家乡互动
HOMELAND INTERACTIVE

2023 ANNUAL REPORT

家鄉互動科技有限公司
Homeland Interactive Technology Ltd.

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 3798

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. WU Chengze *(Chairman)*
Mr. SU Bo *(appointed on 5 April 2024)*
Mr. DING Chunlong
Mr. TANG Yinghao

Independent Non-Executive Directors

Mr. ZHANG Yuguo
Mr. HU Yangyang
Ms. GUO Ying

AUDIT COMMITTEE

Mr. HU Yangyang *(Chairman)*
Mr. ZHANG Yuguo
Ms. GUO Ying

NOMINATION COMMITTEE

Mr. WU Chengze *(Chairman)*
Ms. GUO Ying
Mr. HU Yangyang

REMUNERATION COMMITTEE

Mr. HU Yangyang *(Chairman)*
Mr. ZHANG Yuguo
Ms. GUO Ying

JOINT COMPANY SECRETARIES

Ms. NG Ka Man *(ACG, HKACG)*
Mr. WU Jieran

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

AUTHORIZED REPRESENTATIVES

Ms. NG Ka Man
Mr. TANG Yinghao

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditor
35/F One Pacific Place
88 Queensway
Hong Kong

COMPANY'S WEBSITE

https://www.jiaxianghudong.com

STOCK CODE

3798

HEADQUARTERS IN THE PRC

17/F, Qianhai Shimao Finance Centre II
No. 3040, Xinghai Avenue
Nanshan Street
Qianhai Shenzhen-Hong Kong Cooperation Zone
Shenzhen
PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

LM8, 5/F, Lee & Man Commercial Center,
169 Electric Road, North Point, Hong Kong
(with effect from 31 January 2024)

PRINCIPAL BANKS

Jilin Jiutai Rural Commercial Bank, Tongzhi Street Branch
Bank of China, Xiamen Taiwan Road Branch
Hua Xia Bank, Xiamen Branch

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**1,779,667**	1,562,940	1,287,722	772,034	564,991
Gross profit	**1,157,455**	1,020,619	958,828	592,088	442,283
Profit for the year	**440,470**	465,682	500,276	390,027	206,788
Profit for the year attributable to owners of the Company	**436,936**	465,274	500,713	390,804	206,788
Non-IFRS adjusted net profit attributable to the owners of the Company	**499,393**	528,609	511,155	417,849	306,804

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**399,497**	465,509	275,768	227,603	79,035
Current assets	**1,887,419**	1,609,796	1,453,169	877,069	649,701
Current liabilities	**190,164**	274,678	241,863	148,219	102,185
Net current assets	**1,697,255**	1,335,118	1,211,306	728,850	547,516
Non-current liabilities	**12,602**	36,614	46,770	7,101	9,974
Total equity	**2,084,150**	1,794,013	1,440,304	949,352	616,577

Chairman's Statement

Dear shareholders and people who follow Homeland Interactive:

Greetings!

I am pleased to present the Annual Results of the Group for the year ended 31 December 2023 (the "**Reporting Period**") to our shareholders.

With the full resumption of normal socio-economic activities, the gaming industry has also seen a new round of revival after a long period of dormancy. On the backdrop of economic recovery and regular approval of game publication, the whole industry has become more confident, while market size and playing time further increases. In 2023, as the total market size of the gaming industry continued to increase, traditional benefits from traffic was gradually diminishing. In the future, the development trend of gaming companies will transit from traffic-driven to relying on high quality games, refined operation and diverse marketing. As such, we have been actively formulating plans in advance to seek breakthrough. After several years of in-depth business operation and strategic focus, we have gradually discovered an exclusive development approach for Homeland Interactive, driving the Group towards the following pre-determined strategic directions.

ENHANCE REVENUE OF OUR CORE PRODUCTS AND STABILIZE THE GROWTH OF OUR FOUNDATIONAL PRODUCTS

Our portfolio of classic card and board games has achieved long-term operation through content updates and sophisticated marketing, demonstrating strong vitality during the Reporting Period. The Group has also formulated corresponding marketing and operational strategies to cater different cultures, user needs and market sizes in different regions. Meanwhile, we closely follow changes in the market and user demand, increasing our investment in the research and development of innovative playstyle and new media marketing. Thanks to the relentless efforts of various departments of the Group throughout the year, the overall active user base of our classic card and board games has stabilized, with users become significantly more willing to pay. During the Reporting Period, our revenue reached RMB1,779.7 million, representing a year-on-year growth rate of 13.9%; gross profit amounted to RMB1,157.5 million, representing a year-on-year growth rate of 13.4%; adjusted net profit amounted to RMB499.4 million, representing a year-on-year decrease of 5.5%. Our user size has also stabilized, with DAUs and MAUs of our existing business amounted to 14,389,388 and 68,289,393, respectively, representing a year-on-year increase of 3.1% and 9.4%, respectively. Our user base shows characteristics of a large size, long life cycle and stable payment, further demonstrating the loyalty of our user base to our gaming brand. Our paying users during the Reporting Period reached 13,104,865, representing a year-on-year decrease of 21.3%, but an increase of 42.0% as compared to that of 30 June 2023.

REFINED PRODUCTS AND GLOBAL EXPANSION

While consolidating our foundation, we also insist on reforming, refining, updating and upgrading our products, providing better gaming experience for our users. Among this, we recently released the 3D upgraded version of "微樂鬥地主" and "微樂四川麻將". The upgraded game version not only provides users with more exquisite 3D scene, UI and other game graphics, but also introduces a brand new skin system. Players can obtain personalized skins with varying styles like ancient, China chic and techwear, allowing them to freely dress their characters. The refinement of our core games provides fellow players with more three-dimensional and immersive puzzle and competitive gaming experience, while utilizing high-quality games to promote and pass on classic competitive mind sports games among the public. We believe that providing global users with great localized gaming experience is an important step of the Company's global expansion. As such, the Group will continue to propel the localization process of gaming products which are developed to fulfills different needs of players from various countries, ensuring that such products could be attractive and competitive in their respective markets. In 2023, we consecutively launched "Weile Fishing International" (微樂捕魚國際版) and "Weile Fishing Vietnam" (微樂捕魚越南版), both of which are widely popular overseas, and we further refine and invest in the quality and artistic effect of the two products. Operating metrics and performance of the two games have been stable since they were launched. They will likely attract more overseas customers for the Group in 2024, further increasing the share of overseas revenue. Meanwhile, we have several localized card and board games tailored for players from different countries and regions in our pipeline. These products have entered the testing and refinement stage, and will soon be revealed to players from different countries and regions. Furthermore, we actively expanded into overseas streaming and short video business, hoping to further expand the size of the user community and the global profitability of the Group, providing more diverse revenue sources for the Group.

INVESTING IN NEW MEDIA MARKETING AND STRENGTHENING OUR MULTI-DIMENSIONAL PUBLISHING CAPABILITY

The Group exerted much effort into the game publishing sector during the Reporting Period, adapting to the rapid growth of market size for short video and streaming users in China and the change in marketing and publishing demands for gaming companies. We have gradually formulated a unique game publishing model with new medial channels as its leverage and streaming union as its medium.

By investing in associates and joint ventures engaged in the new media sector, the Group has successively deployed new media operation sectors in Northeast, Southwest, South China, Southeast, etc., engaging in a large variety of businesses, including card and board game streaming, joint game operation, streamer cultivation and game publishing. Such diverse businesses could complement each other and form synergies. The Group and these associates and joint ventures has formed a highly cooperative and efficient workflow, utilizing the three-pronged multi-dimensional publishing model of "joint operation+tournaments+streaming" to promote and distribute the gaming products of the Group. This publishing model allows us to customize our game publishing approach based on the characteristics of different types of games and the traffic norm of different platforms. Not only could this approach facilitate the Group in attracting a large amount of gamers and achieve efficient user conversion, but also help our classic games to spread among the public.

At present, the new media sector business operated by the Group's associates and joint ventures is still expanding, attracting over 10,000 streamers. Among this, the streaming union, "Wei Ying Hu Dong" (微應互動), entered into contracts with renowned streamers like Feng Timo (馮提莫), 夢淚 , 上將潘鳳 and人送外號大聰明. The marketing method of combining gaming and streaming could reduce cost and enhance efficiency through internal synergies within the Group. Moreover, due to the characteristics of "selfoperation+investment+third party" of the new media sector, such entities are not limited to serving gaming products of the Group, but could also provide joint operation/publishing services for other gaming companies. This sector has huge business potential and could hopefully become a new source of business growth.

DEVELOP DIGITAL TOOLS TO FACILITATE GROWTH AND EMBRACE TECHNOLOGICAL UPGRADE TO RAISE EFFICIENCY

The games of the Group are distinguished medium for traditional culture. Promoting game technology development could allow for better innovation and integration of culture and gaming. As a leading mobile game developer in China, we are very focused on developing various efficient tools to achieve efficient operation of our products. The Group has developed a professional application and service platform for game publishing teams. Through integrating main third party channels and media services, we can fulfill the publishing and operating demands of gaming products. After years of refinement, this platform has gained strong data analysis and distribution capability, sufficiently serving in game publishing, customer services, legal compliance, risk avoidance, advertising, game update, traffic attraction, operation, data analysis and other traditional game operation scenarios, which largely enhancing the level of operation details and precision and product publishing efficiency of different project teams within the Group. We utilize the platform to fully analyze the vast game data of the Group, providing data to empower development teams to accurately refine their products during the beginning of a project. Meanwhile, launched projects are equipped with quick and efficient feedback mechanics to allow project teams to immediately adjust the marketing strategy and publishing pace of their products, which would further lower cost and enhance efficiency. Currently, the platform has demonstrated its characteristics of being easy to access and highly automated. The Group has realized the potential of the platform and recently consider releasing the digital platform to third parties while exploring the viability of its commercialization.

Furthermore, we are also actively seeking various technologies within the industry, to provide more technical optimization for the refined game development of the Company. Currently, the Group has extensively applied AI technology in its product research and development, cultivated core talents of AIGC (AI-generated content) and established a systematic AI service platform. In the future, we will keep pace with new technology and expand the core talent reserve for game research and development and operation, while accelerate the application and research on AIGC. In addition, "微樂鬥地主" and "微樂四川麻將" and such will activate HarmonyOS native application development, and these technology-oriented strategic layout will further enhance the intellectualised and refined operation level of the Company.

While completing the aforementioned strategic layout, the Group also adhered to longtermism, actively fulfilling our social responsibility as a listed company. On 7 August 2023, we donated RMB2 million to Jilin Red Cross Society and Changchun Red Cross Society, supporting Yushu and Shulan, Jilin in their flood and disaster relief effort. On 4 August 2023, we donated RMB5 million to Hebei Charity Federation, supporting their flood relief and post-disaster rebuilding work through action and striving to care and invest in charity works in different regions. In the future, we will continue to enhance the Group's social efficiency and value as a listed company and achieve sustainable development.

Last but not least, on behalf of the Board and all employees of the Group, I would like to express my sincere gratitude to players and investors for their continuous support and trust to the Group. In 2024, Homeland Interactive will remain true to its original philosophy, adhere to longtermism, focus on its main game business, invest in advantageous sectors, continue to focus on enhancing the Company's intrinsic value, bring high-quality products to users and create greater value for investors.

Best regards,
Wu Chengze
Chairman

Hong Kong, 28 March 2024

BUSINESS REVIEW

We are a well-established mobile game developer and operator in China, specialising in the development and operation of localised games. In addition to our long-running portfolio of classic games, we have successfully launched a variety of casual games targeting both domestic and overseas players. Adherence to the values of "fairness, professionalism, safety and innovation", we have continued to sharpen our competitive edge through enduring and classic game offerings and execution of localised marketing strategies to match the ever changing needs of players of different demographics. Meanwhile, we also strive to transform from a leading localised game operator in China to a global causal and competitive game platform through multi-dimensional business strategic layout, aiming to seek changes while maintaining steady growth.

In terms of financial performance, our Group's revenue and gross profit from continuing operations for the Reporting Period were RMB1,779.7 million and RMB1,157.5 million, representing an increase of approximately 13.9% and 13.4%, respectively as compared with the revenue and gross profit for the corresponding period of last year. During the Reporting Period, our profit for the year attributable to owners of the Company was RMB436.9 million, representing a year-on-year decrease of 6.1%. Excluding the impacts of non-operating and non-recurring factors, including share-based payment expenses and withholding tax on undistributed profits of subsidiaries operating in the PRC, the non-IFRS adjusted net profit attributable to the owners of the Company was RMB499.4 million for the Reporting Period, representing a year-on-year decrease of 5.5%.

Such growth in our Group's revenue during the Reporting Period was partly attributable to our constant innovations and introduction of new elements to our existing game portfolio with an aim to optimise our players' gaming experience, as well as creating and maximizing our users' values. Moreover, we have strategically selected and deepened our cooperation with various new media channels to optimise user traffic and enhance our customer acquisition ability, which resulted in a significant increase in our Group's DAUs and player loyalty. As at the end of the Reporting Period, in terms of our existing business, our Group's DAUs increased to 14,389,388, representing a year-on-year growth of 3.1%; and our Group's MAUs increased to 68,289,393, representing a year-on-year growth of 9.4%. We recorded a decrease in our paying players, reaching 13,104,865 by the end of the Reporting Period, representing a year-on-year decrease of 21.3%. Leveraging our expanding player base, we strengthened our refined joint operations with a third-party research and development team during the Reporting Period, which generated operating income from third-party joint games amounted to RMB145.2 million for our Group in 2023.

The cost of sales of our Group also increased correspondingly during the Reporting Period, of which the payment of commissions and fees charged by game distribution channels and platforms brought along with the increase in sales revenue increased to RMB523.4 million, representing a year-on-year increase of 23.8%. Meanwhile, our sales and marketing expenditure decreased by approximately 37.4% from RMB543.7 million as of 31 December 2022 to RMB340.6 million during the Reporting Period. The decrease in marketing expenditure of our Group was mainly because the Group adjusted deployment planning and reduced advertisement placement in channels such as Ocean Engine (ByteDance information feed) and Guang Dian Tong (Tencent information feed) during the Reporting Period.

During the Reporting Period, we significantly increased our investment in research and development to safeguard the steady growth in our key research and development projects. During the Reporting Period, we invested RMB187.1 million in aggregate to product research and development. For long-term operating classic games, we have been reforming the rules and actively improving the artistic presentation of our card and board games, striving to bring an everlasting entertainment experience to players. In terms of products of diverse category, the casual game "Meet Meowkes" (遇見喵克斯) has successfully launched during the Reporting Period. Moreover, our Group also launched "Weile Fishing Vietnam" (微樂捕魚越南版) and "Weile Fishing International" (微樂捕魚國際版) overseas. In addition, our Group is currently developing casual games localised to target players in Southeast Asia and South America, and certain social causal games targeting players in worldwide. Those games have completed multiple rounds of testing, and are expected to capture overseas income for the Group in the near future.

The Board proposed the distribution of a final dividend for the year ended 31 December 2023 of approximately HK$128.3 million in total for the purpose of sharing our operating results with the shareholders. In the future, the Company will strive to maintain the balance between the shareholders' interest and the Group's development based on the current dividend policy, hoping to implement sustainable dividend returns and reward the shareholders through action for their long term support and trust towards us.

BUSINESS OUTLOOK

In 2024, our Group will continue our efforts to further solidify our competitive advantages in the gaming industry by continuing the following strategies:

1. **Further diversify and optimise our game portfolio to increase revenue streams and market penetration.**

   Leveraging on our established brand name and optimising the competitive advantage of the accumulated active user base of our existing game portfolio, we plan to expand our game portfolio and introduce game products, being our localised card and board game variations, to attract potential users from prefecture-level cities and cater different entertainment needs. Our Group will utilise our game localisation capability to design and develop new tailor-made games to captivate interests of prefecture-level cities users, and increase our Group's revenue source.

2. **Expand customer acquisition channels and reduce customer acquisition costs through integration of new media technology and harnessing the power of innovative media channels.**

   In order to strengthen our Group's customer acquisition ability and increase our business presence, we will increase our capital investment in new media marketing. By formulating different marketing models based on the traffic pattern of different platforms, our Group can achieve more efficient user conversion.

3. **Continue to expand our geographic coverage in China through market penetration of prefecture-level cities.**

   In 2024, our Group aims to increase our presence in dozens of prefecture-level cities situated in various provinces, including Henan, Yunan, Shandong and Guangdong. We plan to allocate resources to boost marketing efforts in the target expansion areas to attract and accumulate players up to a targeted level, such that the user base will grow to a scale which is sufficient to continuously generate traction.

4. **Devote further research and development resources to increase game pipeline and enrich game portfolio.**

   In order to diversify the current game portfolio, in addition to classic games, our Group will deploy more research and development resources to introduce diverse new game categories in 2024. We will continue to improve interactions among product teams and streamline our corporate structure to achieve business growth and sustainability. We will also apply our accumulative research and development capabilities in expanding into the overseas markets and capture overseas income.

5. **Continue to explore potential business opportunities.**

   As an established game developer, we will leverage on our industry experience and collaborate with strategic partners to expand our business. Our Group intends to identify high-potential research and development teams which complement our current game portfolio, and explore opportunities to cooperate with them through different approaches, including incubation, investment and acquisition.

FINANCIAL REVIEW

Financial Review of Continuing Operations

Revenue

The Group's revenue for the year ended 31 December 2023 amounted to approximately RMB1,779.7 million, representing an increase of 13.9% from approximately RMB1,562.9 million recorded in 2022. The increase in revenue was partially attributable to the Group's continuous improvement and introduction of new elements into its existing mahjong and poker games, bringing players enhanced timeless gaming experience. Moreover, the Company has strategically selected and deepened the cooperation with various new media channels, such as Douyin, Kuaishou and Tencent Video, to optimize user traffic and expand its customer acquisition ability, which resulted in a significant increase in the Group's DAUs and player stickiness. Advertising revenue represents revenue generated from ingame advertisement slots the Group inserted in its mini-programs, typically measured by user clicks. For the year ended 31 December 2023, revenue generated from the Group's sale of virtual tokens, distribution of third-party mobile games and advertising accounted for approximately 88.2%, 8.0% and 3.8% of the Group's total revenue, respectively, as compared with approximately 80.9%, 11.8% and 7.3%, respectively, for the year ended 31 December 2022.

Cost of sales

The Group's cost of sales primarily includes (i) employee benefit expenses; (ii) commissions and fees charged by third-party game distribution channels and payment vendors; (iii) server related and technical support fees; and (iv) depreciation and amortization. The Group's cost of sales increased by approximately 14.7% to approximately RMB622.2 million in 2023 from approximately RMB542.3 million in 2022, primarily due to (i) a RMB100.7 million increase in commissions and fees paid to third-party distribution channels and payment vendors; and (ii) a RMB2.3 million increase in server-related and technical support fees. As at 31 December 2023, the Group did not have any trade payables.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by 13.4% to approximately RMB1,157.5 million for the year ended 31 December 2023 from approximately RMB1,020.6 million in 2022, and the Group's gross profit margin decreased to 65.0% for the year ended 31 December 2023 from 65.3% in 2022.

Other income

Other income increased by approximately 6.0% from approximately RMB59.7 million for the year ended 31 December 2022 to approximately RMB63.3 million for the year ended 31 December 2023. The increase was primarily due to an increase in interest income of RMB4.5 million during the year ended 31 December 2023.

Other gains and losses

Other gains and losses decreased by RMB19.9 million from a gain of approximately RMB14.2 million for the year ended 31 December 2022 to a loss of approximately RMB5.7 million for the year ended 31 December 2023. The decrease was primarily due to the loss on disposal of investments in associates of RMB16.8 million.

Foreign exchange gains, net

Foreign exchange gains of approximately RMB6.5 million was recorded for the year ended 31 December 2023 while foreign exchange gains of approximately RMB11.1 million was recorded for the year ended 31 December 2022, mainly due to the fluctuation of exchange rate of Renminbi (RMB) against US dollars.

Selling and marketing expenses

The Group's selling and marketing expenses decreased by approximately 37.4% from approximately RMB543.7 million for the year ended 31 December 2022 to approximately RMB340.6 million in 2023. The decrease was primarily because the Group adjusted deployment planning and reduced advertisement placement in channels such as Ocean Engine (ByteDance information feed) and Guang Dian Tong (Tencent information feed) during the Reporting Period.

Administrative and other expenses

The Group's administrative and other expenses increased by approximately 76.3% from approximately RMB220.1 million for the year ended 31 December 2022 to approximately RMB387.9 million in 2023. The increase was primarily due to (i) an increase of RMB35.4 million in staff costs mainly in connection with research and development activities; (ii) an increase of RMB69.1 million in outsource technical fee related to research and development of new games; and (iii) an increase of RMB50.5 million in share-based payment expenses.

Profit before income tax

The Group's profit before income tax increased by approximately 33.3% from approximately RMB376.0 million for the year ended 31 December 2022 to approximately RMB501.1 million in 2023. The Group's profit before income tax as a percentage of total revenue increased from 24.1% for the year ended 31 December 2022 to 28.2% for the year ended 31 December 2023, primarily due to the decrease of approximately 37.4% in the Group's selling and marketing expenses during the year ended 31 December 2023 compared to the corresponding period in 2022.

Income tax expenses

Income tax expenses increased by approximately 130.3% from RMB26.3 million for the year ended 31 December 2022 to RMB60.6 million in 2023. The Group's effective tax rates were 12.1% and 7.0% for the years ended 31 December 2023 and 2022, respectively. The increase in the Group's income tax expense and effective tax rate was primarily due to the increase in profit of Xiamen Youcheng Interactive Network Technology Co., Ltd.* (廈門遊成互動網絡科技有限公司) for the year ended 31 December 2023 of which the income tax rate was 25%. For further details, please refer to note 10 to the consolidated financial statements of the Company in this annual report.

Profit attributable to owners of the Company

Profit attributable to owners of the Company decreased by approximately 6.1% from approximately RMB465.3 million for the year ended 31 December 2022 to approximately RMB436.9 million in 2023.

Non-IFRS Measures — Adjusted Net Profit

To supplement the Group's consolidated financial statements which are presented in accordance with International Financial Reporting Standards ("**IFRS**"), the Company also used unaudited non-IFRS adjusted net profit as an additional financial measure in order to evaluate its financial performance by eliminating the impact of certain non-recurring and non-cash items that it does not consider indicative of the performance of its business. The Company's management believes that the presentation of non-IFRS measures, in conjunction with the corresponding IFRS measures, provides useful information to investors relating to the Group's financial condition and results of operations. The term "adjusted net profit" is not defined under IFRS. Other companies in the industry which the Group operates in may calculate such non-IFRS item differently from the Group. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact the Group's net profit for the Reporting Period and should not be considered in isolation or as a substitute for analysis of the Group's results as reported under IFRS.

The following table sets out the calculation of adjusted net profit attributable to the owners of the Company for the years indicated:

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Profit for the year attributable to the owners of the Company	**436,936**	465,274
Add:		
Share-based payment expenses	**63,457**	34,335
Withholding tax on undistributed profits of subsidiaries operating in the PRC	**—**	29,000
Adjusted net profit attributable to the owners of the Company	**499,393**	528,609

The adjusted net profit attributable to the owners of the Company for the year ended 31 December 2023, adjusted by excluding the non-cash item of share-based payment expenses and withholding tax on undistributed profits of subsidiaries operating in the PRC, was approximately RMB499.4 million, decreased by 5.5% as compared to approximately RMB528.6 million for the year ended 31 December 2022.

Liquidity and Capital Resources

For the year ended 31 December 2023, the Group financed its operations primarily through cash generated from the Group's operating activities. The Group intends to finance its expansion and business operations with internal resources and through organic and sustainable growth.

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements from time to time.

Cash and cash equivalent

The Group primarily operates its business in the PRC and its transactions and revenue were primarily denominated in Renminbi. The Group has certain cash and cash equivalents and trade receivables denominated mostly in HK dollars and US dollars, with the remaining portion denominated in Euros and Singapore dollars, and is exposed to foreign exchange risk arising from exchange rate fluctuation of RMB against HK dollars and US dollars. As at 31 December 2023, the Group had cash and cash equivalents of approximately RMB1,340.9 million (31 December 2022: approximately RMB1,163.3 million), which primarily consisted of cash at bank. Out of the RMB1,340.9 million, approximately RMB1,222.6 million is denominated in Renminbi, approximately RMB75.4 million is denominated in US dollars, approximately RMB41.0 million is denominated in HK dollars, approximately RMB0.1 million and RMB1.8 million is denominated in Euros and Singapore dollars, respectively. The Group currently does not hedge transactions undertaken in foreign currencies.

The Group currently does not have any hedging policy for foreign currencies in place. However, the Board will remain alert to any relevant risks and, if necessary, consider to hedge any material potential foreign exchange risk.

Indebtedness

During the year ended 31 December 2023, the Group did not have any short-term or long-term bank borrowings and had no outstanding bank and other borrowings and other indebtedness apart from lease liabilities for the relevant lease terms amounting to RMB20.8 million in aggregate (31 December 2022: RMB17.8 million).

Gearing ratio

The Group's gearing ratio represented the percentage of the sum of non-current and current borrowings over total assets. The gearing ratio was zero since there was no borrowings as at 31 December 2023.

Charge on assets

As at 31 December 2023, the Group did not pledge any of its assets.

Capital expenditures

For the year ended 31 December 2023, the Group's capital expenditure amounted to approximately RMB69.6 million (for the year ended 31 December 2022: approximately RMB104.0 million), which mainly comprised expenditures on the purchase of office furniture and equipment, motor vehicles, leasehold improvements, the purchase of the copyright of game software and computer software, the purchase of equity instruments at fair value through other comprehensive income and financial assets at fair value through profit or loss as well as investment in joint ventures and associates. The Group funded its capital expenditure by using the cash flow generated from its operations. The capital expenditure for the year ended 31 December 2023 was lower as the Company incurred decreased expenditure with respect to the investment in financial assets at fair value through profit or loss and joint ventures in 2023.

Contingent liabilities and guarantees

As at 31 December 2023, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against the Group.

MATERIAL ACQUISITIONS AND DISPOSALS

On May 29, 2023, (i) Jilin Xinze Network Technology Company Limited* (吉林省鑫澤網絡技術有限公司) ("**Jilin Xinze**") as the vendor, Jilin Shike JuXun Network Technology Limited* (吉林省識科具訊網絡科技有限公司) ("**Jilin Shike**") as the purchaser, and Jilin Xinyue Network Technology Limited* (吉林省心悦網絡科技有限公司) ("**Jilin Xinyue**"), entered into the Equity Transfer Agreement I, pursuant to which Jilin Xinze has agreed to sell 40% of the equity interest in Jilin Xinyue to Jilin Shike, at a consideration of RMB99.9 million pursuant to the terms and conditions of the Equity Transfer Agreement I; and (ii) Yutai Shenzhen Network Technology Limited* (豫泰(深圳)網絡科技有限公司) ("**Yutai Shenzhen**") as the vendor, Jilin Baoluo Network Technology Limited* (吉林省保羅網絡科技有限公司) ("**Jilin Baoluo**") as the purchaser, and Jilin Anrui Technology Company Limited* (吉林省安睿網路科技有限公司) ("**Jilin Anrui**"), entered into the Equity Transfer Agreement II, pursuant to which Yutai Shenzhen has agreed to sell 40% of the equity interest in Jilin Anrui to Jilin Baoluo, at a consideration of RMB35.1 million pursuant to the terms and conditions of the Equity Transfer Agreement II. For further details of the disposal, please refer to the announcement of the Company dated 29 May 2023 and 6 June 2023.

Loss on disposal of investments in Jilin Xinyue and Jilin Anrui was RMB16.8 million. Further details of the disposal of Jilin Xinyue and Jilin Anrui are set out in note 19 to the consolidated financial statements in this annual report.

Save as disclosed above, the Group did not have any other material acquisitions or disposals of subsidiaries, joint ventures, associates or financial assets during the Reporting Period.

EMPLOYEES AND STAFF COSTS

As at 31 December 2023, the Group had a total of 652 full time employees, mainly located in mainland China. In particular, 67 employees are responsible for the Group's research and development, 363 for game development, 59 for technical support, 25 for customer service, 61 for marketing and 77 for operations and general administration. The total staff cost incurred by the Group for the year ended 31 December 2023 was approximately RMB278.9 million compared to approximately RMB224.8 million in 2022. The increase was mainly due to (i) the increase in payment of salaries and other benefits in kind of approximately RMB20.0 million resulting from the increase in the number of game development personnel; and (ii) the increase in payment of share-based compensation to key employees of approximately RMB28.1 million.

The Group provides orientation and training to new recruits as well as ongoing in-house training for junior employees, which the Group believes can enhance the skills and productivity of its employees. The Group compensates employees with base salaries and performance-based bonuses. The Company has also adopted a share option scheme (the "**Share Option Scheme**") and a share award scheme (the "**Share Award Scheme**") on 5 June 2019 and 6 June 2019 respectively to incentivize employees and senior management and to align their interests with that of the Company.

Further details of the Share Option Scheme and the Share Award Scheme, please refer to the section headed "Report of Directors — SHARE INCENTIVE SCHEMES" of this annual report.

DIRECTORS

Executive Directors

Mr. WU Chengze (吳承澤), aged 39, is a founder and the Chairman of the Group and an executive Director of the Company. Mr. Wu is primarily responsible for formulating and implementing the overall development strategies and business plans of the Group and overseeing the overall development and operations of our Group. He was appointed as a Director on 7 May 2018 and his position as Chairman and Chief Executive Officer took effect on 20 September 2018. He resigned as the Chief Executive Officer on 5 September 2023. He has held various other positions in the Group, including chief operating officer of the Group prior to 2014 and the general manager of Jiaxiang Interactive (Xiamen) Network Technology Company Limited (家鄉互動(廈門)網絡科技有限公司) ("**Jiaxiang Interactive**") since September 2015. Mr. Wu has over ten years of experience in the game industry. Prior to founding the Group, Mr. Wu worked at Changchun Anxin Power Technology Co., Ltd. (長春安信電力科技有限公司) as a programmer from August 2006 to September 2009. Mr. Wu is a director of Wu Chengze Network Limited, 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**").

Mr. Wu completed his master's degree in law in July 2009 at Jilin University (吉林大學) in the PRC.

Mr. SU Bo (蘇波), aged 39, is a founder and the Chief Investment Officer of the Group. Mr. Su is primarily responsible for overseeing and managing the strategic development and expansion plan of the Group. He was an executive Director from May 2018 to May 2023. He has held various other positions in the Group, including officer responsible for overseeing the financial, legal and administrative matters of the Group and chief investment officer of the Group since February 2018. Mr. Su has over ten years of experience in the game industry. Prior to founding the Group, Mr. Su worked at Changchun Anxin Power Technology Co., Ltd. (長春安信電力科技有限公司) as a programmer from July 2007 to November 2009. Since September 2017, Mr. Su has also been a mentor of post-graduate students at Changchun University of Technology (長春工業大學). Mr. Su is a director of Su Bo Network Limited, a substantial shareholder of the Company within the meaning of Part XV of the SFO.

Mr. Su completed his bachelor's studies in computer software (through distance learning) from Jilin University (吉林大學) in the PRC in June 2007.

Mr. DING Chunlong (丁春龍), aged 36, is an executive Director of the Company. Mr. Ding has over 6 years of experience in game operation and new media marketing and has served as a consultant of the Group. From March 2017 to June 2022, Mr. Ding worked with Jilin Yuke Network Technology Company Limited as a consultant, and was responsible for the company's overall operation. Since July 2022, Mr. Ding has been a consultant at Yutai (Shenzhen) Network Technology Co., Ltd.* (豫泰(深圳)網路科技有限公司), primarily responsible for the application and research of the Group's new media operation, live entertainment and infomercial short video production business.

Mr. Ding obtained his certificate of specialization from Changchun University of Technology (長春理工大學) in the PRC.

Mr. TANG Yinghao (湯英浩), aged 37, is an executive Director of the Company. Mr. Tang served at the National Australian Bank Financial Planning as Head of Operations from 2011 to 2016 and worked with National Australian Bank Business as Asian Investment Lead from 2015 to 2018. He later joined Homeland Interactive Technology Ltd. as the financial director and has been appointed as the Chief Financial Officer on 28 September 2020. Mr. Tang assisted the Group to complete the listing on the Main Board of the Hong Kong Stock Exchange on 4 July 2019. Since then, the Board has successively appointed Mr. Tang as a director of two Hong Kong subsidiaries of the Group, namely Homeland Entertainment & Technology Limited (家鄉互娛有限公司) and Homeland Interactive Entertainment & Technology Limited (家鄉互動互娛有限公司).

Mr. Tang obtained the Bachelor's degree in Commerce (Accounting and Finance) as well as Master's degrees in Business and Government and Commercial Law from the Australian National University in 2008, 2009 and 2010, respectively.

Independent Non-Executive Directors

Mr. ZHANG Yuguo (張玉國), aged 53, was appointed as an independent non-executive Director of the Company on 5 June 2019 for a fixed term of three years commencing from 4 July 2019, and is responsible for providing independent advice to the Board. Mr. Zhang has worked in Jilin University since March 1996 and currently serves an Associate Professor of the Northeast Asian Studies College of Jilin University (吉林大學東北亞研究院) in the PRC.

Mr. Zhang obtained his doctor degree in law from the College of Administration of Jilin University (吉林大學行政學院) in June 2008.

Mr. HU Yangyang (胡洋洋), aged 34, was appointed as an independent non-executive Director of the Company on 5 June 2019 for a fixed term of three years commencing from 4 July 2019, and is responsible for providing independent advice to the Board. Mr. Hu serves as an associate of the Investment Banking Division of Ping An Securities Co., Ltd. since July 2015, primarily advising on initial public offerings and other corporate finance related matters. Prior to joining Ping An Securities Co., Ltd., Mr. Hu worked at the Financial Services Organization of Ernst & Young Hua Ming LLP Shanghai Branch from October 2012 to March 2015 and was mainly responsible for conducting financial audits.

Mr. Hu received his bachelor's degree in business administration from Shanghai Jiao Tong University (上海交通大學) in the PRC in June 2012 and obtained his master's degree in economics from Shanghai University of Finance and Economics (上海財經大學) in June 2018. Mr. Hu has been a non-practising member of The Chinese Institute of Certified Public Accountants (CICPA) since March 2017 and became a member of The Association of Chartered Certified Accountants (ACCA) since March 2017.

Ms. GUO Ying (郭瑩), aged 62, was appointed as an independent non-executive director of the Company on 29 December 2020 for a fixed term of three years commencing from 29 December 2020, and is responsible for providing independent advice to the Board. Ms. Guo worked as a project assistant in the engineering department at Jilin Cogeneration Plant from March 1983 to April 1999. She was a training manager of human resources department at Changchun Noble Hotel (currently known as Hainan Airline Hotel Noble Changchun) from May 1999 to October 2005. From November 2005 to December 2016, Ms. Guo served as the recruitment manager of human resources department at Jilin Electric Power Research Institute Co., Ltd.

Ms. Guo obtained her bachelor's degree in thermal power engineering from Northeast Electric Power College (東北電力學院) (currently known as Northeast Electric Power University (東北電力大學)) in the PRC in 1998.

SENIOR MANAGEMENT

Ms. CUI Wei (崔瑋), aged 42, is the Chief Executive Officer of the Company. Ms. Cui was the joint company secretary of the Company from 7 May 2021 to 4 September 2023. Ms. Cui joined the Group in March 2021 as chief strategy officer, and was appointed as a joint company secretary in May 2021, responsible for the Company's capital markets, investments, mergers and acquisitions matters. Ms. Cui has also served as the general manager of the Group's Shenzhen branch since 2022, leading multiple business sectors such as domestic and overseas innovative game research and development. From 2014 to 2020, Ms. Cui served as the senior vice president of Mango Investment (芒果文創基金)* (EZY Capital), engaging in private equity investment. From 2007 to 2014, Ms. Cui worked at Advertising Centre of Hunan Radio and Television Station.

Ms. Cui obtained her master's degree in Communication from The Chinese University of Hong Kong in 2007 and her bachelor's degree in journalism from Communication University of China in 2004.

Mr. LI Wei (李偉), aged 40, is the assistant of the Chairman of the Group. He is responsible for assisting the Chairman of the Group in formulating and implementing the overall development strategies and business plans of the Group. Mr. Li joined the Group in August 2013 and has held various positions in the Group, including marketing director at Jilin Xinze. He has over 14 years of experience in sales management. Prior to joining the Group, Mr. Li served as sales manager at Beijing Yicai Internet Technology Co., Ltd. (北京易彩互聯科技有限公司) from May 2005 to December 2006. From January 2007 to March 2008, he was the sales development director of Asian Financial (Beijing) Investment Co. Ltd. (亞洲金控(北京)投資有限公司). From December 2010 to July 2013, Mr. Li worked at Netconcepts Internet Technology (Beijing) Co., Ltd. (耐特康賽網絡技術(北京)有限公司) as business development director.

Mr. Li received a diploma in e-commerce from Beijing Wuzi University (北京物資學院) in the PRC in January 2007.

Mr. TANG Yinghao (湯英浩), aged 37, is the chief financial officer of the Company. Please see the section headed "Directors" set out above for his biography.

JOINT COMPANY SECRETARIES

Ms. NG Ka Man (吳嘉雯) is a joint company secretary of the Company and was appointed on 28 March 2022. Ms. Ng is a senior manager of the Listing Services Department of TMF Hong Kong Limited and is responsible for provision of corporate secretarial and compliance services to listed company clients. She has over 16 years of experience in the company secretarial field. She is a member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

Mr. WU Jieran (吳介然) is a joint company secretary of the Company and was appointed on 26 September 2023. Mr. Wu joined the Company in March 2021 as the Investment Director of the Strategic Investment Department, responsible for the Company's capital market affairs, strategic investments and acquisitions, financial investments, and comprehensive financial and legal management of invested subsidiaries. Mr. Wu has 12 years of working experience in the fields of financial management, strategic investment and risk management. Before joining the Group, Mr. Wu served as the risk control director of EZY Capital and is responsible for the due diligence and risk assessment of the company's proposed investment projects, as well as the overall management of the financial and legal affairs of the invested companies. From 2011 to 2016, he served as the manager of the Audit Department at PWC Shanghai Branch. During his tenure at PWC, Mr. Wu participated in numerous M&A transactions and provided audit services to U.S. and Hong Kong-listed companies based on the old and new Chinese Accounting Standards for Business Enterprises, international and Hong Kong Accounting Standards for Business Enterprises, US Accounting Standards, etc.

Mr. Wu obtained a bachelor's degree in management from Shanghai University of Finance and Economics in 2011. In 2016, Mr. Wu passed the fund practitioner qualification examination organized by the Asset Management Association of China. Later, Mr. Wu became a member of the Chinese Institute of Certified Public Accountants in 2017.

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2023. Other sections, reports or notes of this annual report mentioned below form part of this Report of Directors.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the development and operation of localized mobile card and board games in China with a special focus on localized mahjong and poker games. The Group also develops and operates casual games and beginning in August 2018, leveraging its large player base, the Group commenced the distribution of third-party mobile games. In 2017, the Group recognized the increasing need for socialising functions in mobile games and introduced private game room function to some of its mahjong and poker game products. In 2018, the Group broadened its income stream by inserting certain in-game advertisement slots in its mini-programs and shared the income, typically measured by user clicks, with those mini-program platform operators, mainly WeChat. A list of the Company's subsidiaries, together with their places of incorporation, principal activities and particulars of their issued shares/paid up capital, is set out in note 38 to the consolidated financial statements in this annual report.

BUSINESS REVIEW

Overview and Performance of the Year

A review of the business of the Group during the year ended 31 December 2023, a discussion and analysis on the Group's future business development and the key financial and operational performance indicators employed by the Directors in measuring the performance of the Group's business are set out in the section headed "Management Discussion and Analysis" on pages 13 to 18 of this annual report.

Environmental Policies and Performance

The Group is not subject to any significant health, safety or environmental risks. The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. Details of such are set out in the section headed "Environmental, Social and Governance Report" of this annual report.

Compliance with Relevant Laws and Regulations

The Group is subject to various PRC laws and regulations in relation to its business in the PRC, including, without limitation, in the aspects of value-added telecommunication services, online game examination and publishing, online game operation, virtual currency, real-name registration, anti-addiction system, information security and censorship, and privacy protection.

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group and has obtained all material licenses, approvals and permits from relevant regulatory authorities for the operations of the Group in the PRC. During the year ended 31 December 2023, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Key Relationship with Stakeholders

The Group recognizes that various stakeholders including employees, customers, suppliers and shareholders. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationship with them.

The remuneration of employees of the Group will be based on their performance, experience and the prevailing market remuneration. The total remuneration of employees includes basic salaries and performance-based bonus. Moreover, the Group has also adopted a Share Option Scheme and a Share Award Scheme. The remuneration policy of the Directors is reviewed and determined by the remuneration committee having regard to the Directors' experience, responsibilities, workload and time devoted to the Group and performance of the Group.

The Company's major suppliers include third-party game distribution channels, payment vendors, cloud service providers, internet data center providers and online and offline advertising partners. On average, the Company has 4.2 years of business dealings with its major suppliers. All of the Company's five largest suppliers are independent third parties.

The Company's ultimate customers are individual game players, who purchase virtual tokens for consumption in the Group's self-developed mobile game products.

The principal goal of the Group is to maximize the return to the shareholders of the Company. The Group will focus on its core business for achieving sustainable profit growth and rewarding the shareholders with dividend payouts taking into account the business development needs and financial health of the Group.

During the year ended 31 December 2023, there were no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders.

