operation team will provide round-the-clock support to minimise the impact, and the Group will communicate with property management companies to carry out cooling work in case of high temperatures.

Meanwhile, extreme weather condition such as rainstorm and flooding may disrupt the work of employees and even cause casualties. In order to minimise the probability of potential accidents for commuting employees, the Group will monitor weather forecasts, issue timely notifications and reminders of extreme weather conditions, and arrange for employees to work from home. The Group will also check the effectiveness of drainage facilities regularly and enhance the emergency response capability of employees by strengthening the implementation and organisation of emergency evacuation and routine emergency rescue drills, with the aim of minimising building damage and personnel injuries caused by flooding.

Given the nature of our mobile game business, we believe that there are only a handful of significant environmental or climate-related risks that could have a material impact on our business, strategy or financial results. However, we will continue to monitor and assess any potential climate-related issues and risks that may affect our business and will duly respond to them to minimise such impact.

Transition Risks

The Group anticipates that there will be more laws, regulations and political policies promulgated in the medium to long term to address environmental impacts and climate change. This may potentially affect the Group's business operation and the Group may be subject to additional restrictions and compliance costs, causing adverse impact to the Group's financial condition and operating results. As a mobile game developer, publisher and operator, having stable power supply is critical to the Group's business operation. The use of resources by the Group may be restricted by the increasingly stringent laws and regulations (such as restrictions on electricity consumption during certain periods), which will affect the Group's future business strategies implementation and long-term growth. To realise sustainable development, the Group intends to conduct further environmental and climate due diligence to ensure that the Group's business activities comply with the requirements. In addition, the Group plans to put more emphasis on climate change issues gradually and communicate with shareholders and relevant stakeholders in the process of transforming into low carbon economy. The Group also plans to purchase more eco-friendly appliances and devices to align with the everchanging environmental and climate standard. The Group will continue to be vigilant to any new requirements of environmental regulations and will engage qualified consultants or legal advisors to advise on how to mitigate the resulting impact.

Moreover, the Stock Exchange has also required listed companies to enhance climate-related disclosures in their ESG reports, which may result in increased compliance costs. Failure to meet the climate change compliance requirements may expose the Group to risks of claims and lawsuits. Corporate reputation may also decline. The Group will regularly monitor existing and emerging climate-related trends, policies and regulations to avoid being exposed to reputational risks due to slow response. The Group will continue to assess the effectiveness of the Group's actions to address climate change and enhance its resilience against climate-related issues.

B. SOCIAL

B1. Employment

As a talent-driven company, the Group's success depends on its ability to attract, retain and motivate talents. We believe that, by providing employees with competitive salary package, comprehensive training, attractive prospects and a friendly working environment, we are able to maintain a stable management team and foster a growing employee culture. We are therefore committed to creating a positive, healthy working environment and atmosphere for our employees.

The Group has established rules and procedures in areas of, among others, recruitment, promotion, compensation, benefits, rest time and termination, and set up guidelines such as "Manual for the Management of Employee Working Hours and Leaves", "Manual for Comprehensive Performance Evaluation", "Manual for the Management of Employee Entry and Exit, Employment Confirmation and Personnel Changes" and "Manual for Remuneration and Benefits" to safeguard employee rights. All these measures are designed to provide a legal and safe employment environment for each of our employees to grow with the Group and achieve their career goals.

The Group has complied with the relevant laws and regulation on compensation and termination, recruitment and promotion, working hours, leaves, equal opportunities, diversity, anti-discrimination and other treatments and benefits. In mainland China, we complied with the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Women's Rights and Interests and the Labour Union Law of the People's Republic of China. We also complied with laws and regulations of Hong Kong, including but not limited to The Employment Ordinance, Employees'Compensation Ordinance, Mandatory Provident Fund Schemes Ordinance, Sex Discrimination Ordinance, Disability Discrimination Ordinance, Family Status Discrimination Ordinance and Race Discrimination Ordinance. During the Reporting Period, the Group was not aware of any material incidents involving the violation of local laws and regulations in related to employment (2022: Nil).

As at 31 December 2023, the Group had a total of 412 employees (2022: 370 employees) with the following breakdowns:

Indicator	2023		2022	
	individuals	percentages	individuals	percentages
By Gender				
Male	315	76.46%	283	76.49%
Female	97	23.54%	87	23.51%
By Age Group				
<30	266	64.56%	224	60.54%
30–50	146	35.44%	146	39.46%
>50	—	—	—	—
By Geographical Region				
Mainland China (Shenzhen)	276	66.99%	254	68.65%
Mainland China (Chengdu)	130	31.55%	116	31.35%
Hong Kong	6	1.46%	—	—
By Employment Type				
Full-time	411	99.76%	367	99.19%
Part-time	1	0.24%	3	0.81%

Recruitment, Promotion, Remuneration and Termination

The Group values talents and regards its employees as its most valuable and crucial assets. In the recruitment and promotion process, the Group adheres to the principle of "meritocracy" in a view to provide sufficient talent reverse for each of its business and enhance their competitivity. The Group's considerations in staff recruitment and promotion are based on the mechanism and evaluation standards set out in the "Comprehensive Manual for Employee Evaluation and Management", which include educational background or training, working experience, their motivation and personality, as well as our job vacancies and business needs. Pursuant to the "Manual for the Management of Employee Ranking, Compensation and Benefits", the Group determines the remuneration package, which include, among others, basic salary, performance bonus and promotion opportunity, after an employee performance appraisal in accordance with their job scope, qualifications, performance, achievements and market conditions. At the same time, the Company also commends outstanding employees every year and offer the awards like "Golden Globe Award (Outstanding Individual)", "Outstanding Service Award", "Outstanding Development" and "Outstanding Newcomer" to enhance their sense of achievement and honour.

We have standard contract with all employees. In accordance with the requirements of PRC laws and regulations, we have participated, for our employees, in various employee social security programs, including housing, retirement, medical and unemployment insurances administrated by the local governments. We are required to contribute a specified percentage of employees' salaries, bonuses and certain allowances to the employee benefit plans, up to the maximum amount prescribed by the local government from time to time. The arrangements for working hours and leaves are specified in the respective employee's labour contract and the "Manual for the Management of Employee Working Hours and Leaves". In addition, the Group complies with the guidelines of relevant employment rules in case of employment termination, which will be handled in accordance with procedures, and the dismissed employee will be provided with reasonable compensation. The relevant provisions and procedures for the termination of employment relationship are set out in the "Manual for the Management of Employee Entry and Exit, Employment Confirmation and Personnel Changes".

During the Reporting Period, the Group had an employee turnover rate[3] of 18.69% (2022: 18.65%) with the following breakdowns:

Employee Turnover Rate by Category[4]	2023	2022
By Gender		
Male	**19.68%**	20.85%
Female	**15.46%**	11.49%
By Age Group		
<30	**19.55%**	17.86%
30–50	**17.12%**	19.86%
>50	**—**	—
By Geographical Region		
Mainland China (Shenzhen)	**23.91%**	20.47%
Mainland China (Chengdu)	**7.69%**	14.66%
Hong Kong	**16.67%**	0

Equal Opportunity, Diversity and Anti-discrimination

Recognising the values of a diverse and professional talent team, the Group is committed to creating and maintaining an inclusive and cooperative working culture that allows everyone to reach their full potential. The Group endeavors to provide equal opportunities and fair treatments to all employees in all aspects of employment, and ensures that no employee is discriminated on the basis of race, colour, religion, place of origin, gender (including pregnant women), sexual orientation, age, disabilities, retired soldiers and other characteristics protected by law. The Group prohibits any form of harassment (including physical or verbal harassment, harassment from superiors or non-superiors or non-employees). To ensure that all employees enjoy fair and equal protection, the Group has zero tolerance to any form of sexual harassment or bullying in the workplace.

In case of any instances of discrimination and harassment, employees can report to their supervisors. The report will be taken carefully and seriously by the Group. Subject to legal and corporate investigation requirements, employee supervisors and the Group will endeavour to protect the identity of the complaint. If harassment or discrimination is identified during the investigation, the Group will take immediate corrective actions, which may include corporation internal punishment and dismissal. The Group strictly prohibits retaliation against employees for valid report.

Communication Channels

The Group attaches great importance to employee communication. We have therefore set up diverse communication channels, which include, among others: employee suggestion forms, suggestion boxes, suggestion surveys and regular management communications, and encouraged employees to raise their opinions and regularly evaluated the employees' working performance. Through the above measures, we promote exchanges between management and employees, as well as to improve corporate policy in terms of operation and management, thereby increasing business efficiency. Besides, we organize group activities. In order to encourage employees to exercise, we launched the "Sports Punch" activity. Employees who punch in more than 6 times a month will have the opportunity to participate in the annual fitness prize draw, and the probability of winning is directly linked to the number of punch-ins. We carry out sports activities such as basketball games and football games from time to time, and send holiday wishes and benefits to employees on major festivals. In addition, we hold group activities such as birthday parties and dinners to enhance communication among employees and raise their sense of belonging to our Group.

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3 The overall employee turnover rate is calculated by dividing the number of employees left during the year by the number of employees at the end of that year.

4 The employee turnover rate of each category is calculated by dividing the number of employees left in the specific category during the year by the number of employees in that category at the end of that year.

B2. Health and Safety

The Group's business operations do not involve high-risk activities. Regarding occupational health and safety as one of our top priorities, we strive to provide a safe and secure working environment for our employees' safety. In accordance with industry practices and regulatory requirements, we have formulated the "Health and Safety Policy" to provide framework and set out detailed guidelines for work safety, thereby ensuring the hygiene and tidiness of the Group's internal environments. Our offices are equipped with comprehensive security and fire safety systems for the purpose of eliminating potential workplace hazards to health and safety and strictly ensuring workplace safety.

In addition, we organise fire safety training activities annually for our staff to familiarize them with evacuation procedures and precautions, escape drills, the use of fire extinguishers, etc. For workplace facilities, we conduct monthly fire safety inspections and assessments to eradicate all fire hazards in the workplace.

We strictly complied with the relevant laws and regulations on providing safe working environment and preventing occupational hazards, including but not limited to the Safety Production Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases and the Fire Control Law of the People's Republic of China.

During the Reporting Period, the Group had no working day lost due to work-related injuries (2022: Nil), and there were no work-related fatalities during the past three years including the Reporting Period.

B3. Development and Training

The Group strongly believes that employees contribute to the sustainable development of the Group and maintain the core values and competitiveness of the Group. Therefore, talent retention and teamwork are key to long-term development. The Group is committed to enhancing the professional knowledge and skills of our employees and promoting their personal growth and development. At the same time, we also encourage our staff to discuss their career advancement and development goals with the management and to attend business-related training, etc. To encourage development, the Group conducted an annual staff appraisal at the end of the year. Promotion and training opportunities are offered according to the performance and responsibilities of our employees.

In accordance with the "Manual for the Management of Employee Entry and Exit, Employment Confirmation and Personnel Changes", the Group provides pre-job training to all new hires, including introduction to our corporate culture, products and the Group's systems and procedures. During their probationary period, assigned trainers will conduct one-on-one coaching and evaluation according to the "GALA SPORTS Pre-job Training Guideline Sheet for New Hires" to enable them to promptly adapt to their roles under the Group. From time to time, the Group also holds sharing sessions related to the mobile game business, with themes such as animation effects, performance testing, design of business data tables and data processing to facilitate communication among employees. To enhance corporate governance, the Group regularly participates in training seminars on topics such as compliance and corruption prevention.

During the Reporting Period, the percentage of employees trained[5] of the Group was approximately 38.11% (2022: 34.86%) and the average training hours completed per employee[6] was approximately 0.96 hours (2022: 0.70 hours). The increase in training hours this year as compared to last year is attributable to the fact that we have placed more emphasis on employee training and have continued to step up our training efforts during the year. The breakdown of the employees trained by gender and employee category and their average training hours are as follows:

Indicators	Percentage of employees trained[7]		Average training hours[8]	
	2023	2022	**2023**	2022
By Gender				
Male	**40.32%**	32.86%	**1.09**	0.66
Female	**30.93%**	41.38%	**0.52**	0.83
By Employee Category				
Senior staff	**31.11%**	14.71%	**0.58**	0.29
Intermediate staff	**36.52%**	31.88%	**1.02**	0.64
Junior staff	**47.06%**	47.66%	**0.93**	0.95

B4. Labour Standards

The Group strictly complies with the relevant laws and regulations relating to the prevention of child labour or forced labour, including but not limited to the Regulations on the Prohibition of Child Labour, the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China. The Group's human resources department is responsible for keeping abreast of the requirements of the latest labour laws and regulations and ensuring that such requirements are reflected in its current operations.

The Group has formulated the "Manual for the Management of Employee Entry and Exit, Employment Confirmation and Personnel Changes" to regulate the personnel process. During the recruitment process, the Group will require all applicants to provide identity documents and be interviewed by the hiring department, the human resources department and the relevant responsible person. Upon employment, the human resources department will handle the entry procedures for new employees. If anyone is found to have submitted false information, the Group has the right to terminate the labour relationship immediately without any financial compensation. In response to work requirements, the Group encourages employees to actively negotiate with their supervisors to arrange overtime hours in order to avoid violating labour standards and to safeguard the rights and interests of employees. In accordance with the "Manual for the Management of Employee Working Hours and Leaves", employees who work overtime for a certain period of time can be compensated by food and beverage allowances, fare subsidies and/or time off in lieu.

Recruitment and personnel procedures are strictly monitored in accordance with the Group's human resources policies to eliminate any employment of child or forced labour and any form of discrimination on the grounds of race, religion, age or disability. If any child labour or forced labour is discovered, our Group shall seek legal advice and take corrective measures immediately.

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5 The overall percentage of employees trained was calculated by dividing the total number of employees trained during a year by the total number of employees at the end of that year.

6 The average training hours completed per employee were calculated by dividing the total training hours during the year by the total number of employees at the end of that year.

7 The percentage of employees trained by category was calculated by dividing the number of employees trained in the specified category during the year by the number of employees in that category at the end of that year.

8 The average training hours of employees by category were calculated by dividing the total training hours of employees in the specified category during the year by the number of employees in that category at the end of that year.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to the prevention of child labour and forced labour, nor were there any incidents of discrimination on the grounds of race, religion, age, disability, etc. (2022: Nil).

B5. Supply Chain Management

The Group works with a wide range of business partners, and product and service providers that meet its standards and quality requirements, including primarily third-party distribution platforms, third-party publishers, advertising and marketing service providers, server providers and IP rights holders. Recognising its wide influence, the Group has developed the "Supplier Code of Conduct" as a guide for its business partners and suppliers with reference to international norms, and encourages them to comply with the terms of the code to bring about greater improvements in sustainable practices and performance for its business partners and suppliers and the communities it serves.

During the Reporting Period, the Group has a total of 97 suppliers (2022: 74 suppliers). The number of suppliers by geographical region is as follows:

By Geographical Region	Unit	2023	2022
Mainland China	Suppliers	**72**	36
Overseas	Suppliers	**25**	38
Total Number of Suppliers	Suppliers	**97**	74

Procurement Mechanism

The Group selects business partners and suppliers based on the criteria set out in the "Procurement Management Standards" and the "Supplier Code of Conduct", works with those who follow best practices and encourages them to act in accordance with the highest standards of ethical conduct and professionalism. The Group is concerned about the integrity of its suppliers and partners and will only select suppliers and partners with good business records in the past and without any serious irregularities or violations of business ethics.

Our Group prescribes transparent procurement procedures for selecting suitable suppliers in a fair, impartial and open manner, and has applied supplier engagement practices for all suppliers within the reporting scope. Our Group's procedures ensure fair competition during our procurement, including adopting objective selection criteria. These procedures protect the interests of both our Group and the supplier. Our Group's procurement considerations, including but not limited to service quality, pricing and delivery time, aim to reduce procurement risk and enhance procurement efficiency. In accordance with the "Code of Ethics", employees are careful to protect the objectivity when dealing with suppliers. Employees will not accept or require suppliers or potential suppliers to provide benefits that could harm/endanger employees' objective assessment of the suppliers' products and prices.

Responsible Operations

The Group expects its suppliers to meet its environmental, social, corporate governance and business ethics standards. The Group reiterates the importance of complying with all local and national laws and avoiding all forms of corruption and bribery. Accordingly, the Group's business partners and suppliers are required to implement anti-corruption policies and programmes and to verify compliance with such policies and programmes. In order to uphold the rights and dignity of employees, the Group also extends its labour standards for the protection of employees' rights to its business partners and suppliers and encourages them to comply with relevant laws and standards. In addition, the Group encourages its business partners and suppliers to take into consideration the risks posed by climate change to their operations and to actively mitigate the impact on the environment.

Before entering into any long-term business relationship with potential suppliers, the Group will assess the environmental and social risks of suppliers' operations and business to ensure that suppliers comply with trade laws, relevant environmental and social regulations and other standards, and to examine suppliers' awareness in the above aspects, so as to identify and strive to minimise potential environmental and social risks in the supply chain.

The Group is aware of the indirect impact of environmental performance in its value chain and investments, and is committed to integrating sustainability considerations into its business activities and taking responsibility for the impact of climate change. The Group gives preference to suppliers using environmentally friendly products and services in its selection process and invites them to follow the standards, practices and principles outlined in the "Supplier Code of Conduct" and in the "Environmental Policy". The Group will continue to regularly review the performance and environmental and social standards of suppliers in its supply chain. If any serious violation of laws and regulations is found, the Group will terminate the contracts with these suppliers.

B6. Product Responsibility

As a mobile sports game developer, publisher and operator in the PRC, our business model is based on developing, launching, publishing, operating and monetising our games. We regularly introduce game upgrades and updates to incorporate the changing dynamics of real world sports players and teams to cater for the appeal from users and to maintain our competitive edge in the mobile sports game industry. We are proactive in ensuring that we maintain high service standards and product quality through internal controls. We are in constant communication with our customers to ensure that we understand and meet their needs and expectations, and are keen to understand customer satisfaction in order to continually improve the quality of our services.

The Group strictly complies with the relevant laws and regulations regarding health and safety, advertising, labelling and privacy matters and remedies for the products and services provided, including but not limited to the "Consumer Rights Protection Law of the People's Republic of China", the "Advertising Law of the People's Republic of China", the "Interim Measures for the Administration of Internet Advertising", the "Patent Law of the People's Republic of China", the "Personal Information Protection Law of the People's Republic of China", the "Data Security Law of the People's Republic of China", the "Regulation on Telecommunications of the People's Republic of China", the "Regulation on Internet Information Service of the People's Republic of China", the "Regulations on the Administration of Publication" and the "Provisions on the Administration of Online Publishing Services".

During the Reporting Period, the Group was not aware of any material issues that violated the relevant laws and regulations which had a material impact on the Group (2022: Nil).

R&D and Innovation

In the process of game development, we usually go through the stages of game production and public testing. After completion of public testing, we would publish the game through self-publishing and third-party publishing officially.

On average, we have 17 to 47 developers per project, the team members of which comprise members from our various departments, including art, front-end and back-end development and testing. During the game production process, the front-end development engineers would develop a basic demo version where the core gameplay and preliminary artistic and audiovisual effect are developed. Such basic demo version would be passed to testing by the testing engineers. During this process, the testing engineers would continuously try out the game in all aspects and provide feedback on game functionalities and their in-game experience to the other team members to refine the designs, resolve technical issues and fix programme bugs.

After game production phase and the game has completed relevant registration procedures, we would conduct a few rounds of public testing for the game with the involvement of external users. We closely keep track of the key game and user data and analyse the data on a real-time basis. We also actively gather users' feedback through market surveys, discussions in our user community and communication with third-party distribution platforms. Through such analysis, we are able to pre-assess the market reaction and financial performance of our games and further optimise the games as necessary before officially launching the game.

Our game portfolio and user base are supported by a stable network infrastructure. All of our game products involve real-time interaction, requiring our server network to respond promptly with low latency. We have a dedicated team constantly monitoring the performance and security of our servers.

Regulatory Obligations

Due to the nature of the mobile games business, the Group is not required to recall products for health and safety reasons, nor is disclosure of product recall procedures applicable. However, the health and safety of users is still of great relevance to the Group's business and is an important part of the Group's product liability.

Pursuant to the implementation of the Notice on Further Strengthening Regulation to Effectively Prevent Online Gaming Addiction among Minors which was issued on 30 August 2021 and took effect on 1 September 2021, all online game companies (including platforms providing online game services) shall actively guide families, schools and other social parties to create a good environment conducive to the healthy growth of minors, to perform the guardianship duty to minors, to strictly enforce on minors the rules on the time frame and duration of playing online games, etc. Our Group has established the minor protection mechanism and player age restriction according to the "Law of the People's Republic of China on the Protection of Minors" and the "Notice of Preventing Minors from Indulging in Online Games by the National Press and Publication Administration", and has implemented the following minor protection measures or made appropriate arrangements with the relevant third-party distribution platforms in relation to minor protection measures.

Pursuant to the minor protection laws and regulations in the PRC, users are required to submit their identification number to the Anti-addiction and Real Name Authentication System for Online Games operated by the relevant government authorities in the PRC (the "**Anti-addiction and Real Name Authentication System**") which would automatically verify the users' identity and decipher the users' age based on the compilation of the identification number (the "**Real-name Registration**"). Our Group has integrated our in-game system with the Anti-addiction and Real Name Authentication System in order to complete the Real-name Registration for users who downloaded and registered for our games through our official website and third-party publishing platforms, to implement the anti-addiction control measures.

Further to the Real-name Registration, a series of anti-addiction control measures shall be implemented, including but not limited to "Anti-addiction System on Games" and "Parental Guardianship System for Minors", to monitor users under the age of 18, restrict users from playing continuously for a long period of time, and limit the top up amount per time to prevent minor users from becoming addicted.

Customer Service

The Group is committed to providing competitive products and services to our customers through standardised service quality, user-friendly service processes and normalised service management. We value the needs of our customers and use their feedback as the basis for improving our business.

Through an in-game customer service system, users are able to provide feedback through text communication and the system will handle it according to an established process. Once users have a problem, they can submit the problem online via the in-game customer service. The system will decide whether it is a system bug, consultation or suggestion through user questions. If it is an enquiry or suggestion, the system will reply directly to users in the customer service system based on the users' content. If there is a bug, the project team will first confirm the situation and then, based on what the project team confirms, customer service and operations will confirm the solution and whether to compensate. Finally, users will be informed of the situation through the customer service system, compensation will be paid if there is any, and the handling process will be closed.

During the Reporting Period, the Group received no material complaints about its game products (2022: Nil).

Cybersecurity

The security and stability of our technology infrastructure is critical to the sustainability of our game operations, user experience and reputation. Internally, we require our employees to use the Internet in accordance with the guidelines of "User Manual for Online Behaviour Management System" issued by Sangfor Technologies to ensure configuration compliance and network security. We have developed cybersecurity systems to safeguard against distributed denial-of-service attack and other types of malicious attacks. We have anti-attack measures in place to ensure that we can prevent or effectively and timely resolve the system attacks as follows:

- Engaged external cybersecurity service provider as further safeguard to our network infrastructure and to provide remedial responses once any problem is identified;
- Leased reputable cloud service servers to collectively host, manage and process all of our non-core operating data, which act as a gatekeeper to prevent direct on-premises data access to our locally saved core data;
- Implemented protection and security measures against computer virus and hacking of systems and continue to strengthen such measures, such as establishing advanced firewall policy;
- Formulated and adhered to a discreet data back-up protocol to prevent data loss;
- Conducted regular tests and exercises to monitor the effectiveness of our emergency action plan when confronting external attacks; and
- Imposed clear segregation between our internal system and external system to minimise the risk of internal attacks.

Once a material attack is detected, the cybersecurity service provider will alert us immediately and our technical team will promptly coordinate with it to diagnose and resolve the problems.

There were no malicious attacks on the Group during the Reporting Period (2022: Nil).

Privacy Protection

As a game operator, after a game is published, the Group will monitor and analyse the game performance and operation against user data and statistics on an ongoing basis in order to gain insights into user behaviors. Through devoted endeavours in optimising game operation, the Group believes that these efforts would help enhance user engagement so as to retain and attract both the existing users and new users. The protection of user data privacy is therefore of particular importance to the Group. The Group has established and implemented the "Privacy Policy" and the "Game License and Service Agreement", which are published on the Company's website, to explain to users the corresponding handling rules and other related matters when we collect and use relevant personal information in order to better protect their rights and interests. These policies also set out the "Privacy Protection Policy for Children" specifically for minors so that minors and their parents or guardians can understand the terms and conditions and their rights and interests.