Key Risks and Uncertainties and Risk Management

The business operations and results of the Group may be affected by various factors, some of which are external causes and some are inherent to the business. The Board is aware that the Group is exposed to various risks and the principal risks and uncertainties are summarized below:

- two game categories, namely mahjong and poker game variations have accounted for a substantial portion of the Group's revenue; any failure to maintain or enhance the performance of games in these game categories could materially and adversely affect the Group's business and results of operations;

- the growth of the Group depends on its ability to attract new players and retain existing players. If the Group fails to strengthen its existing game portfolio, launch high-quality new games or game variations and enhance player experience, its ability to continue to retain existing players and attract new players will be materially and adversely affected;

- the Group primarily distributes its mobile game products through its proprietary channel; any disruption of its proprietary channel could materially and adversely affect the Group's business, financial condition and results of operation;

- only a portion of the Group's registered players were paying players. To sustain growth of the Group, it must continue to monetize its players more effectively. If the Group is unable to retain its paying players, attract new paying players, convert non-paying players to paying players or increase or maintain the in-game purchases by its players, the Group's revenue and profit margin may be adversely affected;

- the Group utilizes third party payment vendors, mainly WeChat Pay and Alipay, to facilitate players' in-game purchases. The Group relies on the stability of such payment transmissions to ensure the continued payment services to be available to its players and is subject to risks and uncertainties associated with the use of third party payment vendors;

- the Group primarily relies on its self-generated user traffic. However, it also from time to time utilize various third-party game distribution channels, including cellphone manufacturers such as Huawei, OPPO and Vivo and major online application stores, such as Tencent MyApp (騰訊應用寶) and Apple Inc.'s App Store, for the distribution and promotion of its game products. If the Group is unable to maintain good relationships with these third-party distribution channels, its business and results of operations will be adversely affected; and

- the mobile game industry in the PRC is under increased public scrutiny and is subject to complex and evolving domestic and international laws and regulations and the Group's games and operations are subject to laws and regulations of the PRC. There is no assurance that such laws and regulations would not be interpreted in ways that could affect the Group's business.

The Company believes that risk management is essential to the Group's efficient and effective operation. The Company's management assists the Board in evaluating material risk exposure arising internally and externally from the Group's business, including operational risks, financial risks, regulatory risks, etc. and proactively setting up appropriate risk management and internal control mechanism which is embedded in daily operation management.

Events after Reporting Period

On 22 March 2024, the Group entered into New Contractual Arrangements through Yutai Shenzhen with Jilin Yutai Network Technology Company Limited* ("**Jilin Yutai**"), Mr. Wu Chengze, Mr. Guo Shunshun, and Shenzhen Jiaxiang Weilai Network Technology Co., Ltd.* ("**Jiaxiang Weilai**"), among others, to establish an independent framework. This framework enables the Group to recognise and receive the economic benefits from Jiaxiang Weilai's businesses and operations and allows the Company to effectively control and have the right, to the extent permitted by the laws of the PRC, to acquire the equity interests in Jiaxiang Weilai owned by Jilin Yutai or the assets of Jiaxiang Weilai. The Group entered into the New Contractual Arrangements, with a view to establishing new contractual structure for companies within the non-card and board game business segment that are engaged in businesses where foreign ownership is prohibited. For details, please refer to the Company's announcement dated 22 March 2024.

On 5 April 2024, the Group appointed Mr. Su Bo as an executive Director for a term of three years with effect from 5 April 2024. For details, please refer to the Company's announcements dated 5 April 2024 and 11 April 2024.

Save as disclosed above, there was no other important event affecting the Group which occurred after the end of the Reporting Period up to the date of this annual report.

Outlook for 2024

In 2024, the Group will continue its efforts to further solidify its leading position in the localized mobile card and board game industry in China by continuing the growth strategies set out in pages 11 to 12 of this annual report.

DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report were:

Executive Directors

Mr. WU Chengze *(Chairman)*
Mr. DING Chunlong *(appointed on 30 March 2023)*
Mr. TANG Yinghao *(appointed on 30 March 2023)*
Mr. JIANG Mingkuan *(retired on 22 May 2023)*
Mr. SU Bo *(retired on 22 May 2023 and appointed on 5 April 2024)*
Mr. GUO Shunshun *(resigned on 1 June 2023)*

Independent Non-Executive Directors

Mr. ZHANG Yuguo
Mr. HU Yangyang
Ms. GUO Ying

Biographies of the Directors and Senior Management

The biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 19 to 22 of this annual report.

Service Contracts, Service Agreements and Letters of Appointment of the Directors

Each of the Company's executive Directors has entered into a service contract with the Company on 5 June 2022, and the Company's independent non-executive Directors have signed letters of appointments with the Company. The service contracts with each of the executive Directors, other than Mr. Ding Chunlong, Mr. Tang Yinghao and Mr. Su Bo, and the letters of appointment with the independent non-executive directors, other than Ms. Guo Ying, are for an initial fixed term of three years commencing from 4 July 2022. The service agreements with Mr. Ding Chunlong and Mr. Tang Yinghao are each with a fixed term of three years commencing from 30 March 2023. The service agreement with Mr. Su Bo with a term of three years commencing from 5 April 2024. The letter of appointment with Ms. Guo Ying is an initial fixed term of three years commencing from 29 December 2023. The service contracts and letters of appointment may be terminated in accordance with the respective terms thereof. The service contracts may be renewed in accordance with the Company's amended and restated memorandum and articles of association (the "**Articles of Association**") and the applicable Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

None of the Directors proposed for re-election at the forthcoming AGM has a service contract or a letter of appointment with the Company or any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Remuneration of the Directors and Five Highest Paid Individuals

Details of the Directors' remuneration and the five highest paid individuals in the Group are set out in note 14 to the consolidated financial statements in this annual report.

Independence of Independent Non-Executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to the factors as set out in Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

Change in Directors' Biographical Details under Rule 13.51B(1) of the Listing Rules

Saved as disclosed in this annual report, since the date of the 2023 interim report, there has been no change in the Directors' biographical details which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Employees and Remuneration Policies

The Directors believe that effective talent management is the foundation for the Group's successful long-term development. The Group greatly values its employees and will continue to attract, cultivate and retain talent. The Group provides orientation and training to new recruits as well as ongoing inhouse training for junior employees, which the Group believes can enhance the skills and productivity of its employees. The Group compensates employees with base salaries and performance-based bonuses. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of the determinations on salary raises, bonuses and promotion. The Directors believe the salaries and benefits that the Group's employees receive are competitive with market standards in each geographic location where the Group conducts business. In addition, the Company has adopted a share option scheme and a share award scheme to incentivize employees and senior management and to align their interests with that of the Company.

SHARE INCENTIVE SCHEMES

Share Option Scheme

On 5 June 2019, a share option scheme (the "**Share Option Scheme**") of the Company was approved and adopted by the shareholders of the Company. The purpose of the Share Option Scheme is to incentivize and reward the employees (whether full time or part-time) or directors of members of the Group or associated companies of the Company (the "**Eligible Persons**") for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company. Pursuant to the Share Option Scheme, the Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of shares of the Company (the "**Share(s)**") as the Board may determine to an Eligible Person.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes (the "**Other Schemes**") of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the listing date of the Company (the "**Listing Date**"), being 125,600,000 Shares (equivalent to approximately 9.79% of the Company's share capital in issue as at the date of this annual report), or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion (the "**Scheme Mandate Limit**").

Options lapsed in accordance with the terms of the Share Option Scheme and any other scheme of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

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

No options shall be granted to any Eligible Person under the Share Option Scheme and any Other Schemes of the Company which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion. Any further grant of options to an Eligible Person in excess of this 1% limit or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion shall be subject to the approval of the Shareholders in general meeting with such Eligible Person and his close associates (or if such Eligible Person is a connected person of the Company, his associates) abstaining from voting.

The Share Options granted shall be open for acceptance for a period of not exceeding 30 days inclusive of, and from, the date of offer of the Share Options. An offer of Share Options not accepted within this period shall lapse. An amount of HK$1.00 is payable upon acceptance of the grant of the Share Options and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price.

The exercise price shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option; (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and (iii) the nominal value of the Shares.

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date. Accordingly, as at 31 December 2023, the remaining life of the Share Option Scheme is approximately 5.5 years.

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

Up to 30 September 2021, out of the 62,360,000 Share Options granted on 14 November 2019, 1,600,000 options granted to two option grantees were lapsed due to the termination of their employment with the Company, and 60,760,000 Share Options remained outstanding ("**Outstanding Existing Options**"). As at 30 September 2021, none of the Share Options were exercised by the option grantees. The Board resolved to cancel the Outstanding Existing Options with effect from 30 September 2021. For the year ended 31 December 2023, no Share Options were granted under the Share Option Scheme. As at 1 January 2023 and 31 December 2023, 63,240,000 Share Options and 63,240,000 Share Options were available to be granted under the Share Option Scheme, respectively.

During the Reporting Period, rule 17.07(3) of the Listing Rules was not applicable to the Share Option Scheme for the year as the Company did not grant any Share Options that involve issue of new Shares in 2023.

Please refer to note 36 to the financial statements for further information of the Share Option Scheme.

Share Award Scheme

The Share Award Scheme was approved and adopted by the Board on 6 June 2019, under which the Board may, from time to time at its absolute discretion select any individual who is an employee, officer, agent or consultant of the Company or any of its subsidiaries (the "**Subsidiaries**" and for the avoidance of doubt, including Jiaxiang Interactive (Xiamen) Network Technology Company Limited and its subsidiaries) who is not a connected person (as defined or deemed to be the case under the Listing Rules) of the Company; and if the Board or any committee of the Board delegated with the power and authority to administer the Share Award Scheme so determines in its absolute discretion, any director (including executive and non-executive director) of the Company or any Subsidiary to be a selected participant and grant Share Awards to such selected participant.

The purpose of the Share Award Scheme is to (i) encourage or facilitate the holding of Shares by the participants selected by the Board in accordance with the terms of and entitled to receive a grant of share awards (the "**Share Awards**") under the Share Award Scheme (the "**Selected Participant**"); (ii) encourage and retain such individuals to work with the Group; and (iii) provide additional incentive for them to achieve performance goals. The Share Award Scheme shall be valid for ten years commencing from the adoption date.

As at the date of this report, the number of Share Awards available for issue under the Share Award Scheme were 38,502,105 Shares, representing 3% of issued shares of the Company as at the date of this report.

The maximum number of new Shares that can be allotted and issued for the purpose of the Share Award Scheme in any financial year is 3% of the total number of issued Shares at the relevant time (the "**New Share Limit**"); and the maximum number of new Shares that can be allotted and issued to a Selected Participant in any 12-month period is 1% of the total number of issued Shares at the relevant time. There is no limit on (i) the number of Shares that can be purchased pursuant to the Share Award Scheme or (ii) the amount paid to the Trustee for the purpose of making such a purchase.

There is no amount payable and payment term upon acceptance of the Share Awards, and no purchase price for Shares awarded under the Share Award Scheme. The Board may from time to time while the Share Award Scheme is in force determine any vesting criteria or conditions for any Share Awards to be vested or credited. Such vesting criteria may be based on the passage of time after the grant of Share Awards, the satisfaction of specified performance criteria relating generally to the Company or particularly to a Selected Participant or the satisfaction of any other conditions as the Board may in its discretion determine for any Selected Participant and as set out in the relevant grant letter or agreement for and with the relevant Selected Participant.

Subject to any termination as may be determined by the Board pursuant to the Share Award Scheme Rules, the Share Award Scheme shall be valid and effective for a period of ten (10) years commencing on 6 June 2019. Accordingly, as at 31 December 2023, the remaining life of the Share Award Scheme is approximately 5.5 years.

Details of the Share Awards granted under the Share Award Scheme

In May 2019, the Company has appointed The Core Trust Company Limited as a trustee for the purpose of the Share Award Scheme pursuant to the Share Award Scheme Rules. In November 2021, the Company has appointed Futu Trustee Limited (together with The Core Trust Company Limited, the "**Trustees**") as another trustee for the purpose of the Share Award Scheme pursuant to the Share Award Scheme Rules. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Trustees and their ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company. The Company had entered into separate trust deeds with the two Trustees in relation to their respective appointment as the trustee of the Share Award Scheme (the "**Trust Deeds**"). The Trustees shall administer the Share Award Scheme in accordance with the Share Award Scheme Rules and the respective Trust Deeds.

As at the date of this report, Rule 17.07(3) of the Listing Rules was not applicable to the Share Award Scheme for the year as the Company did not grant any Share Awards to be satisfied through the issue of new Shares by the Company in 2023.

As of 31 December 2022, details of the Share Awards granted to the grantees and Share Awards repurchased by the Trustee on the open market pursuant to the Share Award Scheme are set out below:

					Number of Share Awards					
Category of Participant	Date of Award	Number of Share Awards	Purchase Price	Vesting Period	Unvested at 1 January 2022	Granted during the year	Vested during the year	Lapsed during the year	Cancelled during the year	Unvested at 31 December 2022
Share Awards settled by issuance of new Shares by the Company to the grantees										
Employees	30 September 2021	600,000	US$0.000005 per Share Award	30 April 2022 to 30 April 2024	600,000	–	240,000	–	–	360,000
Employees	30 September 2021	26,803,500	US$0.000005 per Share Award	30 April 2022 to 30 April 2024	26,803,500	–	9,965,400	4,160,100	–	12,678,000
Share Awards settled by the Shares repurchased by the Trustee on the open market										
The Five Highest Paid Individuals during 2022	31 March 2022	3,624,490	Nil	1 April 2022	–	3,624,490	3,624,490	–	–	–
The Five Highest Paid Individuals during 2022	8 July 2022	12,000,000	Nil	8 July 2022	–	12,000,000	12,000,000	–	–	–
Other Employees	31 March 2022	6,317,459	Nil	1 April 2022	–	6,317,459	6,317,459	–	–	–
Total		49,345,449			27,403,500	21,941,949	32,147,349	4,160,100	–	13,038,000

Notes:

1. Please refer to note 36 to the financial statements for more details (including the vesting conditions, if any) of the above Share Awards, and please refer to note 3 to the financial statements for details of the accounting policy of share-based payments.

2. For the Share Awards granted on 31 March 2022, the closing price of the Shares on 30 March 2022, being the trading date immediately before the relevant grant date, was HK$1.39. The fair value of the relevant Share Awards was HK$14,118,000 (equivalent to RMB11,731,000), which was determined using the market price of HKD1.42 per share as at the grant date.

3. For the Share Awards granted on 8 July 2022, the closing price of the Shares on 7 July 2022, being the trading date immediately before the relevant grant date, was HK$1.39. The fair value of the relevant Share Awards was HK$16,680,000 (equivalent to RMB14,330,000), which was determined using the market price of HKD1.39 per share as at the grant date.

4. The weighted average closing price of the Shares immediately before the dates on which the Share Awards were vested in 2022 was HKD1.404 per Share.

5. Based on the New Share Limit, as at 1 January 2022 and 31 December 2022, the number of Share Awards available for issue under the Share Award Scheme were 38,502,105 Shares and 38,502,102 Shares, respectively.

6. The source of share price data is Futu.

As of 31 December 2023, details of the Share Awards granted to the grantees and Share Awards repurchased by the Trustee on the open market pursuant to the Share Award Scheme are set out below:

Category of Participant	Date of Award	Number of Share Awards	Purchase Price	Vesting Period	Number of Share Awards: Unvested at 1 January 2023	Granted during the year	Vested during the year	Lapsed during the year	Cancelled during the year	Unvested at 31 December 2023
Share Awards settled by issuance of new Shares by the Company to the grantees										
Mr. TANG Yinghao (executive Director)	30 September 2021	1,000,000	US$0.000005 per Share Award	30 April 2022 to 30 April 2024	600,000	–	300,000	–	–	300,000
Other employees	30 September 2021	600,000	US$0.000005 per Share Award	30 April 2022 to 30 April 2024	360,000	–	180,000	–	–	180,000
Other employees	30 September 2021	26,803,500	US$0.000005 per Share Award	30 April 2022 to 30 April 2024	12,078,000	–	5,673,750	1,166,250	–	5,238,000
Share Awards settled by the Shares repurchased by the Trustee on the open market										
Mr. TANG Yinghao (executive Director)	9 May 2023	100,658	Nil	9 May 2023	–	100,658	100,658	–	–	–
Mr. DING Chunlong (executive Director)	9 May 2023	12,000,000	Nil	9 May 2023	–	12,000,000	12,000,000	–	–	–
	10 October 2023	19,000,000	Nil	10 October 2023	–	19,000,000	19,000,000	–	–	–
	10 November 2023	1,250,000	Nil	10 November 2023	–	1,250,000	1,250,000	–	–	–
Mr. GUO Shunshun (executive Director, resigned on 1 June 2023)	9 May 2023	1,000,000	Nil	9 May 2023	–	1,000,000	1,000,000	–	–	–
The Five Highest Paid Individuals during 2023 (Excluding Directors of the Company)	9 May 2023	3,184,916	Nil	9 May 2023	–	3,184,916	3,184,916	–	–	–
Other Employees	9 May 2023	3,026,101	Nil	9 May 2023	–	3,026,101	3,026,101	–	–	–
Total		67,965,175			13,038,000	39,561,675	45,715,425	1,166,250	–	5,718,000

Notes:

1. Please refer to note 36 to the financial statements for more details (including the vesting conditions, if any) of the above Share Awards, and please refer to note 3 to the financial statements for details of the accounting policy and fair value measurement basis of share-based payments.

2. For the Share Awards granted on 9 May 2023, the closing price of the Shares on 8 May 2023, being the trading date immediately before the relevant grant date, was HK$1.66. The fair value of the relevant Share Awards was HK$31,092,000 (equivalent to RMB27,152,000), which was determined using the market price of HK$1.61 per share as at the grant date.

3. For the Share Awards granted on 10 October 2023, the closing price of the Shares on 9 October 2023, being the trading date immediately before the relevant grant date, was HK$2.05. The fair value of the relevant Share Awards was HK$39,520,000 (equivalent to RMB32,180,000), which was determined using the market price of HK$2.08 per share as at the grant date.

4. For the Share Awards granted on 10 November 2023, the closing price of the Shares on 9 November 2023, being the trading date immediately before the relevant grant date, was HK$2.11. The fair value of the relevant Share Awards was HK$2,675,000 (equivalent to RMB2,459,000), which was determined using the market price of HK$2.14 per share as at the grant date.

5. The weighted average closing price of the Shares immediately before the dates on which the Share Awards were vested in 2023 was HK$1.86 per Share.

6. Based on the New Share Limit, as at 1 January 2023 and 31 December 2023, the number of Share Awards available for issue under the Share Award Scheme were 38,502,105 Shares and 38,502,102 Shares, respectively.

7. The source of share price data is Futu.

Save as disclosed above, there has been no options granted and outstanding under the Share Option Scheme or Share Awards granted under the Share Award Scheme during the year ended 31 December 2023.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Saved as disclosed in this annual report, as at 31 December 2023, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, there was no transaction, arrangement or contract of significance subsisted in which a Director or an entity connected with a Director was materially interested, whether directly or indirectly, during or at the end of the Reporting Period.

CONTINUING CONNECTED TRANSACTIONS

The following transactions of the Group constituted continuing connected transactions for the Group for the year ended 31 December 2023 and as of the date of this annual report. All capitalized terms used in this section shall have the same meaning defined in the announcement of the Company dated 22 March 2024 in relation to the continuing connected transactions for establishing New Contractual Arrangements, unless otherwise specified.

Non-Exempt Continuing Connected Transactions

The Group is primarily engaged in the development and operation of localised mobile card and board games business, as the business continues to grow, the Group is paying an increasing attention to the growth and investment value of non-card and board game business and has successfully launched a variety of casual games targeting both domestic and overseas players. Hence, we are considered to be engaged in the provision of value-added telecommunications services (which includes information services provided via mobile network) and Internet cultural business (which includes the production or operation of mobile games operated through information networks).

New Contractual Arrangements

In consideration of the fact that the Group is mainly engaged in the development and operation of localised mobile card and board games business, as the business continues to grow, the Group is paying an increasing attention to the growth and investment value of non-card and board game business. To promote a better development of the Group's business, and to realise a clearer operation, more efficient management and better resource allocation of the Company, the Company intends to further optimise the organization of its business segments by separating the card and board game business from the non-card and board game business, to strengthen the daily management and operation of different business segments and facilitate a better game service to the Company's game players. Foreign investment in value-added telecommunications services to be carried out by Jiaxiang Weilai is strictly restricted by the PRC laws and regulations, and foreign investment in Internet cultural businesses (except for music) to be carried out by Jiaxiang Weilai is prohibited by the PRC laws and regulations. The Company believes that the above non-card and board game business to be carried out by Jiaxiang Weilai is an integral part of the business operation of the Group. In consideration of the reasons as mentioned above, the Group entered into the New Contractual Arrangements on March 22, 2024, with a view to establishing new contractual structure for companies within the non-card and board game business segment that are engaged in businesses where foreign ownership is prohibited.

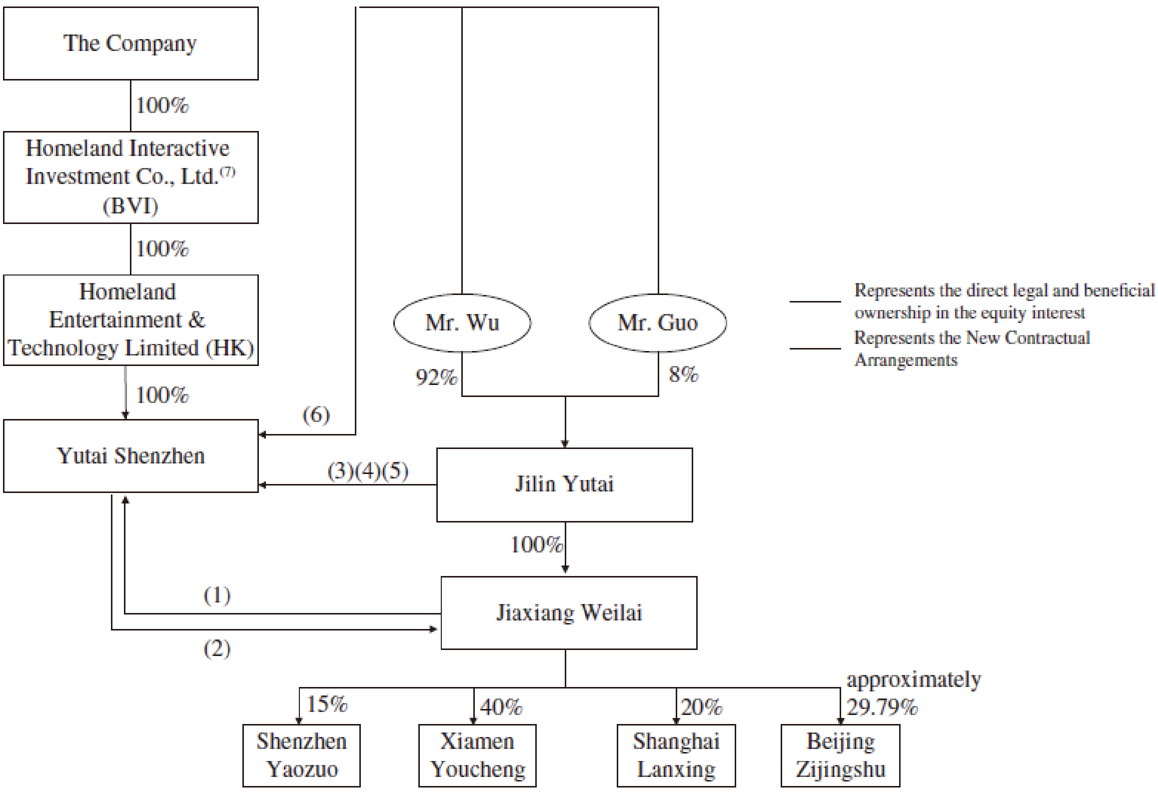
Specifically, the Group has, through its wholly-owned subsidiary, Yutai (Shenzhen) Network Technology Co., Ltd. (豫泰(深圳)網絡科技有限公司) ("**Yutai Shenzhen**"), entered into a series of new contractual arrangements with Jiaxiang Weilai, Jilin Yutai Network Technology Company Limited (吉林省豫泰網絡科技有限公司) ("**Jilin Yutai**"), Mr. WU Chengze ("**Mr. Wu**") and Mr. GUO Shunshun ("**Mr. Guo**") to exercise effective control over the operations and enjoy substantially all of the economic benefits of Jiaxiang Weilai and its investee/controlled subsidiaries. The agreements underlying such new contractual arrangements with Jiaxiang Weilai and Jilin Yutai include: (i) Exclusive Business Cooperation Agreement, (ii) Exclusive Call Option Agreement and (iii) Equity Pledge Agreement. Moreover, Jilin Yutai had also executed an irrevocable Power of Attorney appointing Yutai Shenzhen as its proxy to exercise on its behalf of shareholder rights in Jiaxiang Weilai.

The New Contractual Arrangements are not related to any regulations other than the restriction on foreign investment.

We will closely monitor any future development relating to the decision and will take all necessary actions to comply with applicable laws, regulations and specific requirements or guidance, including reorganizing our corporate structure, if required, in the future. We will unwind and terminate the New 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.

Mr. Wu is the chairman of the Board and an executive Director and Mr. Guo was an executive Director in the past 12 months, and hence they are connected persons of the Company according to Rule 14A.07 of the Listing Rules. Furthermore, Mr. Wu beneficially holds 92% equity interests in Jilin Yutai, while Jilin Yutai holds 100% equity interests in Jiaxiang Weilai. As such, pursuant to Rule 14A.07(4) of the Listing Rules, each of Jilin Yutai and Jiaxiang Weilai is an associate of Mr. Wu and connected person of the Company. Therefore, under the Listing Rules, the transactions contemplated under the New Contractual Arrangements constitute continuing connected transactions of the Company.

The following simplified framework illustrates the flow of economic benefits from Jiaxiang Weilai to the Group specified under the New Contractual Arrangements:



Notes:

1. Service fee payments. Please refer to the section headed "Summary of the New Contractual Arrangements — (a) Exclusive Business Cooperation Agreement" below.

2. Provision of technology and consultation and auxiliary services. Please refer to the section headed "Summary of the New Contractual Arrangements — (a) Exclusive Business Cooperation Agreement" below.

3. Options to acquire the equity interest or asset of Jiaxiang Weilai. Please refer to the section headed "Summary of the New Contractual Arrangements — (b) Exclusive Call Option" below.

4. Equity pledge. Please refer to the section headed "Summary of the New Contractual Arrangements — (c) Equity Pledge Agreement" below.

5. Power of Attorney. Please refer to the section headed "Summary of the New Contractual Arrangements — (d) Power of Attorney" below.

6. Undertaking of acting as the legal owners of Jilin Yutai. Please refer to the section headed "Summary of the New Contractual Arrangements — (e) Letter of Undertaking" below.

7. Homeland Investment Co., Ltd was renamed to Homeland Interactive Investment Co., Ltd. on 14 March 2024 upon performing all necessary procedures. Its Chinese name remains unchanged.

Summary of the New Contractual Arrangements

A brief description of the major terms of the structured contracts under the New Contractual Arrangements are as follows:

(a). Exclusive Business Cooperation Agreement

Yutai Shenzhen and Jiaxiang Weilai entered into the Exclusive Business Cooperation Agreement on March 22, 2024, pursuant to which Jiaxiang Weilai agreed to engage Yutai Shenzhen as the exclusive service provider of Jiaxiang Weilai, to provide comprehensive technological support, consultation services and other services to Jiaxiang Weilai, including but not limited to (i) permission to use certain software that legally owned by Yutai Shenzhen, (ii) design, development, maintenance and updating of software and network technology and provision of related technical consultation and technical services, (iii) design, installation, daily management, maintenance and updating of the computer network system, hardware and database, (iv) technical support and training to relevant employees of Jiaxiang Weilai, (v) consultancy, collection and research of technology and market information (excluding market research business that wholly-foreign-owned enterprises are prohibited from conducting under the PRC laws), (vi) corporate management consultation, (vii) marketing and promotion services, (viii) customer order management and customer services, (ix) leasing of equipment or assets, (x) other service areas as permitted under the PRC laws. In addition, Yutai Shenzhen shall have the sole and exclusive ownership, rights and interests of any and all intellectual properties arising from or created during the course of execution of the agreement.

Pursuant to the Exclusive Business Cooperation Agreement and subject to compliance with applicable PRC laws, Jiaxiang Weilai shall pay to Yutai Shenzhen a service fee that equals to 100% of the total consolidated profit of Jiaxiang Weilai of any financial year, and offsetting the accumulated loss (if any) of Jiaxiang Weilai and its subsidiaries in any previous financial years, and deducting such amounts as required for working capital, expenses, tax and other statutory contributions of Jiaxiang Weilai and its subsidiaries in any given year. Yutai Shenzhen is also entitled to adjust the service fee based on the actual situations, as well as the operations and development needs of Jiaxiang Weilai.

(b). Exclusive Call Option Agreement

Yutai Shenzhen, Jilin Yutai and Jiaxiang Weilai entered into the Exclusive Call Option Agreement on March 22, 2024, pursuant to which Jilin Yutai and Jiaxiang Weilai jointly and severally granted to Yutai Shenzhen (exercisable by itself or its designated person(s)) irrevocable options to (i) purchase, to the extent permitted by the PRC laws and regulations, the equity interests in Jiaxiang Weilai held by Jilin Yutai, entirely or partially, at the minimum purchase price permitted under the PRC laws and regulations, and where the PRC laws and regulations require valuation of the equity interest, the parties shall re-negotiate in good faith, and make adjustments based on the valuation to comply with the requirements of the PRC laws and regulations, or (ii) acquire, to the extent permitted by the PRC laws and regulations, all or part of the assets of Jiaxiang Weilai at the minimum purchase price permitted under the PRC laws and regulations, and where the PRC laws and regulations require valuation of the assets, the parties shall re-negotiate in good faith, and make adjustments based on the valuation to comply with the requirements of PRC laws and regulations. Yutai Shenzhen (by itself or any of its designee as specified above) may exercise such options, fully or partially, at any time, subject to applicable PRC laws and regulations. In the event that PRC laws and regulations and industrial policies allow

Yutai Shenzhen and/or other foreign-invested or foreign entities designated by Yutai Shenzhen to directly hold part or all the equity interests in Jiaxiang Weilai and engage in the foreign investment restricted or prohibited businesses through Jiaxiang Weilai such as gaming, Yutai Shenzhen shall issue a notice of call option as soon as practicable. In addition, Jilin Yutai and/or Jiaxiang Weilai have agreed to return to Yutai Shenzhen any proceeds it/they will receive in the event that the call option to acquire the equity interests in Jiaxiang Weilai held by Jilin Yutai and/or assets of Jiaxiang Weilai is exercised.

Pursuant to the Exclusive Call Option Agreement, Jilin Yutai and Jiaxiang Weilai have undertaken to perform certain acts or refrain from performing certain other acts, including but not limited to the following matters:

i. not to supplement, modify or amend its constitutional documents, alter the registered capital or change the registered capital structure of Jiaxiang Weilai without the prior written approval from Yutai Shenzhen; if Jilin Yutai made a capital contribution to Jiaxiang Weilai, Jilin Yutai undertakes that the capital contribution will be subject to the call option;

ii. prudently and effectively operate and manage the business and corporate matters of Jiaxiang Weilai, and to ensure their existence, in accordance with the good financial and business standards and practice, and to obtain and maintain all necessary governmental approval, licenses and permits required for the business operation of Jiaxiang Weilai;

iii. not to sell, transfer, create encumbrances or otherwise dispose of any assets (save for assets with value less than RMB500,000 as required to be disposed in the ordinary and normal course of business), business, legal or beneficial interest of the income of Jiaxiang Weilai or allow any security interest to be created on its assets of Jiaxiang Weilai without the prior written approval from Yutai Shenzhen;

iv. not to incur, inherit, guarantee or allow any indebtedness without the prior written approval from Yutai Shenzhen (save for the accounts payable incurred in the ordinary course of business but not incurred from borrowings);

v. to operate the business of Jiaxiang Weilai within the normal business scope in order to maintain its asset value (including but not limited to the asset value of the equity interests of its controlled/investee subsidiaries held by Jiaxiang Weilai), and refrain from any acts or omissions which may adversely affect its business or assets value;

vi. Jiaxiang Weilai not to enter into any material contracts with an amount of over RMB500,000 (other than those entered in the ordinary course of business) without the prior written approval from Yutai Shenzhen;

vii. Jiaxiang Weilai not to provide loan or credit to any other third party without the prior written approval from Yutai Shenzhen;

viii. to provide all operating and financial information of Jiaxiang Weilai to Yutai Shenzhen upon request;

ix. if requested by Yutai Shenzhen, Jiaxiang Weilai shall purchase and maintain the insurance related to its assets and business from an insurance carrier acceptable to Yutai Shenzhen, the amount and coverage of such insurance shall be consistent with the companies engaging in similar business;

x. Jiaxiang Weilai not to engage in any merger or alliance with any other party, or acquisition or investment in any other party without the prior written approval from Yutai Shenzhen;

xi. immediately inform Yutai Shenzhen of any litigations, arbitrations or administrative proceedings involved or may involve the assets, business or income of Jiaxiang Weilai, and take all necessary measures reasonably requested by Yutai Shenzhen;

xii. execute all necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate charges and submit all necessary or appropriate defences against any charges or claims in order to maintain the ownership of all of its assets by Jiaxiang Weilai (including but not limited to the equity interests of its controlled/investee subsidiaries held by Jiaxiang Weilai);

xiii. Jiaxiang Weilai not to distribute any profit to any shareholder in any form without the prior written approval from Yutai Shenzhen. If a relevant shareholder receives any such profit distribution with approval from Yutai Shenzhen, such shareholder shall transfer the profit distribution (after fully paid/withheld relevant taxes (if any)) received by him/her/it to Yutai Shenzhen or its designated person(s) upon Yutai Shenzhen's request within ten days upon receipt of such benefits at nil consideration;

xiv. upon request of Yutai Shenzhen, appoint any candidate designated by Yutai Shenzhen to serve as a Director, an executive Director and/or other senior management of Jiaxiang Weilai;

xv. unless otherwise required by the PRC laws, Jiaxiang Weilai shall not be dissolved or liquidated without the prior written consent from Yutai Shenzhen;

xvi. in the event that Jilin Yutai or Jiaxiang Weilai fails to comply with its tax obligations under applicable PRC laws which hinders the exercise of the options under the Exclusive Call Option Agreement, Yutai Shenzhen is entitled to demand Jilin Yutai or Jiaxiang Weilai to comply with such tax obligations; and

xvii. Jiaxiang Weilai and Jilin Yutai shall procure the controlled/investee subsidiaries of Jiaxiang Weilai to comply (where applicable) with the guarantees applicable to Jiaxiang Weilai to the largest extent.

Jilin Yutai has further undertaken to perform certain acts or refrain from performing certain other acts, including but not limited to the following matters:

i. save for the equity pledge in favor of Yutai Shenzhen created under the Equity Pledge Agreement and the authorization of Yutai Shenzhen to create equity under the Power of Attorney, Jilin Yutai shall not sell, transfer, pledge or otherwise dispose of their legal or beneficial equity interests in Jiaxiang Weilai, or creation of any other guaranteed interests thereon without the prior written approval from Yutai Shenzhen;

ii. save for the equity pledge in favor of Yutai Shenzhen created under the Equity Pledge Agreement and the authorization of Yutai Shenzhen to create equity under the Power of Attorney, to procure the shareholders and/or the board of directors (or executive directors) of Jiaxiang Weilai, not to sell, transfer, pledge or otherwise dispose of their legal or beneficial equity interests in Jiaxiang Weilai, or creation of any other guaranteed interests thereon without the prior written approval from Yutai Shenzhen;

iii. Jilin Yutai shall procure the shareholders and/or the board of directors (or executive directors) of Jiaxiang Weilai, not to approve the merger or alliance of Jiaxiang Weilai with any other party, or acquisition or investment in any other party without the prior written approval from Yutai Shenzhen;

iv. immediately inform Yutai Shenzhen of any initiated or potential litigations, arbitrations or administrative proceedings in relation to the ownership of its equity interest, and take all necessary measures reasonably requested by Yutai Shenzhen;

v. to procure the shareholders and/or the board of directors (or executive directors) of Jiaxiang Weilai to vote in favor of the transfer of equity interests purchased or assets purchased under the Exclusive Call Option Agreement, and take any other action upon the request of Yutai Shenzhen;

vi. Jilin Yutai shall execute all necessary or appropriate documents, file all necessary or appropriate charges, take all necessary or appropriate actions and submit all necessary or appropriate defenses against any charges or claims in order to safeguard the ownership of the equity interests held by it;

vii. upon the request from Yutai Shenzhen, appoint any candidate designated by Yutai Shenzhen to serve as a director, an executive director and other senior management of Jiaxiang Weilai;

viii. if Jilin Yutai receives any profits, dividends, bonus or liquidation proceeds from Jiaxiang Weilai, Jilin Yutai shall transfer such benefits received by it at nil consideration to Yutai Shenzhen or any of its designated persons subject to compliance with the PRC laws and regulations;

ix. not to engage in any business which competes, or likely competes, with the business of the Group without the prior written consent from Yutai Shenzhen; and

x. to strictly comply with the terms of the Exclusive Call Option Agreement and any other agreements jointly or separately entered into among Yutai Shenzhen, Jilin Yutai and Jiaxiang Weilai and earnestly fulfill their respective obligations under such agreements and not to take, or omit to take, any actions which may affect the validity and enforceability of these agreements. In any event where Jilin Yutai retains any rights in the equity interests under the Exclusive Call Option Agreement, the Equity Pledge Agreement executed by the parties to the Exclusive Call Option Agreement, or the Power of Attorney in favor of Yutai Shenzhen, Jilin Yutai shall not exercise such rights without the prior written approval from Yutai Shenzhen.

The Exclusive Call Option Agreement shall expire when all the equity interests in or assets of Jiaxiang Weilai have been transferred to Yutai Shenzhen or its designee as specified above, unless and until Yutai Shenzhen terminates the Exclusive Call Option Agreement.

(c). Equity Pledge Agreement

Yutai Shenzhen, Jilin Yutai and Jiaxiang Weilai entered into the Equity Pledge Agreement on March 22, 2024, pursuant to which Jilin Yutai agreed to pledge all of its equity interests in Jiaxiang Weilai to Yutai Shenzhen to secure performance of all its obligations and the obligations of Jiaxiang Weilai under the agreements underlying the New Contractual Arrangements. During the term of the pledge, if Jilin Yutai and/or Jiaxiang Weilai failed to fulfil the contract obligations or pay the guaranteed indebtedness under the New Contractual Arrangements, Yutai Shenzhen has the right, but not the obligation, to exercise the right to pledge as stipulated under the Equity Pledge Agreement. In addition, pursuant to the Equity Pledge Agreement, Jilin Yutai and Jiaxiang Weilai have undertaken to Yutai Shenzhen, among other things, apart from the fulfilment of the Exclusive Business Cooperation Agreement, the Exclusive Call Option Agreement, the Power of Attorney, Jilin Yutai shall not transfer any or part of the pledged equity interests, create or allow to create any guarantee or other debt liabilities over the pledged equity interests without the prior written consent of Yutai Shenzhen. Under the Equity Pledge Agreement, Jilin Yutai also guarantees and warrants to Yutai Shenzhen that it has duly arranged and signed all necessary documents to ensure that any events of dissolution or liquidation would not affect the fulfilment of the Equity Pledge Agreement.

Moreover, if Jiaxiang Weilai declares any dividend or bonus during the term of the pledge, Yutai Shenzhen is entitled to receive all such dividends or bonus arising from the pledged equity interests, if any. It is also agreed that in the event that Jilin Yutai subscribed for or acquired additional equity interest in Jiaxiang Weilai with the prior written consent of Yutai Shenzhen, then the additional equity interest acquired or subscribed for by Jilin Yutai shall also be pledged in favor of Yutai Shenzhen pursuant to the Equity Pledge Agreement.

Upon full and complete fulfillment of all contractual obligations and settlement of all guaranteed indebtedness by Jilin Yutai and Jiaxiang Weilai, Yutai Shenzhen shall, at the request of Jilin Yutai, release the pledge of the pledged equity interests under the Equity Pledge Agreement at the earliest reasonably practicable time. In the event that PRC laws and regulations and industrial policies allow Yutai Shenzhen and/or other foreign-invested or foreign entities designated by Yutai Shenzhen to directly hold all the equity interests in Jiaxiang Weilai and engage in foreign investment restricted or prohibited businesses through Jiaxiang Weilai such as gaming, the parties shall immediately exercise the relevant rights and perform the relevant obligations in accordance with the terms of the Exclusive Call Option Agreement and shall release Equity Pledge Agreement after the exercise and fulfillment of such rights and obligations have been completed.