The Group complies with the relevant laws and regulations on data privacy and protection in its business operations, which include (i) data collection upon user consent; (ii) limiting scope of personal data collection on a necessary basis; (iii) restricting access of user data to authorised employees and providing them with regular refresher training courses; and (iv) engagement with qualified cybersecurity service provider and cloud service server providers to ensure safeguard of data security. We also organise training courses on security and privacy protection regularly to enhance our employees' understanding and awareness of the importance of user data protection.

The Group did not receive any material complaints regarding privacy protection during the Reporting Period (2022: Nil).

IP Rights

There is a mutual inter-dependence between the IP right holders and game developers as the lifespan and success of a mobile sports simulation game largely depends on having procured, renewed and successfully integrated the IP right licenses into the game. The protection of IP rights is therefore vital to our business.

The Group strives to maintain stable business relationship with these IP right holders and believes that this valuable and strategic relationship with IP right holders, including renowned sports league, sports associations and sports clubs, will continue to enable us to foster the Group's ability to further enhance and create realistic and appealing content of our mobile sports games. Apart from protecting its own IP rights, the Group also respects other licensed IP rights in use and ensures that all IP rights in use are properly licensed.

Some of our IP rights are in the form of software copyrights, trademarks, patents and domain names. As of 31 December 2023, the IP rights owned by the Group are summarised below:

Category	**2023**	**2022**
Registered trademarks	26	26
Registered software copyrights	76	65
Registered patents	1	1
Registered domain names	5	5

Employees are also responsible for protecting the Group's IP and other business assets, as the security of IP is of great importance to the Group. To protect IP rights, the Group enters into "Confidentiality Agreements" with key employees when entering into labour contracts with them and includes provisions on the protection of IP rights in the "User Agreements" to ensure that they are aware of the legal liability for infringement. The Group strives to protect IP rights from infringement or misappropriation through the measures taken, and to avoid major disputes and claims relating to the IP rights of others.

The Group did not commit any material infringement of IP rights owned by third parties during the Reporting Period (2022: Nil).

Advertising and Labelling

As our business continues to grow, the Group believes that effective promotion and marketing strategies are essential for the Group to maintain the popularity of its existing games and attract new users, in particular, for the new games that the Group plans to launch. In order to continue promoting existing games and new games that the Group plans to launch and implement this strategy, the Group plans to increase its marketing efforts and actively promote games through advertising on various online social media platforms. The Group plans to collaborate with selected famous athletes, online influencers or key opinion leaders by engaging them to promote the Group's games by attracting potential users to download and try the Group's games. Pursuant to the brand ambassador agreements, they would appear on the Group's official social media channels and other video streaming platforms to promote the Group's games and livestream their gameplay.

The Group strictly complies with the "Notice on Strengthening the Regulation on Promotional Activities of Online Games" issued by the Ministry of Culture, conducts lawful marketing and is self-conscious of resisting illegal and non-compliant behaviors and vulgar marketing. We will also strictly review the products and services provided and the relevant sales, marketing and advertising strategies and materials to prevent misrepresentation or misleading publicity and ensure that they comply with applicable laws and regulations. We will also remind all employees of their obligations and responsibilities to safeguard the brand of the Group.

B7. Anti-corruption

The Group believes that a clean corporate culture is the key to our continued success and therefore we place great emphasis on anti-corruption efforts and institutional development and are determined to eliminate any corrupt practices. The Group is committed to the highest standards of business ethics in its operations, and does not tolerate any form of corruption, such as bribery, extortion, fraud or money laundering. The Group strictly complies with the relevant laws and regulations regarding the prevention of bribery, extortion, fraud and money laundering in all material aspects, including but not limited to the provisions of the Criminal Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China and the Anti-Unfair Competition Law of the People's Republic of China, and has also formulated the "Measures for the Administration of Anti-Money Laundering and Corruption" within the Company.

During the Reporting Period, the Group was not aware of any material non-compliance with the laws and regulations relating to the prevention of bribery, extortion, fraud and money laundering, nor were there any concluded corruption litigation cases (2022: Nil).

Disclosure on Conflict of Interest

In accordance with the "Code of Ethics", the Group requires employees to disclose any situation that may create a conflict of interest. For example, when dealing with customers or suppliers, appropriate business gifts and hospitality are a courtesy to build relationships and understanding with business partners. However, gifts and hospitality should not compromise or be deemed to compromise employees' ability to make objective and fair business decisions. Promotional items or mild hospitality may be given or received by employees within the scope of usual business practices and should be recorded on expense reports and should not exceed reasonable and customary business practices which may be interpreted as bribes, kickbacks or other improper payments.

Prevention of Corruption and Money Laundering

To safeguard the integrity and credibility of the Group, the Group requires all employees to abide by professional ethics and prohibits any form of corruption, money laundering and terrorist financing activities. The Group has formulated the "Measures for the Administration of Anti-Money Laundering and Corruption" to regulate anti-money laundering efforts, enhance the Group's ability to prevent money laundering risks, as well as to ensure normal business order and maintain fair competition.

The operations department of the Group is responsible for the formulation of anti-money laundering activities in the game operation business, including customer identification, verification, registration, maintenance of customer identification information and transaction records. Prior to accepting a customer's business application, if the customer service centre finds the identity of the customer or the transaction suspicious, it should report to the operations department, and the matter will be handled in a timely manner and reviewed by the finance department. If a transaction is suspected of money laundering, the finance department will report the transaction to the anti-money laundering authority and, if necessary, make a written report to local public security authority.

In order to ensure that members of the Group follow the standards of business ethics, the Group arranges relevant annual training for Directors and employees upon their employment, which includes distributing policies and procedures on anti-corruption to them. During the Reporting Period, the Group has held anti-corruption trainings for and disseminated relevant guidelines to 3 Directors (2022: 3 Directors) and 409 employees (2022: 364 employees) to communicate anti-corruption policies and procedures as well as to familiarise them with their corresponding roles and responsibilities in anti-corruption and business ethics in order to enhance their professional conduct.

Whistleblowing Mechanism

Employees are obliged to report any suspected conflict with the Group's ethical standards or suspected violations of the "Code of Ethics" or laws. Employees may first contact their supervisor for assistance or send an email to the designated reporting mailbox. Employees who report do not need to leave their names or other personal information and the confidentiality of the whistleblower's identity will be reasonably assured during the investigation. All reports will be taken seriously. The Group prohibits retaliation against employees who seek help or report known or suspected violations of the code. Any retaliation against employees who seek help or report known or suspected violations of the code may result in disciplinary action, including dismissal.

B8. Community Investment

As one of the important tenets of our business, we aspire to be a socially responsible company that gives back and brings benefit to the community and society. While engaging in charity may incur additional expenses in the short term, we believe these activities instill a sense of pride and responsibility in our employees and help foster positive reputation of our Group in the long term.

We encourage and support our employees to participate in volunteer services outside of work, and have formulated a "Community Investment Policy" for our employees to participate in environmental protection and social services activities. We hope that through participation in community activities, our employees can contribute personally to the community, thereby enhancing their sense of caring and cultivating their sense of social responsibility. We plan to participate in charity activities, both online and offline, covering important social issues in China, including natural disasters relief, poverty alleviation, education and healthcare donation.

On 23 May 2023, Mr. Jia Xiaodong, chief executive officer of the Company, participated in the "Unicorn Day" event held by the Hong Kong University of Science and Technology as the founder of a Unicorn enterprise and an alumnus. The event lasted for a whole day, and nearly one hundred of entrepreneurs who graduated from the Hong Kong University of Science and Technology exchanged views and explored cooperation opportunities with approximately six hundred industry delegates, potential investors, academics and government officers. At the event, Mr. Jia shared his entrepreneurial journey and the Company's goal of creating sports games with better user experience and more forms of interaction. Mr. Jia also expressed the Company's intention to attract graduates from Hong Kong who are interested in the game industry, to promote the employment and development of graduates. "University students in Hong Kong have a great international perspective, strong English skills, and are believed to be able to assist in launching international exchange and research projects", he said.

Looking ahead, the Group will seek to collaborate with different charitable and philanthropic organisations to always be mindful of the difficulties and needs of the community and the underprivileged. We will continue to exert our social influence and proactively give back to the community with a view to promoting social harmony.

CONTENT INDEX TO THE ESG REPORTING GUIDE OF STOCK EXCHANGE

Compulsory Disclosure Requirement	Section/Declaration
Governance Structure	Sustainability Governance Structure
Reporting Principle	About the Environmental, Social and Governance Report — Reporting Framework
Report Scope	About the Environmental, Social and Governance Report — Reporting Scope

Aspect, General Disclosure and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions — Exhaust Gas Emissions (Not Applicable — Explained)
KPI 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).	Emissions — GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions — Waste Management (Not Applicable — Explained)
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions — Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions — GHG Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions — Waste Management

Aspect, General Disclosure and KPIs	Description	Section/Declaration
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI 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).	Use of Resources — Energy Management
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources — Water Resources Management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources — Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources — Water Resources Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources — Use of Packaging Materials (Not Applicable — Explained)
Aspect A3		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources — Enhance Environmental Awareness, Manage Value Chain
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change — Physical Risks, Transition Risks

Aspect, General Disclosure and KPIs	Description	Section/Declaration
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment — Recruitment, Promotion, Remuneration and Termination
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety
Aspect 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
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training

Aspect, General Disclosure and KPIs	Description	Section/Declaration
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management — Procurement Mechanism
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management — Responsible Operations
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management — Responsible Operations
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility — Regulatory Obligations (Not Applicable — Explained)
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility — Customer Service

Aspect, General Disclosure and KPIs	Description	Section/Declaration
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility — IP Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility — R&D and Innovation
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility — Cybersecurity, Privacy Protection
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption — Disclosure on Conflict of Interest, Prevention of Corruption and Money Laundering, Whistleblowing Mechanism
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption — Prevention of Corruption and Money Laundering
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

Deloitte. 德勤

TO THE SHAREHOLDERS OF GALA TECHNOLOGY HOLDING LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Gala Technology Holding Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 89 to 135, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory 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 ("**HKSAs**") 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition — estimation of average expected playing period of paying players ("Player Relationship Period") in the Group's self-development game revenue	
We identified the estimation of the average expected Player Relationship Period in the Group's self-development game revenue as a key audit matter due to the significant estimation and the management's judgement. As disclosed in note 6 to the consolidated financial statements, the Group's revenue from self-development games for the year ended 31 December 2023 amounted to RMB633,633,000, which was mainly derived from the sales of in-game virtual items.	Our audit procedures in relation to address the estimation of average expected Player Relationship Period in the Group's self-development game revenue included: — Understanding management's assessment processes in determining the average expected Player Relationship Period and assessing the reasonableness and appropriateness of management's judgements and estimations made; — Evaluating the relevant key controls over management's estimation of the average expected Player Relationship Period for each game;

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
The Group recognises the revenue from sales of in-game virtual items rateably over the management's estimation of the lifespans of the in-game virtual items with reference to the average expected Player Relationship Period, given there is an implicit obligation of the Group to maintain and allow access to the self-development games for the paying players.	— Obtaining the calculations of the average expected Player Relationship Period for each game prepared by the management and engaging our internal information technology specialists to evaluate, on a sample basis, the reliability of assumptions and key inputs used in the estimation of average expected Player Relationship Period of each game; and — Testing the integrity and arithmetic accuracy of the calculations of average expected Player Relationship Period of each game.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 29 March 2023.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 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.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of 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 judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chung Chi Man.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 March 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTES	Year ended 31 December 2023 RMB'000	2022 RMB'000
Revenue	6	633,633	637,886
Cost of revenue		(288,977)	(304,822)
Gross profit		344,656	333,064
Other losses, net	7	(4,010)	(4,463)
Other income	8	21,303	12,352
Selling and marketing expenses		(129,506)	(173,200)
General and administrative expenses		(45,617)	(56,023)
Research and development expenses		(109,231)	(86,976)
Impairment loss under expected credit loss model, net of reversal		(246)	(1,856)
Finance cost	11	(4,593)	(677)
Profit before tax	9	72,756	22,221
Income tax credits (expenses)	12	1,479	(8,752)
Profit for the year		74,235	13,469
Other comprehensive income for the year			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		2,670	—
Total comprehensive income for the year		76,905	13,469
Profit (loss) for the year attributable to:			
— Owners of the Company		74,203	13,525
— Non-controlling interests		32	(56)
		74,235	13,469
Total comprehensive income (expense) attributable to:			
Owners of the Company		76,873	13,525
Non-controlling interests		32	(56)
		76,905	13,469
Earnings per share for profit attributable to owners of the Company (RMB per share)			
— Basic and diluted	13	0.54	0.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

		As at 31 December	
	NOTES	2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	4,235	6,633
Right-of-use assets	17	4,009	10,747
Intangible assets	18	92,884	39,674
Prepayments, deposits and other receivables	20	5,707	5,907
Deferred tax assets	25	2,358	3,598
		109,193	66,559
Current assets			
Trade receivables	19	33,371	43,023
Prepayments, deposits and other receivables	20	34,458	11,660
Financial assets at fair value through profit or loss ("**FVTPL**")	21	41,837	—
Contract costs	24	8,148	16,452
Cash and cash equivalents	22	300,411	232,566
		418,225	303,701
Total assets		527,418	370,260
EQUITY AND LIABILITIES			
Capital and Reserve			
Share capital	23	1,186	8
Share premium		130,891	—
Other reserves		94,171	84,588
Retained earnings		106,180	38,890
		332,428	123,486
Non-controlling interests		(840)	(872)
Total equity		331,588	122,614

AT 31 DECEMBER 2023

	NOTES	As at 31 December 2023 RMB'000	2022 RMB'000
Non-current liabilities			
Trade payables	26	45,774	15,083
Other payables	27	52	466
Lease liabilities	17	330	4,475
		46,156	20,024
Current liabilities			
Trade payables	26	78,106	44,121
Other payables and accruals	27	31,959	50,396
Contract liabilities	24	30,707	49,633
Current income tax liabilities		4,572	7,428
Lease liabilities	17	4,330	6,651
Financial liability at FVTPL	21	–	69,393
		149,674	227,622
Total liabilities		195,830	247,646
Total equity and liabilities		527,418	370,260
Net current assets		268,551	76,079
Total assets less current liabilities		377,744	142,638

The financial statement on pages 89 to 135 were approved by the Board of Directors on 28 March 2024 and were signed on its behalf by:

JIA Xiaodong
DIRECTOR

LI Xin
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to owners of the Company								
	Share capital RMB'000	**Share premium** RMB'000	**Statutory reserves** RMB'000 (note i)	**Translation reserve** RMB'000	**Other reserves** RMB'000 (note ii)	**Retained earnings** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
At 1 January 2022	8	–	23,319	–	56,236	29,629	109,192	(1,879)	107,313
Profit/(loss) and other comprehensive income/(expense) for the year	–	–	–	–	–	13,525	13,525	(56)	13,469
Appropriation to statutory reserves	–	–	4,264	–	–	(4,264)	–	–	–
Acquisition of non-controlling interests in a subsidiary	–	–	–	–	(2,103)	–	(2,103)	1,063	(1,040)
Share-based compensation	–	–	–	–	2,872	–	2,872	–	2,872
At 31 December 2022	8	–	27,583	–	57,005	38,890	123,486	(872)	122,614
Profit for the year	–	–	–	–	–	74,203	74,203	32	74,235
Exchange differences on translation from functional currency to presentation currency	–	–	–	2,670	–	–	2,670	–	2,670
Profit and other comprehensive income for the year	–	–	–	2,670	–	74,203	76,873	32	76,905
Issue of shares by capitalisation of share premium account	968	(968)	–	–	–	–	–	–	–
Issue of new shares	107	69,287	–	–	–	–	69,394	–	69,394
Transaction costs attributable to issuance of shares	–	(6,718)	–	–	–	–	(6,718)	–	(6,718)
Issue of shares on conversion of Pre-IPO convertible bonds	103	69,290	–	–	–	–	69,393	–	69,393
Appropriation to statutory reserves	–	–	6,913	–	–	(6,913)	–	–	–
At 31 December 2023	1,186	130,891	34,496	2,670	57,005	106,180	332,428	(840)	331,588

Notes:

(i) In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of the subsidiaries of the Company with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective statutory surplus reserve funds and the discretionary reserve funds before distributions are made to the owners. The percentage of appropriation to statutory surplus reserve fund is 10%. The amount to be transferred to the discretionary reserve fund is determined by the equity owners of these companies. When the balance of the statutory surplus reserve fund reaches 50% of the registered capital, such transfer needs not to be made. Both the statutory surplus reserve fund and discretionary reserves fund can be capitalised as capital of an enterprise, provided that the remaining statutory surplus reserve fund shall not be less than 25% of the registered paid in capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly owned foreign subsidiaries in the PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their respective reserve funds. The percentage of net profit to be appropriated to the reserve fund is not less than 10% of the net profit. When the balance of the reserve fund reaches 50% of the registered capital, such transfer needs not to be made. With approvals obtained from respective boards of directors of these companies, the reserve funds can be used to offset accumulated deficit or to increase capital.

(ii) The balance as at 31 December 2023 and 2022 represent a) combined share capital and reserves of the companies comprising the Group before the Listing (as defined in note 1 to the consolidated financial statements) amounting to RMB56,512,000; b) difference between the consideration and the carrying amount of net assets value resulting from acquisition of additional equity interests in subsidiaries from non-controlling interest amounting to RMB2,379,000; and c) an one-off share-based payment expense of RMB2,872,000 arising from share transfer between two shareholders of the Company in July 2022.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

		Year ended 31 December	
	NOTES	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES			
Profit before tax		72,756	22,221
Adjustments for:			
Loss on disposal of property, plant and equipment	7	621	—
Fair value gains on financial assets measured at FVTPL	7	(264)	(125)
Fair value loss on a financial liability measured at FVTPL	7	—	6,816
Fair value gain on extension of a financial liability at FVTPL	7	—	(3,065)
Impairment loss under expected credit loss model, net of reversal		246	1,856
Interest expense	11	4,593	677
Interest income	8	(5,715)	(3,968)
Depreciation of property, plant and equipment	16	3,243	2,576
Depreciation of right-of-use assets	17	6,738	6,534
Amortisation of intangible assets	18	37,968	19,641
Share-based compensation	9	—	2,872
Exchange difference		2,449	(4,428)
Operating cash flows before working capital changes		122,635	51,607
Decrease (increase) in trade receivables, prepayments and other receivables		4,536	(8,554)
Decrease (increase) in contract costs		8,304	(3,344)
(Decrease) increase in trade and other payables		(23,720)	19,911
(Decrease) increase in contract liabilities		(18,926)	13,780
Cash generated from operations		92,829	73,400
Interest received	8	5,572	2,093
Income tax paid		(137)	(1,311)
Net cash from operating activities		98,264	74,182

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTES	Year ended 31 December 2023 RMB'000	2022 RMB'000
INVESTING ACTIVITIES			
Purchase of financial assets at FVTPL	21	(102,858)	(19,800)
Purchase of intangible assets		(34,437)	(19,883)
Loans to third parties		(34,065)	—
Purchases of property, plant and equipment		(1,480)	(4,702)
Proceeds from disposal of property, plant and equipment		14	—
Repayment from a third party		16,151	—
Proceeds from disposal of financial assets at FVTPL	21	61,614	19,925
Repayment from related parties	30	—	36
Proceeds from disposal of short-term deposits		—	83
Net cash used in investing activities		(95,061)	(24,341)
FINANCING ACTIVITIES			
Issue of new shares		69,394	—
Interest paid		(430)	(677)
Payment for listing expenses		(526)	(2,633)
Payment for principal elements of lease liabilities		(6,466)	(6,055)
Net cash from (used in) financing activities		61,972	(9,365)
NET INCREASE IN CASH AND CASH EQUIVALENTS		65,175	40,476
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		232,566	188,410
Effect of foreign exchange rate changes		2,670	3,680
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		300,411	232,566
ANALYSIS OF CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
Bank deposits		63,911	74,195
Bank balances		236,500	158,371
		300,411	232,566

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

Gala Technology Holding Limited (the "**Company**") was incorporated in the Cayman Islands on 12 June 2018 as an exempted company with limited liability under the Companies Act (as revised) of the Cayman Islands. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business is 4203–4204, Qianhai Shimao Finance Centre II, No. 3040, Aohai Avenue, Nanshan Street, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, People's Republic of China (the "**PRC**").

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 January 2023 (the "**Listing**").

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in the mobile sports game development, publishing and operation (the "**Listing Business**") in the PRC.

Certain comparative figures have been reclassified to conform to the current year's presentation, including reclassifying interest income of RMB3,968,000 for the year ended 31 December 2022 from "finance income, net" to "other income", among other changes. The directors of the Company consider that such presentation would better reflect the financial performance and position of the Group.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all of the above amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for financial assets at FVTPL and a financial liability at FVTPL which are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Principles of consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Subsidiaries under contractual arrangements

The Company and its subsidiaries do not hold any equity interests in Shenzhen Wangchen Technology Co., Ltd. ("**Wangchen Technology**"), nor, in its subsidiary (Wangchen Technology and its subsidiary collectively be referred as the "**PRC Operating Entities**").

Shenzhen Wangchen Moji Technology Co., Ltd. ("**Shenzhen Wangchen Moji**" or the "**WFOE**"), a wholly-owned subsidiary of the Company, entered into various agreements with Wangchen Technology and its registered shareholders (the "**Contractual Arrangements**"), pursuant to which the Group controls the PRC Operating Entities by way of exposing to, or having rights to variable returns from its investment with the PRC Operating Entities and having the ability to affect those returns through its power over the PRC Operating Entities.

The Contractual Arrangements enable the WFOE and the Group to:

- exercise effective control over the PRC Operating Entities;
- exercise equity holders' voting rights of the PRC Operating Entities;
- receive substantially all of the economic interests and returns generated by the PRC Operating Entities in consideration for the business support, technical and consulting services provided by the WFOE, at the WFOE's discretion;
- obtain an irrevocable and exclusive right to purchase all equity interests in Wangchen Technology from its registered shareholders at a nominal consideration unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. Where the purchase consideration is required by the relevant government authorities to be an amount other than a nominal amount, the registered shareholders of Wangchen Technology shall return the amount of purchase consideration they have received to the WFOE. At the WFOE's request, the registered shareholders of Wangchen Technology will promptly and unconditionally transfer their respective equity interests in Wangchen Technology to WFOE (or its designee within the Group) after the WFOE exercises its purchase right; and
- obtain pledges over the entire equity interests in Wangchen Technology from its registered shareholders to secure, among others, performance of their obligations under the Contractual Arrangement.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Principles of consolidation (Continued)

(a) Subsidiaries (Continued)

Subsidiaries under contractual arrangements (Continued)

The Group does not have any equity interest in the PRC Operating Entities. However, as a result of the Contractual Arrangement, the Group has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities and is considered to control the PRC Operating Entities. Consequently, the Company regards the PRC Operating Entities as indirect subsidiaries.

3.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company, whose principal activities is investment holding and fund raising and with insignificant operating activities, has been changed from Renminbi ("**RMB**") to Hong Kong dollars ("**HKD**") during the year ended 31 December 2023 upon Listing. The consolidated financial statements are presented in RMB.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

All foreign exchange gains and losses are presented in the profit or loss on a net basis.

3.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values over their estimated useful lives, as follows:

Furniture and fixtures	20% to 33%
Computers and other equipment	20% to 33%
Leasehold improvement	33% or over lease terms, whichever is shorter

Gains and losses on disposals are determined by comparing proceeds with carrying amount.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.5 Intangible assets

(a) Licenses

Under certain licensing arrangements entered between the Group and the licensors, the Group pays upfront license fees to the licensors as the Group is entitled to the non-exclusive rights to use the intellectual properties in specified geographic areas for certain period of time. Licenses have definite useful lives and carried at amortised cost less accumulated amortisation and accumulated impairment loss, if any. They are initially measured at fair value of the consideration required at the time of the acquisition. The consideration required represents the non-cancellable upfront fee and the capitalised present values of the fixed royalty fee to be made in subsequent years in respect of the acquisition of the licenses.