(d). Power of Attorney

On March 22, 2024, Jilin Yutai executed an irrevocable Power of Attorney with Yutai Shenzhen and Jiaxiang Weilai to authorize Yutai Shenzhen (as well as its successor(s) or liquidator(s) who replace Yutai Shenzhen, if involved) or a designated person at its own discretion under applicable laws and regulations and regulatory requirements (including but not limited to Yutai Shenzhen or directors of the direct or indirect shareholder, however, this does not include Jinlin Yutai and its shareholders, shareholders of Jiaxing Weilai and any of their respective affiliates) (the "**Trustee**"), as the sole and exclusive agent of Jilin Yutai, to exercise, on behalf of Jilin Yutai, all rights in relation to the equity interests of Jiaxiang Weilai under relevant laws and regulations and articles of association. Such rights include but not limited to: (i) suggest to hold, convene and attend shareholders' meetings of Jiaxiang Weilai, (ii) to receive any notice in relation to the convening of shareholders' meetings and its proceedings; (iii) in the name of and on behalf of Jilin Yutai, execute and deliver any written resolution and minutes of the meeting as a shareholder; (iv) to vote in person or by proxy any issues discussed on the shareholders' meetings (including but not limited to the selling, transfer, pledge or disposal of all or part of assets of Jiaxiang Weilai (including but not limited to the equity interests of the controlled/investee subsidiaries of Jiaxiang Weilai)); (v) to sell, transfer, pledge or otherwise dispose of all or part of Jilin Yutai's equity interest in Jiaxiang Weilai; (vi) to nominate, elect, appoint or remove the legal representative, directors, general manager, chief financial officer, supervisors and other senior officers of Jiaxiang Weilai; (vii) to oversee the operating performance of Jiaxiang Weilai, approve the annual budget or declared dividends of Jiaxiang Weilai, and inspect the financial information of Jiaxiang Weilai at any time; (viii) to approve the submission of any registration documents of Jiaxiang Weilai to competent government authorities; (ix) to exercise the voting rights on the liquidation of Jiaxiang Weilai on behalf of the shareholders; (x) in the event of dissolution or liquidation of Jiaxiang Weilai, Yutai Shenzhen and/or its Trustee shall have the rights to exercise all shareholders rights of Jiaxiang Weilai on behalf of Jilin Yutai, Jilin Yutai agrees (as a shareholder of Jiaxiang Weilai) to transfer, at nil consideration, all assets (including but not limited to the equity interests of its controlled/investee subsidiaries held by Jiaxiang Weilai) received as a result of the dissolution or liquidation of Jiaxiang Weilai to Yutai Shenzhen or its designated persons; pursuant to then effective PRC laws, if the aforementioned transfer shall be onerous, Jilin Yutai agrees to return the consideration in the amount of such transfer to Yutai Shenzhen and/or its designated persons. In the event of dissolution or liquidation of the controlled/investee subsidiaries of Jiaxiang Weilai, subject to the premise of complying with the then effective PRC laws and other legal documents, Yutai Shenzhen and/or its trustees have the right to exercise all rights as its shareholders on behalf of Jiaxiang Weilai; as a shareholder of the controlled/investee subsidiaries, all properties due and acquired by Jiaxiang Weilai as a result of the dissolution and liquidation of the controlled/investee subsidiaries shall be transferred to Yutai Shenzhen or other persons designated by it at nil consideration; pursuant to then effective PRC laws, if the aforementioned transfer shall be onerous, Jiaxiang Weilai agrees to return the consideration in the amount of such transfer to Yutai Shenzhen and/or its designated persons; (xi) to file a lawsuit or other legal actions against such directors or management of Jiaxiang Weilai if their action damages the interests of Jiaxiang Weilai or its shareholders; (xii) to approve the amendments to the articles of association of Jiaxiang Weilai; and (xiii) any other rights conferred to the shareholders by the articles of association of Jiaxiang Weilai or relevant laws and regulations. The Trustee is also authorized to, on behalf of Jilin Yutai, execute all documents agreed to be executed by Jilin Yutai under the Exclusive Call Option Agreement and the Equity Pledge Agreement.

Under the Power of Attorney, Jilin Yutai irrevocably confirmed that the Power of Attorney shall remain in full force and effect during the term which Jilin Yutai remains as a shareholder of Jiaxiang Weilai. Jilin Yutai further confirmed and undertook that in the event of liquidation, cancellation and any circumstances which would affect it to exercise its shareholder's rights in Jiaxiang Weilai, its successors or any other person who has assertion or interests over his/her equity interests in Jiaxiang Weilai, shall be deemed as signing parties of the Power of Attorney and inherit all rights and obligations of Jilin Yutai under the Power of Attorney. The Trustee shall have the right to transfer the rights under the Power of Attorney to any other individuals or entities without prior notice to or consent from Jilin Yutai.

(e). Letter of Undertaking

Each of the ultimate legal owners of Jilin Yutai, namely Mr. Wu (who holds 92% equity interests in Jilin Yutai) and Mr. Guo (who holds 8% equity interests in Jilin Yutai), has provided a written undertaking to Yutai Shenzhen to irrevocably undertake that he shall:

i. not to sell, transfer, pledge or otherwise dispose of any equity interests in Jilin Yutai held by him or other relevant rights, or allow to create any encumbrances without the prior written consent from Yutai Shenzhen;

ii. to procure the shareholders and/or the board of directors (or executive directors) (as appropriate) of Jilin Yutai, not to approve the selling, transfer, pledge or otherwise disposal of any equity interests in Jilin Yutai held by him or other relevant rights, or allow to create any encumbrances without the prior written consent from Yutai Shenzhen;

iii. to procure the shareholders and/or the board of directors (or executive directors) of Jilin Yutai, not to approve the merger or alliance of Jilin Yutai with any other party, or acquisition or investment in any other party without the prior written approval from Yutai Shenzhen;

iv. immediately inform Yutai Shenzhen of any initiated or potential litigations, arbitrations or administrative proceedings in relation to any equity interests in Jilin Yutai held by him, and take all necessary measures reasonably requested by Yutai Shenzhen;

v. to procure the shareholders and/or the board of directors (or executive directors) (as appropriate) of Jilin Yutai, to vote in favor of all actions necessary to be taken by Jilin Yutai under the Exclusive Call Option Agreement, the Equity Pledge Agreement and the Power of Attorney;

vi. execute all necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate charges and submit all necessary or appropriate defences, in order to maintain his equity interest in Jilin Yutai is registered under his name in the competent company registry;

vii. upon request of Yutai Shenzhen, appoint any candidate designated by Yutai Shenzhen to serve as a director, an executive director and other senior management of Jilin Yutai;

viii. if he receives any profits, dividends, bonus or liquidation proceeds from Jilin Yutai, he shall transfer the same to Yutai Shenzhen or any of its designated persons at nil consideration upon the request of Yutai Shenzhen, provided that it is in compliance to the PRC laws;

ix. not to engage in any business which competes with the businesses of Yutai Shenzhen, Jiaxiang Weilai, Jilin Yutai and any of their respective associate companies without the prior written approval from Yutai Shenzhen; and

x. strictly abide with all the aforementioned undertakings and ensure Jilin Yutai to fulfill all its obligations (as a signing party) under the Exclusive Call Option Agreement, the Equity Pledge Agreement and the Power of Attorney, and refrain from any acts or omissions which may affect the effectiveness and enforceability of the Exclusive Call Option Agreement, the Equity Pledge Agreement and the Power of Attorney.

Each of Mr. Wu and Mr. Guo also confirms that, in the event of death, incapacity or any other circumstances that may affect his ability to exercise his shareholder's rights in Jilin Yutai, his successor, guardian, creditor, spouse or any other person who has assertion or interests over his equity interests in Jilin Yutai, shall be deemed as signing parties of the abovementioned written undertaking and inherit all obligations and rights thereunder.

Risks Relating to the New Contractual Arrangements

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

- If the PRC government finds that the agreements that establish the structure for operating the Group's mobile game businesses in the PRC do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Group could be subject to severe consequences, including the nullification of the New Contractual Arrangements and the relinquishment of our interest in Jiaxiang Weilai and its investee/controlled subsidiaries.

- Our New Contractual Arrangements may not be as effective in providing operational control as direct ownership. Jiaxiang Weilai or its shareholders may fail to perform their obligations under the New Contractual Arrangements.

- The New Contractual Arrangements between Yutai Shenzhen and Jiaxiang Weilai may subject our Group to increased income tax due to the different income tax rates applicable to Yutai Shenzhen and Jiaxiang Weilai and adversely affect our results of operations.

- If we exercise the option to acquire equity ownership and assets of Jiaxiang Weilai, the ownership or asset transfer may subject us to substantial costs.

- The shareholders of Jiaxiang Weilai may have conflict of interests with us, which may materially and adversely affect our business.

Risk mitigation action adopted by the Company

The Company's management work closely with external law advisor and consultant to monitor the environment and development of the PRC laws and regulations, in order to mitigate the risks relating to the New Contractual Arrangements. The Group has adopted measures to ensure the enforcement of the New Contractual Arrangements, in order to effectively operate the Group's business and comply with the New Contractual Arrangements, among others:

- significant matters arising from the implementation of the New Contractual Arrangements are reviewed by the Board on a regular basis (at least quarterly);
- matters relating to compliance and regulatory investigations by government agencies, if any, will be discussed at these regularly scheduled meetings;
- the Group's relevant business units and operating segments will report to the Company's senior management regularly (at least monthly) in respect of the compliance with and fulfilment of the New Contractual Arrangements and other related matters; and
- independent non-executive directors will review the compliance with the New Contractual Arrangements on an annual basis and their confirmation will be disclosed in the Company's annual report.

Waiver from the Stock Exchange

At the time of Listing, the Company sought, and the Stock Exchange granted, the IPO Waiver in connection with the continuing connected transactions of the Group in the form of Existing Contractual Arrangements. The IPO Waiver is subject to certain conditions including, among others that, the Existing Contractual Arrangements provide an acceptable framework for the relationship between the Company and its directly controlled subsidiaries and Jiaxiang Interactive and its subsidiaries. Such framework may be renewed and/or reproduced upon expiry of the Existing Contractual Arrangements on substantially the same terms and conditions as the Existing Contractual Arrangements, or in respect of any existing or new wholly foreign owned enterprises or operating companies (including branches) which the Group may wish to establish to engage in the same line of business as the Group on balance of commercial interests without the need to obtain Shareholders' approval.

As the New Contractual Arrangements are reproduced from the Existing Contractual Arrangements in accordance with the conditions of the IPO Waiver, the Company has sought confirmation from the Stock Exchange, and the Stock Exchange has confirmed that the transactions contemplated under the New Contractual Arrangements would fall within the scope of the IPO Waiver and are exempted from strict compliance with (i) the requirement of setting annual caps for the fees payable by/to the Group to/from Jiaxiang Weilai under the New Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (ii) the requirement of setting a fixed term for the New Contractual Arrangements under Rule 14A.52 of the Listing Rules, subject to compliance with the same conditions of the IPO Waiver.

Directors' Opinion Relating to the New Contractual Arrangements

The Directors (including the independent non-executive Directors) are of the view that the New Contractual Arrangements and the transactions contemplated thereunder are fundamental to the legal structure and business operations in respect of the Group's future business and expansion, and would allow and ensure sound and effective operation of the Company and our business intended to be carried out under the New Contractual Arrangements in compliance with applicable PRC laws and regulations, which has been adopted by a number of other companies to accomplish the same purpose. In addition, as the New Contractual Arrangements were freely negotiated and entered into among parties thereto, it is fair and reasonable for Yutai Shenzhen to be entitled to all economic benefits generated by the business operated by Jiaxiang Weilai through the New Contractual Arrangements as a whole. The Directors also believe that, as the financial results of Jiaxiang Weilai will be consolidated into and accounted for as a subsidiary of the Group, and the flow of economic benefits of their business to the Group pursuant to the New Contractual Arrangements, would also be in the best interest of the Company. Accordingly, the Directors (including the independent non-executive Directors) consider that each of the terms of the New Contractual Arrangements, which have been and shall be entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better, are fair and reasonable and in the best interest of the Company and the Shareholders as a whole. Mr. Wu, an executive Director, has material interests in the transactions carried out under the New Contractual Arrangements. He shall and has abstained from voting on the relevant board resolution approving the entering into of the New Contractual Arrangements. Save as disclosed above, no Director shall abstain from voting on the relevant board resolution approving the entering into of the New Contractual Arrangements.

In addition, pursuant to our PRC legal advisor's opinion, the New Contractual Arrangements documents are validly executed and are legal and valid after meeting the conditions for effect. The New Contractual Arrangements are binding on the executing parties and, except for the aforesaid dispute resolution and the terms of the liquidation committee, may be enforced in accordance with their terms under the PRC laws. The Board considers that the New Contractual Arrangements can be validly enforced under relevant PRC laws and regulations except for the aforesaid terms of dispute resolution and liquidation committee.

Existing Contractual Arrangements

As a foreign investor, the Company is prohibited from holding equity interest in Jiaxiang Interactive and its operating subsidiaries, which are primarily engaged in the development and operation of online card and board games business (the "**Principal Business**") and are considered to be engaged in the provision of value-added telecommunications services and Internet cultural businesses. Each of Jiaxiang Interactive and its subsidiaries, namely Jilin Xinze and Jilin Xinze Network Technology Company Limited ("**Jilin Yuke**"), holds the relevant licenses, including the ICP License and the Internet cultural business license, required for carrying out the above services and operating the Principal Business. As a result, the Group, through its wholly-owned subsidiary, Beijing Kexin Network Technology Company Limited ("**Homeland PRC**"), has entered into the Existing Contractual Arrangements such that we can conduct our Principal Business indirectly in the PRC through Jiaxiang Interactive and its subsidiaries while complying with applicable PRC law and regulations. The Existing Contractual Arrangements are designed to provide the Group with effective control over the financial and operational policies of Jiaxiang Interactive and, to the extent permitted by PRC law and regulations, the right to acquire the equity interests in and/or the assets of Jiaxiang Interactive through Homeland PRC.

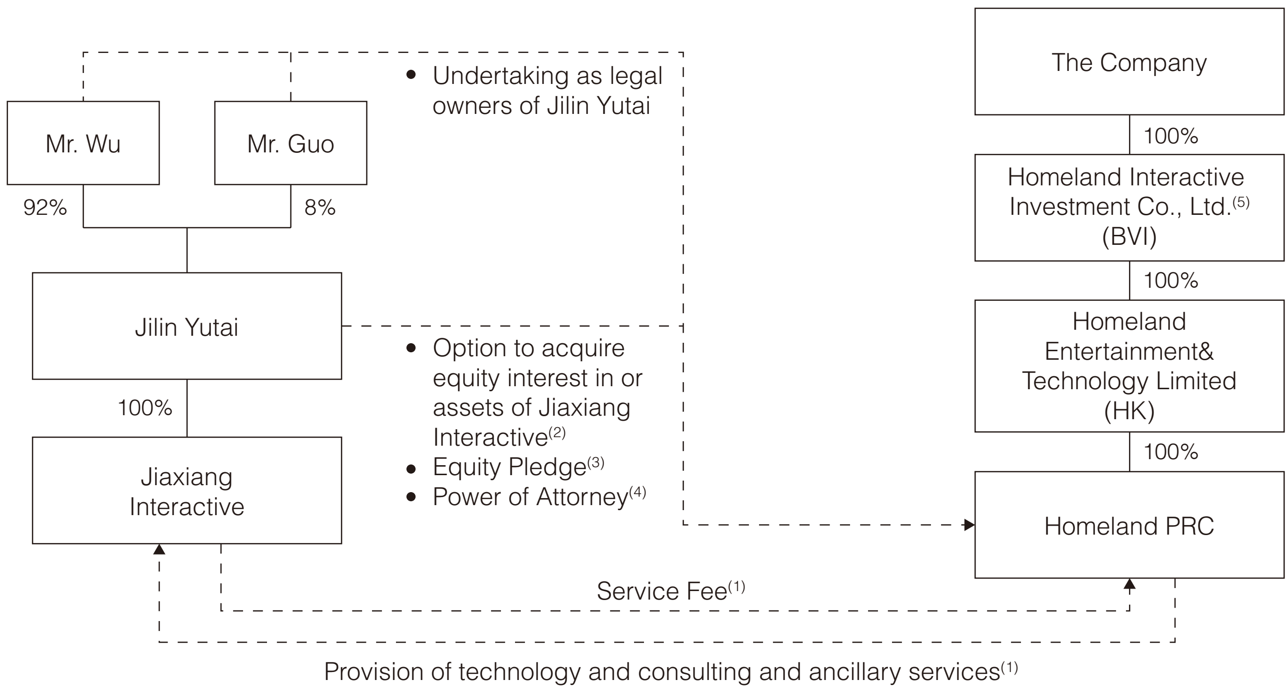
The Existing Contractual Arrangements are not related to any regulations other than the restriction on foreign investment.

We will closely monitor any future development relating to the decision and will take all necessary actions to comply with applicable laws, regulations and specific requirements or guidance, including reorganizing our corporate structure, if required, in the future. We will unwind and terminate the Existing 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.

The Group has, through Homeland PRC, entered into a series of Existing Contractual Arrangements with Jiaxiang Interactive, Jilin Yutai, Mr. Wu and Mr. Guo to exercise effective control over the operations and enjoy substantially all of the economic benefits of Jiaxiang Interactive and its subsidiaries (the "**PRC Operating Entities**"). The agreements underlying such Existing Contractual Arrangements with Jiaxiang Interactive and Jilin Yutai include: (i) Exclusive Business Cooperation Agreement, (ii) Exclusive Call Option Agreement and (iii) Equity Pledge Agreement. Moreover, Jilin Yutai had also executed an irrevocable Power of Attorney appointing Homeland PRC as its proxy to exercise on its behalf of shareholder rights in Jiaxiang Interactive. The total revenue of the Group's PRC Operating Entities during the year ended 31 December 2023 was approximately RMB192.7 million, and the total assets of the Group's PRC Operating Entities as at 31 December 2023 was approximately RMB1,796.3 million.

Each of Mr. Wu, Mr. JIANG Mingkuan and Mr. SU Bo (together, the "**Founders**") is a controlling shareholder of the Company and an executive Director of the Company and is therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules. In addition, the Founders together and as parties acting in concert beneficially held 92% of the interest in Jiaxiang Interactive. Each of Jiaxiang Interactive and its subsidiaries is therefore an associate of each of the Founders and a connected person of the Company under Rule 14A.07(4) of the Listing Rules. Accordingly, the transactions contemplated under the Existing Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules.

The following simplified diagram illustrates the flow of economic benefits from Jiaxiang Interactive to our Group stipulated under the Existing Contractual Arrangements:



Notes:

(1) Please refer to the section headed "Summary of the Existing Contractual Arrangements—(a)Exclusive Business Cooperation Agreement" below.

(2) Please refer to the section headed "Summary of the Existing Contractual Arrangements—(b)Exclusive Call Option Agreement" below.

(3) Please refer to the section headed "Summary of the Existing Contractual Arrangements—(c)Equity Pledge Agreement" below.

(4) Please refer to the section headed "Summary of the Existing Contractual Arrangements—(d)Power of Attorney" below.

(5) Homeland Investment Co., Ltd was renamed to Homeland Interactive Investment Co., Ltd. on 14 March 2024 upon performing all necessary procedures. Its Chinese name remains unchanged.

Summary of the Existing Contractual Arrangements

A Brief description of the major terms of the structured contracts under the Existing Contractual Arrangements are as follows:

(a) Exclusive Business Cooperation Agreement

Homeland PRC and Jiaxiang Interactive entered into an Exclusive Business Cooperation Agreement on 24 September 2018, pursuant to which Jiaxiang Interactive agreed to engage Homeland PRC as its exclusive consultant and service provider. The advice and services which Homeland PRC shall provide to Jiaxiang Interactive and its subsidiaries include, but are not limited to, (i) permission to use certain software, (ii) design, development, maintenance and updating of software and network technology and provision of related technical consultation and technical services, (iii) design, installation, daily management, maintenance and updating of network system, hardware and database design, (iv) technical support and training to employees, (v) consultancy, collection and research of technology and market information (excluding market research business that wholly-foreign-owned enterprises are prohibited from conducting under PRC law), (vi) business management consultation, (vii) marketing and promotion services, (viii) customer management and customer services, (ix) leasing of equipment or properties, (x) other service areas. In addition, Homeland PRC shall have the exclusive and proprietary rights to all intellectual properties arising from and developed during and as a result of the performance of the consulting and advisory services. Homeland PRC shall have the exclusive and proprietary rights to use all such intellectual properties which Homeland PRC, Jiaxiang Interactive or any of its subsidiaries (as the case may be) has developed during the term of the Exclusive Business Cooperation Agreement.

Pursuant to the Exclusive Business Cooperation Agreement and subject to compliance with applicable PRC laws, Jiaxiang Interactive shall pay to Homeland PRC a service fee that equals to 100% of the total consolidated profit of Jiaxiang Interactive and after offsetting the prior-year loss (if any), and deducting such amounts as required for working capital, operating costs, expenses, tax and other statutory contributions of Jiaxiang Interactive and its subsidiaries in any given year. Homeland PRC is also entitled to adjust the service fee payable by Jiaxiang Interactive based on the actual business conditions, operations and development needs of Jiaxiang Interactive.

It is also stipulated in the Exclusive Business Cooperation Agreement that Homeland PRC shall enjoy all economic benefits of, and bear all risks arising from, the conduct of business by Jiaxiang Interactive and its subsidiaries. In the event that Jiaxiang Interactive incurs any operating loss or experiences serious difficulties in its operations, Homeland PRC shall provide financial support to Jiaxiang Interactive, to the extent permitted under PRC laws, to ensure that Jiaxiang Interactive could meet its daily operating cash flow requirements and/or for the purpose of offsetting any operating loss incurred. Homeland PRC shall have the right to request Jiaxiang Interactive to cease its operations, and Jiaxiang Interactive shall unconditionally accept the requests of Homeland PRC. On the other hand, pursuant to the Exclusive Business Cooperation Agreement, without the prior written consent from Homeland PRC, Jiaxiang Interactive shall not accept the same or similar consulting and services provided by any other third parties during the term of the Exclusive Business Cooperation Agreement. Homeland PRC may appoint other parties, who may enter into certain agreements with the PRC Operating Entities, to provide the PRC Operating Entities with the services under the Exclusive Business Cooperation Agreement.

Jiaxiang Interactive shall procure each of its subsidiaries to strictly comply with the terms of the Exclusive Business Cooperation Agreement as if it were a party to such agreements.

The Exclusive Business Cooperation Agreement is effective from the date of agreement. The Exclusive Business Cooperation Agreement may be terminated by Homeland PRC by giving Jiaxiang Interactive prior written notice of termination or shall be terminated upon the transfer of the entire equity interests in and/or the transfer of all assets of Jiaxiang Interactive to Homeland PRC or its designated person(s) pursuant to the applicable PRC laws and regulations. Jiaxiang Interactive is not contractually entitled to terminate the Exclusive Business Cooperation Agreement with Homeland PRC.

The Directors consider that the above arrangement will ensure the economic benefits generated from the operations of Jiaxiang Interactive to flow to Homeland PRC and hence, the Group as a whole. As of 31 December 2023, Homeland PRC has deployed appropriate facilities and personnel to oversee the operation and management of Jiaxiang Interactive, drive the key business decision-making processes and provide overall business advice and consulting services as required to be provided to Jiaxiang Interactive and its subsidiaries pursuant to the Exclusive Business Cooperation Agreement, whilst Jiaxiang Interactive and its subsidiaries are mainly responsible for the operations of the integrated mobile game platform and to hold all operating assets for the purpose of operating the Principal Business to ensure compliance with relevant PRC laws and regulations with respect to the restriction on foreign investment in entity operating integrated mobile game platform and the conditions of the relevant ICP and operating licenses granted to Jiaxiang Interactive and its subsidiaries. The Company believes that such allocation of resources would allow a proper discharge of the respective responsibilities of Homeland PRC and Jiaxiang Interactive under the Existing Contractual Arrangements and also ensure sound and effective operation of the Group in compliance with the Existing Contractual Arrangements and applicable laws and regulations.

(b) Exclusive Call Option Agreement

Homeland PRC, Jilin Yutai and Jiaxiang Interactive entered into an Exclusive Call Option Agreement on 24 September 2018, pursuant to which Jilin Yutai and Jiaxiang Interactive jointly and severally granted to Homeland PRC (exercisable by itself or its designated person(s)) irrevocable options to (i) purchase, to the extent permitted by PRC laws and regulations, the equity interests in Jiaxiang Interactive, entirely or partially, at the minimum purchase price permitted under PRC laws and regulations, and where PRC laws and regulations require valuation of the equity interest, the parties shall re-negotiate in good faith, and make adjustments based on the valuation to comply with the requirements of PRC laws and regulations, or (ii) acquire, to the extent permitted by PRC laws and regulations, all or part of the assets of Jiaxiang Interactive at the minimum purchase price permitted under PRC laws and regulations, and where PRC laws and regulations require valuation of the assets, the parties shall re-negotiate in good faith, and make adjustments based on the valuation to comply with the requirements of PRC laws and regulations. Homeland PRC (by itself or any of its designee as specified above) may exercise such options, fully or partially, at any time, subject to applicable PRC laws and regulations. It was also agreed that Homeland PRC shall have the right to forthwith exercise the option granted under the Exclusive Call Option Agreement when relevant PRC laws and regulations permit the equity interests of Jiaxiang Interactive to be directly held by Homeland PRC while Jiaxiang Interactive continues to legally operate the Principal Business. In addition, Jilin Yutai and/or Jiaxiang Interactive have agreed to return any proceeds it/they will receive in the event that the call option to acquire the equity interests in and/or assets of Jiaxiang Interactive is exercised to Homeland PRC.

Pursuant to the Exclusive Call Option Agreement, Jiaxiang Interactive has undertaken to perform certain acts or refrain from performing certain other acts, including but not limited to the following matters:

(i) not to supplement, modify or amend its constitutional documents, alter the registered capital or change the registered capital structure of Jiaxiang Interactive without the prior written approval from Homeland PRC;

(ii) prudently and effectively operate and manage the business and corporate matters of Jiaxiang Interactive, and to ensure their existence, in accordance with the good business standards and practice, and maintain all necessary licenses and permits;

(iii) not to sell, transfer, create encumbrances or otherwise dispose of any assets, business, legal or beneficial interest of the income of Jiaxiang Interactive (save for assets with value less than RMB500,000 and as required in the ordinary course of business) or allow any security interest to be created on its assets of Jiaxiang Interactive without the prior written approval from Homeland PRC;

(iv) not to incur, take up, guarantee or allow any indebtedness without the prior written approval from Homeland PRC (save for those in the ordinary course of business and having been disclosed to and consented by Homeland PRC in writing);

(v) to operate the business of Jiaxiang Interactive within the normal business scope in order to maintain its asset value, and refrain from any acts or omission which may adversely affect its business or assets value;

(vi) not to enter into any material contracts with an amount of over RMB500,000 (other than those entered in the ordinary course of business) without the prior written approval from Homeland PRC;

(vii) not to lend or provide any financing to any other third party without the prior written approval from Homeland PRC;

(viii) to provide all operating and financial information of Jiaxiang Interactive to Homeland PRC upon request;

(ix) where possible, Jiaxiang Interactive shall purchase and maintain such insurance with insurers acceptable by Homeland PRC, with insurance coverage in line with insurance generally maintained by companies within the same region and engaging in similar business and owning similar properties or assets as Jiaxiang Interactive;

(x) not to engage in any mergers or acquisitions or make investment in any entities without the prior written approval from Homeland PRC;

(xi) immediately inform Homeland PRC of any disputes, litigations, arbitrations or administrative proceedings related to the assets, business or income of Jiaxiang Interactive;

(xii) execute all necessary or appropriate documents, take all necessary or appropriate actions and submit all necessary or appropriate defenses against any charges or claims in order to maintain the ownership of all of its assets by Jiaxiang Interactive;

(xiii) not to distribute any dividend, distributable profits and/or any assets to any shareholder without the prior written approval from Homeland PRC. If the relevant shareholder receives any such dividends, distributable profits and/or other assets with approval from Homeland PRC, such shareholder shall transfer such benefits received by him/her/it to Homeland PRC in ten business days upon receipt of the same at nil consideration;

(xiv) upon request of Homeland PRC, appoint any candidate designated by Homeland PRC to serve as a director, an executive director and/or other senior management of Jiaxiang Interactive;

(xv) unless otherwise required by PRC law, Jiaxiang Interactive shall not be dissolved or liquidated without the prior written consent from Homeland PRC;

(xvi) in the event that Jilin Yutai or Jiaxiang Interactive fails to comply with its tax obligations under applicable PRC laws which hinders the exercise of the options under the Exclusive Call Option Agreement, Homeland PRC is entitled to demand Jiaxiang Interactive and Jilin Yutai to pay all relevant taxes and comply with all tax obligations; and

(xvii) Jiaxiang Interactive shall procure each of its subsidiaries to strictly comply with the terms of the Exclusive Business Cooperation Agreement as if it were a party to such agreements.

Jilin Yutai has further undertaken to perform certain acts or refrain from performing certain other acts, including but not limited to the following matters:

(i) save for the equity pledge in favor of Homeland PRC created under the Equity Pledge Agreement, Jilin Yutai shall not allow any sell, transfer, creation of encumbrances or other third party rights or otherwise dispose of any of their legal or beneficial equity interests held in Jiaxiang Interactive without the prior written approval from Homeland PRC;

(ii) save for the equity pledge in favor of Homeland PRC created under the Equity Pledge Agreement, Jilin Yutai shall not approve at the shareholders' meeting of Jiaxiang Interactive, or procure the board of directors of Jiaxiang Interactive not to approve any sell, transfer, creation of encumbrances or other third party rights or otherwise dispose of any legal and beneficial equity interests in or assets of Jiaxiang Interactive without the prior written approval from Homeland PRC;

(iii) not to approve at the shareholders' meeting of Jiaxiang Interactive, or procure the board of directors of Jiaxiang Interactive not to approve, any mergers or acquisitions or make investment in any entities by Jiaxiang Interactive, without the prior written approval from Homeland PRC;

(iv) immediately inform Homeland PRC of any disputes, litigations, arbitrations or administrative proceedings related to its equity interest in Jiaxiang Interactive;

(v) approve and vote in favor of the shareholders' resolutions of Jiaxiang Interactive, or procure the board of directors of Jiaxiang Interactive to approve and vote in favor of any resolutions of Jiaxiang Interactive, concerning the transfer of equity interests and assets pursuant to the Exclusive Call Option Agreement, and take any other action upon the request of Homeland PRC;

(vi) Jilin Yutai shall execute all necessary or appropriate documents, take all necessary or appropriate actions and submit all necessary appropriate defenses against any charges or claims in order to safeguard the equity interests held by it;

(vii) upon request from Homeland PRC, appoint any candidate designated by Homeland PRC to serve as a director, an executive director and/or other senior management of Jiaxiang Interactive;

(viii) if Jilin Yutai receives any dividends, distributable profits and/or other assets from Jiaxiang Interactive, Jilin Yutai shall transfer such benefits received by it at nil consideration to Homeland PRC or any of its designated persons;

(ix) not to engage in any business which competes, or likely competes, with the business of our Group; and

(x) to strictly comply with the terms of the Exclusive Call Option Agreement and any other agreements entered into among Homeland PRC, Jilin Yutai and Jiaxiang Interactive and earnestly fulfill their respective obligations under such agreements and not to take, or omit to take, any actions which may affect the validity and enforceability of these agreements. In any event where Jilin Yutai retains any rights in the equity interests under this Exclusive Call Option Agreement, the Equity Pledge Agreement signed by the parties to the Exclusive Call Option Agreement, or the Power of Attorney in favor of Homeland PRC, Jilin Yutai shall not exercise such rights without the prior written approval from Homeland PRC.

The Exclusive Call Option Agreement shall expire when all the equity interests in or assets of Jiaxiang Interactive have been transferred to Homeland PRC or its designee as specified above, unless and until Homeland PRC terminates the Exclusive Call Option Agreement.

To ensure that Jilin Yutai duly discharges their obligations under the Existing Contractual Arrangements, pursuant to the Exclusive Call Option Agreement, Jilin Yutai has already executed an irrevocable power of attorney and deposit such power of attorney at Homeland PRC, so that Homeland PRC or its designee can be appointed as proxy of Jilin Yutai to execute the equity transfer agreements with respect to their respective shareholding in Jiaxiang Interactive or the asset transfer agreements with respect to the assets of Jiaxiang Interactive and other ancillary documents concerning such transfer(s) and to handling and obtain all relevant approval and registration required under applicable laws and regulations in the event that Jilin Yutai fails to discharge its obligations under the Existing Contractual Arrangements.

(c) Equity Pledge Agreement

Homeland PRC, Jilin Yutai and Jiaxiang Interactive entered into the Equity Pledge Agreement on 24 September 2018, pursuant to which Jilin Yutai agreed to pledge all of its equity interests in Jiaxiang Interactive to Homeland PRC to secure performance of all its obligations and the obligations of Jiaxiang Interactive under the agreements underlying the Existing Contractual Arrangements. If Jilin Yutai breaches or fails to fulfill the obligations under any of the agreements underlying the Existing Contractual Arrangements, Homeland PRC, as the pledgee, will be entitled to foreclose the pledged equity interests, entirely or partially. In addition, pursuant to the Equity Pledge Agreement, Jilin Yutai has undertaken to Homeland PRC, among other things, not to transfer or otherwise dispose its equity interests in Jiaxiang Interactive and not to create or allow any pledge thereon that may affect the rights and interest of Homeland PRC without its prior written consent.

Under the Equity Pledge Agreement, Jilin Yutai also represents and warrants to Homeland PRC that appropriate arrangements have been made to protect Homeland PRC's interests in the event of liquidation, bankruptcy or termination of Jilin Yutai or any circumstances that may affect its exercise of the shareholders' rights to avoid any practical difficulties in enforcing the Equity Pledge Agreement.

Moreover, if Jiaxiang Interactive declares any dividend or distribute any income during the term of the pledge, Homeland PRC is entitled to receive all such dividends or other income arising from the pledged equity interests, if any. It is also agreed that in the event that Jilin Yutai subscribed for or acquired additional equity interest in Jiaxiang Interactive, then the additional equity interest acquired or subscribed for by Jilin Yutai shall also be pledged in favor of Homeland PRC pursuant to the Equity Pledge Agreement.

The Equity Pledge Agreement shall terminate when Jiaxiang Interactive has fulfilled and performed all obligations under the agreements underlying the Existing Contractual Arrangements or upon the termination of the agreements underlying the Existing Contractual Arrangements. Furthermore, the Equity Pledge Agreement shall terminate upon the liquidation and dissolution of Jiaxiang Interactive pursuant to PRC laws and regulations and upon which Jiaxiang Interactive and Jilin Yutai shall sell all assets, including equity interests, to Homeland PRC, at nil consideration or the minimum price permitted by PRC laws and regulations, to the extent permitted by PRC laws and regulations, or the then designated liquidator shall dispose of all of the assets including equity interests, in order to protect the interests of shareholders and/or creditors of the direct or indirect offshore parent company of Homeland PRC.

(d) Power of Attorney

On 24 September 2018, Jilin Yutai executed an irrevocable Power of Attorney appointing a director of any direct or indirect shareholder of Homeland PRC or his/her successor (including any liquidator in replacement of such director or his/her successor) who is a PRC citizen as proxy of Jilin Yutai to exercise all of its shareholder's rights in Jiaxiang Interactive. Pursuant to the Power of Attorney, the individual to be appointed as Jilin Yutai's proxy shall exclude Jilin Yutai and its registered shareholders, any other shareholders of Jiaxiang Interactive and any of their associates. Pursuant to the Power of Attorney, the shareholders' rights exercisable by the proxy include, but not limited to, the rights to (i) convene and attend shareholders' meetings and pass any shareholders' resolution of Jiaxiang Interactive, (ii) exercise all shareholders' rights in accordance with applicable laws and the articles and constitutional documents of Jiaxiang Interactive, including but not limited to the exercise of voting rights in shareholders' meetings, (iii) sell, transfer, pledge or otherwise dispose of all or part of the equity interests held in Jiaxiang Interactive by Jilin Yutai, (iv) nominate, elect, designate, appoint or remove the legal representative, directors, supervisors, general manager, chief financial officer and other senior officers of Jiaxiang Interactive, (v) oversee the operating performance of Jiaxiang Interactive, approve its annual budget or declare dividends, and inspect the financial information of Jiaxiang Interactive at any time, (vi) execute and deliver any documents, written resolutions, minutes of meetings, (vii) approving the submission of any registration documents to competent government authorities (including relevant companies registry), (viii) exercise all shareholders' rights and vote as Jilin Yutai in the event of dissolution or liquidation of Jiaxiang Interactive, (ix) filing a lawsuit against such directors as Jilin Yutai or taking other legal actions against any director or manager of Jiaxiang Interactive acting in a manner adversely affecting the interests of Jiaxiang Interactive and (x) approving amendments to the articles of association. The proxy is also authorized to enter into and execute any equity transfer agreement upon the exercise of the call option granted under the Exclusive Call Option Agreement and to secure performance of the other agreements underlying the Existing Contractual Arrangements for and on behalf of Jilin Yutai.

Under the Power of Attorney, Jilin Yutai irrevocably confirmed that the power of attorney shall remain in full force and effect during the term which Jilin Yutai remains as a shareholder of Jiaxiang Interactive. Jilin Yutai further confirmed and undertook that in the event of liquidation, dissolution and any circumstances which would affect it to exercise its shareholder's rights in Jiaxiang Interactive, any of its successors, controllers or beneficial owners of Jilin Yutai shall be deemed as a party to the Power of Attorney and thereby subject to all obligations of Jilin Yutai under the Power of Attorney. The Proxy shall have the right to re-designate the power of attorney to any other individuals or entities without requiring prior notice to or consent from Jilin Yutai.

The Board (including the independent non-executive Directors) will ensure that any designee or person or entity designated by Jilin Yutai for the purpose of exercising any of their shareholders' rights under the Power of Attorneys shall be restricted to an authorized director of the Company or a legally-held subsidiary (whom shall own fiduciary duties to the Company). The Board will also ensure that no rights shall be granted to any other third parties outside of the Group which does not owe any fiduciary duties to the Company. In view of the proposed corporate and management structure of the Group upon Listing, any one of Mr. MEN Geng (an executive Director), and Mr. YU Ronald Patrick Lup Man, Mr. ZHANG Yuguo or Mr. HU Yangyang (each an independent non-executive Director), each of whom is independent of Jilin Yutai and its respective associates, may be designated to act as the proxy pursuant to the Power of Attorney.

UNDERTAKING FROM THE ULTIMATE LEGAL OWNERS OF JILIN YUTAI

Each of the ultimate legal owners of Jilin Yutai, namely Mr. Wu (who holds 92% equity interests in Jilin Yutai) and Mr. Guo (who holds 8% equity interests in Jilin Yutai), has provided a written undertaking to Homeland PRC to irrevocably undertake that he shall:

(i) not sell, transfer, create encumbrances or other third party rights or otherwise dispose of any equity interests in Jilin Yutai legally held by him;

(ii) not approve at the shareholders' meeting of Jilin Yutai, or procure the board of directors of Jilin Yutai not to approve, any sell, transfer, creation of encumbrances or other third party rights or otherwise dispose of any equity interests in Jilin Yutai legally held by him without the prior written approval from Homeland PRC;

(iii) not approve at the shareholders' meeting of Jilin Yutai, or procure the board of directors of Jilin Yutai not to approve, Jilin Yutai to engage in any mergers or acquisitions or make investment in any entities without the prior written approval from Homeland PRC;

(iv) immediately inform Homeland PRC of any disputes, litigations, arbitrations or administrative proceedings related to the equity interests he held in Jilin Yutai and take all actions reasonably requested by Homeland PRC to defend such proceedings;

(v) approve at the shareholders' meeting of Jilin Yutai, or procure the board of directors of Jilin Yutai to approve, all actions necessary to be taken by Jilin Yutai in satisfaction and fulfill its obligations under Exclusive Business Cooperation Agreement, the Exclusive Call Option Agreement and the Equity Pledge Agreement under the Existing Contractual Arrangements;

(vi) execute all necessary or appropriate documents, take all necessary or appropriate actions and submit all necessary or appropriate defenses against any charges or claims in order to maintain the ownership of his equity interest in Jilin Yutai;

(vii) upon request of Homeland PRC, appoint any candidate designated by Homeland PRC to serve as a director, an executive director and/or other senior management of Jilin Yutai;

(viii) if he receives any dividends, distributable profits and/or other assets from Jilin Yutai, he shall transfer such benefits received by it at nil consideration to Homeland PRC or any of its designated persons;

(ix) not to engage in any business which competes, or likely competes, with the businesses of Homeland PRC, Jiaxiang Interactive, Jilin Yutai and any of their respective affiliates; and

(x) strictly abide with all the aforementioned undertakings and procure Jilin Yutai to fulfill all its obligations under the Existing Contractual Arrangements, and that he will not carry out any act that may affect or hinder the fulfillment of Jilin Yutai's obligations under each of the agreements underlying the Existing Contractual Arrangements to which Jilin Yutai is a party.

Each of Mr. Wu and Mr. Guo also confirms that each of his successor, guardian, creditor, spouse or any other person who may be entitled to assume rights and interests in his equity interest in Jilin Yutai, and therefore his indirect interest in Jiaxiang Interactive and its subsidiaries, will be deemed as executing party to the said written undertaking and inherit all his rights and obligations thereunder upon his death, incapacity, divorce or its liquidation, bankruptcy or dissolution or any other circumstances that may affect his ability to exercise his shareholder's rights in Jilin Yutai.

Risks Relating to the Existing Contractual Arrangements

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

- If the PRC government finds that the agreements that establish the structure for operating the Group's mobile game businesses in the PRC do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Group could be subject to severe consequences, including the nullification of the Existing Contractual Arrangements and the relinquishment of our interest in those PRC operating entities.

- Since the Foreign Investment Law remains relatively new, uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of the Company's current corporate structure, corporate governance and business operations.

- Existing Contractual Arrangements may not be as effective in providing operational control as direct ownership. The Group's PRC operating entities or its shareholders may fail to perform their obligations under the Existing Contractual Arrangements.

- The Group may lose the ability to use and enjoy assets held by its PRC operating entities that are material to its business operations if its PRC operating entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

- The shareholders of the Group's PRC operating entities may have conflicts of interest with the Group, which may materially and adversely affect the business of the Group.

- The Group conducts its business operation in the PRC through its PRC operating entities by way of Existing Contractual Arrangements. However, certain terms of the Existing Contractual Arrangements may not be enforceable under PRC laws.

- The Existing Contractual Arrangements between Homeland PRC and the Group's PRC operating entities may subject the Group to increased income tax due to the different income tax rates applicable to Homeland PRC and the Group's PRC operating entities and adversely affect the results of operations of the Group.

- If the Group exercises the option to acquire equity ownership and assets of its PRC operating entities, the ownership or asset transfer may subject it to substantial costs.

For further details, please refer to the section headed "Risk Factors — Risks Relating to Our Contractual Arrangements" of the Prospectus.

Mitigation actions taken by the Company

The Company's management works closely with its external legal counsels and advisors to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the Existing Contractual Arrangements.

The Group has adopted measures to ensure the effective operation of the Group's businesses with the implementation of the Existing Contractual Arrangements and its compliance with the Existing Contractual Arrangements, including, among others:

- major issues arising from implementation of the Existing Contractual Arrangements will be regularly reviewed, at least on a quarterly basis, by the Board;
- matters relating to compliance and regulatory enquiries from government authorities (if any) will be discussed at these regular meetings;
- the relevant business units and operation divisions of the Group will report regularly, which will be no less frequently than on a monthly basis, to the senior management of the Company in relation to compliance and performance conditions under the Existing Contractual Arrangements and other related matters; and
- the independent non-executive Directors will review the compliance of the Existing Contractual Arrangements on an annual basis and their confirmation will be disclosed in the Company's annual report.