Licenses are amortised on a straight-line basis in accordance with the license period for 1 to 5 years. The amortisation is expensed to cost of revenues (where the games are commercially launched) or general and administrative expenses (where the games are not yet commercially launched).

Payment of upfront license fees for the cancellable licenses are recognised as intangible asset in the consolidated statements of financial position and amortised on a straight-line basis in accordance with the license period.

(b) Research and development expenditures

Research and development expenses consist primarily of salary and benefits for the Group's research and development personnel. All research and development expenditures were recognised in profit or loss as they do not meet the recognition criteria for capitalisation.

(c) Software

The Group's acquired software license mainly consists of financial and operation system software license. Acquired software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of 1 to 10 years.

3.6 Impairment of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial assets including property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of non-financial assets is estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a cash-generating unit ("**CGU**")) for which the estimates of future cash flows have not been adjusted.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.7 Investments and other financial assets

(a) Classification and subsequent measurement of financial assets

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

(ii) Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss, which is included in the "other losses, net" line item.

(b) Impairment of financial assets and other items subject to impairment assessment under HKFRS 9"Financial Instruments" ("HKFRS 9")

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information.

3.8 Trade receivables

Trade receivables are recognised initially at the amount of consideration and subsequently measured at amortised cost using the effective interest method.

3.9 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

3.10 Share award scheme

For the shares granted under the share award scheme to the employees, the fair value of the services received in exchange for the grant of the shares is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares at the grant date. At the time when the awarded shares are vested, the amount previously recognised in treasury share reserve and the amount of the employee share-based compensation reserve will be transferred to retained earnings.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.11 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.12 Contract liabilities and contract costs

Contract liabilities primarily consist of the unamortised revenue from sales of game tokens and virtual items for mobile games, where there is still an implied obligation to be provided by the Group and will be recognised as revenue when all of the revenue recognition criteria are met.

Incremental costs of obtaining a contract, including unamortised commission charged by distribution and payment channels and unamortised revenue sharing to the publishers are capitalised if they are expected to be recovered. Capitalised contract costs are amortised on a systematic basis consistent with the pattern of the transfer of the goods or services to which the asset relates.

3.13 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

3.14 Financial liability at FVTPL

The Group designated the convertible bonds (Note 21) as a financial liability at fair value through profit or loss, which is initially recognised at fair value. Fair value changes relating to market risk are recognised in profit or loss.

3.15 Revenue recognition

Information about the Group's accounting policies relating to contracts with customers is provided in Notes 6 and 24.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.16 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period; the right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

3.17 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. Because of the simplicity of the financial structure and the operations of the Group, no hedging activities are undertaken by management.

(a) Market risks

(i) Foreign exchange risk

The Group's foreign currency transactions are mainly denominated in United States dollar ("**US$**"), European dollar ("**EUR**") and Hong Kong dollar ("**HK$**"). The majority of assets and liabilities are denominated in RMB, US$, EUR and HK$ and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities denominating in a currency other than RMB, which is the functional currency of the major operating companies within the Group. The Group currently does not hedge its foreign currency exposure.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(a) Market risks (Continued)

(i) Foreign exchange risk (Continued)

The following table details the Group's sensitivity analysis to a 5% (2022: 5%) increase and decrease in RMB against USD, EUR, or HKD. 5% (2022: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2022: 5%) change in foreign currency rates. A positive (negative) number below indicates an increase (a decrease) in post-tax profit where RMB strengthen 5% (2022: 5%) against relevant foreign currencies. For a 5% (2022: 5%) weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the post-tax profit.

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
USD	**(6,601)**	(2,405)
EUR	**1,863**	1,702
HKD	**(475)**	3,449

(ii) Cash flow and fair value interest rate risk

The income and operating cash flows of the Group is substantially independent of changes in market interest rates. Interest rate risk relates to the risk that the fair value or cash flows of certain deposits with variable interest rate and the wealth management products (included in financial assets at FVTPL) will fluctuate because of changes in market interest rates. Financial instruments at variable rates expose the Group to cash flow interest rate risk. Financial instruments at fixed rate expose the Group to fair value interest rate risk.

The Group has no significant interest-bearing assets or liabilities, except for certain deposits placed with banks, a loan receivable to a third party and a financial liability at FVTPL.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. Fluctuation of the fixed interest-bearing asset and liability balances is the major sources of the Group's fair value interest rate risks.

As at 31 December 2023, if interest rates on all interest-bearing short-term bank deposits and cash and cash equivalents had been 50 (2022: 50) basis points higher/lower with all other balances held constant, post-tax profit for the year of the Group would have been RMB1,426,000 (2022: RMB1,163,000) higher/lower, due to higher/lower interest income earned on the bank deposits.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents (Note 22), financial assets at FVTPL (Note 21) and contractual cash flows of debt instruments carried at amortised cost (Notes 19, 20 and 31).

The carrying amounts of short-term bank deposits, cash and cash equivalents and contractual cash flows of debt instruments carried at amortised cost represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Risk management

Credit risk is managed on a group basis. To manage this risk, deposit with banks are mainly placed with reputable financial institutions.

For trade receivables, management make periodic collective assessments as well as individual assessment on the recoverability of the receivables based on the historical settlement records and past experience. Trade receivables at the end of each reporting period were due from the third-party Platforms (as defined in Note 6) and Publishers (as defined in Note 6) in cooperation with the Group. If the strategic relationship with the third-party Platforms and Publishers terminated or scaled-back; or if the third-party Platforms and Publishers alter the co-operative arrangements; or if they experience financial difficulties in paying the Group, the Group's corresponding trade receivables might be adversely affected in terms of recoverability.

To manage this risk, the Group maintains frequent communications with the third-party Platforms and Publishers to ensure the effective credit control. In view of the history of cooperation with the third-party Platforms and Publishers and the sound collection history of receivables due therefrom, the directors of the Company believe that the credit risk inherent in the Group's outstanding trade receivables balances due from the third-party Platforms and Publishers is low, except for those debtors with known financial difficulties or significant doubt on collection of receivables. As at 31 December 2023 and 2022, the receivables relating to third-party Platforms and Publishers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. For other receivables, management consider contractual cash flows of debt instruments carried at amortised cost as low credit risk as counterparties have a strong capacity to meet its contractual cash flow obligations in the near term.

Management considers the credit risks on amounts due from non-controlling interests are minimal after considering the financial condition, past default history and repayment pattern of these entities. Management has performed assessment over the recoverability of the balances and management does not expect any losses from non-performance by these companies.

(ii) Impairment of financial assets

The Group has below financial assets that are subject to the expected credit loss model:

- trade receivables, and
- other financial assets at amortised cost.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial. Cash and cash equivalents are mainly placed with reputable financial institutions. There has been no recent history of default in relation to these financial institutions. The ECL rate is negligible.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. The Group measures the ECL on a combination of both individual and collective basis.

(I) Measurement of ECL on individual basis

Receivables relating to third-party Platforms and Publishers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 December 2023, no loss allowance in respect of these individually-assessed receivables was recognised (2022: RMB1,833,000).

The following table presents the balances of gross carrying amount and the loss allowance in respect of the individually-assessed receivables as at 31 December 2022 and 2023:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Gross carrying amount	–	1,833
Loss allowance	–	(1,833)
Net carrying amount	–	–

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

(II) Measurement of expected credit loss on a collective basis

Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the counterparties and applying the ECL rates to the respective gross carrying amounts of the receivables.

The ECL rates are determined based on historical credit losses and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the counterparties to settle the receivables. As at 31 December 2023, the balance of loss allowance in respect of these collectively-assessed trade receivables balances was RMB356,000 (2022: RMB216,000) based on the average ECL rates of 1.1% (2022: 0.5%).

Impairment losses on receivables are presented as "impairment loss under expected credit loss model, net of reversal" in the consolidated statement of comprehensive income. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets carried at amortised cost

For other financial assets carried at amortised cost, including loan receivable, deposits and other receivables, amounts due from non-controlling interests (included in other receivables) and cash and cash equivalents, the ECL is based on the 12-month ECL. It is the portion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and considers that the expected credit loss rate is minimal as at 31 December 2023 (2022: minimal).

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Weighted average interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	%	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2023					
Trade payables	3.29	84,601	22,834	30,572	138,007
Other payables and accruals (excluding payroll and welfare payables, other tax payables, advance from the Publishers, and others)	–	2,467	–	–	2,467
Lease liabilities	4.75	4,498	332	–	4,830
		91,566	23,166	30,572	145,304
At 31 December 2022					
Trade payables	2.07	44,489	9,551	7,039	61,079
Other payables and accruals (excluding payroll and welfare payables, other tax payables, advance from the Publishers, and others)	–	19,312	–	–	19,312
Lease liabilities	4.75	7,394	4,233	332	11,959
		71,195	13,784	7,371	92,350

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, repurchase of shares or issue new shares. In the opinion of the directors of the Company, the Group's capital risk is low.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Critical accounting estimates

Estimates of average expected playing period of paying players ("Player Relationship Period") in the Group's self-development game revenue

As described in Note 6, the Group recognises the revenues rateably over the lifespan of in-game virtual items determined by management with reference to the average expected Player Relationship Period for the mobile games whereas the Group acts as principal. The determination of average expected Player Relationship 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, including consideration of the stage of life of new games and the identification of events that may trigger changes in the average expected Player Relationship Period. Such estimates are subject to re-evaluation on a periodic basis or when any indication of change in the average expected Player Relationship Period is identified. Any adjustments arising from changes in the average expected Player Relationship Period as a result of new information will be accounted for as a change in accounting estimate on a prospective basis. Any such changes may result in revenue from online games being recognised on a basis different from prior periods' and may cause its operating results to fluctuate.

Impairment assessment of the CGU of developments and operations of baseball mobile game

In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the value in use including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rate or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(i) Critical accounting estimates (Continued)

Impairment assessment of the CGU of developments and operations of baseball mobile game (Continued)

The recoverable amount of the CGU of developments and operations of a baseball mobile game of the Group has been determined by the management of the Group by value in use calculation on the basis of this CGU. The value in use calculation uses financial budgets based on past performance and expectation for development and operation of the game, where the key input parameters include growth rates and discount rates. The Group estimates the recoverable amount of the CGU of baseball mobile game where the expected future cash flows arising from this CGU differ from the original estimation, an impairment loss may arise. Details of the recoverable amount calculation are disclosed in Note 18.

As at 31 December 2023, the carrying amount of the CGU of baseball mobile game is RMB60,566,000 (2022: nil) with no impairment loss has been recognised.

(ii) Critical accounting judgements

Contractual Arrangements

The Group conducts its business through the PRC Operating Entities. Due to the regulatory restrictions on the foreign ownership of the Listing Business in the PRC, the Group does not have any equity interest in Wangchen Technology. The Directors assessed whether or not the Group has control over the PRC Operating Entities by assessing whether it has the rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities. After assessment, the directors of the Company concluded that the Group has control over the PRC Operating Entities as a result of the Contractual Arrangements, and accordingly, the financial position and the operating results of the PRC Operating Entities are included in the Group's consolidated financial statements throughout the years ended 31 December 2022 and 2023. Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the PRC Operating Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the PRC Operating Entities. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations.

6. SEGMENT INFORMATION AND REVENUE

The Group is a mobile sports game developer, publisher and operator. Revenue from self-development games of the Group is derived principally from various arrangements, including game published by the Group through its platforms or third-party distribution channels (the "**Distribution Channels**"), and game published by other third-party game publishers (the "**Publishers**") under various game distribution arrangements.

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision maker. As a result of this evaluation, the directors of the Company consider that the Group's operations are operated and managed as a single segment, which is mobile sports game development and operation mainly in the PRC (including Mainland China and Hong Kong), and no segment information is presented, accordingly.

6. SEGMENT INFORMATION AND REVENUE (CONTINUED)

(a) Revenue from online games published by the Group

The mobile games published by the Group which are operated under a free-to-play model whereby game players can download the games free of charge and are charged for the purchase of in-game virtual items via payment channels, such as various mobile carriers and third-party internet payment systems (collectively referred to as "**Payment Channels**"; Distribution Channels and Payment Channels, collectively referred to as "**Platforms**"). The Platforms are entitled to handling fees which are withheld and deducted from the gross proceeds collected from the game players, with the net amounts remitted to the Group. The payment received from game players regarding purchase of game tokens and other virtual items is non-refundable and the related contracts are non-cancellable.