Waiver from the Stock Exchange

The transactions contemplated under the Existing Contractual Arrangements constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver (i) pursuant to Rule 14A.105 of the Listing Rules from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Existing Contractual Arrangements, and (ii) pursuant to Rule 14A.102 of the Listing Rules from strict compliance with (a) the requirement of setting an annual cap for the fees payable to Homeland PRC under the Existing Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (b) the requirement of limiting the term of the Existing Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as Shares are listed on the Stock Exchange, subject to certain conditions. For details, please refer to the section "Continuing Connected Transactions" in the Prospectus.

Confirmation of Independent Non-executive Directors

The independent non-executive Directors have reviewed the above continuing connected transactions of the Company and 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 Existing Contractual Arrangements, have been operated so that the profit generated by Jiaxiang Interactive and its subsidiaries has been substantially retained by Homeland PRC; (ii) no dividends or other distributions have been made by Jiaxiang Interactive or any non-wholly owned subsidiary of the Group to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and (iii) no new transactions, contracts and agreements or renewal of existing agreements have been entered into between the Group and Jiaxiang Interactive during the year ended 31 December 2023.

The independent non-executive Directors also confirmed that the continuing connected transactions conducted during the Reporting Period were (1) entered into in the ordinary and usual course of business of the Group ; (2) on normal commercial terms or on better terms ; and (3) in accordance with the agreements governing such transactions, on fair and reasonable terms and in the interests of the Shareholders as a whole.

Confirmation from the Company's Independent Auditors

Deloitte Touche Tohmatsu, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu has issued its unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in connection with Contractual Agreements for the year ended 31 December 2023 in accordance with Rule 14A.56 of the Listing Rules, with an emphasis in relation to the fact that the Company is not required to establish and announce an annual cap in respect of the continuing connected transactions in connection with the Contractual Agreements for the year ended 31 December 2023.

Save as disclosed in this annual report, as of the date of this annual report, the Company had no connected transactions which are required to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions.

Further details on related party transactions for the year ended 31 December 2023 are set out in note 35 to the consolidated financial statements. Among these, the remuneration paid to the Directors of the Company constitutes a connected transaction of the Company, but can be fully exempted pursuant to Rule14A.95 of the Listing Rules; the remuneration paid to the Chief Executive Officer of the Company constitutes a connected transaction of the Company, but can be fully exempted pursuant to Rule14A.76 of the Listing Rules.

Save as disclosed in this annual report, none of the related party transactions constitutes a connected transaction or continuing connected transaction subject to the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

During the Reporting Period, the Company complied with the provisions under Chapter 14A of the Listing Rules, including those disclosure requirements, in respect of the continuing connected transaction entered into by the Group.

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

As at 31 December 2023, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the SFO as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

(i) Interests of Directors and Chief Executive of the Company

Name of Director/ Chief Executive	Nature of interest	Number of underlying Shares[1]	Approximate percentage of shareholding interest
Mr. WU Chengze ("**Mr. Wu**")[2]	Interest in controlled corporation	433,842,000	33.80%
Mr. DING Chunlong ("**Mr. Ding**")[3]	Interest in controlled corporation	60,222,000	4.69%
	Beneficial owner	35,140,343	2.74%
Mr. TANG Yinghao ("**Mr. Tang**")	Beneficial owner	3,455,254	0.27%
Ms. CUI Wei ("**Ms. Cui**")	Beneficial owner	2,513,462	0.20%

Notes:

(1) All interests stated are long positions.

(2) Mr. Wu holds the entire share capital of Wu Chengze Network Limited, which in turn directly holds 433,842,000 Shares. Accordingly, Mr. Wu is deemed to be interested in the 433,842,000 Shares held by Wu Chengze Network Limited.

(3) Mr. Ding holds the entire share capital of Ding Chun Long Network Limited, which in turn directly holds 60,222,000 Shares. Accordingly, Mr. Ding is deemed to be interested in the 60,222,000 Shares held by Ding Chun Long Network Limited.

(ii) Interest in the Company's subsidiary, Jiaxiang Interactive (Xiamen) Network Technology Company Limited

Name of Director/ Chief Executive	Nature of Interest	Registered capital	Percentage of interest
Mr. Wu[(1)]	Interest in controlled corporation	RMB10,000,000	100%

Note:

(1) Jilin Yutai Network Technology Company Limited holds the entire registered capital of RMB10,000,000 in Jiaxiang Interactive (Xiamen) Network Technology Company Limited. Jilin Yutai Network Technology Company Limited is held as to 92% by Mr. Wu and 8% by Mr. Guo Shunshun. Accordingly, Mr. Wu is deemed to be interested in the RMB10,000,000 registered capital in Jiaxiang Interactive (Xiamen) Network Technology Company Limited. Of the 92% interests held by Mr. Wu in Jilin Yutai Network Technology Company Limited, 55.2% (being 60% of 92%) was held by Mr. Wu as beneficial owner, 18.4% (being 20% of 92%) was held by Mr. Wu as nominee for Mr. Jiang Mingkuan and 18.4% (being 20% of 92%) was held by Mr. Wu as nominee for Mr. Su Bo.

(iii) Interests in Other Members of the Group

So far as the Directors are aware, as of 31 December 2023, the following persons (excluding the Company) are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of subsidiary	Name of shareholder	Registered capital	Percentage of interest
Jiaxiang Interactive (Xiamen) Network Technology Company Limited	Jilin Yutai Network Technology Company Limited[(1)]	RMB10,000,000	100%

Note:

(1) Jilin Yutai Network Technology Company Limited holds the entire registered capital of RMB10,000,000 in Jiaxiang Interactive (Xiamen) Network Technology Company Limited. Jilin Yutai Network Technology Company Limited is held as to 92% by Mr. Wu and 8% by Mr. Guo Shunshun. Accordingly, Mr. Wu is deemed to be interested in the RMB10,000,000 registered capital in Jiaxiang Interactive (Xiamen) Network Technology Company Limited. Of the 92% interests held by Mr. Wu in Jilin Yutai Network Technology Company Limited, 55.2% (being 60% of 92%) was held by Mr. Wu as beneficial owner, 18.4% (being 20% of 92%) was held by Mr. Wu as nominee for Mr. Jiang Mingkuan and 18.4% (being 20% of 92%) was held by Mr. Wu as nominee for Mr. Su Bo.

Save as disclosed above, as at 31 December 2023, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2023, so far as is known to the Directors, the following persons, not being a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO:

Name	Nature of interest	Number of underlying Shares[1]	Approximate percentage of shareholding interest
Men Geng Network Limited[2]	Beneficial owner	72,672,000	5.66%
One One Eleven Limited[2]	Interest in controlled corporation	72,672,000	5.66%
Futu Trustee (Singapore) Pte Ltd[2]	Trustee	72,672,000	5.66%
Mr. MEN Geng[2]	Founder of a discretionary trust who can influence how the trustee exercises his discretion	72,672,000	5.66%
Co-challengers Growth Limited[3]	Beneficial owner	70,840,000	5.52%
Mr. LI Bo[3]	Interest in controlled corporation	70,840,000	5.52%
Beijing Chuangxin Yizhou Investment Management Limited (北京創新壹舟投資管理有限公司) ("**Yizhou Investment Management**")[3]	Interest in controlled corporation	70,840,000	5.52%
Xiamen Yizhou Xingchen Investment Management Limited (廈門壹舟星辰投資管理有限公司) ("**Xingchen Investment Management**")[3]	Interest in controlled corporation	70,840,000	5.52%
Xiamen Challenger Venture Capital Partnership (Limited Partnership) (廈門挑戰者創業投資合夥企業(有限合夥)) ("**Xiamen Challenger**")[3]	Interest in controlled corporation	70,840,000	5.52%
Jiang Ming Kuan Network Limited[4]	Beneficial owner	110,553,000	8.61%
Mr. JIANG Mingkuan ("**Mr. Jiang**")[4]	Interest in controlled corporation	110,553,000	8.61%
Su Bo Network Limited[5]	Beneficial owner	119,885,000	9.34%
Mr. SU Bo ("**Mr. Su**")[5]	Interest in controlled corporation	119,885,000	9.34%

Notes:

(1) All interests stated are long positions.

(2) Mr. Men Geng transferred the entire issued share capital of Men Geng Network Limited to One One Eleven Limited at zero consideration on 12 July 2022, and therefore, One One Eleven Limited indirectly held 72,672,000 shares of the company through Men Geng Network Limited. One One Eleven Limited is wholly owned by Futu Trustee (Singapore) Pte Ltd. Mr. Men Geng is the founder of a trust and Futu Trustee (Singapore) Pte Ltd is the trustee, and he holds 72,672,000 shares of the Company through Men Geng Network Limited, a wholly-owned subsidiary of One One Eleven Limited.

(3) Co-challengers Growth Limited is wholly-owned by Xiamen Challenger, a limited partnership, and is ultimately controlled by Mr. LI Bo, who has approximately 99.9% interest in Yizhou Investment Management, which has approximately 90% interest in Xingchen Investment Management, the sole general partner of Xiamen Challenger. Accordingly, each of Xiamen Challenger, Mr. LI Bo, Yizhou Investment Management and Xingchen Investment Management is deemed to be interested in the Shares held by Co-challengers Growth Limited.

(4) Mr. Jiang holds the entire share capital of Jiang Ming Kuan Network Limited, which in turn directly holds 110,553,000 Shares. Accordingly, Mr. Jiang is deemed to be interested in the 110,553,000 Shares held by Jiang Ming Kuan Network Limited.

(5) Mr. Su holds the entire share capital of Su Bo Network Limited, which in turn directly holds 119,885,000 Shares. Accordingly, Mr. Su is deemed to be interested in the 119,885,000 Shares held by Su Bo Network Limited.

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any other persons who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, no controlling shareholders or their subsidiaries had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

The Company's ultimate customers are individual game players. Due to the Group's large customer base, its five highest paying players in aggregate contributed to substantially less than 30% of the total sales proceeds received during the year ended 31 December 2023.

Major Suppliers

For the year ended 31 December 2023, the Group's five largest suppliers accounted for approximately 56.6%, as compared to approximately 64.2% of the Group's total purchase amounts for the year ended 31 December 2022. The Group's single largest supplier accounted for approximately 30.5%, as compared to approximately 30.0% of the Group's total purchases for the year ended 31 December 2022.

During the year ended 31 December 2023, none of the Directors or any of their close associates or any shareholders (which, to the knowledge of the Directors, own more than 5.0% of the number of issued shares of the Company) had any interest in the Group's five largest suppliers.

MANAGEMENT CONTRACTS

During the Reporting Period, the Company has not entered into any contract with any individuals, firm or body corporate to manage or administer the whole or any substantial part of any business of the Group.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Each Director or other officer of the Company shall be entitled to be indemnified out of the assets of Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of the duties of his/her office or trusts or otherwise in relation thereto in accordance with the Articles of Association. The Company has arranged appropriate directors' liability insurance coverage for the Directors of the Group. Such insurances were effective during the year ended 31 December 2023, and remained effective as at the date of this report.

RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on pages 134 to 135 of this annual report.

DIVIDENDS

The Board proposed the payment of a final dividend (the "**Final Dividend**") of HK$0.1 per share, in an aggregate amount of HK$128,340,350 (equivalent to RMB118,073,122), for the year ended 31 December 2023 (2022: HK$0.14), subject to the approval of the shareholders of the Company at the 2023 annual general meeting to be held on 6 June 2024 (the "**Annual General Meeting**"). The proposed dividends will be distributed on 11 July 2024 to Shareholders whose names appear on the register of members of the Company on 19 June 2024.

The Annual General Meeting is proposed to be held on Thursday, 6 June 2024. A notice convening the Annual General Meeting will be published and/or despatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") in due course. The register of members of the Company will be closed from Monday, 3 June 2024 to Thursday, 6 June 2024 (both days inclusive), for the purpose of determining the entitlement to attend and vote at the Annual General Meeting. In order to be eligible to attend and vote at the Annual General Meeting, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited, at Level 17, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Friday, 31 May 2024.

For determining the entitlement to the payment of Final Dividend, the register of members of the Company will be closed from Friday, 14 June 2024 to Wednesday, 19 June 2024 (both days inclusive), during which no transfer of shares of the Company will be registered. The Final Dividend is payable to the Company's shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 19 June 2024. In order to qualify for the payment of Final Dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar Tricor Investor Services Limited, at Level 17, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 pm on Thursday, 13 June 2024.

SHARE CAPITAL

Details of movements in share capital of the Company during the Reporting Period are set out in note 32 to the consolidated financial statements in this annual report.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 December 2023 are set out in the consolidated statement of changes in equity and note 39 to the consolidated financial statements in this annual report. As at 31 December 2023, the Company's distributable reserves calculated under the Companies Law of the Cayman Islands comprise the share premium and other reserves totaling approximately RMB14.7 million (2022: Nil).

CHARITABLE DONATIONS

The Group made charitable donations of approximately RMB7.0 million during the Reporting Period.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Reporting Period are set out in note 16 to the consolidated financial statements in this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2023, Futu Securities International (Hong Kong) Limited, an independent trustee for the share award schemes of the Company, purchased 23,354,000 of shares of the Company with total consideration of RMB41,359,000 (HK$45,293,400) on the Stock Exchange as treasury shares for the purpose of future share award schemes.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2023.

EQUITY-LINKED AGREEMENTS

Details of the Share Option Scheme and Share Award Scheme are set out in the section headed "Share Incentive Schemes" above. Save as disclosed above, no equity-linked agreement will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company in 2023 or subsisted at the end of 2023.

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 Group, the holding company of the 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.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 66 to 81 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of the total issued capital of an issuer must be held by the public at any time. Based on the information that is publicly available and within the knowledge of the Directors, as at the date of this annual report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the relevant laws of the Cayman Islands where the Company is incorporated which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

AUDITOR

The Company has appointed Deloitte as the auditor of the Company for the year ended 31 December 2023. A resolution will be proposed for approval by shareholders at the forthcoming AGM to re-appoint Deloitte as the auditor of the Company.

There were no changes in auditors of the Company during the past three years.

By Order of the Board
Homeland Interactive Technology Ltd.
WU Chengze
Chairman

Hong Kong, 28 March 2024

CORPORATE GOVERNANCE PRACTICES

The Board is committed to upholding high standards of corporate governance practices and business ethics in the firm belief that they are crucial to improving the efficiency and performance of the Group and to safeguarding the interests of the shareholders. The Board reviews the Company's corporate governance practices from time to time in order to meet the expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance. Set out below are the principles of corporate governance as adopted by the Company during the year ended 31 December 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2023, the Company has complied with the applicable code provisions of the Code as set forth in the corporate governance code (the "**Corporate Governance Code**") contained in Appendix C1 to the Listing Rules, except for a deviation from code provision C.2.1.

Under code provision C.2.1 of the Corporate Governance Code, the roles of chairman of the Board and chief executive officer should be separate and should not be performed by the same individual.

Mr. Wu Chengze had been serving simultaneously as the chief executive officer and the chairman of the Board until 5 September 2023. With extensive experience in the game industry, Mr. Wu is responsible for formulating and implementing the overall development strategies and business plans of the Group and has been instrumental to the Company's growth and business expansion since its establishment in 2009. The Board considered that vesting the roles of chairman and chief executive officer in the same person was beneficial to the management of the Group. The balance of power and authority was ensured by the operation of the senior management and the Board, which comprised experienced and high-calibre individuals. The Board comprised three executive directors (including Mr. Wu) and three independent non-executive directors and therefore, in the Company's view, had an appropriate level of independence element in its composition.

On 5 September 2023, the Board resolved to change the chief executive officer of the Company from Mr. Wu Chengze to Ms. Cui Wei. For further details of the changes, please refer to the announcement of the Company dated on 5 September 2023. As the roles of chairman and chief executive officer are no longer performed by the same individual, the Company has, since then, complied with the applicable code provisions of the Corporate Governance Code.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the Corporate Governance Code and maintaining 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 set out in Appendix C3 to the Listing Rules as its own code for securities transactions by the Directors. Having made specific enquiry of all Directors, it is confirmed that all Directors have complied with the Model Code throughout the Reporting Period.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required of a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time in performing them. The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

Board Composition

As at 31 December 2023, the Company has three executive Directors and three independent non-executive Directors. As at the date of this annual report, the composition of the Board is as follows:

Executive Directors

Mr. WU Chengze *(Chairman)*
Mr. SU Bo *(appointed on 5 April 2024)*
Mr. DING Chunlong
Mr. TANG Yinghao

Independent Non-executive Directors

Mr. ZHANG Yuguo
Mr. HU Yangyang
Ms. GUO Ying

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent in accordance with the independence requirement set out in the Listing Rules.

The biographical information of the Directors is set out in the section headed "Directors and Senior Management" on pages 19 to 22 of this annual report.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

Save as disclosed in the section headed "Directors and Senior Management", the Directors do not have any other financial, business, family or other material/relevant relationships with one another.

Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Wu Chengze had been serving simultaneously as the chief executive officer and the chairman of the Board until 5 September 2023. With extensive experience in the game industry, Mr. Wu is responsible for formulating and implementing the overall development strategies and business plans of the Group and has been instrumental to the Company's growth and business expansion since its establishment in 2009. The Board considered that vesting the roles of chairman and chief executive officer in the same person was beneficial to the management of the Group. The balance of power and authority was ensured by the operation of the senior management and the Board, which comprised experienced and high-calibre individuals. As at 31 December 2023, the Board comprised three executive directors (including Mr. Wu) and three independent non-executive directors and therefore, in the Company's view, had an appropriate level of independence element in its composition.

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The Board will continue to review and monitor the practices of the Company for the purpose of complying with the Corporate Governance Code and maintaining a high standard of corporate governance practices of the Company.

Appointment and Re-election of Directors

Each of the Directors has entered into a service contract/agreement (in the case of the executive Directors) or has been issued a letter of appointment (in the case of the independent non-executive Directors) for a specific term of three years, which is renewable by mutual consent and subject to the Articles of Association.

The Articles of Association provides that all Directors appointed to fill a casual vacancy or as an addition to the Board shall be subject to election by shareholders at the first annual general meeting of the Company after his/her appointment.

Every Director (including those appointed for a specific term) shall also be subject to retirement and re-election by rotation at least once every three years at the annual general meetings of the Company under the Articles of Association.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgment on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

Mechanism to Ensure Independent Views to the Board

To ensure that the Board can obtain independent views and opinions, our Company has established various formal and informal channels whereby independent non-executive directors can express their opinions in an open and candid manner, and in a confidential manner, should circumstances require.

The Company ensures the introduction of independent advice to the Board through the following mechanisms:

1. the Nomination Committee reviews the composition of the Board and the independence of the independent non-executive Directors annually;

2. the Company obtains a confirmation from each of the independent non-executive Directors that they are independent of the Company pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent;

3. the Chairman of the Board meets with the independent non-executive Directors at least once a year; and

4. all members of the Board may seek independent professional advice, if necessary, at the Company's expense in performing their duties in accordance with the policies of the Company.

The Board reviews the implementation and effectiveness of the mechanism on an annual basis.

Continuous Professional Development of Directors

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that they remain informed and relevant for their contribution to the Board.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Besides, meetings with senior management of the Company were also arranged.

Directors shall participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The joint company secretaries update and provide written training materials in respect of the roles, functions and responsibilities of Directors from time to time. The Company also regularly provides Directors with updated information on the performance, position and prospect of the Company to enable all Directors of the Board to fulfil their responsibilities.

As of 31 December 2023, the trainings undertaken by Directors are summarised as follows:

Directors	Training Category
Executive Directors	
Mr. WU Chengze *(Chairman)*	A, B
Mr. DING Chunlong *(appointed on 30 March 2023)*	A, B, C
Mr. TANG Yinghao *(appointed on 30 March 2023)*	A, B, C
Mr. JIANG Mingkuan *(retired on 22 May 2023)*	A, B
Mr. SU Bo *(retired on 22 May 2023)*	A, B
Mr. GUO Shunshun *(resigned on 1 June 2023)*	A, B
Independent Non-Executive Directors	
Mr. ZHANG Yuguo	A, B
Mr. HU Yangyang	A, B
Ms. GUO Ying	A, B

Notes:

A: Directors participate in trainings provided by the overseas legal advisor, Jingtian & Gongcheng LLP, and/or trainings related to the business of the Company during their terms.

B: Read materials on a wide range of topics, including the roles, functions and responsibilities of Directors, the Listing Rules and other relevant laws.

C: Newly-appointed Directors participate in induction trainings provided by the overseas legal advisor, Jingtian & Gongcheng LLP, and trainings on the responsibilities stipulated under the relevant Listing Rules and other laws and regulations.

Attendance Records of Directors and Committee Members

The attendance records of each Director at Board meetings, general meeting, and Board Committee meetings of the Company held during the Reporting Period are set out in the table below:

	Attendance/Number of Meetings					
Name of Directors	Board	Annual General Meeting	Extraordinary General Meeting	Audit Committee	Remuneration Committee	Nomination Committee
Mr. WU Chengze	9/9	1/1	—	—	—	1/1
Mr. JIANG Mingkuan	4/4	1/1	—	—	—	—
Mr. SU Bo	4/4	1/1	—	—	—	—
Mr. GUO Shunshun	4/4	1/1	—	—	—	—
Mr. TANG Yinghao	8/8	1/1	—	—	—	—
Mr. DING Chunlong	8/8	1/1	—	—	—	—
Mr. ZHANG Yuguo	6/9	1/1	—	2/2	4/4	—
Mr. HU Yangyang	9/9	1/1	—	2/2	4/4	1/1
Ms. GUO Ying	4/9	1/1	—	2/2	3/4	1/1

Code provision C.5.1 of the CG Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication. During the Reporting Period, the Company held nine Board meetings in total. During the Reporting Period, the Company held an annual general meeting on 22 May 2023 ("**2023 AGM**"). All the directors of the Company attended the 2023 AGM.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

All the members of the Remuneration Committee and the Audit Committee are independent non-executive Directors, and the majority of the members of the Nomination Committee are independent non-executive Directors.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Hu Yangyang, Mr. ZHANG Yuguo and Ms. GUO Ying. Mr. Hu Yangyang, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal controls system of the Group, assist the Board to fulfill its responsibility over the audit, and review and approve connected transactions and to advise the Board.

The Audit Committee is also responsible for performing the functions set out in code provision A.2.1 of the CG Code. These include developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of Directors and senior management of the Company; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the Directors and employees of the Company; and reviewing the Company's compliance with the CG Code from time to time adopted by the Company and the disclosure in the corporate governance report to be contained in the Company's annual report.

The Audit Committee held two meetings to review interim and annual financial results and reports in respect of the year ended 31 December 2023 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, effectiveness of internal audit, scope of work and appointment of external auditors, connected transactions, the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in the Corporate Governance Report. During the Reporting Period, the Audit Committee also met the external auditors twice without the presence of the executive Directors and the management.

The Company shall prepare for the preliminary preparation for the decision-making of the Audit Committee, and the coordination between the Company's internal audit department, financial department and other relevant departments to provide written information of the Company; the Audit Committee meeting shall review the reports provided by the relevant departments, and submit relevant written resolution materials to the Board for discussion.

The Audit Committee has reviewed the Company's audited consolidated results for the Reporting Period, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

Remuneration Committee

The company established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration Committee consists of three members, namely Mr. HU Yangyang, Mr. ZHANG Yuguo and Ms. GUO Ying input, all being independent non-executive Directors. Mr. HU Yangyang is the chairman of the committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The main responsibilities of the Remuneration Committee include: studying the evaluation criteria for Directors and senior management members; conducting evaluations and make recommendations; studying and reviewing the remuneration policies and plans for Directors and senior management members, and submitting relevant proposals to the Board for approval; supervising and implementing the implementation of the resolutions of the Board in relation to the remuneration or assessment of the Directors and senior management of the Company; reviewing and monitoring the training and continuous professional development of the Directors and senior management members; and reviewing and approving matters relating to share schemes under Chapter 17 of the Listing Rules.

For the year ended 31 December 2023, the Remuneration Committee held four meetings to review the remuneration adjustment principle of all employees as a whole, the remuneration policy and structure of the Company, the new Directors' remuneration and the remuneration packages of the Directors and other related matters, and have approved the Share Awards granted on 9 May 2023, 10 October 2023 and 10 November 2023 and made recommendation to the Board.

The Share Award Scheme has no specific requirements as to the length of the vesting period. Taking into account that the granting of the Share Awards is in recognition of the grantee's past contribution to the Group or outstanding performance in the previous financial year and to motivate the grantees to continue to contribute to the operation, development and long-term growth of the Group, the Remuneration Committee and the Board consider that a vesting period of less than 12 months is appropriate.

There are no performance targets and clawback mechanism attached to the Share Awards. Taking into account that (i) the granting of the Share Awards is in recognition of the grantees' past contribution to the Group, given that the overall business performance and development of the business in the last financial year, the grantees have rendered services to the Group for varying periods of time and are regarded to have performed outstandingly, (ii) the Share Awards are subject to certain vesting conditions and the terms of the Share Award Scheme and (iii) the value of the Share Awards will be linked to the future price of the Shares, and thus incentivise the grantees to contribute to the development of the Company, the Remuneration Committee and the Board are of the view that in the absence of additional performance targets and clawback mechanism, the granting of Share Awards aligns the interests of the grantees with those of the Group and the shareholders of the Company, motivates the grantees to strive for the enhancement of the Group's sustained competitiveness, operational performance and growth in the future, and reinforces the grantees' commitment to the long-term service of the Group, which is in line with the purpose of the Share Award Scheme to motivate the participants and allow them to participate in the growth of the Group's business.

Pursuant to code provision E.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended 31 December 2023 is as follows:

	Number of employee(s)
Nil to HK$1,000,000	1
HK$2,500,001 to HK$3,000,000	1

Details of the Directors' remuneration are set out in note 14 to the consolidated financial statements in this annual report. The compensation packages for the executive Directors were determined after taking into account salaries paid by comparable companies, time commitment and responsibilities of the executive Directors and performance of the Group, whereas the director's fees payable to the independent non-executive Directors were determined by arm's length negotiations between the independent non-executive Directors and the Company with reference to their duties, responsibilities and prevailing market conditions.

Nomination Committee

The Nomination Committee consists of three members, namely Mr. WU Chengze, the chairman, Ms. GUO Ying and Mr. HU Yangyang, being independent non-executive Directors. Mr. WU Chengze is the chairman of the committee. The majority of the Nomination Committee members are independent non-executive Directors.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Nomination Committee are to make recommendations to the Board regarding the appointment of Directors and Board succession.

The Company has formulated and adopted the board diversity policy (the "**Board Diversity Policy**") for compliance with the Listing Rules and the code provisions concerning the diversity of board members. The Board Diversity Policy sets out the approach adopted by the Board regarding diversity of Board members.

The Company recognizes the importance of achieving diversity in the Board and the board diversity policy of the Company sets out the approach to include and make good use of differences in the talents, skills, knowledge, regional and industry experience, cultural and educational background, ethnicity, gender, length of service and other qualities of the members of the Board. In particular, there will be no discrimination on the ground of race, age, gender or religious belief. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately.

For gender diversity, one of our independent non-executive Director and one of the joint company secretaries are female. Taking into account our existing business mode and specific needs as well as the different background of our Directors, we are of the view that the composition of our Board satisfies our board diversity policy. The Board aims to maintain at least the current level of female representation, while such goal has been achieved during the Reporting Period, with gender equality as the ultimate goal. If suitable candidates are identified in the future, the Board will continue to seek opportunities to increase the proportion of female members.

The Board also recognizes the importance of diversity at the workforce level. As of 31 December 2023, 60.74% of the Group's employees were male and 39.26% were female. The Group is committed to increasing the proportion of female Board members and workers as far as possible in the future, taking into account gender diversity in the recruitment process. The Company will continue to adopt measures to promote gender diversity at all levels, including but not limited to the Board and senior management, and to develop a pipeline of potential successors to the Board by developing a pipeline of female middle and senior management.

The Nomination Committee has adopted a nomination policy which sets out a set of nomination procedures and selection criteria for Directors. The Nomination Committee shall evaluate and select candidates based on the criteria by reference to character and integrity, business experience relevant and beneficial to the Company, qualifications including professional qualifications, skills and knowledge that are relevant to the Company's business and corporate strategy, willingness to devote adequate time to discharge duties as a member of the Board and other significant commitments, present needs of the Board for particular expertise, skills or experience and whether the candidates would satisfy those needs, requirement for the Board to have independent Directors in accordance with the Listing Rules and whether the candidates for independent Directors would be considered independent with reference to the independence guidelines set out in the Listing Rules and the board diversity policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board. The nomination procedures of the Directors are as follows: the nomination committee shall first propose and consider a list of candidates for Directors, which shall then be submitted by the committee to the Board for review.

The Nomination Committee held one meeting to review the structure, size and composition of the Board, the nomination of new executive Directors and independence of the new independent non-executive Director and to make recommendations to the Board.

RISK MANAGEMENT AND INTERNAL CONTROLS

Review of Risk Management and Internal Controls

The Board acknowledges that it is responsible for maintaining sound and effective risk management and internal control systems and reviewing their effectiveness. The Company's risk management and internal control systems provide a comprehensive and organized structure with clearly defined scopes of responsibilities, authorities and procedures. 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 Company has its internal auditing function, which is a designated risk management and internal control team (the "**team**") responsible for identifying and monitoring the Company's risks and internal control issues and reports directly to the Board of any findings and follow-up actions. The Board receives regular updates from the senior management and reviews the Group's business plan, financial results, investment strategies and business indicators to ensure that the business risks are identified and managed. The senior management supervises the Group's business performance on an on-going basis via regular meetings with respective departments and project teams, to identify potential risks and develop strategies to address the risk. The Group monitors a wide range of indicators, such as game statistics, player feedbacks and employee turnover rate, and responds promptly if any risk indicators arise. The Group also works with external legal, accounting and other professional advisers as required to ensure that it is in compliance with relevant legislation and regulations. All departments of the Company are required to adhere to the Company's internal control procedures and report to the team of any risks or internal control issues. The Audit Committee of the Board also reviews the Company's financial controls, risk management and internal control systems on a regular basis.

The Board has received confirmation from the management that in respect of the year ended 31 December 2023:

— the financial records have been properly maintained and the financial statements give a true and fair view of the operations and finances of the Group; and

— the risk management and internal control systems of the Group are effective.

Based on the framework for risk management and internal control systems established by the Group, the Board and the Audit Committee considered that, through the annual review of risk management and internal control systems of the Group, it can evaluate and improve their effectiveness and resolve material internal control defects. The Board, with the concurrence of the Audit Committee, considered that the Company's internal control systems, including financial, operational and compliance, were effective and adequate for the year ended 31 December 2023 based on the work performed and report prepared by the team as well as the confirmation letter received by the management. The Company will perform ongoing assessments to update all material risk factors on a regular basis. In any case, review of risk management and internal control systems by the Board will be conducted annually.

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

The Board conducts regular review and assessment of inside information, discusses with the management or authorized persons of the Company about disclosure of inside information, reports to the Board once identified any inside information for dissemination.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2023.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 129 to 226 of this annual report.

DIVIDEND POLICY

The Company has adopted a dividend policy which is in accordance with the relevant provisions of the Articles of Association. Pursuant to the dividend policy, the Company may from time to time declare dividends in any currency to be paid to the members of the Company but no dividend shall be declared in excess of the amount recommended by the Board. No dividend shall be declared or payable except out of the profits and reserves of the Company lawfully available for distribution, including share premium. No dividend shall carry interest against the Company. The Company may distribute dividends by way of cash or by other means that the Board considers appropriate, based on various factors such as the Company's results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends, capital requirements, future business plans and prospects and other factors that may be relevant. Assuming there is no material adverse events affecting these factors, the Company intends to adopt a stable general annual dividend policy and will continue to re-evaluate its dividend plan in light of its operation needs, earnings, financial condition, working capital requirements and future business plans as the Board may deem relevant at such time.

TAX RELIEF

The Directors are not aware of any tax relief available to the shareholders of the Company by reason of their holding of the Company's securities.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The remuneration paid/payable to the external auditor of the Company in respect of audit services for the year ended 31 December 2023 and non-audit services for the year ended 31 December 2023 (being the interim review for the six months ended 30 June 2023, contemporaneous transfer pricing documentation, compliance service related to Hong Kong Profit Tax and CoR (Hong Kong tax resident) application) of the Group's financial results for the six months ended 30 June 2023) amounted to RMB3.1 million and RMB0.9 million, respectively.

Details of the services and fees of the external auditors are set out below:

	2023 ***RMB million***	2022 *RMB million*
Audit services	**3.1**	3.0
Non-audit services		
Interim review	**0.8**	0.7
Other services	**0.1**	0.1
Total	**4.0**	3.8

JOINT COMPANY SECRETARIES

Ms. Cui Wei was appointed as a joint company secretary of the Company on 7 May 2021 and resigned from the position with effect from 5 September 2023. For details, please refer to the announcement dated 5 September 2023.

Mr. Wu Jieran has been appointed as a joint company secretary of the Company with effect from 26 September 2023. For details, please refer to the announcement of the Company dated 26 September 2023.

Ms. Ng Ka Man has been appointed as another joint company secretary of the Company with effect from 28 March 2022 and she shall assist Mr. Wu Jieran to discharge the duties as a company secretary of the Company. Her primary contact person at the Company is Mr. Wu Jieran, the other joint company secretary of the Company.

They both have taken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to article 12.3 of the Articles of Association, extraordinary general meetings shall also be convened on the written requisition of any two or more members deposited at the principal office of the Company in Hong Kong specifying the objects of the meeting and signed by the requisitionist(s), provided that such requisitionist(s) held as at the date of deposit of the requisition not less than one-tenth of the voting rights, on a one vote per share basis, which carries the right of voting at general meetings of the Company.

Putting Forward Proposals at General Meetings

There are no provisions in the Articles of Association or the Cayman Islands Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

The contact details of the Company are as follows:

Address: 17/F, Qianhai Shimao Finance Centre II, No. 3040 Xinghai Avenue, Nanshan Street, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, PRC
Tel: 0592–3325599
Email: IR@weile.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company is committed to safeguarding the interests of our shareholders and believes that effective communication with shareholders and other stakeholders is crucial to strengthening investor relations and promoting understanding of our business performance and strategies. The Board has adopted a shareholder communication policy with an aim to ensure that shareholders and potential investors of the Company have timely access to comprehensive, consistent and easily understandable information about the Company. This enables the shareholders to exercise their rights with knowledge, and also allows them and potential investors to engage actively with the Company. The Company has a dedicated team responsible for the management of investor relations. The Company places great emphasis on website development and adheres to the information disclosure requirements of the Stock Exchange, ensuring timely and accurate information disclosure and the release of various business updates and data. The Company continuously improves its website pages in accordance with the latest regulations of the Listing Rules, enabling investors to keep abreast of the Company's latest developments. The Company maintains a website at www.jiaxianghudong.com as a communication platform with shareholders of the Company and investors, where the financial information and other relevant information of the Company are available for public access. The Company also maintain dialogue with shareholders through general meetings. At the general meetings, relevant representatives of the Company attend and answer shareholders' questions.

The Company has reviewed the implementation and effectiveness of its shareholder communication policy for the year ended 31 December 2023. Based on the current management policy and the investor relations website at www.jiaxianghudong.com, the Company believes that its shareholder communication policy has been effectively implemented.

Investor Relations Contacts

The Company values feedback from shareholders, investors and the public. Enquiries and proposals are welcome and can be put to the Company by emailing ir@weile.com.

The latest investor relations information is available at the Company's investor relations portal at www.jiaxianghudong.com.

CONSTITUTIONAL DOCUMENTS

The shareholders of the Company has considered and approved the amendments to the Memorandum and Articles of Association and the adoption of the amended Memorandum and Articles of Association at the 2023 AGM, in order to (i) bring the existing Memorandum and Articles of Association in line with the amendments made to the applicable laws of the Cayman Islands and the Listing Rules; and (ii) substitute and exclude the existing Memorandum and Articles of Association. The latest Articles of Association is available on the websites of the Company and the Stock Exchange.

Save as disclosed above, for the year ended 31 December 2023, the Company has not made any changes to its Articles of Association.

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company's principal place of business in Hong Kong was changed to Unit 2451, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong and the email of the Company was changed to ir@weile.com with effect from 13 April 2023. For further details of the changes, please refer to the announcement of the Company dated on 14 April 2023.

The Company's principal place of business in Hong Kong was changed to LM8, 5/F, Lee & Man Commercial Center, 169 Electric Road, North Point, Hong Kong with effect from 31 January 2024. The website, telephone and facsimile numbers of the Company remain unchanged. For further details of the changes, please refer to the announcement of the Company dated on 31 January 2024.

BOARD STATEMENT

The board of directors (the "**Board**") of Homeland Interactive Technology Ltd. and its subsidiaries ("**Homeland Interactive**", the "**Group**", "**we**" or "**us**") acts as the highest level of responsibility and decision-making institution for environmental, social and governance ("**ESG**") issues, bears the ultimate responsibility for the Company's ESG strategies and report (this "**Report**"), and monitors any ESG related issues that could affect the business or operation of the Company, its shareholders and other stakeholders[1]. The Board appoints senior management to identify and assess the ESG risks relating to the Group, in order to ensure that the Group has appropriate and effective ESG risk management and internal control systems, and to report to and review with the Board the progress made in achieving the relevant ESG goals. For more details, please refer to the section "ESG Governance".

The Group values the suggestions and opinions of various stakeholders and ensures sufficient channels to communicate and exchange with key stakeholders, so as to discuss and identify the Group's important ESG issues and the ESG risks it may face, and to continuously improve its strategies, policies and systems related to ESG. The Board has reviewed the material ESG issues for the year and has approved the proposed adjustments to the level of materiality of each ESG issue to ensure that the materiality matrix is up-to-date and reasonable. For more details, please refer to the section "Stakeholder Engagement".

The Board together with all directors guarantee that the information contained in this Report does not include any false statements, misleading representations or material omissions, and accept responsibility as to the truthfulness, accuracy and completeness of the Report. This Report discloses in detail the progress and effectiveness of the Group's ESG efforts in 2023 and commits to make every effort to ensure that all data presented in this report is accurate and reliable and is managed through the establishment of internal controls and a formal review process. This Report has been confirmed and approved by the Board on 18 April 2024.

1. ABOUT THIS REPORT

1.1 Report Overview

Homeland Interactive is pleased to present the fifth Environmental, Social and Governance Report of the Group. This Report fully discloses the ESG policies, measures, achievements and various environmental and social key performance indicators ("**KPIs**") of the Group in 2023, allowing stakeholders to further understand the ESG effort of the Group.

1.2 Reporting Scope and Period

This Report discloses the overall ESG performance of the Group for the period from 1 January 2023 to 31 December 2023 (the "**Year**" or the "**Reporting Period**"), showcasing the sustainability strategy, approach and performance of the Group to its stakeholders. Unless otherwise stated, the reporting scope of this Report covers the Group's business operation in the People's Republic of China (the "**PRC**").

[1] "Stakeholders" represents the groups or individuals that have a significant influence on corporate business or vice versa. Stakeholders constitute the Board, management, administrative staff and general staff within the Group, and the shareholders, business partners, customers, government and regulatory authorities, banks and investors, as well as communities outside the Group.

1.3 Reporting Standards and Principles

This Report has been presented in accordance with the mandatory disclosure requirements and the "comply or explain" provisions of Appendix C2 Environmental, Social and Governance Reporting Guide (the "**Guide**") to the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), and has complied with all mandatory disclosure requirements and the "comply or explain" provisions set out in the Guide. This Report is prepared in accordance with the following four reporting principles set out in the ESG Reporting Guide:

Materiality	This Report has identified and disclosed the material ESG issues and the criteria for the selection of such issues and the process of stakeholder engagement.
Consistency	The statistical and calculation methodologies used for information disclosure in this Report are consistent with those of last year. Any changes will be clearly stated in this Report.
Quantitative	The statistical standards, methodologies, assumptions, calculation tools and source of conversion factors used, for the reporting of KPIs and related data, are stated in this Report.
Balance	This Report provides an unbiased picture of the Group's performance and avoids selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by its readers.

1.4 Source of Information

The information and data cited in this Report is sourced from the Group's official documents, statistical reports, internal statistics and relevant public information.

1.5 Access of this Report

As part of the Group's annual report, this Report has been prepared in both English and Chinese, and is available on the Stock Exchange's website (www.hkexnews.hk) and the official website of the Group (www.jiaxianghudong.com). In case of discrepancy, the English version shall prevail.

1.6 Collecting Feedback

The Group considers feedback from stakeholders as important drives of our sustainability journey. Should you have any opinions on this Report or the Group's sustainability performance, please contact us at:

Address: 17/F, Qianhai Shimao Finance Centre II, No. 3040 Xinghai Avenue, Nanshan Street, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, PRC
Email: ir@weile.com
Official website: www.jiaxianghudong.com

2. ABOUT HOMELAND INTERACTIVE

Homeland Interactive Technology Ltd. is a leading mobile game developer and operator in the PRC with a special focus on the development and operation of mahjong and poker games. In recent years, the Group has achieved leapfrog growth in its player base. Such strong player base provides stable and high activity for the platform of the Group. Apart from updating the content and upgrading our classic card and board game portfolio, the Group also developed and launched a series of leisure games while continued to develop overseas gaming products that fulfill the demands of players from different countries, with an aim to expand our business coverage and attract a wide range of players. Looking forward, the Company will continue to devote itself to provide safe and reliable gaming experience and strive to enrich game contents and enhance game graphics.

Mission

To provide the most native online games

Vision

Become a globalized leisure competitive game platform, starting from the leading localized card and board game operator in the PRC

Core Values

Fair, Professional, Safe, Innovative

3. ESG GOVERNANCE

3.1 Our Approach to Sustainability

As a leading player in the industry, the Group has consistently adhered to the principle of fulfilling our corporate social responsibility through daily operations. The Group actively fulfills its responsibilities, and has implemented comprehensive policies to oversee our performance in environmental protection, labour practices, supply chain management, product responsibility, business ethics, and integrity. The Group strives to establish a sustainable life cycle for entertainment that benefits our employees, players, suppliers, business partners, investors, shareholders and other stakeholders. We regularly monitor our policies and management practices in various ESG domains to improve our sustainability performance, in order to bring positive impacts to society.