The Group recognises the revenue from online games on a gross basis, with the commission charged by the Platforms as the cost of revenue. The revenue and the cost of revenue are recognised rateably over the lifespan of in-game virtual items determined by management with reference to the average expected Player Relationship Period, given there is an implicit obligation of the Group to maintain and allow access of the users of the games operated by the Group.

(b) Revenue from online games published by Publishers under game distribution arrangements

The Group grants Publishers the rights to publish its mobile games through Publisher's own platforms, including web-based portals, or other platforms, including online application stores installed in mobile devices.

These games are also under free-to-play model whereby game players can play the games free of charge and are charged for the purchase of game tokens or other virtual items. Proceeds earned from selling game tokens and other virtual items are collected by the Publishers or its designated Platforms and shared between the Group and the Publishers based on pre-determined rates.

With respect to the arrangement that the Group is responsible for providing game products, technical supports and upgrades, other daily game operations and the rights to determine the ultimate pricings of in-game virtual items, while the Publishers are only responsible for publishing, providing payment solutions, customer services and promotion. The Group considers the Publishers as agents in the transactions.

The Group recognises revenue from online games on a gross basis, with the commission charged by the Platforms and revenue sharing to the Publishers as the cost of revenue. The revenue and the cost of revenue are recognised rateably over the lifespan of in-game virtual items determined by management with reference to the average expected Player Relationship Period, given there is an implicit obligation of the Group to maintain and allow access of the users of the games operated by the Group.

(c) Performance obligations for contracts with customers and revenue recognition policies

As the Group is acting as a principal to the game players, it has determined that it is obligated to provide ongoing services to the game players who purchased virtual items to gain an enhanced game-playing experience over an average playing period of the paying players, and accordingly, the Group recognises the revenues rateably over the lifespan of in-game virtual items determined by management with reference to the average expected Player Relationship Period, starting from the point in time when game tokens or other virtual items are delivered to the players' accounts, and all other revenue recognition criteria are met. As the games are under a free-to-play model and revenue is generated from paying players when they purchase game points for in-game virtual items, the Group focuses on the average expected playing period of paying players when estimating the period over which revenue is being recognised.

6. SEGMENT INFORMATION AND REVENUE (CONTINUED)

(c) Performance obligations for contracts with customers and revenue recognition policies (Continued)

For the purposes of determining when services have been provided to the respective paying players, the Group has determined the following:

- Consumable virtual items represent items that are extinguished after consumption in the form of fixed charges levied on each round of games played. The paying players will not continue to benefit from the virtual items thereafter. Revenue is recognised (as a release from contract liabilities) when the items are consumed and the related services are rendered.

- Durable virtual items represent items that are accessible and beneficial to paying players over an extended period of time. Revenue is recognised rateably over the average life of durable virtual items for the applicable game, which the Group makes best estimates to be lifespan of in-game virtual items determined by management with reference to the average expected Player Relationship Period.

For the average expected Player Relationship Period, the Group tracks each of the paying players' purchases and log in histories for each significant game to estimate the average playing period of the paying players. If a new game is launched and only a limited period of paying player data is available, then the Group considers other qualitative factors, such as the playing patterns of paying users for other games with similar characteristics. The average expected Player Relationship Period is assessed on a game-by-game basis.

If the Group does not have the ability to differentiate revenue attributable to durable virtual items from consumable virtual items for a specific game, the Group recognises revenue from both durable and consumable virtual items for that game rateably over the average expected Player Relationship Period.

While the Group believes its estimates to be reasonable based on available game player information, it may revise such estimates in the future as the games' operation periods change, sufficient individual game data become available, or there is indication that the similarities in characteristics and playing patterns of paying players of the games change. Any adjustments arising from changes in average expected Player Relationship Period would be applied prospectively on the basis that such changes are caused by new information indicating a change in game player behaviour patterns.

(d) Disaggregation of revenue from contracts with customers

Revenue for the years ended 31 December 2022 and 2023 are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Web-based and mobile online game revenue — Over time	**633,633**	637,886

The Group has a large number of game players. No revenue from any individual game player exceeded 10% or more of the Group's revenue during the year ended 31 December 2023 or 2022.

6. SEGMENT INFORMATION AND REVENUE (CONTINUED)

(d) Disaggregation of revenue from contracts with customers (Continued)

The Group's non-current assets other than financial instruments and deferred tax assets by the geographical location in which the asset is located, is as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Mainland China	**20,571**	34,853
Hong Kong	**84,557**	26,200
	105,128	61,053

7. OTHER LOSSES, NET

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss on disposal of property, plant and equipment	**(621)**	—
Fair value gains on financial assets at FVTPL (Note 21)	**264**	125
Fair value gain on extension of a financial liability at FVTPL (Note 21)	**—**	3,065
Fair value loss on a financial liability at FVTPL (Note 21)	**—**	(6,816)
Exchange loss, net	**(3,450)**	(753)
Others	**(203)**	(84)
	(4,010)	(4,463)

8. OTHER INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Government grants (note)	**10,531**	5,036
Bank interest income	**5,572**	2,093
Value-added tax refund	**1,136**	1,543
Interest income from loan receivables	**143**	—
Others	**3,921**	3,680
	21,303	12,352

Note: The amounts represent the Group's entitlement to subsidies for technological innovation received from the local government grants in the PRC. There are no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance.

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9. PROFIT BEFORE TAX

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Profit for the period has been arrived at after charging:		
Staff costs:		
Directors' emoluments	3,421	3,024
Other staff costs		
Wages, salaries and bonuses	111,830	88,534
Social security costs, housing provident fund and other staff cost	29,335	21,960
Share-based compensation	—	2,872
Total staff costs	144,586	116,390
Auditor's remuneration:		
Audit services	1,664	2,301
Non-audit services	704	89
Total auditor's remuneration	2,368	2,390
Depreciation of property, plant and equipment	3,243	2,576
Depreciation of right-of-use assets	6,738	6,534
Amortisation of intangible assets	37,968	19,641
Total depreciation and amortisation	47,949	28,751
Listing expenses (included in general and administrative expenses)	412	22,356

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

(a) Benefits and interests of directors

The remuneration of each director for the year ended 31 December 2023 is set out as below:

Name	Salary and fee RMB'000	Bonus RMB'000	Social security costs and housing benefits and other employee benefits RMB'000	Total RMB'000
Executive directors				
Jia Xiaodong	945	47	114	1,106
Li Xin	935	21	83	1,039
Huang Xiang	734	—	110	844
	2,614	68	307	2,989
Independent non-executive directors				
Zhan Peixun	144	—	—	144
Leung Ming Shu	144	—	—	144
Chak Hoi Kee Clara	144	—	—	144
	432	—	—	432
Total	3,046	68	307	3,421

The remuneration of each director for the year ended 31 December 2022 is set out as below:

Name	Salary and fee RMB'000	Bonus RMB'000	Social security costs and housing benefits and other employee benefits RMB'000	Total RMB'000
Executive directors				
Jia Xiaodong	949	241	58	1,248
Li Xin	945	—	43	988
Huang Xiang	609	121	58	788
Total	2,503	362	159	3,024

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

(a) Benefits and interests of directors (Continued)

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Zhan Peixun, Leung Ming Shu and Chak Hoi Kee Clara were appointed as the Company's independent non-executive directors on 20 December 2022. The remuneration shown above for the year ended 31 December 2023 represents remuneration received from the Group for their services as directors of the Company.

No directors waived any emolument for the year ended 31 December 2023 or 2022. No director fee was paid to these directors in their capacity as directors of the Company or the companies comprising the Group for the year ended 31 December 2023 or 2022. No emoluments were paid by the Company or the companies comprising the Group as an inducement to join the Company or the companies comprising the Group, or as compensation for loss of office for the year ended 31 December 2023 or 2022.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2022: two) directors whose emoluments are reflected in analysis shown in Note (a) above. The emoluments payable to the remaining three (2022: three) individuals during the year are as follows:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Basic salaries	**2,858**	2,940
Bonus	**88**	246
Other social security costs and housing benefits	**285**	132
Total	**3,231**	3,318

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2023	2022
HK$1,000,001 to HK$1,500,000	**3**	3

(c) Director's retirement benefits and termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2023 or 2022.

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

(d) Consideration provided to third parties for making available director's services

For the year ended 31 December 2023 and 2022, the Company did not pay consideration to any third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporates by and controlled entities with such directors

Save as disclosed in Note 30 in this report, there is no loans, quasi-loans and other dealing arrangement in favor of directors, or controlled body corporates and connected entities of such directors for the year ended 31 December 2023 or 2022.

(f) Directors' material interest in transactions, arrangements or contracts

There is no significant transactions, arrangements and contracts in relation to the Group's business in which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year ended 31 December 2023 or 2022.

11. FINANCE COST

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Lease liabilities (Note 17)	**(430)**	(677)
Imputed interest arising from trade payables	**(4,163)**	—
	(4,593)	(677)

12. INCOME TAX (CREDITS) EXPENSES

The income tax (credits) expenses of the Group for the years ended 31 December 2022 and 2023 is analysed as follows:

	2023 RMB'000	2022 RMB'000
Current tax		
— PRC Enterprise Income Tax ("**EIT**")	**950**	8,179
— Hong Kong profits tax	**729**	516
Overprovision in prior year		
— PRC EIT	**(4,398)**	—
Deferred income tax (Note 25)	**1,240**	57
Income tax (credits) expenses	**(1,479)**	8,752

12. INCOME TAX (CREDITS) EXPENSES (CONTINUED)

Hong Kong Income Tax

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2,000,000 of taxable profits of qualifying group entity will be taxed at 8.25%, and taxable profits above HK$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% for the year ended 31 December 2023 and 31 December 2022 on the assessable profits.

PRC EIT

The income tax provision of the Group in respect of its operations in the PRC was calculated at the tax rate of 25% for the year ended 31 December 2023 (2022: 25%) on the assessable profits, except for stated below, based on the existing legislation, interpretations and practices in respect thereof.

Wangchen Technology was subject to EIT rate of 15% (2022: 25%) for the year ended 31 December 2023. Preferential tax rate of 15% is subject to requirement of the "Preferential Enterprise Income Tax Treatment for Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone". Wangchen Technology applied for preferential tax rate during the year ended 31 December 2022 and received the notice for fulfilment of the above preferential enterprise income tax treatment for both 2023 and 2022 during the year ended 31 December 2023. the tax provision overprovided in prior year has been adjusted accordingly. The enacted tax rate for the related deferred taxation was adjusted accordingly.

The WFOE has fulfilled the requirement of the "Notice of the State Council on Printing and Distributing Several Policies for Promoting the High-quality Development of the Integrated Circuit Industry and Software Industry in the New Era "(Guo Fa"[2020] No.8)" and it is subject to a reduced preferential EIT tax rate of 12.5% (2022: 0%) for the year ended 31 December 2023.

PRC Withholding Tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

During the year ended 31 December 2023 or 2022, the Group did not require its subsidiaries established in the PRC to distribute their retained earnings to foreign investors, and the Group is able to control the timing of the reversal of the temporary differences arising from the unremitted earnings of these PRC subsidiaries and it is probable that the temporary differences will not reverse in the foreseeable future. Accordingly, no deferred income tax liability on WHT was accrued as at the end of each reporting period.

12. INCOME TAX (CREDITS) EXPENSES (CONTINUED)

PRC Withholding Tax ("WHT") (Continued)

The tax (credits) expenses on the Group's profit before tax differs from the theoretical amount that would arise using the PRC statutory income tax rate as follows:

	Year ended 31 December	
	2023 **RMB'000**	2022 RMB'000
Profit before tax	**72,756**	22,221
Tax calculated at PRC statutory tax rate of 25%	**18,189**	5,555
Tax effects of:		
Differential income tax rates applicable to subsidiaries	**(7,424)**	585
Super Deduction for research and development expenses (note)	**(10,451)**	(9,967)
Income not taxable for tax purposes	**(747)**	(546)
Expenses not deductible for tax purpose	**3,965**	13,125
Tax losses for which no deferred income tax was recognised	**157**	—
Utilisation of previously unrecognised tax losses	**(770)**	—
Overprovision in prior year	**(4,398)**	—
	(1,479)	8,752

Note: According to the relevant laws and regulations promulgated by the PRC State Administration of Taxation made effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim up to 200% (2022: 200%) of their qualified research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year ("**Super Deduction**"). The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the year ended 31 December 2023 and 2022.