3.2 Sustainability Governance and Board's Oversight

The Board bears responsibility for the Group's ESG strategy reporting, monitors the Group's ESG practices and controls the directions of its ESG strategies based on the Group's long term development strategy and position. To effectively carry out the Group's ESG-related initiatives during the Reporting Period, our senior management is authorized by the Board to bear ultimate responsibilities for ESG issues, supervise the ESG management approach of the Group, and report and provide suggestions to the Board on an annual basis, including:

- facilitating the Board in leading the management and supervising the design, implementation and monitoring of the ESG risk management and internal monitoring system;
- identification, review and management of material ESG-related risks and opportunities (including but not limited to climate-related risks and ESG risks along supply chain);
- formulating or optimizing policies and procedures to address material ESG risks;
- continuously assessing and identifying risks that could potentially impact the Group's business and other aspects, including ESG risks in the course of operations and deficiencies in internal controls;
- providing ESG-related training on the ESG trends, updates, and ESG risk management approach for enhancing the ESG risk management mechanism;
- reviewing and monitoring the implementation of ESG-related policies and practices to ensure compliance with laws and regulations;
- monitoring and reviewing the Group's ESG performance and progress against any targets and goals;
- reviewing and monitoring the Group's stakeholder engagement channels to ensure effective communication with key stakeholders; and
- preparing an annual ESG report to disclose its performance and submit it to the Board for approval.

3.3 ESG Risk Management

The Board undertakes the ultimate responsibility to oversee the Group's risk management activities and monitors ESG risks that are material to the Group. The Group firmly believes that risk management as a key element and an integral part of improving the efficiency of daily management and maintaining sound corporate governance. Our risk management mechanism evaluates the risks that may prevent or endanger the achievements of our business objectives in a dynamic business environment where economics, industry, laws and regulations and operating conditions constantly change, allowing the Group to make timely responses, which lowers the ESG risks in our operation.

With the assistance of an independent professional third party, we actively identified and assessed the ESG risks that have a significant impact on our business operations, including climate change, product quality and innovation. To set out the identified ESG-related risk levels, we assess the level of risks by considering the likelihood of risks and their potential impact on the Group. During the Reporting Period, we have identified the ESG risks that may have a significant impact on the Group, and accordingly, should be addressed in our operations.

In order to manage ESG risks, the Group has formulated corresponding risk mitigation measures and emergency plans for each of the ESG risks identified and delegated related business departments to implement the corresponding measures in their daily operations and respond in a timely manner as such risks arise, striving to minimize such risks. For the details on our risk management approach, please refer to the section headed "Corporate Governance Report" of the annual report.

3.4 Stakeholder Engagement

The Group places much emphasis on the feedbacks from stakeholders and considers them as an opportunity to enhance the operating performance and sustainability approach of the Group. The Group utilizes a variety of formal and informal communication channels to maintain a close and mutual dialogue with stakeholders, with a view to gathering stakeholders' perspectives on various aspects of the Group to facilitate the effective and long-term communication between the Group and its stakeholders and achieve further improvement in performance. The Group will continue to listen to its stakeholders and actively respond to their opinions to facilitate the sustainable development of the Group.

Major Stakeholders	Expectations and Demands	Main Communication Channels
Shareholders and investors	Compliant operation Investment return Protection of shareholders' rights Accuracy and timeliness of information disclosure	Meeting of senior management Corporate communication, such as shareholders' letter/circular Annual general meeting and other general meeting
Regulatory organizations	Compliant operation Ensuring product quality and safety Facilitating economic development	Work meetings Compliance report Supervision and inspection
Customers	Ensuring product quality and safety High-quality and efficient services Protecting customer privacy Performance of contract	Customer satisfactory survey and questionnaire Improving customer compliant handling mechanism Online service platform Hotline Website and email of the Group Customer service center

Major Stakeholders	Expectations and Demands	Main Communication Channels
Employees	Remuneration and benefit Career development Health and safety Occupational training Humanistic care	Employee survey Internal communication channel Performance appraisal Meeting and interview Training program Employee activity
Business partners/ suppliers/distributors	Integrity and mutual-benefit Supply chain management	Meeting Supplier evaluation system Strategic cooperation project Telephone enquiry Email enquiry
Community/ environment/NGOs	Employment opportunity Effective use of resources Supporting community development Reducing pollutant emission	Charity activity Donation Volunteer activity/environmental protection activity
Media	Accuracy, transparency, high efficiency	Press release Visit of senior management Results announcement

3.5 Materiality Assessment

In addition to the abovementioned ongoing communications channels, we also carried out a materiality assessment on the ESG issues during the Reporting Period with the help of an independent consultant. We invited key stakeholders to participate in a survey to evaluate the materiality of the ESG issues in an impartial, fair and comprehensive manner.

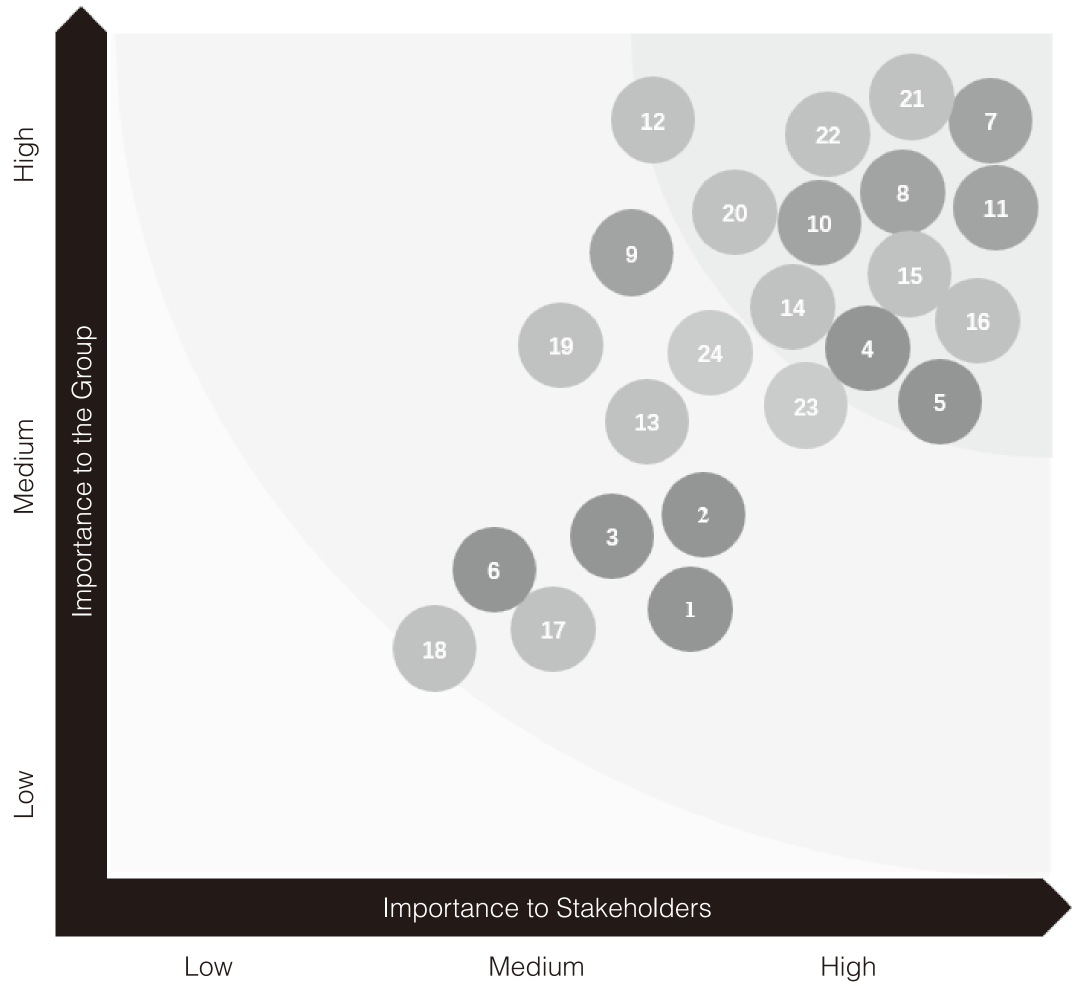
The following outlines the procedures of the materiality assessment of the Group:

- Pursuant to past and existing stakeholder communication results, the Listing Rules and the latest sustainable development trends and based on the current business of the Company, we identified 24 ESG issues under the four aspects of environment, employee, product and society that are relevant and material to the Group;

- Key stakeholders were invited to conduct a survey by way of questionnaire to rate identified issues.

- We prioritized 24 issues for analysis based on results of the stakeholders' survey.

The results of the materiality assessment are set out in the following materiality matrix:



Environment		Employee		Product		Society	
1	Air emissions management	7	Employee benefit and attracting talent	12	Product quality and safety	23	Society contribution
2	Greenhouse gas ("**GHG**") emissions management	8	Employee training and occupational development	13	Risk evaluation and governance	24	Charity investment
3	Waste management	9	Employee health and safety	14	Responsible investment		
4	Energy consumption and management	10	Employee compliance	15	Intellectual property management		
5	Non-renewable resources consumption and management	11	Employee diversity, equality and inclusion	16	Quality customer service		
6	Climate change response			17	Sustainable supply chain management		
				18	Industrial cooperation and ecology building		
				19	Business ethics and anti-corruption		
				20	Information security and protection of trade secret		
				21	Research and development and technological innovation		
				22	Anti-gambling		

4. OUR ENVIRONMENT

As a digital entertainment platform that develops and distributes games through mobile applications and websites, the business nature and operations of the Group do not have a significant negative impact on the environment. In view of the environmental conditions, social concerns and the Group's sense of responsibility, the Group actively fulfils its social responsibilities and contributes to the development of the society by actively practicing environmental protection in its daily operations.

The Group strictly complies with applicable environmental laws and regulations, including but not limited to the Environmental Protection Law of the PRC, the Law on the Prevention and Control of Atmospheric Pollution, the Law on the Prevention and Control of Water Pollution, the Law on the Prevention and Control of Solid Waste Pollution, and the Regulations on the Administration of Hazardous Waste Transfers. We place emphasis on our emissions, resources and energy consumption and strive to introduce environmental protection measures in our operations.

Throughout the Reporting Period, we were not aware of any significant non-compliance of applicable environmental laws and regulations.

4.1 Climate Change

Climate change has become a pressing issue globally, with rising sea levels, increased temperatures, and more frequent extreme weather events. The Group deeply understands the impact of climate change related issues (including floods, windstorm and fire) on its business and operation. As such, the Group is dedicated to understanding climate-related risks and formulating responses to climate change issues, identifying and monitoring climate change risks and seizing opportunities while rigorously managing our environmental performance. We have implemented appropriate measures to address the identified risks. During the Reporting Period, we have conducted an ESG risk assessment to identify potential climate risks that could threaten our business. Additionally, we regularly evaluate the effectiveness of our existing mitigation measures and continuously seek areas for improvement, thereby strengthening business resilience of the Group towards climate change.

Key Climate-related Risk and Actions

Risk Type	Impact on the Group	Measures
Physical Risks		
Immediate risks	Relevant emergencies (threats to the safety of employees and occupational environment, increased maintenance and repair cost for equipment and workplace, energy cost of offices and data centers) that may arise from natural disasters/ extreme weather conditions (heatwaves, floods and cold weather).	The Group keeps an eye on relevant weather warnings issued by the Meteorological Administration and asks its staff to evacuate in time in case of natural disasters and extreme weather; formulates business continuity plans to guide the implementation of disaster recovery procedures; and educates its staff on heatstroke prevention and asks property management staff to cool down in case of high temperatures in summer.
Chronic risks	The impact of chronic changes, such as melting glaciers and rising sea levels, caused by global warming on the future working environment.	Pay attention to global warming and urging offices to inspect and renew their equipment and improve the working environment of employees.
Transitional Risks		
Policy and legal risks	Gradual implementation of policies related to energy saving and emission reduction, stricter emission reporting liabilities and compliance requirements.	Monitor regulatory trends and ensure that the Group's emission comply with the latest legal requirements.
Technological risks	The products of the Group are completely replaced by products featuring new technology.	Encourage research, development and innovations, pay close attention to new market trends, emergence of new products and technologies and attract a wide range of talents.
Market risks	Change in market preference results in lower market competitiveness of the products of the Group.	Track the market environment in real time, explore green procurement and use green technology to manufacture green product. Increase the ratio of green products year by year and provide more low-carbon services and products.
Reputation risks	Customers or the community have poorer impression and opinion for enterprises that do no focus on low-carbon and environmental protection, and as such refuse to invest or purchase products of said enterprises, affecting their profits and market shares.	Take continuous measures to reduce carbon emissions, disclose and promote the Company's ESG contributions to the society and call for carbon reductions.

4.2 Environmental Protection Targets

The Group has set the following environmental protection targets. During the Reporting Period, we have made great progresses. In future years, the Group will continue to reduce its emissions, energy consumptions and resources consumptions, pay attention to new environmental protection technology and actively consider their adoption within the Group.

	Our Green Targets	**The Group's progress in 2023**
GHG Emissions	To reduce our greenhouse gas emissions by improving energy efficiency and incorporating energy-saving measures.	In progress
Waste Management	To minimize our waste generation by applying the 3R principles of reuse, recycle and reduce, avoiding unnecessary consumption.	In progress
Energy Consumption	To reduce our energy consumption by implementing energy conservation measures.	In progress
Water Consumption	To improve water efficiency by implementing water conservation measures.	In progress

4.3 Air, GHG Emissions and Energy Management

The Group's air and GHG emissions are primarily from fuel consumption of vehicles and purchased electricity. Our energy consumption mainly derives from gasoline consumption for vehicles and purchased electricity. To reduce our carbon footprint and our impact on the environment, we have deployed the following initiatives to improve energy efficiency:

- advocate our employees to participate in carpooling;
- encourage the use of public transportation whenever possible;
- use video conferencing to replace business travel;
- enhance energy efficiency by installing time controllers in air conditioning systems and other electronic devices and utilizing individual switches for different rooms;
- set temperature and energy-saving mode for air conditioning systems;
- turn off devices automatically during off-work hours to avoid unnecessary electricity consumption;
- prioritize the purchase of energy saving electronic devices with energy efficient labels;
- conduct regular inspection to ensure air-conditioners and lights are turned off during off-work hours.

4.4 Waste Reduction

The non-hazardous waste generated by the Group mainly derives from office waste and domestic waste generated during daily operation. The Group has engaged qualified third parties to collect and handle such waste in an appropriate manner. We have also introduced the following initiatives to minimize the negative environmental impact of waste:

- promote the principles of "reuse, recycle, reduce" in offices to enhance employees' awareness in minimizing waste;
- advocate paperless office by using electronic means of communication and data storage;
- adopt double-sided printing and reusing paper when possible;
- engage qualified third parties to recycle electronic waste.

Due to its business nature, the Group did not generate material hazardous waste emissions or consume packaging materials.

4.5 Water Conservation

Water consumed by the Group is supplied by local municipal water suppliers. We did not encounter any problem in water sourcing. Although water consumption during the operation of the Group is relatively low, we are still aware of the scarcity of water resources in today's society and are committed to preserve water resources. We have introduced the following initiatives to raise our water consumption efficiency:

- install taps with automatic sensors to avoid waste of water;
- post notices next to taps to encourage employees to preserve water.

4.6 Environment and Natural Resources

As an office-based enterprise that mainly operates card and board games, the Group does not impose significant impact on the environment. Taking into account the current situation of the society and the urgency of environmental protection, the Group is committed to monitor its own emissions and resource consumption, actively seek and implement appropriate environmental protection measures, and keep abreast of the latest trends and strategies related to the environment, getting ready to implement such policies anytime. Relevant training will be arranged from time to time to enhance our employees' awareness and responsibility in environmental protection.

Environmental Performance Data

	Unit	2023	2022
Air Emissions			
Nitrogen Oxides (NO_x)	Kg	**2.84**	2.99
Sulphur Oxides (SO_x)	Kg	**2.08**	2.19
Particulate Matter (PM)	Kg	**0.21**	0.22
GHG Emissions			
Total GHG Emissions	Tonnes CO_2e	**173.51**	206.51
Scope 1 Direct Emissions	Tonnes CO_2e	**12.39**	16.46
Scope 2 Indirect Emissions	Tonnes CO_2e	**161.12**	178.24
Scope 1 Direct Emissions Intensity	Tonnes CO_2e/employee	**0.02**	0.02
Scope 2 Indirect Emissions Intensity	Tonnes CO_2e/employee	**0.25**	0.26
Waste			
Total Non-hazardous Waste	Tonnes	**55.77**	62.26
Total Non-hazardous Waste Intensity	Tonnes/employee	**0.09**	0.09
Use of Resources			
Total Energy Consumption	MWh	**382.21**	402.14
Energy Consumption Intensity	MWh/employee	**0.56**	0.59
Purchased Electricity	MWh	**332.92**	350.28
Gasoline	MWh	**49.29**	51.86
Total Water Consumption	Tonnes	**2,051.16**	2,268.13
Total Water Consumption Intensity	Tonnes/employee	**3.15**	3.31

Note:

- Emission and resource consumption intensity adopt number of employees as their units.

5. OUR EMPLOYEE

5.1 Employment

The Group strives to be recognized as an employer of choice by its employees. As such, we uphold the "people-oriented" employment principle and actively build an open and inclusive working environment and corporate culture that safeguards all rights of our employees. We have developed a sophisticated human resources management mechanism which covers areas like talent attraction, remuneration and performance, career development and benefit system, in order to improve and optimize the employee lifecycle management.

The Group strictly complies with relevant laws and regulations, including but not limited to the Labour Law of the PRC, the Labour Contract Law of the PRC, the Social Insurance Law of the PRC, the Employment Promotion Law of the PRC, the Labour Dispute Mediation and Arbitration Law of the PRC, the Regulation on Work-Related Injury Insurance, the Special Provisions on Labour Protection of Female Workers, the Regulation on Paid Annual Leave for Employees and the Employment Ordinance.

During the Reporting Period, the Group was not aware of any non-compliance of relevant laws and regulations related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and.

Our human resources management strategy covers the following five aspects:

Talent Attraction	• Introduce recruitment management tools and formulate "Social Recruitment Standardization SOP" to improve recruitment efficiency; • Formulate the "Internal/External Recommendation Management System", develop diversified recruitment channels, and recruit high-end elite talents; • Accumulate and operate a talent pool, build a corporate talent structure network, and continuously expand the reach of talents; • Conduct campus recruitment, cooperate with universities to attract and cultivate new generation in the industry to build a sustainable talent team.
Remuneration and Performance	• Formulate the remuneration system based on factors such as the Company's operating conditions, job position, current market salary levels, and personal performance; • Formulate the "Salary and Year-end Award Management System", "Short-term Incentive System" and "Project Bonus (Dividend) Management Measures" to create a fair, diverse and competitive salary and bonus system; • Adopt a comprehensive online performance management model to stimulate employees' enthusiasm for work; • Adjust employee salaries according to the "Annual Salary Adjustment Management Measures" to attract and retain employees.

Promotion and Development	• Establish a dual-channel system of professional positions and management positions to provide employees with a clear career development path; • Develop a comprehensive job competency model and corresponding job grade evaluation standards, offer four types of jobs including functionality, research and development, art, and product, such that employees can be promoted and developed according to their career development path; • Conduct coaching for the core team to ensure employees understand their career development goals and formulate personalized training programs; • Develop a diversified internal training system to provide front-end and back-end business training, monthly project review, art sharing sessions, AI research, online professional training and other courses etc.
Employee Lifecycle Management	• Improve the entry experience of new employees and provide orientation pack; • Carry out new employee training to help them integrate into the team; • Conduct interviews with employees during probation to assist their growth; • Deploy human resources business partners to support and care about employees; • Comprehensively manage the entire life cycle of employees' from entry, transfer to resignation, and properly manage employee files and information; • Protect the rights and interests of employers and employees in the event of dismissal and termination of employment, and formulate the "Resignation Management System" to clearly set out the responsibilities and terms of employment of both parties.
Benefits System	• Arrange social insurance and housing provident fund for employees; • Provide annual health checkups and supplementary commercial medical insurance to take care of employees' well-being; • Provide benefits such as afternoon tea, medicine box, birthday gift, aging gift, wedding and childbirth gift, internal referral bonus, monthly employee team building, and quarterly themed activities; • Create a good working atmosphere and provide meal subsidies and snacks etc., building a comfortable and high-end work environment.

The Group is committed to creating a good working atmosphere for its employees. We actively organize staff activities with the aim of enhancing staff motivation, strengthening team cohesion, promoting physical and mental health, spreading corporate culture and strengthening the sense of belonging among employees. During the Year, the Group continued its tradition of organizing special activities for employees on traditional festivals such as the Dragon Boat Festival and the Mid-Autumn Festival, as well as selecting gifts for employees on the Goddess Day. In view of the importance that the Group attaches to our programmers, we also prepared special festive celebrations for our programmers, cared for their physical and mental health, listened to their feedbacks, and provided them with an outstanding work environment and convenient work facilities.

The Group adheres to the principles of equal opportunity, diversity and anti-discrimination in the talent recruitment process and endeavors to build a diverse talent team. In the recruitment process, we take into account a candidate's educational background, work experience, personal capabilities, character traits and other factors, rather than his/her nationality, age, race, religion, gender, marital status, pregnancy status, sexual orientation or political orientation.

Human Resources Overview

As of 31 December 2023, the Group employed a total of 652 employees, of which all are full time employee in Mainland China and Hong Kong. The distribution of employees by gender, age group, employee type and geographical region as well as turnover rate are outlined below:

	Number of employees	Employee turnover rate
Total number of employee	652	47.23%
By gender		
Male	396	46.29%
Female	256	48.74%
By age group		
Aged 21–30	266	47.60%
Aged 31–40	378	47.33%
Aged 41–50	8	34.78%
By employment type		
Senior management	8	11.11%
Middle management	53	32.43%
General employees	591	49.13%
By geographical region		
China Mainland	640	47.77%
Hong Kong	12	0.00%

Note: Turnover rate of employee is calculated based on the number of employees who left office in that category during the Reporting Period divided by the average number of employees in that category during the year (the average of the number of employees in the beginning and the end of the year).

5.2 Health and Safety

As a responsible employer, we strive to safeguard the safety and health of every employee. We strictly comply with relevant applicable laws and regulations, including but not limited to the Labour Law of the PRC, the Fire Prevention Law of the PRC, the Safe Production Law of the PRC and the Prevention and Control of Occupational Diseases of the PRC.

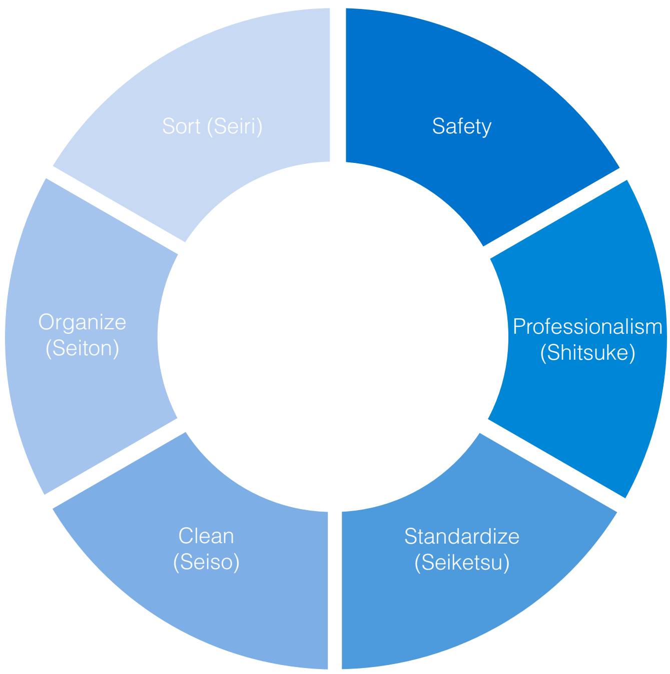
The Group has formulated the "Office Hygiene and Safety Management System", in which the Administration Department coordinates the effort, the heads of each department implement the measures, and all employees participate in its maintenance, with specific duties as follows:

Administration Department	• Formulate, implement and inspect safety precautions and environmental management measures in office premises; • Investigate and handle safety incidents; • Support and maintain a safe, healthy and sustainable working environment in the Company; • Achieve and continuously optimize and improve environmental, health and safety compliance.
Head of Each Department	• Ensure compliance with office hygiene and safety management system by responsible departments; • Maintain a safe, healthy and sustainable working environment in the responsible departments.
All Employees	• Comply with office hygiene and safety management system; • Enhance self-awareness and quality to create a safe and hygienic office environment; • Actively report and stop any unsafe behaviors in a timely manner.

Through the implementation of the above systems, the Company ensures the well-being of its employees in terms of both healthy office and safe office, and maintains the highest standards of occupational health and safety for the Group.

Healthy Office

The Group's office hygiene management ensures that the office environment is clean and tidy. We eliminate dirty, disorganized and poor working environments and their physical and mental impacts on our employees. Office hygiene management follows the "6S Standard and Management of Office Environment Hygiene", which provides guidelines for the supervision of the Administration Department, the control of department heads and the self-inspection of all employees.



6S Standard for Office Environment and Hygiene

Safe Office

Safety management of the Group's office premises is mainly based on the two aspects of theft prevention and safety, formulating corresponding code of conduct. The Administration Department carries out effective inspections for the safety and hygiene of the office environment no less than three times a day and at irregular intervals, actively organizes employees to participate in safety awareness training to enhance the Group's safety awareness, eliminates infringement of the office premises at its roots, and maintains a good office environment and safety mechanism. If the Administration Department's inspection finds non-compliance or substandard behavior, it will impose corresponding penalties.

Anti-theft Awareness	Safety Awareness
• Important Document Management • Company Keys and Passwords Management • External Personnel Entry Management • Courier Management • Doors and Windows Management • Valuables Management	• Dangerous Goods Management • Water Management • Electricity Management • Fire Safety Management • Fire Service Facility Management • Network Security Management • Data Security Management • Event Safety Management • Traffic Safety Management • Violence Risk Management

The Group's office premises are equipped with comprehensive security systems, fire safety systems and network security systems to ensure all-round safety of office premises and employees.

Over the past three years, the Group has no record of work injuries or work-related fatalities. The number of lost day due to work injury during the Reporting Period was nil.

5.3 Development and Training

The Group attaches great importance to the development of its employees and is fully aware that the enhancement of the overall quality of its employees will have a significant impact on the positive development of the enterprise in the future. The Group actively organizes employee trainings, which are divided into induction trainings for new employees and specialized trainings. Once a new employee joins the Group, we will arrange on-board orientation, allowing the new joiner to learn about the department responsibilities, corporate cultures, vacation policies and communication channels. We also acknowledge that continuous training and development of our employees are essential to our business growth and success. To this end, the Group regularly arranges a wide range of internal and external specialized training sessions, allowing our employees to keep abreast with latest market trend and be equipped with professional knowledge through front and back-end business trainings, monthly project reviews, art sharing sessions, AI research, online professional trainings and other trainings. Such trainings are arranged in the forms of lectures, meetings, seminars, roundtables, etc. We also advocate our senior staff to be lecturers so that they can share their knowledge and experience to junior staff, thus promoting continuous learning and personal development.

During the Reporting Period, we have arranged over 75 hours of training in terms of art design, system development and other topics. The following outlines the ratio of employees trained and average training hours by gender and employment type:

	Percentage of employees trained (%)	Average training hours (hours/ employees)
By gender		
Male	74.77%	1.51
Female	25.23%	1.32
By employment type		
Senior management	4.70%	1.01
Middle management	8.40%	1.23
General employees	86.90%	2.00

Notes:

- Percentage of employees trained is calculated based on the number of employees trained in a category during the Reporting Period divided by the total number of employees of that category, which reflects the ratio of employees trained by gender and employment type.
- Average training hours is calculated based on the total training hours of a category during the Reporting Period divided by the total number of employees of that category, which reflects the actual investment of the Group in training during the Reporting Period.

The Group provides adequate career development opportunities for its employees to enhance their confidence and retain talent. The Group's positions cover the four major categories of functional, research and development, art and product. The Group provides detailed and comprehensive career paths and numerous opportunities for its employees to develop according to their career paths. We would conduct monthly, half-yearly and annual performance appraisals to comprehensively assess the performance of our employees from multiple perspectives. The results of the performance appraisal will be used as an important reference for the position and salary adjustment of our employees.

5.4 Labour Standards

The Group strictly complies with applicable laws and regulations, including but not limited to the Law on the Protection of Minors of the PRC, Regulations on the Prohibition of Child Labour, the Labour Law of the PRC, and the Labour Contract Law of the PRC, strictly prohibiting and combating child labour and forced labour.

During the recruitment process, our Human Resources Department verifies the identity documents of candidates to ensure that their ages meet legal requirements. We also state the terms of the position, remuneration package, employment date and other relevant information in the employment letter. If any uses of child labour are spotted within the Group, we will take immediate action to remove relevant individuals from the workplace, terminate the labour relationship, review our labour practices to identify any loopholes, and take corresponding remedial actions to prevent reoccurrence.

The Group strictly complies with the relevant requirements on statutory working hours and statutory holidays. Adhering to the principles of being responsible to its employees and promoting their physical and mental health, the Group stipulates the working hours of its employees in accordance with the laws, respects the wishes of its employees and makes reasonable arrangements for their work, so as to ensure that its employees are given sufficient rest time while avoiding the occurrence of forced labour.

During the Reporting Period, the Group was not aware of any cases of child labour or forced labour.

6. OUR BUSINESS

6.1 Supply Chain Management

The Group's major suppliers mainly include payment vendors, cloud service providers, internet data center providers, and online and offline advertising partners. The Group strives to maintain its supplier relationships in the hope of achieving long-term, stable, solid and reliable cooperation. The Group has put in place a comprehensive supply chain management system to properly manage the procurement process and ensure compliance, in order to protect the interests of the Group and its suppliers.

When the Group requires new suppliers, we assess the candidates based on factors such as quality, pricing, payment terms, after-sales services and other factors when selecting new suppliers. For the existing suppliers of the Group, we conduct semi-annual assessments on their pricing, quality, after-sales services and other factors. If any suppliers are found to have failed to meet our standards, we will include them in the "supplier watch list", requiring them to take remedial actions. Meanwhile, the Group will take follow-up actions to determine whether to continue cooperation with such suppliers.

The Group is committed to bringing positive impacts to the supply chain and recognizes the importance of managing environmental and social risks of suppliers for the stable operation of the Group's supply chain. To ensure that our suppliers comply with our values and requirements, we have developed a comprehensive supply chain management system and a Code of Conduct for Suppliers, which clearly sets out our expectations for our suppliers:

Compliance Awareness	• Qualification compliance: Ensure that the services they provide are within the scope of business approved in their business license; • Anti-corruption and anti-bribery: Comply with the anti-corruption and anti-bribery laws and regulations of the PRC and all applicable national and regional laws and international conventions, and resolutely reject corruption and bribery; • Anti-money laundering: Comply with anti-money laundering laws, regulations and international conventions of the PRC and all applicable countries and regions, strictly comply with the relevant regulations on anti-money laundering and anti-terrorist financing supervision, and ensure sound internal control on anti-money laundering; • Anti-monopoly and fair competition: Comply with PRC and all applicable national and regional anti-monopoly and fair competition laws and regulations, and resolutely refrain from engaging in price-fixing, market or customer segmentation, market division or bid rigging with competitors.
Business Ethics	• Conflicts of interest: Proactively avoid all conflicts of interest and situations that could lead to potential conflicts of interest; • Business records: Record and report all business information honestly and accurately and comply with all applicable laws and regulations regarding its completeness and accuracy; • Insider trading: Comply with applicable securities laws and regulations and never trade in stocks and other securities using non-public information obtained in the course of business transactions with Homeland Interactive.
Intellectual Property Rights, Data Security and Privacy Protection	• Respect and protect intellectual property rights and comply with applicable laws and regulations for the protection of intellectual property rights; • Keep confidential information obtained in the course of cooperation with Homeland Interactive as strictly confidential, and shall not use such confidential information for purposes other than cooperation with Homeland Interactive; • Comply with applicable laws and regulations on personal privacy protection and take appropriate measures to prevent unauthorized disclosure or use of personal information.

Environmental Protection and Sustainable Development	• Environmental protection: Comply with all applicable laws and regulations relating to environmental protection, obtain and maintain such permits, approvals and/or filings related to environmental protection as necessary for its business in accordance with applicable laws and regulations, and establish and implement rules and regulations related to environmental management in order to prevent the occurrence of environmental pollution incidents; • Sustainable development: Formulated or established plans to set up and implement a corporate sustainability and corporate social responsibility management system, to set corresponding management objectives and to disclose annual corporate sustainability reports and corporate social responsibility reports.

All suppliers of the Group have signed the "Supplier's Code of Conduct" and are committed to abiding by the requirements under the "Supplier's Code of Conduct". From time to time, the Group conducts audits of suppliers or inspects suppliers' facilities to confirm their compliance. In case of non-compliance by suppliers, we will require the suppliers to rectify within a reasonable period of time. If a supplier repeatedly or seriously violates the "Supplier's Code of Conduct", we have the right to take appropriate actions, including and not limited to termination of contract, termination of cooperation, recovery of damages caused to Homeland Interactive, and reserve the right to further pursue legal liabilities.

Green Procurement

The Group attaches great importance to green procurement. We prioritize environmentally friendly products and services in our supplier selection process. For example, when purchasing electronic equipment, we prioritize equipment with energy-saving labels, and include environmental protection and sustainable development in our "Supplier's Code of Conduct". The Group promotes paperless office and has implemented paperless contract signing in the supply chain, prioritizing the use of electronic contracts with suppliers. Currently, 80% of the Group's outsourcing contracts have been signed online, and all contracts with overseas suppliers have been signed online. In the coming years, the Group will continue to prioritize the use of online contracts and continue to encourage suppliers to adopt paperless office.

To manage our suppliers' ESG risks, we have conducted supplier ESG risk assessments, closely monitor the ESG risks of our suppliers and regularly review the effectiveness of our controls. Going forward, we will continue to seek room for improvement in supply chain ESG risks and further enhance our supplier management system. During the Reporting Period, we did not identify any high-risk suppliers.

As of 31 December 2023, our supplier distribution was as follows:

	Suppliers from Mainland China	Oversea Suppliers
Qualified suppliers	107	25
Reserved suppliers	68	12

6.2 Product Responsibility

6.2.1 *Managing Business Operations*

The Group sees a strict and standardized approach to business operations as the heart of its success. It represents a crucial means of strengthening our corporate governance and internal controls, mitigating operational risks, and ensuring that our daily business operations are consistent and efficient. We have made significant strides in enhancing our compliance framework, streamlining our office management practices, and continually refining our internal operational management. We will continue to closely monitor our business operation to ensure the continuous success of the Group over the long term.

As the Group is principally engaged in the operation of mobile board games, the Group was not involved in any product recall or product recall situation.

6.2.2 *Commitment in Game Development*

The Group strictly complies with applicable laws and regulations, including but not limited to the Cybersecurity Law of the PRC, the Regulation on Internet Information Service of the PRC, the Interim Administrative Provisions on Internet Culture, the Telecommunication Regulation of the PRC and the Provisions on the Administration of Online Publishing Services to ensure compliant game operation and protect the rights of players.

Given our business nature, the Group has obtained approval from the National Press and Publication Administration for the registration of our games to ensure compliant game publishing. Moreover, the Group has also acquired ICP Licenses for the provision of value-added telecommunications services to ensure that our business operations are fully compliant with all relevant laws and regulations.

During the Reporting Period, the Group was not aware of any material non-compliance in relation to health and safety, advertising, labelling and privacy of products and services.

The Group has implemented a series of policies to monitor the operation of the Group's games in all aspects of their lifecycle and to take responsibility for the games developed by the Group. During game development, the Group supervises and executes the game development business through a professional game development team, including project commencement, market research and on-site research, coding, internal testing, adjustment and publication, to ensure that the Group produces quality mobile games to satisfy players' needs. Before a game is published onto our own game platform or external game publication channels, the Group has to conduct comprehensive internal tests for newly developed games, allowing the internal team to identify any problems and rooms for improvement and enabling the game development team to timely fix such problems. After the launch of games, the Group will also closely monitor their performance and collect and analyze players' behaviors and feedback, in order to identify any problems and make necessary enhancement to further improve the games.

6.2.3 *Complaint Handling*

The Group places significant importance on the feedbacks and opinions of our players, as we believe listening to our players is essential to the sustainable development of the business of the Group. The Group strictly complies with the requirements of the Law of on the Protection of Consumers' Rights and Interests of the PRC and other relevant laws and regulations to safeguard the interests of players. In order to conduct customer satisfaction survey to ensure that players are satisfied with the gaming experience and services of the Group, we also formulated the "Customer Service Center Management System" to standardize the process and standards for the customer service team to handle player inquiries and complaints. The procedures of handling complaint include:

- Organize and review complaints: Designated team will regularly check its corporate account and applications every day, collect complaints and organize players' feedback. Complaints and feedbacks from other departments will also be timely passed to the head of customer service.
- Determine complaint type: The customer service team classifies the complaints based on their content. They are generally classified into minor, major and substantial complaints.
- Resolve complaints: We will contact players to determine the cause of such complaints and reply within 24 hours. For minor complaints, we will decide the handling method and reply. For major and substantial complaints, after we decide the handling method, we will relay the results to other departments.
- Synchronize results and records: Once we reach a consensus with players and resolve the complaint, the Customer Service Center will close the case and file the record of the results.

We arrange comprehensive orientation and on-the-job trainings for our customer service personnel to enhance service quality. Training topics cover:

- Standardization of service
- Case sharing on daily business issues
- System operation and use

During the Reporting Period, the Group received 518 complaints in total from our players. All complaints have been addressed and resolved in time.

6.2.4 *Players' Health and Safety and Protection of Underage Players*

The Group recognizes its responsibility to safeguard the physical and mental health of our players, particularly children, teenagers and other special groups among players. We are constantly upgrading our player protection measures to create a beneficial gaming environment for our users. The Group strictly complies with the Provisions on Online Protection of Children's Personal Information, the Notice of Preventing Minors from Becoming Addicted to Online Games and other industrial regulations, and implements strict mechanisms and measures to avoid adverse impact on players:

- Real-name registration: We require players to complete real-name registration procedures by providing their names and identification numbers during their registration. Certain games also require linking their accounts to social media with real-name registration for login. Related products also require real-name registration.
- Anti-addiction: We require all games to be connected to the Anti-addiction Real-name Registration System of the National Press and Publication Administration, which set time limit to prevent addiction.

To prevent online games from damaging the physical and mental health of underage players, the Group strictly abides by the Notice by the National Press and Publication Administration of Further Imposing Strict Administrative Measures to Prevent Minors from Becoming Addicted to Online Games and upholds the principle of "Green Game, Healthy Game". We adopt a series of measures to avoid underage players from getting addicted to online, including setting time limits in games and real-name registration, refrain from providing game services to accounts without real-name registration in any forms and ensure that all card, board and fishing games are only available to players over 18. The Group ensures that all our published products have been included in the "Anti-addiction Real-name Registration System" of the National Press and Publication Administration.

In the future, the Group will continue to pay attention to the development of games and make active attempts in games in the hope that a healthy and balanced gaming experience can be provided to all players.

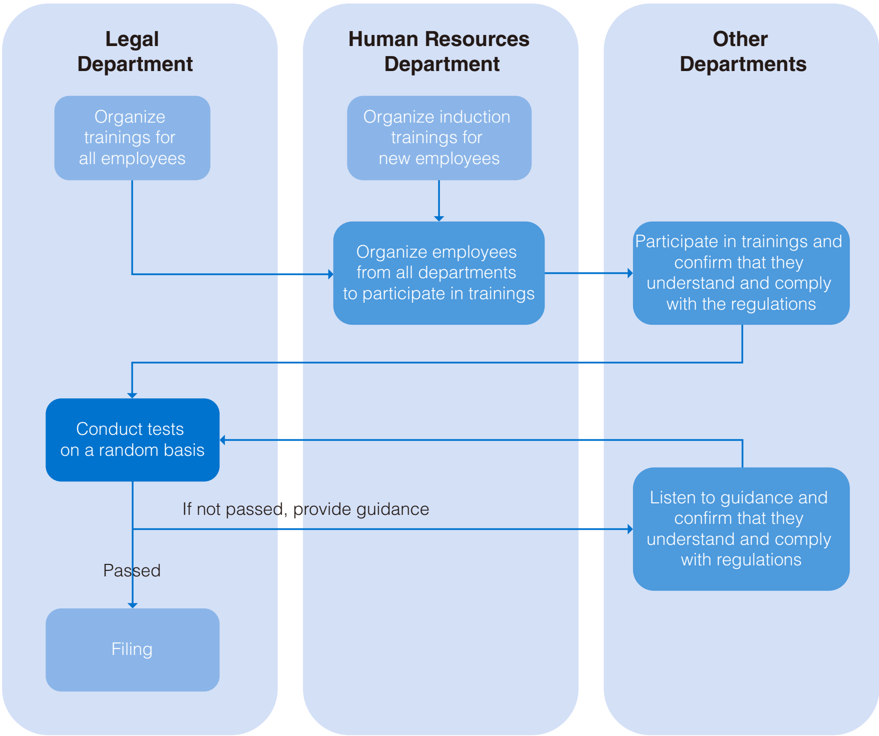
6.2.5 *Anti-gambling*

In view of the nature of the game products of the Group, the Group considers prohibiting any forms of gambling as its main responsibility. All the games of the Group are green chess and card games, which replicate the characteristics of playing these games offline. Therefore, our games are completely devoid of any gambling features and do not exhibit any specific features that may facilitate gambling.