13. EARNINGS PER SHARE

(a) Basis earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

For the year ended 31 December 2022, the weighted average number of ordinary shares used for the purpose of basic earnings per share has been retrospectively adjusted for the effects of the issue of shares in connection with the capitalisation issue of 112,580,000 shares which took place on 16 January 2023 (Note 23).

	Year ended 31 December	
	2023	2022
Profit attributable to the owners of the Company (RMB'000)	**74,203**	13,525
Weighted average number of ordinary shares in issue (thousand shares)	**136,996**	113,580
Basic earnings per share attributable to the owners of the Company (RMB per share)	**0.54**	0.12

13. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

The calculation of the diluted earnings per share is based on the profit attributable to ordinary equity holders of the Company, adjusted to reflect the impact from any dilutive potential ordinary shares issued by the Company, as appropriate. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares assumed to have been issued on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

On June 2021, the Company issued convertible bonds in the principal amount of HK$77,112,000 (equivalent to RMB64,163,000). On 16 January 2023, the shares of the Company were listed on the Main Board of the Stock Exchange with offer price of HK$6.5 per share. The Pre-IPO convertible bonds were automatically converted into 12,000,000 shares of the Company on the same day, representing approximately 8.70% of the issued share capital of the Company. It has no significant dilutive effect on earnings per share calculation in both years.

14. DIVIDENDS

No dividends were paid, declared or proposed for the years ended 31 December 2022 and 31 December 2023.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of RMB18.82 cents (2022: nil) per ordinary share, in an aggregate amount of RMB25,971,050 (2022: nil), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

15. PRINCIPAL SUBSIDIARIES

The following is a list of principal subsidiaries (including those under contractual arrangements) as at 31 December 2023 and 2022:

Name of subsidiaries	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued and paid-in capital	Equity interest held by or attributable to the Group As at 31 December 2023	2022
Gala Sports Technology Limited 望塵體育科技有限公司	Hong Kong, limited liability company	Mobile sports game development, publishing and operation, the PRC	HK$10,000	100%	100%
Shenzhen Wangchen Moji Technology Co., Ltd. 深圳市望塵莫及科技有限公司 (note i)	The PRC, limited liability company	Technical support, consulting and other services, the PRC	RMB42,000,000	100%	100%
Shenzhen Wangchen Technology Co., Ltd. 深圳市望塵科技有限公司 (notes i and ii)	The PRC, limited liability company	Mobile sports game development, publishing and operation, the PRC	RMB11,777,778	100%	100%

Notes:

(i) The English name of certain companies referred herein represent management's best effort at translating the Chinese names of those companies as no English names have been registered.

(ii) The Group's control over, and beneficial interest in the equity of, the entity exists by virtue of the Contractual Arrangements entered into with the then shareholders of the entity, which is established as limited liability companies under PRC law. The Group does not hold ownership interest in the registered capital of Wangchen Technology. However, under the Contractual Arrangements, the Group controls the entity by way of controlling all voting rights in owners' meetings of the entity and governing its financial and operating policies. Under the Contractual Arrangements, the entity shall pay a service fee to the Group, which consisted of 100% of the total consolidated profit, after the deduction of any accumulated deficit of the entity and their affiliated entities in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions. In addition, the owners of the registered capital of the entity have irrecoverably authorised Shenzhen Wangchen Moji to exercise all their voting rights in the entity, including the appointment and removal of the directors of these entities. As a result, the entity is regarded as the subsidiary under the control of the Group. Accordingly, the results of the entity, if any, and its assets and liabilities are included in the consolidated financial statements.

16. PROPERTY, PLANT AND EQUIPMENT

	Computers and other equipment RMB'000	Furniture and fixtures RMB'000	Leasehold improvement RMB'000	Total RMB'000
COST				
At 1 January 2022	3,060	732	3,160	6,952
Additions	3,509	359	834	4,702
At 31 December 2022	6,569	1,091	3,994	11,654
Additions	1,443	37	—	1,480
Disposal	(323)	(408)	—	(731)
Written off	(2,190)	(251)	—	(2,441)
At 31 December 2023	**5,499**	**469**	**3,994**	**9,962**
DEPRECIATION				
At 1 January 2022	1,223	220	1,002	2,445
Provided for the year (Note 9)	1,358	208	1,010	2,576
At 31 December 2022	2,581	428	2,012	5,021
Provided for the year (Note 9)	1,976	128	1,139	3,243
Eliminated on disposals	(40)	(56)	—	(96)
Written off	(2,190)	(251)	—	(2,441)
At 31 December 2023	**2,327**	**249**	**3,151**	**5,727**
CARRYING VALUES				
At 31 December 2023	**3,172**	**220**	**843**	**4,235**
At 31 December 2022	3,988	663	1,982	6,633

17. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Right-of-use assets		
Properties	**4,009**	10,747
Lease liabilities		
Non-current	**330**	4,475
Current	**4,330**	6,651
	4,660	11,126

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17. RIGHT-OF-USE ASSETS/LEASE LIABILITIES (CONTINUED)

	Year ended 31 December	
	2023 **RMB'000**	2022 RMB'000
Depreciation of right-of-use assets (Note 9)	**6,738**	6,534
Interest expense	**430**	677

The total cash outflow for leases during the year was RMB6,934,000 (2022: RMB6,803,000), including payment of principal elements and interest elements of lease liabilities and short-term leases.

The Group leases various properties as its offices. Rental contracts are typically made for fixed periods of 1 to 3 years (2022: 1 to 3 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor nor pledge as security for borrowing purposes.

The Group has applied an exemption to HKFRS 16 "Leases" ("**HKFRS 16**") on certain short-term leases where the lease terms are within 1 year or less. For the leases where the exemption applied, the lease expenses of RMB38,000 (2022: RMB71,000) are recognised as expenses relating to short-term leases in the general and administrative expenses as incurred for the year.

18. INTANGIBLE ASSETS

	Licenses RMB'000	**Software** RMB'000	**Total** RMB'000
COST			
At 1 January 2022	104,768	564	105,332
Additions	43,160	1,137	44,297
At 31 December 2022	147,928	1,701	149,629
Additions	91,178	—	91,178
At 31 December 2023	**239,106**	**1,701**	**240,807**
AMORTISATION			
At 1 January 2022	90,041	273	90,314
Provided for the year (Note 9)	19,242	399	19,641
At 31 December 2022	109,283	672	109,955
Provided for the year (Note 9)	37,569	399	37,968
At 31 December 2023	**146,852**	**1,071**	**147,923**
CARRYING VALUES			
At 31 December 2023	**92,254**	**630**	**92,884**
At 31 December 2022	38,645	1,029	39,674

18. INTANGIBLE ASSETS (CONTINUED)

Certain amounts of the considerations of purchase of intangible assets during the years ended 31 December 2023 and 2022 are deferred and settled by instalments and included in trade payables at the end of the reporting period. Settlements of such considerations are presented as "purchase of intangible assets" under investing activities of the consolidated statement of cash flows.

Due to the unexpected slower pace of growth of paying players of a baseball mobile game newly developed and launched during the year ended 31 December 2023, the Group experienced drop in business performance and suffered losses from developments and operations of this game. The management of the Group has identified certain non-current assets arising mainly from capitalising fixed royalty fee under certain licensing arrangements for this game (the "**Identified Assets**") have an indication of impairment loss.

The estimation of recoverable amount as at 31 December 2023 was based on the value in use of the CGU of this baseball mobile game to which the Identified Assets belong to. The value in use calculations use cash flow projections based on financial budgets approved by the management of the Group covering the license fee contracts period and a pre-tax discount rate of 26%. The value in use calculations were determined by the management of the Group with the assistance of an independent qualified professional valuer appointed thereby.

The financial budget is based on past performance and expected growth rate for developments and operations of similar sports mobile games of the Group.

The recoverable amount is assessed to be above the carrying amount of the Identified Assets. Management of the Group believes that any reasonably possible change in any of these assumptions would not result in impairment.

19. TRADE RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade receivables	**33,727**	45,072
Less: impairment loss under ECL model (Note 4.1(b)(ii))	**(356)**	(2,049)
Trade receivables, net	**33,371**	43,023

Notes:

(i) The credit terms of trade receivables granted by the Group are normally from 30 to 90 days. An aging analysis of trade receivables based on recognition date is as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Up to 3 months	**33,295**	42,029
3 months to 1 year	**317**	2,360
Over 1 year	**115**	683
	33,727	45,072

19. TRADE RECEIVABLES (CONTINUED)

Notes: (Continued)

(ii) Movements on the Group's provision for impairment of trade receivables are as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
At beginning of the year	**2,049**	3,829
Provision for impairment, net	**246**	1,856
Written off	**(1,939)**	(3,636)
At end of the year	**356**	2,049

The provisions for impaired trade receivables have been included in "impairment loss under ECL model, net of reversal" in the consolidated statement of comprehensive income. Further details for impairment assessment of trade receivables are set out in Note 4.1(b)(ii).

(iii) The Group's trade receivables were denominated in the following currencies:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
RMB	**12,617**	14,912
US$	**18,190**	26,627
HK$	**2,920**	3,533
	33,727	45,072

(iv) As at 31 December 2022 and 2023, the fair values of trade receivables approximated their carrying amounts. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the net receivable balance. The Group does not hold any collateral as security.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Prepayment for selling and marketing expenses	**9,410**	3,743
Prepayment for listing expenses	**—**	4,804
Other prepayments	**8,197**	5,958
Deposits	**1,707**	1,563
Loan receivables	**17,707**	—
Other receivables	**3,144**	1,499
	40,165	17,567
Analysed as:		
Non-current	**5,707**	5,907
Current	**34,458**	11,660
	40,165	17,567

The maximum exposure to credit risk as of 31 December 2023 and 2022 was the carrying value of each class of receivable mentioned above. The Group did not hold any collateral as security. The carrying amounts of the other financial assets at amortised cost approximate to their fair values and are mainly denominated in RMB and USD.

As at 31 December 2023 and 2022, the expected loss rate for deposits and other receivables is negligible. Loan receivable as at 31 December 2023 has been fully settled subsequent to end of reporting period.

21. FINANCIAL ASSETS/LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

21. FINANCIAL ASSETS/LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

The following tables present the Group's financial instruments that are measured at fair value as at 31 December 2023 and 31 December 2022 by fair value hierarchy:

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2023 RMB'000	31 December 2022 RMB'000				
Financial assets at FVTPL						
A unlisted fund (note i)	13,720	–	Level 3	Valuation estimated by the management on underlying assets held by the fund	Discount rate of 4.5% (2022: N/A).	The higher the discount rate, the lower the fair value.
Wealth management products (note ii)	28,117	–	Level 2	Price provided by the financial institution with reference to underlying investment portfolios which have observable quoted price in active markets	N/A	N/A
Financial liabilities						
Pre-IPO convertible bonds	N/A	69,393	Level 2	Valuation estimated by the management by reference to offer price of the Company of HK$6.5 per share	N/A	N/A

Notes:

(i) The unlisted fund represents a portfolio of investments managed by fund managers. The portfolio assets including principally equity securities in companies whose shares listed on the Stock Exchange and debt securities issued by private entities in Hong Kong. Subsequent to the end of the reporting period, the entire balance has been fully redeemed by the Group.

(ii) The wealth management products are issued by a bank in the PRC that are non-principal guaranteed with floating return and principally invest in cash and money market instruments with good liquidity recognised by the Bank Insurance Regulatory Commission and the People's Bank of China.

21. FINANCIAL ASSETS/LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(b) Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The accounting team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The fluctuations in the fair value of the assets and liabilities are explained to the board of directors of the Company.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities at amortised cost recognised in the consolidated financial statements approximate their fair values at 31 December 2023 and 2022.

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include demand deposits and short term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.20% to 5.26% (2022: 0.15% to 3.50%).