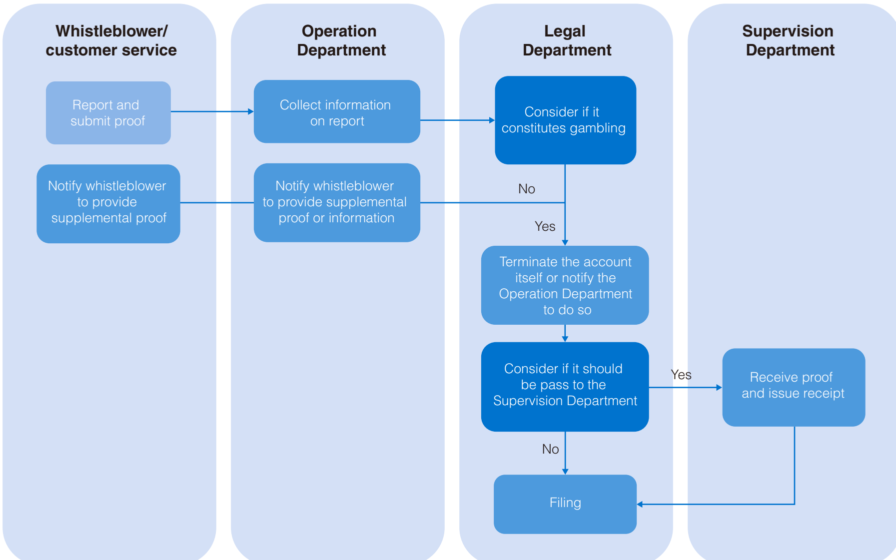
Our Group has established a thorough "Anti-gambling Management System" that prevents illegal or gambling activities through the following measures:

External	• Regularly publishing notifications in games to remind players not to gamble; • Setting a daily limit on the total top-up amount for each account in our game and prohibiting further top-ups once the limit is reached; • Setting a limit on playing time for accounts without real-name registration or owned by under-aged players to prevent addiction; • Setting a cap on the total amount of virtual currency that each account can win or lose in all games per day, and prohibiting further play once the cap is exceeded; • Establishing a whistleblowing mailbox for reporting suspected irregularities, with timely follow-up actions taken; • Prohibiting players from trading or transferring virtual currency, and blocking messages related to in-game currency trading or selling. If related messages are identified, corresponding accounts will be terminated; • Conducting regular reviews of our anti-gambling settings in games, with a designated risk control team and personnel inspecting our game products in accordance with the "Anti-gambling Management System"; • Setting up specialized customer service personnel to collect and respond to player complaints and reports. If illegal cases are suspected, we will take immediate remedial action and appropriate legal actions.
Internal	• Strictly prohibiting our employees from participating in any forms of gambling or behavior that promotes gambling in our games by requiring them to undergo orientation or specific compliance training to acknowledge the terms set out in the "Anti-gambling Management System". Employees can only sign the employment contract and get on board if they pass the examination of the trainings.

The Group's Legal Department is responsible for promoting the Anti-gambling Management System to all employees on a regular basis, organizing corresponding training on a semi-annual basis, and requesting employees to participate in the relevant assessment of the Anti-gambling Management System, with the specific procedures set out below:



The Group has set up a gambling reporting portal in its game products. Clicking on customer service will lead to a reporting link with guidelines on reporting matters to facilitate players in reporting illegal activities. The relevant departments are required to screen user feedback on a daily basis. If reports of gambling or selling of game items are found, the relevant information will be transferred to the Legal Department in a timely manner. The Legal Department will take appropriate measures to deal with the situation. A complete procedure for handling reports of illegal activities involving or suspected of involving gambling has been established. Its specific procedure is as follows:



6.2.6 *Data Security and Internet Safety*

In view of the nature of its business, the Group places much emphasis on ensuring internet safety. The Group has established a comprehensive system to mitigate the risk of internet attacks. The Group has established the "Information Security Management System", the "Information System and Security Construction Management Requirements" and the "Network Security Protection Emergency Response Plan", and has formed a specialized information security working group to properly manage our anti-attack system and data security measures, protect the Group's trade secrets, players' personal data and other important information.

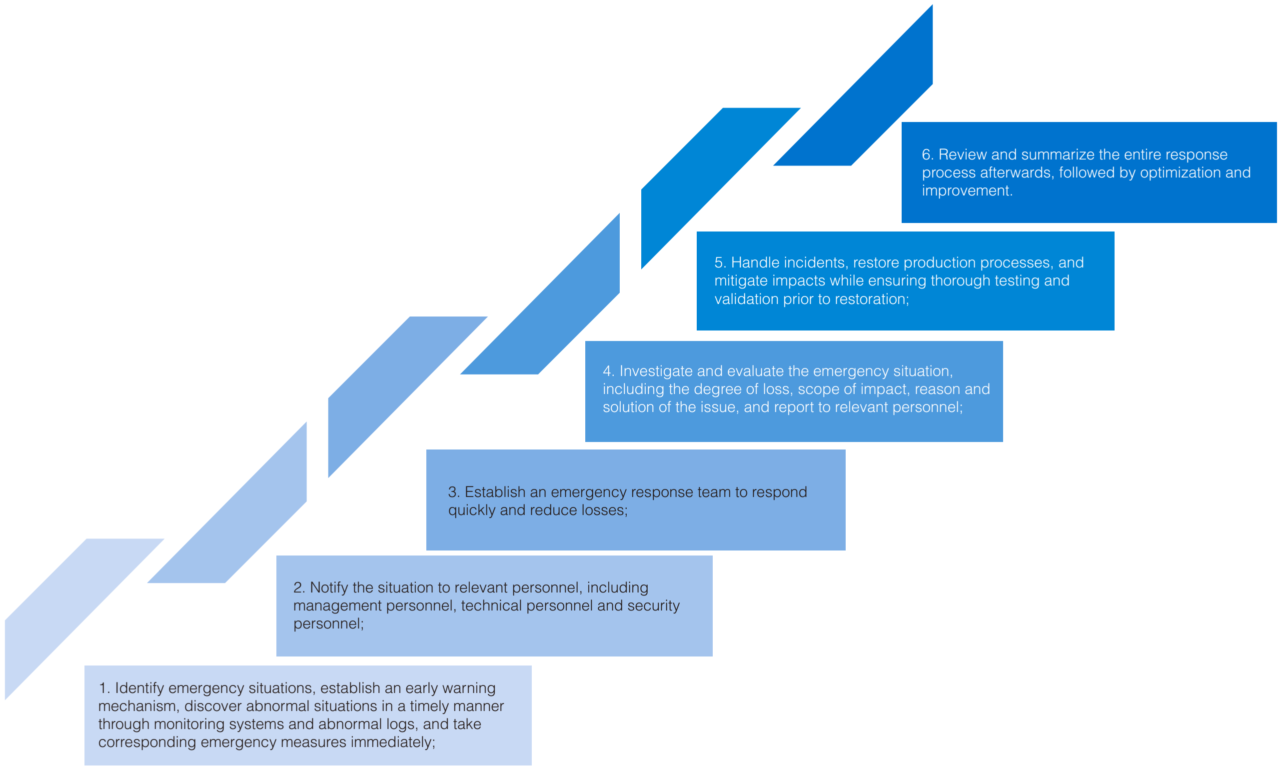
The Group adheres to the principles of compliance, comprehensive control, effective execution, coordinated inspection and hierarchical implementation, in order to fully implement the Group's network and data security management requirements. To effectively implement various information security measures, the Group has established a specialized information security team to be responsible for the implementation and execution of the security work. The main duties of the information security team are as follows:

- Manage the information system and security construction centrally, responsible for the unified planning, construction, deployment, coordination, supervision and inspection of global information system and security construction;
- Responsible for the management of information system and security construction at the company level, exercising the functions of prevention and protection, supervision and inspection, response and disposal;
- Direct the management of corporate information system and security construction.

The Group's network data security takes players' privacy protection as its core objective. In collecting and storing users' personal information, the Group assesses data security risks in strict accordance with relevant laws and regulations and internal network data security management principles. In order to protect players' personal information, we have Jumpserver springboard machine management and bastion machine system. The data is first logged into the springboard machine, and then into the actual system, such that we can protect the data in our production line. Jumpserver can also restrict access to specific personnel to prevent third-party attack. In addition, we also adopt Rundeck, an automated operation platform which can coordinate with Jumpserver to execute commands during production and perform automated operations to protect the security and stability of business systems and ensure data and network security. We have also set up firewalls and conduct routine monitoring of server operations to identify any anomalies. Additionally, we have backup procedures in place to prevent data loss. In order to protect the rights and interests of users' personal information, we proactively disclose our Company's policy on the protection of personal information to users when we provide game products and services, explain to users the purpose, manner, scope, and rules of information use, and seek their consent, in order to minimize the collection of user information necessary for the development of our business and to avoid excessive collection of unnecessary personal information.

The Group emphasizes the response to unexpected security incidents. In order to prevent and handle contingency responses to network emergencies and further improve the ability and level of prevention and control of network emergencies, mitigate or eliminate the hazards and impacts of emergencies, and ensure the network and information security, we have continuously improved our "Emergency Response Plan for the Protection of Network Security" and established contingency measures, emergency procedures and emergency response structure based on the nature, mechanism and process of the emergencies. The "Emergency Response Plan for the Protection of Network Security" aims to respond to possible network security threats, such as application software crashes, virus attacks, hacking, database leaks and network disruptions, in order to prevent and minimize the damage to systems and data caused by these threats, and seek to protect the Group's network security on all fronts.

In the event of an emergency, including system failure, we will respond in accordance with the following emergency response plan:



In order to ensure that the privacy of player information is effectively protected, we require all employees who may have access to user information to fulfil the corresponding confidentiality obligations. The Group requires all employees to sign a confidentiality agreement within one month of induction. The Group has established confidentiality measures for player information so that only a small number of employees who require access to player information may have direct access to player information and ensure that such employees are fully aware of their confidentiality obligations. The Group prohibits authorized staff from disclosing confidential information, such as customer information and personal data, to third parties without the consent of the player under normal circumstances. In the event of non-compliance, we will take strict disciplinary action against the offending employees. Serious offenders will be dismissed and subject to legal proceedings.

6.2.7 *Intellectual Property Protection*

Intellectual property rights are the core competence of the Group to achieve long-term development and maintain its market position. The Group has always attached importance to the protection of its own intellectual property rights and the protection of intellectual property rights of third parties. The Group complies with all relevant laws and regulations pertaining to intellectual property, including but not limited to the Patent Law of the PRC, the Trademark Law of the PRC, the Copyright Law of the PRC, the Administrative Measures on Internet Domain Name of the PRC, the Anti-unfair Competition Law of the PRC, the Measures Concerning Software Products Administration and the Standards for Corporate Intellectual Property Rights Management. To manage the handling and use of data related to intellectual property, we have established the "Intellectual Property Management Procedures" and formulated relevant terms in the confidentiality agreement that employees are required to sign to safeguard the Group's intellectual property. All employees of the Group have signed the confidentiality agreement.

The Group's Legal Department is responsible for filing and protecting intellectual property rights such as game trademarks, self-developed patents, copyrights and other intellectual property rights owned by the Group, as well as providing relevant legal advice for the Group's rights defense and litigation. We have organized numerous training sessions for our employees on topics such as infringement of trademarks, copyrights and unfair competition, infringement of game rights, information network communication rights and infringement of domain names, with a view to enhance the legal awareness of our employees and building a solid legal defense for the Group, thereby facilitate the Group in safeguarding its legitimate rights and interests.

The Group encourages all stakeholders to report to the Group's management any suspected infringement of intellectual property rights of the Group or third parties. Upon receipt of such reports, we will immediately conduct a full investigation and take follow-up actions.

During the Reporting Period, the Group did not commit any material infringement of intellectual property rights owned by third parties.

6.2.8 *Advertising Management*

The Group emphasizes advertising management and strictly complies with relevant laws and regulations, including but not limited to the Advertising Law of the PRC and the Interim Measures for the Administration of Internet Advertising, and formulated the "Advertising Management System" to regulate the advertising and promotion of the Group's products and services.

The Group strictly complies with the advertising rules and policies announced by the platforms on which the games are published and makes continuous efforts to explore ways to optimize the advertisement management mechanism, continuously strengthens the allocation of the advertisement content review team, establishes a big data support team and actively communicates with the platforms in order to maintain a friendly and close relationship. In conducting advertising and promotional activities, we strictly follow the rules of the advertisement placement platform and the requirements of the advertisement content. Before publishing the contents of the advertisements, the relevant departments of the Group will carefully verify all the contents, including those published on the internet and those published in the press conferences. In the event of uncertainty about the use of terms in the advertisements, the advertisements will be submitted to the Legal Department for a second review, so as to ensure that all the contents are accurate and do not contain any false propaganda, exaggeration or infringement of the rights and interests of others. To ensure the compliance of our advertising campaigns, we proactively manage the content of our advertisements to prevent inappropriate content from reaching inappropriate users.

The Group strictly selects advertising suppliers and regulates the behavior of advertisers by specifying the advertising requirements in the contracts to ensure the completeness, truthfulness and accuracy of the promotional materials and to avoid violation of laws, regulations and platform requirements. We require advertisers to sign confidentiality agreements to ensure that they would not disclose our sensitive information and to eliminate the use of users' private information. We regularly check whether there is any piracy of our advertising materials and submit the investigation results to the Legal Department in a timely manner, in order to promote the fair, just and compliant development of the industry.

6.3 Anti-corruption and Promoting Integrity

The Group recognizes the significant impact of business ethics and integrity to corporate development and image, and sees them as the core of the enterprise. The Group strictly complies with relevant laws and regulations, including but not limited to the Criminal Law of the PRC, the Anti-unfair Competition Law of the PRC, the Company Law of the PRC and the Anti-money Laundering Law of the PRC.

The Group strictly prohibits any forms of bribery, extortion, fraud, money laundering, and other illegal acts. The Group has stipulated terms of integrity and self-regulation in our employment contracts, requiring our employees to uphold them at all times. Employees are not allowed to offer or receive money, gifts, loans, or other benefits that may influence business decisions or independent judgment. Our employees are also prohibited from offering or receiving kickbacks, remuneration, or secret commissions when conducting business for the Group, and from bribing government officials, obtaining favorable conditions through bribery or conducting insider dealings. The Group regularly reviews the results of its internal integrity effort. In the event of any violations, the Group will take necessary procedures and deal with it in a serious manner.

To further support our commitment to prevent corruption and maintain high standards of business ethics and integrity, we have established a whistleblowing mailbox and hotline for reporting any corruption behaviors. We take all reports seriously and will conduct thorough investigations into any allegations of corruption or unethical behavior.

The Group actively promotes and maintains a culture of integrity. We will arrange relevant trainings to the Board and applicable employees from time to time to enhance their awareness in upholding business ethics and integrity. During the Reporting Period, we have arranged eight hours of relevant training for the Board and the senior management.

During the Reporting Period, the Group was not aware of any material cases of violations of laws and regulations related to bribery, extortion, fraud, or money laundering. During the Reporting Period, there were no corruption cases filed against the Group or its employees.

7. OUR SOCIAL CONTRIBUTION

The Group is committed to be a responsible corporate citizen. We play an active role in supporting and investing the community development for achieving the mutual prosperity of corporate and community. We firmly believe that the Group has the responsibility to promote a harmonious development of the society, as such, we pursue for every opportunity actively, so that our corporate advantage could be played in full to conduct a nationwide promotion of the quintessence and culture of China and mind activities, while in the meantime we participate different projects and activities with our employees as active volunteers, thus to make substantive contribution to our community.

Promoting the Quintessence of China

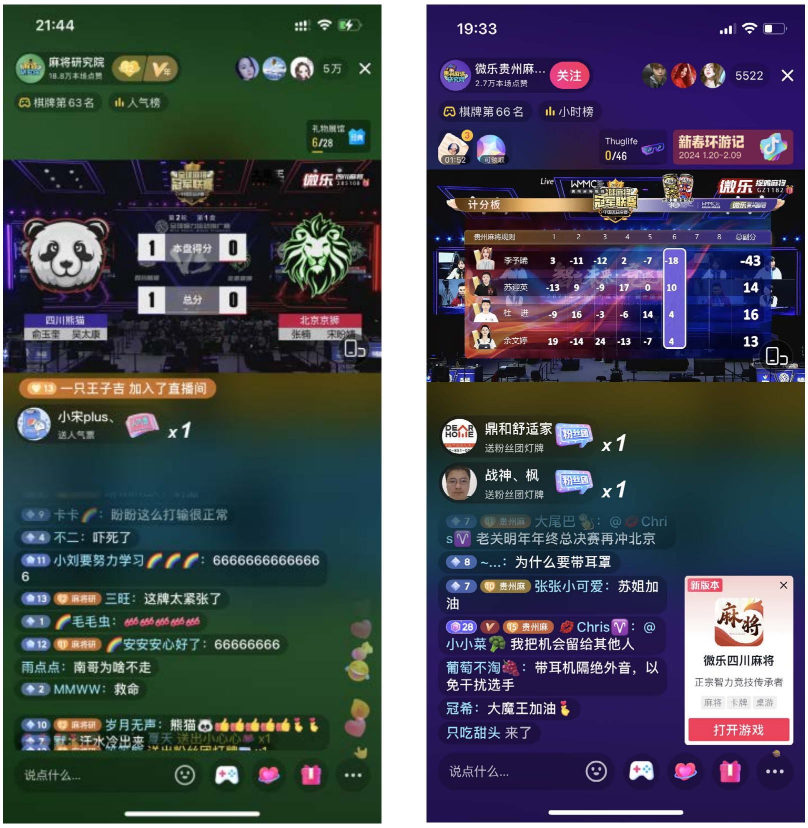
The Group continues to facilitate the promotion of quintessence and culture of China within the community during the Reporting Period. With the guidance of the authoritative organizations such as the Mahjong International League and the Hangzhou Branch of the China Chess Academy as well as the national competent authority, the Group becomes the official partner and the sole grading certification online platform of Mahjong, and organized more than 3,000 online grading certification Mahjong matches, with more than 10 million participants in aggregate.

Interface showing the grading and certification of Mahjong

In addition, the Group is the sponsor of “Weile Cup” China Mahjong Open (CMO) and Global Mahjong Champions League, it also support the online mass selection for events such as the national competitive mahjong all-stars challenge event “Taobao Live Cup”, the competitive mahjong promotion tour, the world mahjong masters challenge, etc.

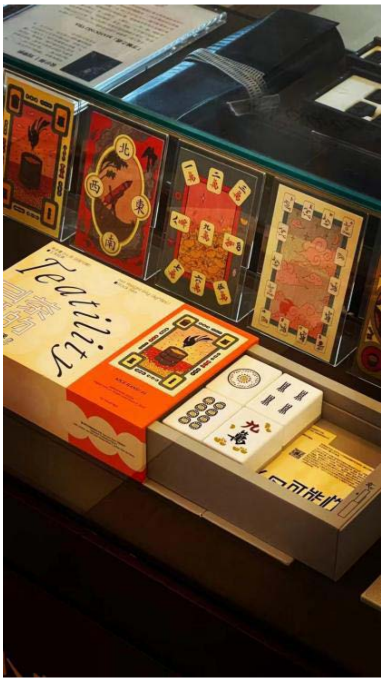
Photos from the China Mahjong Open “Weile Cup”

As the offline events unfold, the Group establishes its live-streaming accounts lineup on new media channels such as Douyin, WeChat Channels, Kuaishou, Taolive, providing continuous live and relay broadcast of the quintessence events. During the Reporting Period, more than 1 billion views in aggregate are recorded on various channels. In addition to providing technological empowerment for the events, the Group also exerted its brand influence to promote and introduce the quintessence games on new media channels in a proactive manner.



Live broadcast of mahjong events

During the Reporting Period, with the persevering efforts from all parties, mahjong, the traditional quintessence of China, becomes the popular and actively involved mind sport. In the meantime, the standardized grading system and the mature tournament system have become the excellent media for the succession of quintessence and promoting the traditional Chinese culture. Going forward, we will make use of our brand influence and gaming platform to facilitate the spread of quintessence games and event in the community continuously.



Promoting the Mind Sports

The Group highly emphasizes the promotion of the development of mind sports in the nation towards the directions of "standardization" and "competitiveness". During the Reporting Period, we provided support on online selection for a number of events, including the World Guandan Tournament, the Competitive 2 vs 1 Masters Challenge, etc. Meanwhile, through our media lineup on new media channels such as Douyin, WeChat Channels, Kuaishou, Taolive, we continue to provide live and relay broadcast of different games of mind sports, with an aggregate online viewership of more than 100 million.

Live coverage of card and board games

During the Reporting Period, the Group was the title sponsor of the China Final of Mind Sports Global Promotion. The tournament was held at the Beijing Jingdong Intel Esports Center, with a number of programs such as Go, Guandan (摜蛋), competitive mahjong, Doudizhu (鬥地主), Paodekuai (跑得快) and Big Two (鋤大地).

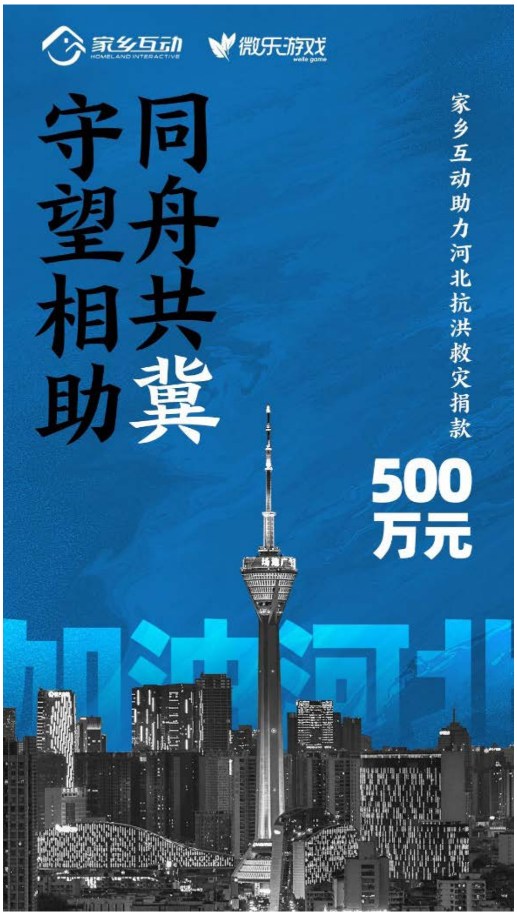
Scene at the China Final of Mind Sports Global Promotion

Charitable donations

As a socially responsible enterprise, the Group has always been committed to giving back to the society and promoting the development of public welfare and charity. In recent years, we have actively participated in various charitable donation activities. In 2021, the Group specifically concern about the situation brought by disasters since the flooding in Zhengzhou and donated RMB5,000,000 to Henan Province, and in 2022, to help combat spread of pandemic in Jilin, the Group donated RMB10,000,000 to Jinan Province. During the Reporting Period, the Group made charitable donations to different regions, in order to perform its social responsibility in a proactive manner.

Our brand “Weile Game” donated RMB5,000,000 to Hebei Charity Federation in August 2023, providing actual support to the flood prevention and disaster relief works in Hebei with actual movements, lending our hands to the people in regions affected to overcome the difficulties and to rebuild their homes.

In August 2023, our brand "Jixiang Game" donated RMB2,000,000 to Red Cross Society of China Jilin Branch and Red Cross Society of Changchun City to facilitate the flood prevention, disaster relief and post-disaster reconstruction at Yushu and Shulan of Jilin Province, and concerning the accommodation and rebuilding works in these regions continuously.



Awards and Accolades

As a High and New Technology Enterprises, the Group acquired significant results in technological innovation front. We explore new technology and creativity continuously, and provide quality gaming experience to players. Going forward, we continue to emphasize on technological innovation for enhancing the quality and attractiveness of the gaming products of the Group, and promote the development and advancement of relevant technology simultaneously.

Card and board games such as mahjong are the focuses on the Group. As a culture carrier, our products can communicate and promote traditional culture and values. Going forward, we will facilitate the exchange and communication between different cultures, and promote the understanding of people on multiculturalism through the gaming products with higher cultural essence that are developed by us.

The Group was awarded the following awards on technological innovations and cultural communications during the Reporting Period, which fully reflect the recognition from the public and the regulatory authorities on us.

Time	Awards	Awarding organizations
April 2023	Key Software and Information Technology Services Enterprise of Xiamen 2023	Industry and Information Technology Bureau of Xiamen, Bid Data Administration of Xiamen
August 2023	Top 50 Enterprises with Comprehensive Strength in Internet Industry of Fujian 2023	Internet Society of Fujian
August 2023	The 6th Edition of Cultural Enterprises with the Most Growth Potential in Fujian	Leadership Group of Cultural Reform and Development Works of Fujian Province
November 2023	National High and New Technology Enterprise	Science and Technology Bureau of Xiamen, Bureau of Finance of Xiamen, State Taxation Administration Xiamen Taxation Bureau
December 2023	Top 50 Enterprises with Comprehensive Competitiveness in Software and Information Technology Services Industry of Fujian 2023	Fujian Software Industry Association
December 2023	Xiamen Homeland Interactive Network Games Innovation Centre	Science and Technology Bureau of Xiamen

HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

Subject areas, aspects		Descriptions	Relevant sections
A. Environmental			
Aspect A1:Emissions			
General Disclosure	A1	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.	Our Environment
KPIs	A1.1	The types of emissions and respective emission data.	Air, GHG Emissions and Energy Management
	A1.2	Direct and energy indirect greenhouse gas emissions and intensity.	Environment and Natural Resources
	A1.3	Total hazardous waste produced and intensity.	Waste Reduction
	A1.4	Total non-hazardous waste produced and intensity.	Environment and Natural Resources
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environmental Protection Targets, Air, GHG Emissions and Energy Management
	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.	Environmental Protection Targets, Waste Reduction

Subject areas, aspects		Descriptions	Relevant sections
Aspect A2: Use of Resources			
General Disclosure	A2	Policies on the efficient use of resources, including energy, water and other raw materials.	Our Environment
KPIs	A2.1	Direct and/or indirect energy consumption by type and intensity.	Environment and Natural Resources
	A2.2	Water consumption in total and intensity.	Environment and Natural Resources
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Protection Targets
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water Conservation
	A2.5	Total packaging material used for finished products and with reference to per unit produced.	Waste Reduction
Aspect A3: Environment and Natural Resources			
General Disclosure	A3	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The business of the Group does not pose material impact on the environment and natural resources.
KPIs	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
Aspect A4: Climate Change			
General Disclosure	A4	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPIs	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change

Subject areas, aspects		Descriptions	Relevant sections
B. Social			
Aspect B1: Employment			
General Disclosure	B1	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, antidiscrimination, and other benefits and welfare.	Employment
KPIs	B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Human Resource Overview
	B1.2	Employee turnover rate by gender, age group and geographical region.	Human Resource Overview
Aspect B2: Health and Safety			
General Disclosure	B2	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
KPIs	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
	B2.2	Lost days due to work injury.	Health and Safety
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety
Aspect B3: Development and Training			
General Disclosure	B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPIs	B3.1	The percentage of employees trained by gender and employee category.	Development and Training
	B3.2	The average training hours completed per employee by gender and employee category.	Development and Training

Subject areas, aspects		Descriptions	Relevant sections
Aspect B4: Labour Standards			
General Disclosure	B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPIs	B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
	B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Aspect B5: Supply Chain Management			
General Disclosure	B5	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPIs	B5.1	Number of suppliers by geographical region.	Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

Subject areas, aspects		Descriptions	Relevant sections
Aspect B6: Product Responsibility			
General Disclosure	B6	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPIs	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
	B6.2	Number of products and service-related complaints received and how they are dealt with.	Complaint Handling
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property Protection
	B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Data Security and Internet Safety
Aspect B7: Anti-Corruption			
General Disclosure	B7	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 and Promoting Integrity
KPIs	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption and Promoting Integrity
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption and Promoting Integrity
	B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption and Promoting Integrity

Subject areas, aspects		Descriptions	Relevant sections
Aspect B8: Community Investment			
General Disclosure	B8	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.	Our Social Contribution
KPIs	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Our Social Contribution
	B8.2	Resources contributed (e.g. money or time) to the focus area.	Our Social Contribution

Deloitte. 德勤

TO THE SHAREHOLDERS OF HOMELAND INTERACTIVE TECHNOLOGY LTD.
(Incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Homeland Interactive Technology Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 134 to 226, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other 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 International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants (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	
We identified the revenue recognition as a key audit matter due to the fact that the revenue from self-developed mobile games is significant to Group's consolidated financial statements and the management of the Group made a significant estimate on the calculation of unit value of unutilized virtual tokens at the year end, which has a significant impact to the revenue recognized during the year. During the year ended 31 December 2023, the Group recognized revenue from virtual tokens on their self-developed mobile games, total amounting RMB1,566,458,000, which represented approximately 88% of total revenue of the Group, as set out in Note 5 to the consolidated financial statements.	Our procedures in relation to revenue recognition included: • Assessing the appropriateness of the methodologies adopted by the management of the Group to determine the unit value of unutilized virtual tokens and deferred revenue at the year end through understanding the operating model of self-developed mobile games and challenging management's basis and judgement. • Involving our information technology ("**IT**") specialists to assess the accuracy and completeness on the quantity of virtual tokens, purchased by customers, given out for free, utilized during the year and unutilized at the year end from operation platform, through: (i) testing the general IT controls and automated controls of the operation platforms related to the self-developed mobile games; and (ii) performing recalculation on the quantity of the unutilized virtual tokens at the year end by using transaction data from the operation platforms, such as purchase and consumption quantity, and reconciled to the unutilized quantity in the operation platforms to verify the accuracy.

Key audit matter	How our audit addressed the key audit matter
As stated in Note 4 to the consolidated financial statements, the Group recognizes revenues based on the consumption of virtual tokens in self-developed mobile games, which is estimated with the reference to the quantity of the unutilized tokens at the year end and the estimation on how much the unutilized virtual tokens worth. The estimated unit value of the unutilized virtual tokens was calculated, on a periodic basis, based on the quantity and value of virtual tokens sold, as well as the quantity of virtual tokens given out for free during the year. The determination of the estimated unit value of unutilized virtual tokens was based on the Group's best estimate that has taken into account all known and relevant information at the time of assessments. When the management of the Group prepared the revenue recognition calculation, they relied on the transaction data, in particular the sales and consumption data, from the operation platforms to form their basis of calculations.	• Examining purchase records made by the customers on the virtual tokens during the year, on a sample basis, by comparing to the supporting documents such as payment records in the third-party payment platform and statements from payment vendors to verify the amount of virtual tokens purchased by customers during the year is accurate. • Checking the arithmetic accuracy of calculation made by the management of the Group on the unit value of unutilized virtual tokens and deferred revenue adjustments made to the revenue.

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 IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors 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 skepticism throughout the audit. We also:

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

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

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

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

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

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

We communicate with 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 the independent auditor's report is Sy, Sunnie.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Continuing operations			
Revenue	5	**1,779,667**	1,562,940
Cost of sales	6	**(622,212)**	(542,321)
Gross profit		**1,157,455**	1,020,619
Other income	7	**63,295**	59,716
Other gains and losses	8	**(5,683)**	14,231
Foreign exchange gains, net		**6,507**	11,050
Selling and marketing expenses		**(340,592)**	(543,718)
Administrative and other expenses		**(387,896)**	(220,075)
Impairment losses under expected credit loss model	9	**(3,465)**	(5,386)
Share of results of associates	19	**12,680**	40,974
Share of results of joint ventures	20	**(188)**	(7)
Interest on lease liabilities		**(1,016)**	(1,428)
Profit before income tax		**501,097**	375,976
Income tax expense	10	**(60,627)**	(26,326)
Profit for the year from continuing operations	11	**440,470**	349,650
Discontinued operations			
Profit for the year from discontinued operations	12	**—**	116,032
Profit for the year		**440,470**	465,682
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Fair value loss on investment in equity instruments at fair value through other comprehensive income, net of income tax		**(5,808)**	(8,870)
Other comprehensive expense for the year, net of income tax		**(5,808)**	(8,870)
Total comprehensive income for the year		**434,662**	456,812

	NOTES	2023 RMB'000	2022 RMB'000
Profit for the year attributable to owners of the Company:			
— from continuing operations		436,936	349,242
— from discontinued operations		—	116,032
		436,936	465,274
Profit for the year attributable to:			
Owners of the Company		436,936	465,274
Non-controlling interests		3,534	408
		440,470	465,682
Total comprehensive income for the year attributable to owners of the Company			
— from continuing operations		431,128	340,372
— from discontinued operations		—	116,032
		431,128	456,404
Total comprehensive income attributable to:			
Owners of the Company		431,128	456,404
Non-controlling interests		3,534	408
		434,662	456,812
Earnings per share (in RMB cents)	*15*		
From continuing and discontinued operations			
— Basic		34.70	37.23
— Diluted		34.55	36.73
From continuing operations			
— Basic		34.70	27.94
— Diluted		34.55	27.57

Consolidated Statement of Financial Position

As at 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	16	66,627	52,858
Intangible assets	17	1,635	1,077
Right-of-use assets	18	19,938	15,985
Investments in associates	19	56,186	186,545
Investments in joint ventures	20	24,640	25,021
Financial assets at fair value through profit or loss	25	31,532	30,000
Loans to employees	21	4,755	17,407
Rental and other deposits		4,640	7,001
Equity instruments at fair value through other comprehensive income	22	1,499	5,808
Deferred tax assets	23	36,959	57,223
Receivables for disposal of subsidiaries	12	48,062	96,584
Receivables for disposal of associates	19	89,610	—
Prepayments and other receivables	26	1,414	—
Loans to associates	27	12,000	—
		399,497	495,509
Current assets			
Trade receivables	24	150,527	192,949
Financial assets at fair value through profit or loss	25	97,418	61,243
Prepayments and other receivables	26	197,556	192,288
Loans to associates	27	68,000	—
Loans to employees	21	33,000	—
Cash and cash equivalents	28	1,340,918	1,163,316
		1,887,419	1,609,796
Current liabilities			
Other payables	29	74,393	93,569
Lease liabilities	30	8,352	10,191
Deferred revenue	31	72,965	127,057
Tax payable		29,654	43,861
Dividend payable		4,800	—
		190,164	274,678
Net current assets		1,697,255	1,335,118
Total assets less current liabilities		2,096,752	1,830,627

	NOTES	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Lease liabilities	30	12,402	7,614
Deferred tax liabilities	23	200	29,000
Derivative financial liabilities	19	—	—
		12,602	36,614
Net assets		2,084,150	1,794,013
Capital and reserves			
Share capital	32	42	42
Reserves		2,083,261	1,794,377
Equity attributable to owners of the Company		2,083,303	1,794,419
Non-controlling interests		847	(406)
Total equity		2,084,150	1,794,013

The consolidated financial statements on pages 134 to 226 were approved by the Board of Directors on 28 March 2024 and were signed on its behalf:

DING Chunlong
DIRECTOR

TANG Yinghao
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the Company										
	Share capital RMB'000	Shares held for Share Award Scheme RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserve RMB'000 *(note i)*	Share-based payments reserve RMB'000	Fair value through other comprehensive reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2022	42	(16,594)	113,551	15,027	19,718	37,627	(4,849)	1,276,596	1,441,118	(814)	1,440,304
Profit for the year	–	–	–	–	–	–	–	465,274	465,274	408	465,682
Other comprehensive expense for the year	–	–	–	–	–	–	(8,870)	–	(8,870)	–	(8,870)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(8,870)	465,274	456,404	408	456,812
Recognition of share-based payment expenses under the Share Option Scheme and the incremental fair value under the Compensation Grant *(defined in Note 36(b))*	–	–	–	–	–	7,683	–	–	7,683	–	7,683
Recognition of share-based payment expenses under the 2021 Share Award Scheme *(defined in Note 36(c))*	–	–	–	–	–	591	–	–	591	–	591
Recognition of share-based payment expenses-under the 2022 Share Award Scheme *(defined in Note 36(d))*	–	–	–	–	–	26,061	–	–	26,061	–	26,061
Vesting of award shares under the Compensation Grant, the 2021 Share Award Scheme and the 2022 Share Award Scheme	–	30,754	10,516	–	–	(41,270)	–	–	–	–	–
Share-based payment expenses related to the share options forfeited after the vesting date	–	–	–	–	–	(5,223)	–	5,223	–	–	–
Repurchase of shares *(note ii)*	–	(44,581)	–	–	–	–	–	–	(44,581)	–	(44,581)
Dividend recognized as distribution *(Note 13)*	–	–	(92,857)	–	–	–	–	–	(92,857)	–	(92,857)
Transferred the losses to retained earnings as the disposal of investments in equity instruments at fair value through other comprehensive income	–	–	–	–	–	–	5,934	(5,934)	–	–	–
As at 31 December 2022	42	(30,421)	31,210	15,027	19,718	25,469	(7,785)	1,741,159	1,794,419	(406)	1,794,013
As at 1 January 2023	42	(30,421)	31,210	15,027	19,718	25,469	(7,785)	1,741,159	1,794,419	(406)	1,794,013
Profit for the year	–	–	–	–	–	–	–	436,936	436,936	3,534	440,470
Other comprehensive expense for the year	–	–	–	–	–	–	(5,808)	–	(5,808)	–	(5,808)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(5,808)	436,936	431,128	3,534	434,662
Recognition of share-based payment expenses under the incremental fair value under the Compensation Grant *(defined in Note 36 (b))*	–	–	–	–	–	564	–	–	564	–	564
Recognition of share-based payment expenses under the 2021 Share Award Scheme *(defined in Note 36(c))*	–	–	–	–	–	102	–	–	102	–	102
Recognition of share-based payment expenses under the 2023 Share Award Scheme *(defined in Note 36(e))*	–	–	–	–	–	61,791	–	–	61,791	–	61,791
Vesting of award shares under the Compensation Grant, the 2021 Share Award Scheme and the 2023 Share Award Scheme	–	62,229	8,953	–	–	(71,182)	–	–	–	–	–
Share-based payment expenses related to the share awards forfeited after the vesting date	–	–	–	–	–	(2,866)	–	2,866	–	–	–
Repurchase of shares *(Note ii)*	–	(41,359)	–	–	–	–	–	–	(41,359)	–	(41,359)
Dividend recognized as distribution *(Note 13)*	–	–	–	–	–	–	–	(162,823)	(162,823)	–	(162,823)
Disposal of partial equity interest in a subsidiary *(Note 38)*	–	–	–	–	(519)	–	–	–	(519)	2,519	2,000
Dividends to non-controlling interest	–	–	–	–	–	–	–	–	–	(4,800)	(4,800)
As at 31 December 2023	42	(9,551)	40,163	15,027	19,199	13,878	(13,593)	2,018,138	2,083,303	847	2,084,150

Note i: The other reserve represents (i) the difference between the consideration paid and share of the subsidiary's net assets acquired from the non-controlling interests in prior years and (ii) the effect of group reorganization on 24 September 2018, pursuant to which Xiamen Kexin Network Technology Company Limited ("**Homeland PRC**"), Jiaxiang Interactive (Xiamen) Network Technology Company Limited ("**Jiaxiang Interactive**") and Jilin Yutai Network Technology Company Limited ("**Jilin Yutai**", which is controlled by Mr. Wu Chengze ("**Mr. Wu**")) entered into a series of contractual arrangements which enable the Group to have control over the assets, liabilities and operating profits from Jiaxiang Interactive and its subsidiaries.

Note ii: During the year ended 31 December 2023, the Company repurchased 23,354,000 (2022: 30,320,000) of shares with total consideration of RMB41,359,000 (HK$45,293,400) (2022: RMB44,581,000 (HK$50,824,000)) on the open market at a price of HK$1.473 to HK$2.309 (2022: HK$1.295 to HK$1.875) through Futu Securities International (Hong Kong) Limited ("**Futu Securities**"), which was appointed as an independent trustee for the share award schemes of the Company, as treasury shares for the purpose of future share award schemes. Details are as follows:

Month of repurchase	No of ordinary shares	Price per share		Aggregate consideration paid
		Highest	Lowest	
		HK$	*HK$*	*HK$'000*
January	212,000	1.473	1.473	312
April	828,000	1.690	1.684	1,396
May	2,180,000	1.841	1.686	3,953
June	1,578,000	1.815	1.698	2,803
July	3,586,000	1.879	1.742	6,627
August	240,000	1.701	1.701	408
September	6,444,000	2.070	1.775	12,254
October	5,004,000	2.212	1.922	10,314
November	1,214,000	2.250	2.043	2,604
December	2,068,000	2.309	2.186	4,622
Total	23,354,000			45,293

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	NOTE	2023 RMB'000	2022 RMB'000
Operating activities			
Profit for the year		**440,470**	465,682
Adjustments for:			
Income tax expense		**60,627**	46,988
Depreciation of property, plant and equipment		**12,088**	9,250
Amortization of intangible assets		**512**	452
Depreciation of right-of-use assets		**10,897**	11,776
Impairment losses under expected credit loss model		**3,465**	5,386
Interest income		**(37,862)**	(30,069)
Loss (gain) from changes in fair value of financial assets at fair value through profit or loss		**845**	(86)
Loss on disposal of property, plant and equipment		**181**	51
(Gain) loss on early termination of a lease		**(1,337)**	146
Share-based payment expenses	*36*	**62,457**	34,335
Interest on lease liabilities		**1,016**	1,550
Share of results of associates		**(12,680)**	(40,974)
Share of results of joint ventures		**188**	7
Staff cost due to loans to employees		**513**	398
Foreign exchange gains, net		**(2,902)**	(6,082)
Gain on early repayment of long-term receivables for disposal of			
i) subsidiaries		**(5,490)**	—
ii) associates		**(4,488)**	—
Gain on early repayment of loans to employees		**(809)**	—
Gain on fair value changes of derivatives		**—**	(14,342)
Gain on disposal of subsidiaries		**—**	(97,803)
Loss on disposal of associates		**16,781**	—
Operating cash flows before movements in working capital		**544,472**	386,665
Decrease in trade receivables		**42,422**	1,276
Increase in other deposits, prepayments and other receivables		**(4,280)**	(74,428)
(Decrease) increase in other payables		**(4,490)**	5,619
(Decrease) increase in deferred revenue		**(54,092)**	57,882
Investment in financial assets at fair value through profit or loss held for trading		**(38,552)**	(61,157)
Cash from operating activities		**485,480**	315,857
Income tax paid		**(83,370)**	(75,604)
Net cash from operating activities		**402,110**	240,253

	NOTE	2023 RMB'000	2022 RMB'000
Investing activities			
Purchase of property, plant and equipment		**(27,841)**	(11,427)
Purchase of intangible assets		**(1,070)**	(197)
Acquisition of investments in associates		**(39,200)**	(30,700)
Acquisition of investments in joint ventures		**—**	(25,028)
Purchases of financial assets at fair value through profit or loss		**—**	(30,000)
Purchases of equity instruments at fair value through other comprehensive income		**(1,499)**	(6,665)
Dividend received from associates		**44,400**	34,323
Proceeds from disposal of equity instruments at fair value through other comprehensive income		**—**	857
Proceeds from disposal of property, plant and equipment		**1,803**	—
Net cash outflow on disposal of subsidiaries	12	**—**	(1,014)
Early repayment on receivables for disposal of subsidiary	12	**59,400**	—
Early repayment on receivables for disposal of associates	19	**35,100**	—
Proceeds from disposal of partial equity interest of a subsidiary	38	**2,000**	—
Interest received		**28,072**	26,415
Loans to employees		**(35,000)**	(3,400)
Loan repayment from employees		**15,500**	—
Loan to third party		**(15,674)**	(10,772)
Loan to associates		**(80,000)**	—
Repayment (payments) for rental deposits		**2,361**	(1,364)
Net cash used in investing activities		**(11,648)**	(58,972)
Financing activities			
Repayments for lease liabilities		**(10,564)**	(10,220)
Interest paid on lease liabilities		**(1,016)**	(1,550)
Dividends paid		**(162,823)**	(92,857)
Payment on repurchase of shares		**(41,359)**	(44,581)
Net cash used in financing activities		**(215,762)**	(149,208)
Net increase in cash and cash equivalents		**174,700**	32,073
Cash and cash equivalents at the beginning of the year		**1,163,316**	1,125,162
Effect of foreign exchange rate changes		**2,902**	6,081
Cash and cash equivalents at the end of the year	28	**1,340,918**	1,163,316

1. GENERAL INFORMATION

Homeland Interactive Technology Ltd. (the "**Company**") is an exempted company with limited liability incorporated in Cayman Islands on 7 May 2018. The registered office of the Company is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Grand Cayman Islands. The address of principal place of business of the Company is 7A Floor, Huijin Building, 77 Tainan Road, Siming District, Xiamen, the People's Republic of China (the "**PRC**"). The Company is controlled by Mr. Wu, Mr. Jiang Mingkuan ("**Mr. Jiang**") and Mr. Su Bo ("**Mr. Su**") (Collectively referred to as the "**Founders**" or "**Controlling Shareholders**").

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") are primarily engaged in the development, publication and operation of mobile games in the PRC.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 4 July 2019 (the "**Listing Date**").

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company and its subsidiaries.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") 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:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Amendments to IFRSs in issue but not yet effective

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 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 1 January 2024.
3 Effective for annual periods beginning on or 1 January 2025.

The directors of the Company anticipate that application of all the amendments to IFRSs 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 of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

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

(Continued)

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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

(Continued)

3.2 Material accounting policy information (Continued)

Basis of consolidation *(Continued)*

Pursuant to applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting online games business and are restricted to conduct value-added telecommunications services. Homeland PRC, the subsidiary of the Company, Jiaxiang Interactive and Jilin Yutai entered into a series of contractual arrangements ("**Contractual Arrangements**"), which are dated 24 September 2018 and effective date is from 24 September 2018. The contractual arrangements enable Homeland PRC and the Group to:

- exercise effective financial and operational control over Jiaxiang Interactive;
- exercise owners' voting rights of Jiaxiang Interactive;
- receive substantially all of the economic interest returns generated by Jiaxiang Interactive in consideration for the business support, technical and consulting services provided by Homeland PRC;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in Jiaxiang Interactive from Jilin Yutai at a minimum purchase price permitted under PRC laws and regulations, and all or part of the assets of Jiaxiang Interactive at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Homeland PRC may exercise such options at any time until it has acquired all equity interests and/or all assets of Jiaxiang Interactive; and
- obtain a pledge over the entire equity interest of Jiaxiang Interactive from Jilin Yutai as collateral security for all of Jiaxiang Interactive's payments due to Homeland PRC and to secure performance of Jiaxiang Interactive's obligations under the Contractual Arrangements.

The Group does not have any equity interest in Jiaxiang Interactive. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with Jiaxiang Interactive and has the ability to affect those returns through its power over Jiaxiang Interactive and is considered to control Jiaxiang Interactive. Consequently, the Company regards Jiaxiang Interactive as an indirect subsidiary for accounting purpose.

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

3.2 Material accounting policy information (Continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9"Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

3.2 Material accounting policy information (Continued)

Investments in associates and joint ventures *(Continued)*

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

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

3.2 Material accounting policy information (Continued)

Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

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

3.2 Material accounting policy information (Continued)

Revenue from contracts with customers *(Continued)*

Principal versus agent (Continued)

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group generates revenue from self-developed mobile games, third-party mobile games, as well as advertising as described below:

Self-developed mobile games

For self-developed mobile games, the Group's revenue is derived from the sales of virtual tokens and private game room cards. Virtual tokens can be used by the customers to play mobile games of the Group or for purchasing virtual products, while as for the private game room cards, it allows them to set up their own virtual game rooms and send out invitations to other players. Revenue is recognized at a point in time when the customers obtain control of the services, being at the point the customers consume the virtual tokens and private game room cards to play the games. Such income, when first received, is deferred and recorded as deferred revenue under current liabilities until the consumption of those virtual tokens and private game room cards by the customers in the mobile games. The Group determines the consumption with reference to the quantity and value of virtual tokens and private game room cards being unutilized by the customers in the mobile games at the year end. The Group also estimate the players' unexercised right (the "**breakage**") based on historical consumption pattern and revenue for the expected breakage amount is recognized when the likelihood of the player exercising the remaining rights becomes remote. Revenue recognized in respect of operating the games is net of any discounts.

The Group takes primary responsibilities of game operation, including determining distribution channels and payment vendors, providing customer services, hosting game servers, if needed, and controlling games and services specifications and pricing. The Group considered itself as a principal.

Deferred revenue represents the Group's obligation to transfer services to a customer for which the Group has received consideration from the customer. The Group has elected not to adopt the terminology of "contract liability" under IFRS 15 "Revenue from Contracts from Customers", as the standard does not prohibit an entity from using alternative description in the consolidated statement of financial position.

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

3.2 Material accounting policy information (Continued)

Revenue from contracts with customers *(Continued)*

Third-party mobile games

For third-party mobile games, the Group is only responsible for marketing, providing payment gateway for players to purchase the virtual tokens of respective games directly or via the conversion from the purchased virtual tokens in the Group's platform and limited after-sale basic technical support to the paying players. The games distributed on the Group's platform are hosted, maintained, operated and updated independently by the relevant game developers and the Group does not have access to the data on the consumption details and the types of virtual tokens or goods in the third-party mobile games and does not have obligation for operation of the game. The Group considered itself as an agent in these arrangements and recognizes its revenue, net of the portion of sharing of revenue with the third party game developers, at a point in time when the players purchase the virtual tokens of respective games or the virtual tokens in the platform are converted to the virtual tokens in respective games. The revenue related to virtual tokens in the platform not yet converted to virtual tokens of respective games are deferred.

Deferred revenue represents the Group's obligation to transfer services to a customer for which the Group has received consideration from the customer. The Group has elected not to adopt the terminology of "contract liability" under IFRS 15, as the standard does not prohibit an entity from using alternative description in the consolidated statement of financial position.

Advertising revenue

Advertising revenue is derived principally from online advertising arrangements. The Group inserts certain in-game advertisement slots into its mini-programs and shares the income with those mini-program platform operators. The Group considers itself as an agent in these arrangements and recognizes its revenue, net of the portion of sharing of revenue with mini-program platform operators, at a point in time when the advertisements placed by third parties platforms are displayed in the game interface.

Other income

Service income is recognized over time during the service periods.

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

3.2 Material accounting policy information (Continued)

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives 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 property, plant and equipment, right-of-use assets and intangible assets are 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.

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

3.2 Material accounting policy information (Continued)

Impairment of property, plant and equipment, right-of-use assets and intangible assets *(Continued)*

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) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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

3.2 Material accounting policy information (Continued)

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include: (a) cash, which comprises of cash on hand and demand deposits; and (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

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

3.2 Material accounting policy information (Continued)

***Leases** (Continued)*

The Group as a lessee (Continued)

Right-of-use assets (Continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

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

3.2 Material accounting policy information (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Financial instruments

Financial assets and financial liabilities are recognized when the group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

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

3.2 Material accounting policy information (Continued)

Financial instruments *(Continued)*

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 "Business Combinations" applies.

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

3.2 Material accounting policy information (Continued)

Financial instruments *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. For financial instruments other than purchased or originated credit-impaired financial assets, 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 (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

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

(Continued)

3.2 Material accounting policy information (Continued)

Financial instruments *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured 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 recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets including trade receivables, other receivables, loans to employees, rental and other deposits and bank balances, which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables. The ECL on these financial assets are estimated individually for debtors based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12m ECL.

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

3.2 Material accounting policy information (Continued)

Financial instruments *(Continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

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

3.2 Material accounting policy information (Continued)

Financial instruments *(Continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

When there is a breach of financial covenants by the counterparty; or information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

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

(Continued)

3.2 Material accounting policy information (Continued)

Financial instruments *(Continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over five years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(v) Measurement and recognition of ECL

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 as described above. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and loans receivables included in the other receivables where the corresponding adjustment is recognized through a loss allowance account.

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

3.2 Material accounting policy information (Continued)

Financial instruments *(Continued)*

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Treasury shares

The cost of the Company's own equity instruments that it has acquired is deducted from equity. Gain or loss is not recognized on the purchase, sale, issue, or cancellation of treasury shares.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method.

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

3.2 Material accounting policy information (Continued)

Financial instruments *(Continued)*

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortized cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

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

3.2 Material accounting policy information (Continued)

Share-based payments

Equity-settled share-based payment transactions

Shares/Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For shares/share options that vest immediately at the date of grant, the fair value of the shares/share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognized in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payments reserve will be transferred to retained earnings.

When shares granted are vested, the amount previously recognized in share-based payments reserve will be transferred to share premium.

Modification to the terms and conditions of the share-based payment arrangements

When the terms and conditions of an equity-settled share-based payment arrangement are modified, the Group recognises, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if the Group modifies the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the Group takes the modified vesting conditions into consideration over the remaining vesting period.

The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as at the date of modification.

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

3.2 Material accounting policy information (Continued)

Share-based payments *(Continued)*

Modification occurs during vesting period

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period.

Modification occurs after vesting period

If the modification occurs after vesting period, the incremental fair value granted is recognised immediately, or over the vesting period if additional period of service is required before the modified equity instruments are vested.

If the modification reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, the Group continues to account for the original equity instruments granted as if that modification had not occurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, i.e. state-managed retirement benefit scheme, are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS require or permit the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before income tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

3.2 Material accounting policy information (Continued)

Taxation *(Continued)*

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, interests in associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that has been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

Contractual arrangements

The Group conducts all of the business through Jiaxiang Interactive and its subsidiaries (collectively known as the "**PRC Operating Entities**"). The Group does not have any equity interest in the PRC Operating Entities. The directors of the Company assessed whether or not the Group has control over the PRC Operating Entities based on whether the Group has the power over the PRC Operating Entities, 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. 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 other measures and accordingly, the Group has consolidated the financial statements of the PRC Operating Entities in the consolidated financial statements.

Nevertheless, the Contractual Arrangements and other measures 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 among the PRC Operating Entities and their legal equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

For the year ended 31 December 2023 and as at 31 December 2023, 100% and 79% (2022: 100% and 96%) of the Group's revenue and total assets came from the PRC Operating Entities.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

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.

Estimation of value of unutilized virtual tokens

As described in Note 3, the Group recognizes revenue based on the consumption of virtual tokens in self-developed mobile games, which is estimated with reference to the quantity of unutilized tokens at the year end and the estimation on how much the unutilized tokens worth.

The estimated unit value of the unutilized tokens was calculated, on a periodic basis, based on the quantity and value of tokens sold, as well as the quantity of tokens given out for free during the year. The determination of the estimated unit value of unutilized virtual tokens is based on the Group's best estimate that has taken into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a semi-annual basis. Any adjustments as a result of new information will be accounted for prospectively as a change in accounting estimate. When the management of the Group prepared the revenue recognition calculation, they relied on the transaction data, in particular the sales and consumption data, from the operation platforms to form their basis of calculations. During the year ended 31 December 2023, the Group recognized revenue from tokens on their self-developed mobile games, total amounting RMB1,566,458,000 (2022: RMB1,264,307,000).

5. REVENUE AND SEGMENT INFORMATION

Revenue represents (1) income from sales of virtual tokens on the Group's self-developed mobile games; (2) income from third-party mobile games, and; (3) advertising revenue. As private game room cards business is classified as discontinued operations which are described in more detail in Note 12, the revenue from private game room cards is excluded from this note. The Group's operating activities are attributable to a single operating segment focusing on development and operation of mobile games in the PRC. This operating segment has been identified on the basis of internal management reports, prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC which materially conform with IFRSs, that are regularly reviewed by the chief operating decision maker ("**CODM**"), Ms. Cui Wei ("**Ms. Cui**"), the chief executive officer of the Group, for the purpose of allocating resources and assessing its performance. The CODM reviews the financial results of the Group as a whole for performance assessments. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

Revenue from self-developed mobile games and third-party mobile games is recognized at a point in time when the customers obtain control of the services, being at the point the customers consume the virtual tokens in self-developed mobile games and the customers purchase the virtual tokens of respective games or convert the virtual tokens in the platform to the virtual tokens in the relevant third-party mobile games.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Advertising revenue is recognized at a point in time when the advertisements placed by third-party platforms are displayed in the game interface.

	2023 RMB'000	2022 RMB'000
Continuing operations		
Revenue from:		
— Self-developed mobile games	**1,566,458**	1,264,307
— Third-party mobile games	**145,209**	183,892
	1,711,667	1,448,199
Advertising revenue	**68,000**	114,741
	1,779,667	1,562,940

The Group has a large number of customers, and no revenue from any individual customer exceeded 10% or more of the Group's revenue for both years.

Geographical information

The Group operated within one geographical segment in both years because all of its revenue was generated in the PRC and all of its non-current assets were located in the PRC. Accordingly, no geographical segment information is presented.

6. COST OF SALES

Cost of sales is analyzed as follows:

	2023 RMB'000	2022 RMB'000
Continuing operations		
Employee benefit expenses	**50,584**	74,009
Commissions and fees charged by distribution channels and payment vendors	**523,357**	422,620
Server-related and technical support fees	**45,992**	43,643
Depreciation and amortization	**1,838**	1,521
Others	**441**	528
	622,212	542,321

7. OTHER INCOME

	2023 RMB'000	2022 RMB'000
Continuing operations		
Service income *(note i)*	6,030	10,020
Interest income		
— bank deposits	28,072	23,621
— loans to employees	552	617
— receivables for disposal of:		
i) subsidiaries *(note 12)*	5,388	3,037
ii) associates *(note 19)*	3,850	—
Government subsidies *(note ii)*	15,822	17,575
Sundry income	3,581	4,846
Total	63,295	59,716

Notes:

(i) Service income mainly represents the amounts received from contracted clients for providing game development and technical support services and is recognized over time when the related services are performed.

(ii) Government subsidies mainly represent various industry-specific subsidies granted by the government authorities to subsidize the research and development costs already incurred by the Group during the course of its business, as well as government incentives to reward the Group's effort for technological innovation and support to the local economy with no future related costs to be incurred. There are no unfulfilled conditions relating to such government subsidies recognized.

8. OTHER GAINS AND LOSSES

	2023 RMB'000	2022 RMB'000
Continuing operations		
Loss on disposal of investments in associates *(note 19 (i))*	(16,781)	—
Gain on early repayment of long-term receivables for disposal of:		
i) subsidiaries *(note 12)*	5,490	—
ii) associates *(note 19)*	4,488	—
Gain on early repayment of loans to employees	809	—
(Loss) gain from changes in fair value of financial assets at FVTPL	(845)	86
Loss on disposal of property, plant and equipment	(181)	(51)
Gain (loss) on early termination of right-of-use assets	1,337	(146)
Gain on fair value changes of derivatives *(note 19 (i))*	—	14,342
	(5,683)	14,231

9. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	2023	2022
	RMB'000	*RMB'000*
Continuing operations		
Impairment losses recognized on:		
— loans receivables	**(3,465)**	(5,386)

Details of impairment assessment are set out in Note 40.

10. INCOME TAX EXPENSE

The income tax expense of the Group is analyzed as follows:

	2023	2022
	RMB'000	*RMB'000*
Continuing operations		
PRC Corporate Income Tax ("**CIT**")		
Current year	**64,671**	40,625
Under provision in prior years	**4,492**	5,010
	69,163	45,635
Deferred tax		
Current year *(Note 23)*	**(8,536)**	(19,309)
	60,627	26,326

The Company and a subsidiary incorporated in the BVI is not subject to income tax in the Cayman Islands or the BVI.

No provision for Hong Kong Profits Tax has been made since the entity operating in Hong Kong had no assessable profits for the both years.

10. INCOME TAX EXPENSE (Continued)

PRC CIT

The income tax provision of the subsidiaries operating in the PRC has been calculated at the tax rate of 25% on the taxable income for the reporting period, based on the existing legislation, interpretations and practices in respect thereof.

During the year ended 31 December 2021, Jiaxiang Interactive became qualified as "High and New Technology Enterprises" ("**HNTE**") under the Corporate Income Tax Law. According to the CIT law, it became entitled to a preferential income tax rate at 15% for three years starting from the year ended 31 December 2021. As a result, Jiaxiang Interactive is entitled to a preferential income tax rate at 15% for both years.

Jilin Xinze Network Technology Company Limited ("**Jilin Xinze**") qualified as HNTE under the Corporate Income Tax Law since 2017 and such qualification was renewed during the year ended 31 December 2020 and 2023 with a valid period of three years. According to the CIT law, Jilin Xinze is entitled to a preferential income tax rate at 15% for both years.

For the year ended 31 December 2022, Yaotang (Xiamen) Network Technology Co., Ltd (Yaotang Xiamen) qualified as a "Double Soft Enterprise" ("**DSE**") under the CIT Law. According to relevant tax regulations, Yaotang Xiamen is exempted from CIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years if the criteria of DSE are met each year, commencing from 2022, the first year of profitable operation. Therefore, Yaotang Xiamen was exempted from CIT for both years.

For the year ended 31 December 2023, Yaotang (Shenzhen) Network Technology Co., Ltd ("**Yaotang Shenzhen**") and Jilin Haiqi Network Technology Co., Ltd ("**Jilin Haiqi**") qualified as a DSE under the CIT Law. According to relevant tax regulations, Yaotang Xiamen is exempted from CIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years if the criteria of DSE are met each year, commencing from 2023, the first year of profitable operation. Therefore, Yaotang Shenzhen and Jiin Haiqi were exempted from CIT for the year ended 31 December 2023.

According to policy promulgated by the State Tax Bureau of the PRC and effective from the year 2018 onwards, enterprises engage in research and development activities are entitled to claim 175% of the research and development expenses incurred in a year as tax deductible expenses in determining the taxable income for that year ("**Super Deduction**"). The State Tax Bureau of the PRC adjusted the Super Deduction to 200% of the research and development expenses incurred in a year and the new policy was effective on 1 January 2023. Jiaxiang Interactive and Jilin Xinze have claimed such Super Deduction in ascertaining its tax assessable profits for both years.

10. INCOME TAX EXPENSE (Continued)

PRC CIT (Continued)

The income tax expense for the year can be reconciled to the profit before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 RMB'000	2022 RMB'000
Continuing operations		
Profit before income tax	**501,097**	375,976
Tax at income tax rate of 25%	**125,274**	93,995
Tax effect of tax losses not recognized	**—**	1,391
Utilization of tax losses previously not recognized	**(1,221)**	(2,686)
Tax effect of expenses not deductible for tax purpose	**15,419**	7,990
Tax effect of share of results of associates and joint ventures	**(3,123)**	(10,242)
Tax effect of temporary differences not recognized	**31,697**	—
Effect of Super Deduction	**(12,381)**	(21,708)
Effect of preferential tax rate	**(99,530)**	(76,424)
Withholding tax on undistributed profits of subsidiaries operating in the PRC	**—**	29,000
Under provision in prior years	**4,492**	5,010
Income tax expense	**60,627**	26,326

11. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

Profit for the year from continuing operation has been arrived at after charging:

	2023	2022
	RMB'000	*RMB'000*
Depreciation of right-of-use assets	**10,897**	10,738
Depreciation of property, plant and equipment	**12,088**	7,812
Amortization of intangible assets	**512**	445
Auditors' remuneration	**3,941**	3,780
— Audit service	**3,080**	2,980
— Other service	**861**	800
Directors' emoluments *(Note 14)*	**57,993**	4,998
Other staff costs:		
Salaries and other benefits in kind	**203,009**	183,069
Contributions to retirement benefit scheme	**8,460**	6,251
Share-based payment expenses	**9,398**	30,482
Total staff costs	**278,860**	224,800

12. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS

During the year ended 31 December 2022, in order to streamlining its business and discontinuing its private game room cards business, the Group entered into a sale agreement with Jilin Xinyue Network Technology Limited ("**Jilin Xinyue**") to dispose of its 100% equity interest in Jilin Yuke Network Technology Company Limited ("**Jilin Yuke**") that carried out majority of the Group's private game room cards operations. Beijing Kexin Interactive Entertainment Technology Ltd. ("**Beijing Kexin**"), which was established in the PRC and wholly-owned by Jilin Yuke, was disposed together with Jilin Yuke. The disposal was completed on 30 June 2022, on which date the Group lost control of Jilin Yuke. On the other hand, the Group also ceased the Group's remaining operations of private game room cards carried out by Jilin Xinze during the same year.

The profit for the preceding year from the discontinued private game room cards operations is set out below.

	2022
	RMB'000
Profit of private game room cards operations for the period	33,492
Gain on disposal of Jilin Yuke	97,803
Income tax expense on gain on disposal	(15,263)
	116,032

12. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS (Continued)

The results of the private game room cards operations for the period from 1 January 2022 to 30 June 2022 which has been included in the consolidated statement of profit or loss and other comprehensive income of the year ended 31 December 2022 were as follows:

	RMB'000
Revenue	60,207
Cost of sales	(12,747)
Gross profit	47,460
Other income	4,380
Selling and marketing expenses	(1,716)
Administrative expenses	(8,112)
Other expenses	(3,000)
Interest on lease liabilities	(121)
Profit before income tax	38,891
Income tax expense *(Note)*	(5,399)
Profit for the period	33,492

Note:

Jilin Yuke was qualified as a DSE under the Enterprise Income Tax Law in 2019. Therefore, according to relevant tax regulations, Jilin Yuke is exempted from Enterprise Income Tax for two years, followed by a 50% reduction in the applicable tax rates for the next three years if the criteria of DSE are met each year, commencing from 2017, the first year of profitable operation. On the other hand, Jilin Yuke was qualified as HNTE under the Enterprise Income Tax Law from 2022 and the valid period is three years. Therefore, the actual income tax rate for Jilin Yuke was 15% for the preceding year. On the other hand, Jilin Yuke had claimed Super Deduction in ascertaining its tax assessable profits for the preceding year.

Cash flows from the discontinued operations for the period from 1 January 2022 to 30 June 2022:

	RMB'000
Net cash flows from operating activities	42,921
Net cash flows used in investing activities	(36)
Net cash flows used in financing activities	(637)
Net cash flows	42,248

12. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS (Continued)

Consideration received:

	RMB'000
Cash	12,400
Deferred cash consideration *(Note)*	93,547
Total consideration	105,947

Analysis of assets and liabilities over which control was lost:

	30/06/2022 *RMB'000*
Property, plant and equipment	825
Intangible assets	80
Right-of-use assets	3,443
Trade receivables	510
Prepayments and other receivables	24,474
Cash and cash equivalents	13,414
Other payables	(14,270)
Tax payable	(2,741)
Lease liabilities	(4,274)
Deferred revenue	(13,317)
Net assets disposed of	8,144

Gain on disposal of a subsidiary:

	RMB'000
Total consideration	105,947
Net assets disposed of	8,144
Gain on disposal	97,803

12. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS (Continued)

Net cash outflow arising on disposal:

	RMB'000
Total cash consideration received	12,400
Bank balances and cash disposed of	(13,414)
	(1,014)

Note: Deferred consideration amounted to RMB93,547,000 will be settled on 28 April 2025. The fair value of the deferred consideration is determined by discounting the consideration of RMB111,600,000 using the discount rate of 6.44% per annum. An interest income of RMB3,037,000 was recognized in the current year and the receivables for disposal of subsidiaries was amounted to RMB96,584,000 and presented under non-current assets on the consolidated statement of financial position as at 31 December 2022.

During the current year, the Group received early settlements to the deferred consideration amounted to RMB12,400,000, RMB30,000,000, RMB17,000,000 on 31 March 2023, 30 September 2023 and 31 December 2023, respectively, which resulted in a gain on early repayment of RMB5,490,000 in other gains and losses. On the other hand, an interest income of RMB5,388,000 was recognized in other income. As at 31 December 2023, the receivables for disposal of subsidiaries was RMB48,062,000 and presented under non-current assets on the consolidated statement of financial position.

13. DIVIDENDS

During the current year, a final dividend of HK$0.14 (equivalent to RMB0.13) per share in respect of the year ended 31 December 2022 was declared and paid to owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to HK$179,676,490 (equivalent to RMB162,823,000).

Subsequent to the end of the reporting period, a dividend of HK$0.10 (equivalent to RMB0.09) per ordinary share, in an aggregate amount of HK$128,340,350 (equivalent to RMB118,073,122), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

During the year ended 31 December 2022, the Group announced a special dividend of HK$0.08 (equivalent to RMB0.07) per share on 22 September 2022 and paid the dividends on 26 October 2022 with a total amount of RMB92,857,000.

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

(a) Executive directors' and chief executive's emoluments

The remuneration of each executive director and chief executive for the year ended 31 December 2023 is set out as follows:

Name	Fees *RMB'000*	Salaries and other benefits in kind *RMB'000*	Contributions to retirement benefit scheme *RMB'000*	Share-based payment expenses *RMB'000*	Total *RMB'000*
Executive directors:					
Mr. Wu *(note i)*	—	1,731	20	—	1,751
Mr. Tang Yinghao ("**Mr. Tang**") *(note ii)*	—	1,498	—	142	1,640
Mr. Ding Chunlong ("**Mr. Ding**") *(note iii)*	—	—	—	51,511	51,511
Mr. Jiang *(note iv)*	—	120	6	—	126
Mr. Su *(note v)*	—	648	18	—	666
Mr. Guo *(note vi)*	—	383	10	1,406	1,799
Chief executive:					
Ms. Cui *(note viii)*	—	1,201	17	1,624	2,842
Total	—	5,581	71	54,683	60,335

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

Name of director	Fees *RMB'000*	Salaries and other benefits in kind *RMB'000*	Contributions to retirement benefit scheme *RMB'000*	Total *RMB'000*
Executive directors:				
Mr. Wu *(note i)*	—	1,904	23	1,927
Mr. Jiang *(note iv)*	—	720	37	757
Mr. Su *(note v)*	—	702	4	706
Mr. Guo Shunshun ("**Mr. Guo**") *(note vi)*	—	684	10	694
Mr. Men Geng ("**Mr. Men**") *(note vii)*	—	300	29	329
Total	—	4,310	103	4,413

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Executive directors' and chief executive's emoluments (Continued)

Notes:

(i) Mr. Wu is also the chairman and the chief executive officer of the Group and his emoluments disclosed above included those services rendered by him as the chief executive officer. On 5 September 2023, the chief executive officer of the Group was changed from Mr. Wu to Ms. Cui.

(ii) Mr. Tang is appointed as executive director during the year and also the chief financial officer of the Group and his emoluments disclosed above included those services rendered by him as the chief financial officer.

(iii) Mr. Ding is appointed as executive director during the year. From March 2017 to June 2022, Mr. Ding worked with Jilin Yuke as a consultant and was responsible for the company's overall operation. Since July 2022, Mr. Ding has been a consultant at Yutai (Shenzhen) Network Technology Co., Ltd., primarily responsible for the application and research of the Group's new media operation, live entertainment and infomercial short video production business, and the emoluments disclosed above included those services rendered by him.

(iv) Mr. Jiang is also the chief operating officer of the Group and his emoluments disclosed above included those services rendered by him as the chief operating officer. Mr. Jiang resigned as executive directors during the current year and no longer served as the chief operating officer of the Group.

(v) Mr. Su is also the chief investment officer of the Group and his emoluments disclosed above included those services rendered by him as the chief investment officer. Mr. Su resigned as executive directors during the current year but he remains as the chief investment officer of the Group.

(vi) Mr. Guo is also the chief product officer of the Group and his emoluments disclosed above included those services rendered by him as the chief product officer. Mr. Guo resigned as executive directors during the current year and he remains as the chief technical officer of the Group.

(vii) Mr. Men was a general manager of Homeland PRC and his emoluments disclosed above included those services rendered by him as the general manager. Mr. Men resigned during the preceding year as the Group ceased the operations of private game room cards business.

(viii) Ms. Cui is appointed as the chief executive officer of the Group on 5 September 2023 and also the chief strategy officer of the Group and her emoluments disclosed above included those services rendered by her as the chief executive officer and the chief strategy officer.

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

(b) Independent non-executive directors' emoluments

The remuneration of each independent non-executive director for the year ended 31 December 2023 is set out as follows:

Name of director	Fees RMB'000	Salaries and other benefits in kind RMB'000	Contributions to retirement benefit scheme RMB'000	Total RMB'000
Independent non-executive directors:				
Mr. Hu Yangyang *(note i)*	200	—	—	200
Mr. Zhang Yuguo	150	—	—	150
Ms. Guo Ying	150	—	—	150
Total	500	—	—	500

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Independent non-executive directors' emoluments (Continued)

The remuneration of each independent non-executive director for the year ended 31 December 2022 is set out as follows:

Name of director	Fees *RMB'000*	Salaries and other benefits in kind *RMB'000*	Contributions to retirement benefit scheme *RMB'000*	Total *RMB'000*
Independent non-executive directors:				
Mr. Yu Ronald Patrick Lup Man *(note i)*	110	—	—	110
Mr. Hu Yangyang *(note i)*	175	—	—	175
Mr. Zhang Yuguo	150	—	—	150
Ms. Guo Ying	150	—	—	150
Total	585	—	—	585

Note:

(i) Mr. Yu Ronald Patrick Lup Man left off his position as chairman of audit committee and Mr. Hu Yangyang was elected as the chairman of audit committee during the preceding year.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

(c) Five highest paid individuals

The five highest paid employees of the Group during the year included two (2022: two) directors and chief executive, details of whose remuneration are set out in Note 14 (a) above. Details of the remuneration for the year of the remaining three (2022: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Salaries and other benefits in kind	**787**	2,896
Contributions to retirement benefit scheme	**33**	37
Share-based payment expenses	**4,260**	20,004
Total	**5,080**	22,937

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(c) Five highest paid individuals (Continued)

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands (presented in HK$) is as follows:

	2023 No. of employees	2022 No. of employees
Non-directors:		
HK$1,000,001 to HK$1,500,000	—	—
HK$1,500,001 to HK$2,000,000	3	—
HK$2,000,001 to HK$2,500,000	—	1
HK$2,500,001 to HK$3,000,000	—	1
HK$3,000,001 to HK$3,500,000	—	—
HK$20,500,001 to HK$21,000,000	—	1
Total	3	3

No emoluments have been paid by the Group to the directors and chief executive of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of them has waived or agreed to waive any emoluments for both years.

15. EARNINGS PER SHARE

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to owners of the Company is based on the following data:

	2023 RMB'000	2022 RMB'000
Earnings		
— Profit for the year attributable to owners of the Company	436,936	465,274
Less:		
Profit for the year from discontinued operations	—	116,032
Earnings for the purpose of basic and diluted earnings per share from continuing operations	436,936	349,242

15. EARNINGS PER SHARE (Continued)

From continuing operations (Continued)

	Number of shares	
	2023	2022
Number of shares		
Weighted average number of ordinary shares in issue less shares held for future share award scheme for the purpose of basic earnings per share	**1,259,235,182**	1,249,793,413
Effect of dilutive potential ordinary shares in respect of		
— The Compensation Grant	**5,323,128**	16,728,259
— The 2021 Share Award Scheme	**140,479**	251,168
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,264,698,789**	1,266,772,840

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	2023	2022
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic and diluted per share		
Profit for the year	**436,936**	465,274

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic earnings per share for the discontinued operations for the year ended 31 December 2022 is RMB9.28 cents per share and diluted earnings per share for the discontinued operations is RMB9.16 cents per share, based on the profit for the year from the discontinued operations of approximately RMB116,032,000 and the denominators detailed above for both basic and diluted earnings per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Owned properties RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Total RMB'000
Cost					
As at 1 January 2022	39,528	13,016	5,738	8,866	67,148
Additions	—	7,428	—	3,999	11,427
Disposal of subsidiaries	—	(841)	(2,332)	(584)	(3,757)
Disposal	—	(1,101)	—	—	(1,101)
As at 31 December 2022	**39,528**	**18,502**	**3,406**	**12,281**	**73,717**
Additions	**—**	**11,299**	**12,323**	**4,219**	**27,841**
Disposal	**—**	**(665)**	**(3,422)**	**—**	**(4,087)**
As at 31 December 2023	**39,528**	**29,136**	**12,307**	**16,500**	**97,471**
Depreciation					
As at 1 January 2022	4,382	5,442	2,983	2,784	15,591
Provided for the year	2,162	3,009	1,900	2,179	9,250
Disposal of subsidiaries	—	(407)	(2,216)	(309)	(2,932)
Disposal	—	(1,050)	—	—	(1,050)
As at 31 December 2022	**6,544**	**6,994**	**2,667**	**4,654**	**20,859**
Provided for the year	**1,853**	**5,868**	**1,151**	**3,216**	**12,088**
Disposal	**—**	**(296)**	**(1,807)**	**—**	**(2,103)**
As at 31 December 2023	**8,397**	**12,566**	**2,011**	**7,870**	**30,844**
Carrying values					
As at 31 December 2022	32,984	11,508	739	7,627	52,858
As at 31 December 2023	**31,131**	**16,570**	**10,296**	**8,630**	**66,627**

The estimated residual value rates and useful lives of each class of property, plant and equipment held by the Group are as follows:

Classes	Estimated residual value rates	Useful lives
Owned properties	5%	20 years
Furniture and equipment	0%–5%	3–5 years
Motor vehicles	5%	4–10 years
Leasehold improvement	0%	Over the shorter of the term of the lease and 5 years

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The carrying amount of owned properties situated in the PRC includes both the leasehold land and buildings elements, as in the opinion of the directors of the Company, allocation of the carrying amount between the leasehold land and buildings elements cannot be made reliably.

17. INTANGIBLE ASSETS

	Trademark *RMB'000*	Computer software *RMB'000*	Copyright of game software *RMB'000*	Total *RMB'000*
Cost				
As at 1 January 2022	1,250	759	8,119	10,128
Additions	—	197	—	197
Disposal of subsidiaries	—	—	(158)	(158)
As at 31 December 2022	**1,250**	**956**	**7,961**	**10,167**
Additions	**—**	**—**	**1,070**	**1,070**
As at 31 December 2023	**1,250**	**956**	**9,031**	**11,237**
Amortization				
As at 1 January 2022	333	499	7,884	8,716
Charge for the year	125	234	93	452
Disposal of subsidiaries	—	—	(78)	(78)
As at 31 December 2022	**458**	**733**	**7,899**	**9,090**
Charge for the year	**125**	**120**	**267**	**512**
As at 31 December 2023	**583**	**853**	**8,166**	**9,602**
Carrying values				
As at 31 December 2022	792	223	62	1,077
As at 31 December 2023	**667**	**103**	**865**	**1,635**

The above intangible assets have finite useful lives. Such intangible assets are amortized on a straight-line basis over the following periods:

Trademark	10 years
Computer software	2–4 years
Copyright of game software	2–3 years

18. RIGHT-OF-USE ASSETS

	Office properties RMB'000
As at 31 December 2023	
Carrying amount	**19,938**
As at 31 December 2022	
Carrying amount	15,985

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Depreciation charge	**10,897**	11,776
Total cash outflow for leases	**11,580**	11,770
Additions to right-of-use assets	**17,202**	4,380
Early termination of a lease	**2,352**	2,934
Disposed on disposal of subsidiaries	**—**	3,443

The above right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

For both years, the Group leases office properties for its operations. Lease contracts are entered into for fixed term of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, lease liabilities of RMB20,754,000 are recognized with related right-of-use assets of RMB19,938,000 as at 31 December 2023 (2022: lease liabilities of RMB17,805,000 and related right-of-use assets of RMB15,985,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

19. INVESTMENTS IN ASSOCIATES

	31/12/2023 RMB'000	31/12/2022 RMB'000
Cost of investment in associates	**70,300**	196,100
Share of post-acquisition losses and other comprehensive expenses, net of dividends received	**(14,114)**	(9,555)
Total	**56,186**	186,545

Details of the Group's associates are as follows:

Name of entity	Place of establishment	Principal place of business	Proportion of ownership interest held by the Group 2023	2022	Proportion of voting rights held by the Group 2023	2022	Principal activity
Jilin Xinyue *(note i)*	China mainland	China mainland	**–**	40%	**–**	40%	Development and operation of card and board games
Jilin Anrui Network Technology Co., Ltd ("**Jilin Anrui**") *(note i)*	China mainland	China mainland	**–**	40%	**–**	40%	Research and development of online games
Siwen Technology (Tianjin) Limited ("**Siwen Technology**")	China mainland	China mainland	**25.9%**	25.9%	**25.9%**	25.9%	Research and development of online games
Chuangke Future (Jilin) Network Technology Co., Ltd ("**Chuangke Future**")	China mainland	China mainland	**40%**	40%	**40%**	40%	Customer service of online games
Shanghai Lanxing Network Technology Co., Ltd.	China mainland	China mainland	**20%**	20%	**20%**	20%	Research and development of online games
Shanghai Huanzhen Information Technology Co., Ltd.	China mainland	China mainland	**25%**	25%	**25%**	25%	Research and development of online games
Shenzhen Yaozuo Technology Co., Ltd ("**Shenzhen Yaozuo**") *(note ii)*	China mainland	China mainland	**15%**	15%	**15%**	15%	Operation of online games

19. INVESTMENTS IN ASSOCIATES (Continued)

Name of entity	Place of establishment	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2023	2022	**2023**	2022	
Chengdu Cangmo Information Technology Co., Ltd ("**Chengdu Cangmo**") *(note iii)*	China mainland	China mainland	**40%**	40%	**40%**	40%	Research and development of online games
Chengdu Weiying Interactive Culture Media Co., Ltd ("**Chengdu Weiying**") *(note iv)*	China mainland	China mainland	**40%**	40%	**40%**	40%	Game operation on short video and live streaming platforms
Shenzhen Jinyunshan Technology Co., Ltd ("**Jinyunshan Technology**")	China mainland	China mainland	**49%**	—	**49%**	—	Research and development of online games
Xiamen Chuyao Technology Co., Ltd ("**Chuyao Technology**")	China mainland	China mainland	**40%**	—	**40%**	—	Research and development of online games
Jilin Hengxi Network Technology Co., Ltd ("**Jilin Hengxi**")	China mainland	China mainland	**40%**	—	**40%**	—	Game operation on short video and live streaming platforms
Guangzhou Yaoyang Technology Co., Ltd	China mainland	China mainland	**40%**	—	**40%**	—	Game operation
Guangzhou Yaotang Technology Co., Ltd	China mainland	China mainland	**40%**	—	**40%**	—	Research and development of online games

19. INVESTMENTS IN ASSOCIATES (Continued)

Notes:

(i) On 3 November 2020, Jilin Xinze (a subsidiary of the Company), Jilin Xinbao Technology Partnership (Limited Partnership) ("**Xinbao Technology**") (40% equity shareholder of Jilin Xinyue), and Jilin Xinyue entered into the investment agreement ("**Investment Agreement**") pursuant to which Xinbao Technology agreed to sell and Jilin Xinze agreed to acquire 40% of the equity interest in Jilin Xinyue, at cash consideration of RMB150,000,000. On 29 December 2020, Jilin Xinze, Xinbao Technology and Jilin Xinyue entered into a supplemental agreement to the Investment Agreement pursuant to which all the parties thereto agreed to supplement certain terms of the Investment Agreement ("**Original Supplemental Agreement**") as follows:

- Xinbao Technology has undertaken to ensure that the audited net profit of Jilin Xinyue for the years ending 31 December 2021 and 2022 shall be no less than RMB70,000,000 and RMB80,000,000, respectively (the "**Guaranteed Net Profit**"), and the audited net profit of Jilin Xinyue for the years ending 31 December 2021 and 2022 shall be no less than RMB150,000,000 in aggregate.

- If the actual audited net profit of Jilin Xinyue below the Guaranteed Net Profit for any of the years ending 31 December 2021 or 2022, Xinbao Technology shall pay compensation (the "**Profit Compensation**") to Jilin Xinze in cash. The amount of Profit Compensation payable by Xinbao Technology shall be determined in accordance with the following formula:

  Profit Compensation = ((A – B)/RMB150,000,000)* C * 40% *(note)* – D

  where:

  A = the cumulative Guaranteed Net Profit determined as at the end of the period;

  B = the cumulative actual audited net profit of the Jilin Xinyue determined as at the end of the period;

  C = the agreed appraised assets value of the Jilin Xinyue, being RMB375,000,000; and

  D = the amount of any Profit Compensation which has already been paid by Xinbao Technology to Jilin Xinze.

  note: it represents the percentage of equity interest in the Jilin Xinyue owned by Jilin Xinze

- It is also agreed that the audited net profit of the Jilin Xinyue for the years ending 31 December 2021 and 2022 will be fully distributed to its shareholders (including Jilin Xinze) as dividends in proportion to their respective equity interest in the Jilin Xinyue (the "**Profit Sharing**"). The aggregate amount of dividends to be received by Jilin Xinze for the years ending 31 December 2021 and 2022 shall not exceed RMB60,000,000 (the "**Dividend Restriction Clause**")

The equity investment in Jilin Xinyue is accounted for using equity method in accordance with IAS 28 and the derivative financial instrument arising from supplementary agreement is measured at fair value through profit and loss in accordance with IFRS 9.