As at 31 December 2022 and 2023, the Group's cash and bank balances were denominated in the following currencies:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
RMB	**116,666**	180,788
US$	**172,428**	48,837
HK$	**10,367**	2,941
Singapore Dollars	**950**	—
	300,411	232,566

Funds of the Group amounts to RMB114,732,000 as at 31 December 2023 (2022: RMB70,900,000) are kept in the bank accounts with banks in the Mainland China where the remittance of funds is subject to foreign exchange control.

23. SHARE CAPITAL OF THE COMPANY AND COMBINED CAPITAL

	Number of shares	Share capital HK$'000	Share capital RMB'000
Ordinary shares of the Company of HK$0.01 each			
Authorised:			
As at 1 January 2022, 31 December 2022 and 31 December 2023	10,000,000,000	100,000	82,570
Issued and fully paid:			
As at 1 January 2022, and 31 December 2022	1,000,000	10	8
Capitalisation issue (note i)	112,580,000	1,126	968
Issue of new shares upon Listing (note ii)	12,420,000	124	107
Issue of shares on conversion of the Pre-IPO convertible bonds (note iii)	12,000,000	120	103
As at 31 December 2023	138,000,000	1,380	1,186

Notes:

(i) On 16 January 2023, the Company issued additional 112,580,000 shares by way of capitalisation of HK$1,125,800 (equivalent to RMB968,000) standing to the credit of the Company's share premium account.

(ii) On 16 January 2023, the shares of the Company were listed on the Main Board of the Stock Exchange with an offer price of HK$6.5 per share. Upon Listing, the Company issued a total of 12,420,000 shares for total proceeds (before related fees and expenses) of HK$80,730,000 (equivalent to RMB69,394,000).

(iii) On 16 January 2023, the Pre-IPO convertible bonds of HK$78,000,000 (equivalent to RMB69,393,000) issued by the Company were converted into 12,000,000 shares of the Company, representing approximately 8.70% of the issued number of shares of the Company after the conversion.

24. CONTRACT COSTS AND CONTRACT LIABILITIES

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Contract costs		
Cost charged by the Platforms and Publishers	**8,148**	16,452
Contract liabilities		
Unamortised revenue	**(30,707)**	(49,633)
	(22,559)	(33,181)

Notes:

(i) Significant changes in contract costs and liabilities

Contract costs are mainly related to unamortised commissions charged by the Platforms and unamortised revenue sharing to the Publishers. Contract liabilities primarily consist of the unamortised revenue from sales of game tokens and virtual items for mobile games, where there is still an implied obligation to be provided by the Group over time. The Group expects to deliver the services to satisfy the remaining performance obligation of these contract liabilities within one year or less.

(ii) Revenue recognised in relation to contract liabilities

The following table shows the amount of revenue recognised in the consolidated statement of comprehensive income for the respective years relating to contract liabilities brought forward:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Web-based and mobile online game	**49,633**	35,853

(iii) Assets recognised from contract acquisition costs

In adopting HKFRS 15 "Revenue from Contracts with Customers", the Group recognises contract costs in relation to commissions charged by the Platforms and the revenue shared to the Publishers, which meet contract acquisition cost and fulfilment cost criteria, respectively, when the Group views the game players as its customer and that is incremental cost of acquiring a customer contract. They are capitalised as contract acquisition cost and fulfilment costs and amortised over the Player Relationship Period, which is consistent with the pattern of recognition of the associated revenue. The Group had no impairment losses recognised on any contract costs.

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25. DEFERRED INCOME TAX

The movements in the net of deferred income tax assets and (liabilities), with taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Contract liabilities RMB'000	Lease liabilities RMB'000	Contract costs RMB'000	Right-of-use assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	4,059	1,858	(1,807)	(1,843)	1,388	3,655
Recognised in profit or loss	1,082	916	(128)	(908)	(1,019)	(57)
At 31 December 2022	5,141	2,774	(1,935)	(2,751)	369	3,598
Recognised in profit or loss	(2,208)	(2,151)	1,214	2,221	(316)	(1,240)
At 31 December 2023	**2,933**	**623**	**(721)**	**(530)**	**53**	**2,358**

At the end of the reporting period, the Group has unused tax losses of RMB916,000 (2022: RMB4,665,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. All of these unrecognised tax losses have no expiry dates and may be carried forward indefinitely.

At the end of the reporting period, the Group has taxable temporary differences associated with undistributed earnings of PRC subsidiaries of RMB178,846,000 (2022: RMB116,630,000). No deferred tax liability has been recognised for these undistributed earnings because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

26. TRADE PAYABLES

Trade payables due to third parties primarily consist of the license fee and royalty fee payable to the licensors for the rights to use the intellectual properties of certain sports athletes in the Group's developed games in specified geographic areas for certain period of time.

The aging analysis of trade payables based on recognition date is as follows:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
0–365 days	**101,958**	53,897
1–2 years	**16,693**	557
Over 2 years	**5,229**	4,750
	123,880	59,204

As at 31 December 2022 and 2023, the fair value of trade payables approximated their carrying amount.

27. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Payroll and welfare payables	**14,333**	14,683
Other tax payables	**14,340**	14,192
Accrued expenses	**2,466**	19,312
Advance from the Publishers	**820**	2,420
Others	**52**	255
	32,011	50,862
Analysed for financial reporting purpose:		
Current portion	**31,959**	50,396
Non-current portion	**52**	466
	32,011	50,862

As at 31 December 2022 and 2023, the fair values of these balances approximated to their carrying amounts.

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities	**Financial liability at fair value through profit or loss**	**Accrued issued costs**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	12,388	65,642	1,317	79,347
Cash flows	(6,732)	—	(2,633)	(9,365)
Addition of leases	5,080	—	—	5,080
Lease modification	(287)	—	—	(287)
Interest expense	677	—	—	677
Issue costs accrued	—	—	1,842	1,842
Fair value loss	—	3,751	—	3,751
At 31 December 2022	11,126	69,393	526	81,045
Cash flows	(6,896)	—	(526)	(7,422)
Interest expense	430	—	—	430
Conversion of Pre-IPO convertible bonds	—	(69,393)	—	(69,393)
At 31 December 2023	**4,660**	**—**	**—**	**4,660**

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29. FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2023 **RMB'000**	2022 RMB'000
Assets as per consolidated statement of financial position		
Financial assets measured at amortised costs:		
— Trade receivables (Note 19)	**33,371**	43,023
— Deposits and other receivables (excluding prepayments) (Note 20)	**22,558**	3,062
— Cash and cash equivalents (Note 22)	**300,411**	232,566
Financial assets at fair value through profit or loss (Note 21)	**41,837**	—
	398,177	278,651
Liabilities as per consolidated statement of financial position		
Financial liabilities at amortised cost:		
— Trade payables (Note 26)	**123,880**	59,204
— Other payables and accruals (excluding payroll and welfare payables, other tax payables, advance from the Publishers, and others) (Note 27)	**2,466**	19,312
— Lease liabilities (Note 17)	**4,660**	11,126
Financial liability at fair value through profit or loss:		
— Convertible bonds (Note 21)	**—**	69,393
	131,006	159,035

30. RELATED PARTY TRANSACTIONS

The following transactions were carried out between the Group and its related parties during the years ended 31 December 2022 and 2023. The related party transactions were at terms mutually agreed between the Group and the respective related parties.

(a) Loans to key management

During the year ended 31 December 2022, Mr. Guo Yuheng, a key management personnel of the Company, had repaid all the loan due to the Group amounting to RMB36,000. The Group had no outstanding loans to key management as at 31 December 2023 and 2022.

(b) Key management compensation

Key management includes executive directors and senior management. The compensation paid or payable to key management, including directors' remuneration, is shown below:

	Year ended 31 December	
	2023 **RMB'000**	2022 RMB'000
Wages, salaries and bonuses	**6,355**	6,826
Other social security costs and housing benefits and other employee benefits	**669**	336
Total	**7,024**	7,162

31. SHARE AWARD SCHEME

The Company adopted a share award scheme (the "**Scheme**") on 15 December 2023 for the purpose of:

(i) acknowledging and recognising the contribution which has been or may be made by i) any senior management of the Group or directors of the Company; and ii) any person deemed eligible by the directors of the Company to participate in the Scheme (the "**Eligible Participants**") to the Group; and

(ii) awarding the Eligible Participants with excellent performance in order to attract people with suitable talent for further development of the Group.

The Scheme is a single scheme under which no share options can be granted. It will involve the purchase of the existing shares of the Company on the Stock Exchange through the trustee of the trust.

A grant of an award shall be made to an Eligible Participant by a letter, which to be issued by the Company for the grant of an award with details in accordance with the rules relating to the Scheme, and in such written form as the board of directors may from time to time determine. The total number of shares may be granted under the Scheme is not permitted to exceed 5% of the issued share capital of the Company as at 15 December 2023 (i.e. being no more than 6,900,000 shares).

Unless there shall be any termination as may be determined by the board of directors pursuant to the scheme rules, the Scheme shall be valid and effective for the period commencing on 15 December 2023 until the earlier of (i) the fifth anniversary of the 15 December 2023; or (ii) the date on which all unvested awarded shares have been fully vested, settled, lapsed, forfeited or cancelled (as the case may be), after which no further awards will be granted, but the scheme rules shall remain in full force in all other respects.

During the year ended and as at 31 December 2023, no share has been acquired for the Scheme and no award has been granted under the Scheme.

An aggregate of 3,240,000 shares of the Company has been purchased by the trustee of the trust from the market for a total consideration of HK$15,681,600 subsequent to the end of reporting period.

32. CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as followings:

	As at 31 December	
	2023 **RMB'000**	2022 RMB'000
Intangible assets	–	92,281

33. CONTINGENCIES

The Group did not have any material contingent liabilities as at 31 December 2023 (2022: nil).

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(a) Statement of financial position of the Company

	As at 31 December	
	2023 RMB'000	2022 RMB'000
ASSETS		
Non-current asset		
Investment in a subsidiary	161,551	112,806
Current assets		
Prepayments	45	4,293
Amount due from a subsidiary	—	42,015
Cash and cash equivalents	72,160	105
Total assets	233,756	159,219
EQUITY AND LIABILITIES		
Equity		
Share capital	1,186	8
Reserves	192,707	55,976
Total equity	193,893	55,984
Current liabilities		
Amounts due to subsidiaries	38,556	23,337
Other payables and accruals	1,307	10,505
Financial liability at FVTPL	—	69,393
Total liabilities	39,863	103,235
Total equity and liabilities	233,756	159,219
Net current liabilities	39,863	103,235
Total assets less current liabilities	193,893	55,984

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

(b) Reserve movements of the Company

	Share premium RMB'000	Other reserves RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	—	112,798	—	(30,951)	81,847
Loss for the year	—	—	—	(28,743)	(28,743)
Share-based compensation	—	2,872	—	—	2,872
At 31 December 2022	—	115,670	—	(59,694)	55,976
Loss for the year	—	—	—	(3,915)	(3,915)
Other comprehensive income for the year	—	—	9,755	—	9,755
Profit and other comprehensive income for the year	—	—	9,755	(3,915)	5,840
Issue of shares by capitalisation of share premium account (Note 23)	(968)	—	—	—	(968)
Issue of new shares (Note 23)	69,287	—	—	—	69,287
Transaction costs attributable to issuance of shares	(6,718)	—	—	—	(6,718)
Issue of shares on conversion of Pre-IPO convertible bonds (Note 23)	69,290	—	—	—	69,290
At 31 December 2023	**130,891**	**115,670**	**9,755**	**(63,609)**	**192,707**

FINANCIAL SUMMARY

The consolidated results, assets and liabilities of the Group for the last five financial years are summarised below.

RESULTS

	Year ended 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	**633,633**	637,886	459,851	404,745	378,630
Gross profit	**344,656**	333,064	221,527	180,391	171,101
Profit for the year attributable to					
— Owners of the Company	**74,203**	13,525	39,986	41,498	46,627
Adjusted net profit (Non-HKFRS measure)*	**74,647**	42,448	56,726	45,496	49,878

ASSETS AND LIABILITIES

	As at 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Total assets	**527,418**	370,260	292,362	252,735	236,734
Total liabilities	**(195,830)**	(247,646)	(185,049)	(104,670)	(109,395)
Total equity	**331,588**	122,614	107,313	148,065	127,339

* Please refer to P.8 Non-HKFRS measure for further details.