On 22 February 2022, for the purpose of facilitating the business operation, the Group agreed with the other shareholders of Jilin Xinyue to setup Jilin Anrui under the same shareholding structure as Jilin Xinyue. For the year ended 31 December 2022, the principal business activity of Jilin Anrui is to provide research and development service to Jilin Xinyue. The Guaranteed Net Profit arrangement in the Original Supplemental Agreement was also revised to include the profit from Jilin Anrui.

On 30 December 2022, Jilin Xinze, Mr. Luo Wei who was the controlling party of Jilin Xinbao, Jilin Xinyue and Jilin Anrui entered into a supplemental agreement to the Investment Agreement pursuant to which all parties thereto agreed to remove the Dividend Restriction Clause in the Original Supplemental Agreement but excluding those dividends already previously paid. During the year ended 31 December 2022, Jinlin Xinue met the Guaranteed Net Profit as set out in the Original Supplemental Agreement, and as a result, a fair value gain on derivative financial liabilities amounting to RMB14,342,000 was recognized in other gain and losses and the remaining RMB11,028,000, which represented dividend not received by Jilin Xinze under the Dividend Restriction Clause, was settled and paid directly to the other shareholders by Julin Xinyue.

19. INVESTMENTS IN ASSOCIATES (Continued)

Notes: (Continued)

(i) (Continued)

On 30 June 2023, the Group disposed all its interest in Jilin Xinyue and Jilin Anrui to entities controlled by Mr. Luo Wei for consideration of RMB99,900,000 and RMB35,100,000 respectively. The total consideration amounted to RMB135,000,000 (the "**Original Consideration**") will be settled on 31 May 2025. The fair value of the total consideration is determined by discounting the consideration of RMB116,372,000 using the discount rate of 8.05% per annum. This transaction has resulted in the Group recognizing a loss of RMB16,781,000 in profit or loss, calculated as follows:

	RMB'000
The fair value of the total consideration	116,372
Less: carrying amount of the 40% investment on the date of disposal of significant influence of Jilin Xinyue and Jilin Anrui	(88,493)
Less: adjust to the supplemental agreement *(Note)*	(44,660)
Loss recognized in profit or loss	(16,781)

Note: On 31 August 2023, the Group signed a supplemental agreement with the entities controlled by Mr. Luo Wei to cancel a declared interim dividend total amounting RMB44,660,000 in connection to profit of Julin Xinyue and Jilin Anrui for the period from 1 January 2023 to 30 June 2023. As a result of this supplement agreement, the dividend receivable was considered as part of the cost of the disposal.

Subsequent to the disposal, the Group received early settlements to the deferred consideration amounted to RMB10,000,000 and RMB25,100,000 on 31 July 2023 and 31 August 2023 respectively, which resulted in a gain on early repayment of RMB4,488,000 in other gains and losses. On the other hand, an interest income of RMB3,850,000 was recognized in other income. As at 31 December 2023, the receivables for disposal of associates was RMB89,610,000 and presented under non-current assets on the consolidated statement of financial position.

(ii) On 22 July 2022, the Group subscribed for 15% of equity interest in Shenzhen Yaozuo which was previously owned by two original shareholders ("**Original shareholders**") at a consideration of RMB6,000,000. The Group has power to participate in the financial and operating policy decisions of Shenzhen Yaozuo, as a result, the investment was classified as investments in associates. On the other hand, the Original Shareholders has undertaken to ensure that the audited revenue of Shenzhen Yaozuo for the period from 1 January 2023 to 31 December 2025 shall be no less than RMB40,000,000 ("**Guaranteed Revenue**"). If the actual audited revenue below the Guaranteed Revenue for the period, the Original Shareholders shall pay compensation to the Group by cash, repurchasing the Group's shares with the cost plus 10% interest or transferring their shares to the Group. On 31 December 2023 and 31 December 2022, the Group believed the Guarantee Revenue could be reached. As a result, the fair value in relation to the Guarantee Revenue was minimal.

(iii) On 30 September 2022, the Group subscribed for 40% of equity interest of Chengdu Cangmo at a consideration of RMB4,000,000. During the current year, the Group further committed to invest in Chengdu Cangmo by RMB14,000,000 of which RMB4,600,000 was paid on 28 February 2023.

(iv) During the current year, the Group increased the investment in Chengdu Weiying by RMB15,000,000 and consideration was paid on 30 June 2023.

19. INVESTMENTS IN ASSOCIATES (Continued)

Summarized financial information of material associates

Summarized financial information in respect of the material associates for the year of 2022 is set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs.

Jilin Xinyue

	31/12/2022 *RMB'000*
Current assets	126,162
Non-current assets	293,110
Current liabilities	95,959
Non-current liabilities	153,780

	2022 *RMB'000*
Revenue	277,294
Profit and total comprehensive income for the year	30,248
Dividends received from the associate for the year	28,000

Reconciliation of the above summarized financial information to the carrying amount of Jilin Xinyue recognized in the consolidated financial statements:

	31/12/2022 *RMB'000*
Net assets of Jilin Xinyue	169,533
Proportion of the Group's ownership interest in Jilin Xinyue	40%
The Group's share of net assets of Jilin Xinyue	67,813
Goodwill	41,353
Carrying amount of the Group's interest in Jilin Xinyue	109,166

19. INVESTMENTS IN ASSOCIATES (Continued)

Summarized financial information of material associates (Continued)

Jilin Anrui

	31/12/2022 *RMB'000*
Current assets	93,881
Non-current assets	57
Current liabilities	7,774
Non-current liabilities	—

	From 22/02/2022 to 31/12/2022 *RMB'000*
Revenue	95,791
Profit and total comprehensive income for the period	86,164

Reconciliation of the above summarized financial information to the carrying amount of Jilin Anrui recognized in the consolidated financial statements:

	31/12/2022 *RMB'000*
Net assets of Jilin Anrui	86,164
Proportion of the Group's ownership interest in Jilin Anrui	40%
The Group's share of net assets of Jilin Anrui	34,466
Carrying amount of the Group's interest in Jilin Anrui	34,466

19. INVESTMENTS IN ASSOCIATES (Continued)

Information of investments in associates that are not individually material

	2023 RMB'000	2022 RMB'000
The Group's share of profit (loss) and total comprehensive income (expense)	**12,680**	(5,591)
Aggregate carrying amount of the Group's interests in these associates	**56,186**	42,913

20. INVESTMENTS IN JOINT VENTURES

	31/12/2023 RMB'000	31/12/2022 RMB'000
Cost of investment in joint ventures	**24,828**	25,028
Share of post-acquisition losses and other comprehensive expense	**(188)**	(7)
Total	**24,640**	25,021

Details of each of the Group's joint ventures are as follows:

Name of entity	Place of establishment	Principal place of business	Proportion of ownership interest held by the Group 2023	2022	Proportion of voting rights held by the Group 2023	2022	Principal activity
Shanghai Heibulin Digital Technology Co., Ltd ("**Shanghai Heibulin**") *(note i)*	China mainland	China mainland	**N/A**	50%	**N/A**	50%	Research and development of online games
Beijing Zijingshu Technology Co., Ltd ("**Beijing Zijingshu**") *(note ii)*	China mainland	China mainland	**29.79%**	29.79%	**29.79%**	29.79%	Game promotion on short video and live streaming platform
Guangzhou Xinze Food Technology Co., Ltd ("**Guangzhou Xinze**") *(note iii)*	China mainland	China mainland	**49%**	—	**49%**	—	Food manufacturing and sales

20. INVESTMENTS IN JOINT VENTURES (Continued)

Notes:

(i) On 30 September 2022, the Group acquired 50% of the equity interest in Shanghai Heibulin with a consideration of RMB200,000. During the current year, the Group acquired the remaining 50% of the equity interest in Shanghai Heibulin with a consideration of RMB200,000 and Heibulin became a wholly-owned subsidiary of the Group.

(ii) On 23 December 2022, the Group acquired 29.79% of the equity interest in Beijing Zijingshu with a consideration of RMB24,828,000. According to the articles of Beijing Zijingshu, decisions about the relevant activities requires unanimous consent of the Group and the other shareholder of Beijing Zijingshu. As a result, the Group has joint control over Beijing Zijingshu and the investment was classified as investment in a joint venture.

(iii) On 8 December 2023, the Group subscribed for 49% of equity interest in Guangzhou Xinze at a consideration of RMB20,000,000. The consideration have not yet paid during the current year. According to the articles of Guangzhou Xinze, decisions about the relevant activities requires unanimous consent of the Group and the other shareholder of Guangzhou Xinze. As a result, the Group has joint control over Guangzhou Xinze and the investment was classified as investment in a joint venture.

There was no investments in joint ventures that are individually material. Aggregate information of the joint ventures that are not individually material:

	2023	2022
	RMB'000	*RMB'000*
The Group's share of loss and total comprehensive expense	**(188)**	(7)
Aggregate carrying amount of the Group's interests	**24,640**	25,021

21. LOANS TO EMPLOYEES

The loans to employees represents the loans advanced to employees. The loans are unsecured, interest-free and repayable on 31 December 2024, 5 January 2025 and 31 March 2025 (31 December 2022: unsecured, interest-free and repayable on 21 January 2024, 31 December 2024, 5 January 2025 and 21 July 2025). During the year ended 31 December 2023, the Group received early settlements of the non-current loans to employees amounted to RMB15,500,000 and result a gain on early repayment of RMB809,000 in other gains and losses. Subsequent to year ended 31 December 2023, the Group received early repayment of current loans to employees amounted to RMB15,000,000.

	31/12/2023	31/12/2022
	RMB'000	*RMB'000*
Non-current loans to employees	**4,755**	17,407
Current loans to employees	**33,000**	—
Total	**37,755**	17,407

21. LOANS TO EMPLOYEES (Continued)

The non-current loans advanced to employees are measured initially at fair value and subsequently at amortized cost, using the effective interest method. RMB513,000 (2022: RMB398,000) being the difference between the principal amount and fair value at initial recognition, was recognized as staff costs during the current year.

Details of impairment assessment of loans to employees are set out in Note 40.

22. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31/12/2023	31/12/2022
	RMB'000	*RMB'000*
Unlisted investments		
— Equity securities *(note)*	**1,499**	5,808

Note: The above unlisted equity investments represent the Group's equity interests ranging from 2% to 30% in five private entities established in the PRC as at 31 December 2023 (31 December 2022: ranging from 2% to 30% in four private entities). These investments are not considered to be associates or joint ventures of the Group because the Group has no right to appoint any director of the investees to participate in the financial and operating policy decision or decision about the relevant activities of the investees. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run. As at 31 December 2023, three (2022; two) of the investments are with minimal carrying value and details of the fair value measurement of the remaining investments are set out in Note 41.

23. DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31/12/2023	31/12/2022
	RMB'000	*RMB'000*
Deferred tax assets	**36,959**	57,223
Deferred tax liabilities	**(200)**	(29,000)
	36,759	28,223

23. DEFERRED TAX ASSETS/LIABILITIES (Continued)

The following is the major deferred tax asset (liabilities) recognized and movements thereon during the current year:

	Fair value change of equity investment at FVTOCI RMB'000	Undistributed profit of subsidiaries RMB'000	Fair value change of financial assets at FVTPL RMB'000	Tax losses RMB'000	Fair value change of derivatives RMB'000	Timing difference of costs and expenses RMB'000	Excess advertising expenses RMB'000	Impairment losses under expected credit loss model RMB'000	Right-of-use assets/lease liabilities RMB'000	Total RMB'000
As at 1 January 2022	855	–	–	–	3,806	(3,867)	7,244	–	–	8,038
(Charge) credit to profit or loss	–	(29,000)	4	9,466	(3,806)	3,699	37,975	971	–	19,309
Credit to other comprehensive income	876	–	–	–	–	–	–	–	–	876
As at 31 December 2022	**1,731**	**(29,000)**	**4**	**9,466**	**–**	**(168)**	**45,219**	**971**	**–**	**28,223**
(Charge) credit to profit or loss	**–**	**28,800**	**545**	**(7,363)**	**–**	**80**	**(14,334)**	**604**	**204**	**8,536**
As at 31 December 2023	**1,731**	**(200)**	**549**	**2,103**	**–**	**(88)**	**30,885**	**1,575**	**204**	**36,759**

At the end of the reporting period, the Group has unused tax losses of approximately RMB15,982,000 (2022: RMB59,782,000) available for offset against future profits. A deferred tax asset has been recognized in respect of approximately RMB8,412,000 (2022: RBM47,329,000) of such losses. No deferred tax asset has been recognized in respect of the remaining approximately RMB7,570,000 (2022: RMB12,453,000) due to the unpredictability of future profit streams. The unrecognized tax losses are losses with expiry dates as disclosed in the following table.

	31/12/2023 RMB'000	31/12/2022 RMB'000
2026	**3,985**	6,888
2027	**3,585**	5,565
	7,570	12,453

At the end of the reporting period, the Group has deductible temporary differences of RMB332,689,000 (2022: RMB301,460,000) in connection to the excess advertising expenses. A deferred tax asset has been recognized in respect of approximately RMB205,900,000 (2022: RBM301,460,000) of such deductible temporary differences. No deferred tax asset has been recognized in relation to the remaining approximately RMB126,789,000 (2022: nil) as it is not probable that the deductible temporary differences can be utilized to reduce the taxable profit in the future.

23. DEFERRED TAX ASSETS/LIABILITIES (Continued)

Under the CIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB1,946,743,000 as at 31 December 2023 (2022: RMB1,512,787,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

24. TRADE RECEIVABLES

	31/12/2023	31/12/2022
	RMB'000	*RMB'000*
Trade receivables	**150,527**	192,949
Less: impairment provision	**—**	—
Total	**150,527**	192,949

As at 1 January 2022, trade receivables from contracts with customers amounted to RMB194,736,000.

Trade receivables comprise receivables from distribution channels, payment vendors and advertisement agents. The credit terms of trade receivables granted to the distribution channels, payment vendors and advertisement agents are usually 0 to 60 days. Ageing analysis of trade receivables presented based on date of invoices is as follows:

	2023	2022
	RMB'000	*RMB'000*
0–30 days	**99,721**	149,477
31–60 days	**30,863**	33,198
61–90 days	**5,123**	1,777
91–180 days	**9,931**	1,066
Over 180 days	**4,889**	7,431
Total	**150,527**	192,949

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB21,328,000 (2022: RMB13,281,000) which are past due. Out of the past due balances, RMB7,673,000 (2022: RMB746,000) has been past due 90 days or more and is not considered as in default due to the history of cooperation and the sound collection history of the debtors.

Details of impairment assessment of trade receivables are set out in Note 40.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31/12/2023 *RMB'000*	31/12/2022 *RMB'000*
Non-current unlisted securities		
— Investment in partnership *(note i)*	**31,532**	30,000
	31,532	30,000
Current listed securities held for trading		
— Equity securities listed in Shanghai Stock Exchange (the "**SSE**") *(note ii)*	**34,819**	29,463
Current unlisted securities held for trading		
— Private funds *(note iii)*	**62,599**	31,780
	97,418	61,243

Note:

(i) On 31 October 2022, Jiaxiang Interactive, along with other investors (each as a limited partner), Challenjers Management Team (as a special limited partner), Challenjers Yunteng (as a general partner) and Chuangxinyizhou (as a fund manager) entered into the partnership agreement for the formation of a partnership to carry out equity and equity-related investment with a focus on the consumer industry, corporate services and entertainment sectors. Jiaxiang Interactive, as a limited partner, committed to make capital contribution of RMB100,000,000, which account for 10% interest in the partnership. During the year ended 31 December 2022, Jiaxiang Interactive made a capital contribution of RMB30,000,000 to the partnership. As at 31 December 2022, as the partnership still not commenced investment, the Group treated cost as the fair value.

(ii) The listed equity investments represent ordinary shares of entities listed on SSE. The investment is held for trading and its fair value is based on the quoted market price.

(iii) The private funds mainly represent private fund products issued by private funds management companies and mainly invest in debt and equity instruments. The investment is held for trading and its fair value is based on the fund net value calculated by the private funds management companies.

Further details of the fair value measurements of the above investments are set out in Note 41.

26. PREPAYMENTS AND OTHER RECEIVABLES

	31/12/2023 RMB'000	31/12/2022 RMB'000
Non-current		
Loans to third parties	**1,414**	—
Current		
Prepayment for advertisement and promotion fees	**145,384**	140,773
Prepayment to game developers	**8,000**	—
Prepayment for research and development	**7,342**	14,800
Prepayment for server-related fees	**2,999**	4,532
Advances to employees	**496**	2,639
Dividends receivable from associates *(note i)*	**—**	10,000
Loans to third parties	**32,432**	18,172
Others	**9,754**	6,758
	206,407	197,674
Less: Allowance for credit losses *(note ii)*	**(8,851)**	(5,386)
Total	**197,556**	192,288

Note:

(i) The dividends receivable from associates as at 31 December 2022 represents the dividend receivable from Jilin Yuke and the dividend distribution was occurred before the disposal of the entire interest in Julin Yuke by the Group to Jilin Xinyue, an associate of the Group, as detailed in Note 12.

(ii) The credit losses is related to loans to third parties. Details of impairment assessment of loans receivables are set out in Note 40.

27. LOANS TO ASSOCIATES

	31/12/2023 RMB'000	31/12/2022 RMB'000
Fixed-rate loan receivables	**80,000**	—

	31/12/2023 RMB'000	31/12/2022 RMB'000
Analysed as		
Current	**68,000**	—
Non-current	**12,000**	—
Total	**80,000**	—

27. LOANS TO ASSOCIATES (Continued)

The exposure of the Group's fixed-rate loan receivables to interest rate risks and their contractual maturity dates are as follows:

	31/12/2023 **RMB'000**	31/12/2022 RMB'000
Fixed-rate loan receivables:		
Within one year	**68,000**	—
In more than one year but not more than two years	**12,000**	—
Total	**80,000**	—

The ranges of effective interest rates (which are equal to contractual interest rates) on the Group's loan receivables are as follows:

	Year ended 31/12/2023	Year ended 31/12/2022
Effective interest rate:		
Fixed-rate loan receivables	**1% to 2%**	N/A

Details of impairment assessment of loans to associates are set out in Note 40.

28. CASH AND CASH EQUIVALENTS

	31/12/2023 **RMB'000**	31/12/2022 RMB'000
Cash at bank and in hand	**1,340,918**	1,163,316

All cash and cash equivalents are denominated in RMB, except for RMB75,380,000 denominated in US$ (2022: RMB38,895,000), RMB41,000,000 denominated in HK$ (2022:RMB64,547,000), RMB120,000 denominated in EUR$ (2022: RMB891,000) and RMB1,807,000 (2022: RMB350,000) denominated in SG$ as at 31 December 2023.

Bank balances carry interest at market rates which range from 0.01 % to 3.10% (2022: 0.01% to 3.10%) per annum.

For the year ended 31 December 2023, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

29. OTHER PAYABLES

	31/12/2023 RMB'000	31/12/2022 RMB'000
Salaries and staff welfare payables	**48,224**	47,542
Selling and marketing expenses accruals	**8,671**	255
Payable to game developers *(note i)*	**4,600**	12,170
Payable for customer service and technical support fee	**2,140**	2,061
Other taxes payable	**2,162**	8,008
Payable for acquisition of an associate *(note ii)*	**—**	14,686
Others	**8,596**	8,847
Total	**74,393**	93,569

Notes:

(i) As at 31 December 2023 and 2022, the balance represents sale proceeds received from players of games for which the Group acts as a distributor to be reimbursed to game developers, after deducting the commission income entitled by the Group calculated at a pre-determined rate, and refundable deposits received from game developers.

(ii) The balance represents as at 31 December 2022 payable to Jilin Yuke for acquisition of Siwen Technology which was an associate of Jilin Yuke before the disposal as detailed in Note 12. These balances are unsecured, interest-free and payable within one year from the reporting date.

30. LEASE LIABILITIES

	31/12/2023 RMB'000	31/12/2022 RMB'000
Lease liabilities payable:		
Within one year	**8,352**	10,191
More than one year but not more than two years	**3,299**	7,614
More than two years but not more than five years	**9,103**	—
	20,754	17,805
Less: Amount due for settlement within 12 months shown under current liabilities	**(8,352)**	(10,191)
Amount due for settlement after 12 months shown under non-current liabilities	**12,402**	7,614

The weighted average incremental borrowing rates applied to lease liabilities is 5.36% per annum for 2023(2022: 6.65% per annum).

31. DEFERRED REVENUE

Deferred revenue represented service fees prepaid by the customers for the Group's self-developed mobile games and third-party mobile games in the forms of prepaid virtual tokens and private game room cards, for which the related services had not been rendered at the end of the reporting period. As the unsatisfied performance obligations will be recognized as revenue within one year, therefore, the deferred revenue is recognized as current liabilities.

	Virtual tokens *RMB'000*	Private game room cards *RMB'000*	Total *RMB'000*
As at 1 January 2022	69,735	12,757	82,492
Sales proceeds, net of tax	1,505,521	64,229	1,569,750
Revenue recognized during the year	(1,448,199)	(60,207)	(1,508,406)
Disposal of subsidiaries	—	(13,317)	(13,317)
Transfer to other payables due to discontinued operation	—	(3,462)	(3,462)
As at 31 December 2022	**127,057**	**—**	**127,057**
Sales proceeds, net of tax	**1,657,575**	**—**	**1,657,575**
Revenue recognized during the year	**(1,711,667)**	**—**	**(1,711,667)**
As at 31 December 2023	**72,965**	**—**	**72,965**

There was no expected breakage amount recognized as revenue for both years.

Deferred revenue amounted to RMB72,965,000 as at 31 December 2023 (31 December 2022: RMB127,057,000) is expected to be recognized as revenue within one year.

32. SHARE CAPITAL

	Par value *US$*	Number of shares	Nominal amount *US$*	Shown in the consolidated financial statements *RMB'000*
Authorized				
As at 1 January 2022, 31 December 2022 and 31 December 2023	0.000005	10,000,000,000	50,000	
Issued and fully paid				
As at 1 January 2022, 31 December 2022 and 31 December 2023	0.000005	1,283,403,500	6,417	42

33. RETIREMENT BENEFIT SCHEME

The employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

During the year, the retirement benefit scheme contributions amounted to RMB8,514,000 (2022: RMB7,491,000). No forfeited contributions have been used to reduce the level of contributions during the reporting period.

34. MAJOR NON-CASH TRANSACTIONS

During the current year, the Group entered into new lease agreements for the use of leased properties for 2 to 5 years. On the lease commencement, the Group recognized right-of-use assets and lease liabilities of RMB17,202,000 and RMB17,202,000 respectively (2022: RMB4,380,000 and RMB4,380,000 respectively).

During the year of 2022, the derivative financial liabilities of RMB11,028,000 was settled by the associate, as detailed in Note 19.

35. RELATED PARTY TRANSACTIONS

The following transactions were carried out between the Group and its related parties which are all associates of the Group during the reporting period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Services received from related parties

	2023 ***RMB'000***	2022 *RMB'000*
Research and development service		
Chuyao Technology	**3,960**	—
Jinyunshan Technology	**3,960**	—
Siwen Technology	**—**	8,884
Customer service		
Chuangke Future	**12,683**	11,230
Advertising and promotion service		
Chengdu Weiying	**42,712**	4,967
Beijing Zijingshu	**32,185**	8,868
Jilin Hengxi	**2,170**	—
Total	**97,670**	33,949

35. RELATED PARTY TRANSACTIONS (Continued)

(b) Amounts due from associates

	31/12/2023 RMB'000	31/12/2022 RMB'000
Loans to associates	80,000	—
Prepayment for advertisement and promotion fees	14,245	11,940
Prepayment for research and development	7,342	14,800
Receivables from disposal of subsidiaries	—	96,584
Dividends receivable	—	10,000
Others	400	—
Total	101,987	133,324

(c) Amounts due to associates

	31/12/2023 RMB'000	31/12/2022 RMB'000
Selling and marketing expenses accruals	1,686	—
Payable for customer service fee	1,108	1,431
Payable for acquisition of an associates	—	14,686
Total	2,794	16,117

(d) Key management personnel compensations

The compensations paid or payable to key management personnel (including executive directors, chief executive officer and other senior executives) for employee services are shown below:

	2023 RMB'000	2022 RMB'000
Salaries and other benefits in kind	5,558	7,550
Contributions to retirement benefit scheme	89	251
Share-based payment expense	56,981	22,324
Total	62,628	30,125

35. RELATED PARTY TRANSACTIONS (Continued)

(e) The Compensating Share Awards to key management personnel

Out of the 39,561,675 shares of the 2023 Share Award Scheme (defined in Note 36), 36,140,678 Share Awards were granted to eight key management personnel of the Group (including directors, chief executive officer and other senior executives) during the year ended 31 December 2023 with share-based payment expenses amounting to RMB56,981,000 (included in note(e) above).

Out of the 21,941,949 shares of the 2022 Share Award Scheme (defined in Note 36), 18,514,833 Share Awards were granted to four key management personnel of the Group (including directors, chief executive officer and other senior executives) during the year ended 31 December 2022 with share-based payment expenses amounting to RMB22,324,000 (included in note(d) above).

36. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share Option Scheme

A share option scheme was approved and adopted by the Company on 5 June 2019 (the "**Share Option Scheme**"). The Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of shares as the Board may determine to an employee (whether full time or part-time) or a director of a member of the Group or associated companies of the Company ("**Eligible Persons**").

The purpose of the Share Option Scheme is to incentivize and reward the Eligible Persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and 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 125,600,000 shares, or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

No options shall be granted to any Eligible Person under the Share Option Scheme and any other share option schemes of the Company which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the shares in issue at such date or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion.

36. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share Option Scheme (Continued)

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme.

No dividends (including distributions made upon the liquidation of the Company) will be payable and no voting rights will be exercisable in relation to an option that has not been exercised. The shares allotted and issued on the exercise of an option will rank equally in all respects with the shares in issue on the date of allotment. They will not rank for any rights attaching to shares by reference to a record date preceding the date of allotment.

If an option-holder ceases to be an Eligible Person by reason of (i) his employer terminating his contract of employment in accordance with its terms or any right conferred on his employer by law, or (ii) his contract of employment, being a contract for a fixed term, expiring and not being renewed, or (iii) his employer terminating his contract for serious or gross misconduct, then any outstanding offer of an option and all options, vested or unvested, will lapse on the date the option-holder ceases to be an Eligible Person.

On 14 November 2019, the Company granted share options (the "**Share Options**") under the Share Option Scheme to 58 eligible employees to subscribe for a total of 62,360,000 ordinary shares of US$0.000005 each in the Company. The estimated fair value of the Share Options granted was HK$47,452,000 (equivalent to RMB42,508,000). The vesting terms of the Share Options for each grantee is as below:

(1) 30% of the total number of Share Options shall be vested on 14 November 2020;

(2) 40% of the total number of Share Options shall be vested on 14 November 2021;

(3) 30% of the total number of Share Options shall be vested on 14 November 2022.

The exercise price is determined by the directors of the Company, and will not be less than the highest of: (i) the closing price of HK$2.07 per share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 14 November 2019, (ii) the average closing price of HK$2.09 per share as stated in the daily quotation sheets issued by the Stock Exchange for the five 5 business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of US$0.000005 per share.

Up to 30 September 2021, 1,600,000 Share Options granted to two option grantees were lapsed due to the termination of their employment with the Company and 60,760,000 Share Options remained outstanding (the "**Outstanding Existing Options**"). None of the Share Options were exercised by the option grantees as at 30 September 2021. The Board resolved to cancel the Outstanding Existing Options with effect from 30 September 2021 and details are disclosed in Note 36(b).

36. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Compensating Share Awards

The Board resolved to cancel the Outstanding Existing Options with effect from 30 September 2021 in accordance with the terms of the Share Option Scheme with respect to cancellation of options granted but not exercised, at the request of the Option Grantees other than the two grantees whose share options have lapsed (the "**Remaining Option Grantees**"). The Company obtained consent and mutually agreed with each of the Remaining Option Grantees with respect to the arrangement and compensation for the cancellation of the Outstanding Existing Options.

As compensation for the cancellation of the Outstanding Existing Options and in accordance with the mutual agreement with each of the individual Remaining Option Grantees, the Board resolved to compensate the Remaining Option Grantees with the grant of Share Awards (the "**Compensating Share Awards**") calculated based on the number of Outstanding Existing Options held by individual Remaining Option Grantees. Each Outstanding Existing Option held by individual Remaining Option Grantees can be compensated with 0.35, 0.50 or 0.8333 Compensating Share Awards depending on the department or product unit in which the Remaining Option Grantee serves, his seniority and his past contribution to the Group, as follow:

- 26,510,000 Outstanding Existing Options held by 26 Remaining Option Grantees were compensated by the grant of 9,278,500 Compensating Share Awards representing the same number of underlying Shares at the compensation ratio of one Outstanding Existing Option to 0.35 Compensating Share Award;

- 33,050,000 Outstanding Existing Options held by 29 Remaining Option Grantees were compensated by the grant of 16,525,000 Compensating Share Awards representing the same number of underlying Shares at the compensation ratio of one Outstanding Existing Option to 0.5 Compensating Share Award, and;

- 1,200,000 Outstanding Existing Options held by one Remaining Option Grantee were compensated by the grant of 1,000,000 Compensating Share Awards representing the same number of underlying Shares at the compensation ratio of one Outstanding Existing Option to approximately 0.8333 Compensating Share Award.

As a result, a total of 26,803,500 Compensating Share Awards representing the same number of underlying Shares were granted as compensation for the cancellation of the Outstanding Existing Options (the "**Compensation Grant**").

The vesting date of the Compensation Grant for each grantee:

(1) 40% of the total number of Share Awards shall be vested on 30 April 2022;

(2) 30% of the total number of Share Awards shall be vested on 30 April 2023; and

(3) 30% of the total number of Share Awards shall be vested on 30 April 2024.

36. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Compensating Share Awards (Continued)

Other vesting conditions of the Share Award Scheme are as follows:

(1) In respect of the vesting on 30 April 2022, (a) the Company's consolidated revenue for the year ending 31 December 2021 shall increase by 10% or more as compared with the consolidated revenue for the year ended 31 December 2020; (b) the Company's operating profit for the year ending 31 December 2021 shall account for not less than 75% of the Company's total profit for the same year; and (c) the individual grantee shall pass the annual personal performance appraisal for the year ending 31 December 2021;

(2) In respect of the vesting on 30 April 2023, (a) the Company's consolidated revenue for the year ending 31 December 2022 shall increase by 15% or more as compared with the consolidated revenue for the year ended 31 December 2020; (b) the Company's operating profit for the year ending 31 December 2022 shall account for not less than 75% of the Company's total profit for the same year; and (c) the individual grantee shall pass the annual personal performance appraisal for the year ending 31 December 2022; and

(3) In respect of the vesting on 30 April 2024, (a) the Company's consolidated revenue for the year ending 31 December 2023 shall increase by 20% or more as compared with the consolidated revenue for the year ended 31 December 2020; (b) the Company's operating profit for the year ending 31 December 2023 shall account for not less than 75% of the Company's total profit for the same year; and (c) the individual grantee shall pass the annual personal performance appraisal for the year ending 31 December 2023.

Details of specific vesting date and movements of the Compensation Grant are as follows:

	Outstanding at 1/1/2023	Lapsed during the year	Vested during the year	Outstanding at 31/12/2023
Shares vested on 30 April 2022	—	—	—	—
Shares vested on 30 April 2023	6,339,000	365,250	5,973,750	—
Shares vested on 30 April 2024	6,339,000	801,000	—	5,538,000
	12,678,000	1,166,250	5,973,750	5,538,000

36. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Compensating Share Awards (Continued)

	Outstanding at and 1/1/2022	Lapsed during the year	Vested during the year	Outstanding at 31/12/2022
Shares vested on 30 April 2022	10,721,400	756,000	9,965,400	—
Shares vested on 30 April 2023	8,041,050	1,702,050	—	6,339,000
Shares vested on 30 April 2024	8,041,050	1,702,050	—	6,339,000
	26,803,500	4,160,100	9,965,400	12,678,000

As the management considered the Compensating Grant as replacement to the Share Option Scheme, the Company accounted for the Compensating Grant as a modification of the Share Option Scheme. The incremental fair value granted is the difference between the fair value of Compensating Share Awards and the fair value of the Outstanding Existing Options as at 30 September 2021. The Company adopted the market price of HK$2.15 per share to measure the fair value of Compensating Share Awards as at 30 September 2021 and used the Binomial Option-Pricing Model to calculate the fair value of Outstanding Existing Options as at 30 September 2021. The inputs used for measuring the fair value of Outstanding Existing Options as at 30 September 2021 were as follows:

The share price on 30 September 2021	HK$2.15 per share
Exercise price	HK$2.09 per share
Expected volatility	63.73%
Option life	3.10 years
Risk-free rate	0.44%
Dividend yield	0.00%
Exit rate	0%
Early Exercise Multiple	2.20

The resulting incremental fair value, amounting HK$7,710,000, was expensed or will be expensed over the respective modified vesting period between 30 September 2021 and the three vesting dates, i.e. 30 April 2022, 30 April 2023 and 30 April 2024, of Compensating Share Awards in the proportion of 40%, 30% and 30% respectively, in addition to the amount based on the grant date fair value of the original Share Option Scheme, which is recognized over the remainder of the original vesting period. During the year ended 31 December 2023, the Group recognized the share-based payment expense of nil (2022: RMB4,682,000) in relation to the original Share Option Scheme and RMB564,000 (2022: RMB3,001,000) in relation to the incremental fair value.

The number of the Share Options and Compensating Share Awards granted expected to vest is based on the directors' best estimate on the expected percentage of the 56 eligible employees that will remain in employment with the Group at the end of the vesting period and the probability of meeting the performance conditions.

36. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(c) 2021 Share Award Scheme

On 30 September 2021, the Board resolved to grant a total of 600,000 share awards to two grantees pursuant to the Share Award Scheme (the "2021 Share Award Scheme") to recognize their contributions to the growth of the Group and to incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group.

The vesting date of the 2021 Share Award Scheme for each grantee:

- 40% of the total number of Share Awards shall be vested on 30 April 2022;
- 30% of the total number of Share Awards shall be vested on 30 April 2023; and
- 30% of the total number of Share Awards shall be vested on 30 April 2024.

Other vesting conditions of the 2021 Share Award Scheme are as follows:

(1) In respect of the vesting on 30 April 2022, (a) the Company's consolidated revenue for the year ending 31 December 2021 shall increase by 10% or more as compared with the consolidated revenue for the year ended 31 December 2020; (b) the Company's operating profit for the year ending 31 December 2021 shall account for not less than 75% of the Company's total profit for the same year; and (c) the individual grantee shall pass the annual personal performance appraisal for the year ending 31 December 2021;

(2) In respect of the vesting on 30 April 2023, (a) the Company's consolidated revenue for the year ending 31 December 2022 shall increase by 15% or more as compared with the consolidated revenue for the year ended 31 December 2020; (b) the Company's operating profit for the year ending 31 December 2022 shall account for not less than 75% of the Company's total profit for the same year; and (c) the individual grantee shall pass the annual personal performance appraisal for the year ending 31 December 2022; and

(3) In respect of the vesting on 30 April 2024, (a) the Company's consolidated revenue for the year ending 31 December 2023 shall increase by 20% or more as compared with the consolidated revenue for the year ended 31 December 2020; (b) the Company's operating profit for the year ending 31 December 2023 shall account for not less than 75% of the Company's total profit for the same year; and (c) the individual grantee shall pass the annual personal performance appraisal for the year ending 31 December 2023.

36. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(c) 2021 Share Award Scheme (Continued)

Details of specific vesting date and movements of 2021 Share Award Scheme are as follows:

	Outstanding at 1/1/2023	**Vested during the year**	**Outstanding at 31/12/2023**
Shares vested on 30 April 2023	**—**	**—**	**—**
Shares vested on 30 April 2023	**180,000**	**180,000**	**—**
Shares vested on 30 April 2024	**180,000**	**—**	**180,000**
	360,000	**180,000**	**180,000**

	Outstanding at 1/1/2022	Vested during the year	Outstanding at 31/12/2022
Shares vested on 30 April 2022	240,000	240,000	—
Shares vested on 30 April 2023	180,000	—	180,000
Shares vested on 30 April 2024	180,000	—	180,000
	600,000	240,000	360,000

The directors of the Company estimated the fair values of the above shares on the grant date. The fair value of the shares held for the 2021 Share Award Scheme was determined using the market price of HKD2.15 per share as at 30 September 2021, the aggregate fair value of the shares held for the 2021 Share Award Scheme was assessed to be HK$1,290,000 (equivalent to RMB1,075,000). During the year ended 31 December 2023, the Group recognized the share-based payment expenses of RMB102,000 in relation to the 2021 Share Award Scheme (2022: RMB591,000).

On 16 November 2021, the Company allotted and issued 27,403,500 new shares to Futu Trustee, which was appointed as an independent trustee of the share award scheme of the Company, at par value of US$0.000005 each with the consideration amounting to RMB1,000 being funded by shareholders for the Compensation Grant and the 2021 Share Award Scheme. The shares were regarded as treasury shares before vesting and had been deducted from shareholders' equity, the costs of these shares totaling RMB1,000 were credited to "other reserve" as deemed contribution from shareholders.

During the year ended 31 December 2023, 5,973,750 shares (2022: 9,965,400 shares) relating to Compensating Share Awards and 180,000 shares (2022: 240,000 shares) relating to 2021 Share Award Scheme vested were transferred to the grantees and the remaining treasury shares was 11,044,350 shares (2022: 17,198,100 shares) as at 31 December 2023.

36. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(d) 2022 Share Award Scheme

The Board resolved to grant a total of 9,941,949 share awards to 14 grantees and a total of 12,000,000 share awards to 1 grantee on 31 March 2022 and 8 July 2022 respectively, pursuant to the Share Award Scheme (the "**2022 Share Award Scheme**") to recognize their past contributions to the growth of the Group and to incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group. These awarded shares were vested on 31 March 2022 and 8 July 2022 respectively. The fair value of the shares held for the 2022 Share Award Scheme was determined using the market price of HKD1.42 per share and HKD1.39 per share as at the respective grant date, the aggregate fair value of the shares held for the 2022 Share Award Scheme was HK$14,118,000 (equivalent to RMB11,731,000) and HK$16,680,000 (equivalent to RMB14,330,000) and was recognized as the share-based payment expenses in the year of 2022.

(e) 2023 Share Award Scheme

On 9 May 2023, 10 October 2023 and 10 November 2023, the Board resolved to grant a total of 19,311,675, 19,000,000 and 1,250,000 share awards to 21, 1 and 1 grantees respectively pursuant to the Share Award Scheme (the "**2023 Share Award Scheme**") to recognize their contributions to the growth of the Group and to incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group. The awarded shares are vested on the grant date. During the period ended 31 December 2023, the Group recognized the share-based payment expenses of RMB61,791,000 in relation to the 2023 Share Award Scheme.

The above 39,561,675 awarded shares in total relating to 2023 Share Award Scheme granted during the current year was settled by the shares repurchased by the Company on the open market through Futu Securities (as detailed in note ii to the consolidated statement of changes in equity). As at 31 December 2023, 4,272,376 shares (2022: 20,320,051 shares) was held by Futu Securities as treasury shares.

37. 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 *RMB'000*
As at 1 January 2022	30,707
Financing cash flows	(11,770)
New leases entered	4,380
Interest on lease liabilities	1,550
Early termination of a lease	(2,788)
Disposal of subsidiaries	(4,274)
As at 31 December 2022	**17,805**
Financing cash flows	**(11,580)**
New leases entered	**17,202**
Interest on lease liabilities	**1,016**
Early termination of a lease	**(3,689)**
As at 31 December 2023	**20,754**

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Names of subsidiaries	Place and date of incorporation/ operation	Paid up issued/ registered capital	Equity interest attributable to the Group as at 31 December 2023	2022	Principal activities
Directly held:					
Homeland Investment Co., Ltd.	British Virgin Islands 7 May 2018	US$0.1	100%	100%	Investment holding
Indirectly held:					
Homeland Entertainment & Technology Limited	Hong Kong 4 June 2018	HK$100	100%	100%	Investment holding
Homeland PRC *(note i)*	PRC, 7 August 2018	US$1,000,000	100%	100%	Software development
Yaotang Shenzhen *(note i)*	PRC, 16 November 2021	RMB10,000,000	100%	100%	Software development and technical services
Jilin Haiqi *(note i)*	PRC, 31 August 2022	RMB1,000,000	100%	100%	Software development and technical services
Yaotang Xiamen *(note i)*	PRC, 23 December 2022	RMB10,000,000	100%	100%	Software development and technical services
Controlled through contractual arrangement:					
Jiaxiang Interactive *(note i)*	PRC, 31 August 2015	RMB10,000,000	100%	100%	Development, publication and operation of mobile games
Jilin Xinze *(note i)*	PRC, 13 November 2009	RMB10,000,000	100%	100%	Development, publication and operation of mobile games
Xiamen Youcheng Interactive Network Technology Co., Ltd (Xiamen Youcheng) *(note i, note ii)*	PRC, 22 November 2017	RMB1,000,000	40%	60%	Development, publication and operation of mobile games

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(Continued)

note i: The entity is PRC limited liability company.

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

All subsidiaries now comprising the Group are limited liability companies and have adopted 31 December as their financial year end date.

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during the reporting period.

note ii: On 31 August 2023, the Group disposed 20% of equity interests in Xiamen Youcheng to two individual shareholders with a total consideration of RMB2,000,000. On the same day of the disposal, the Group signed Concerted Actions Agreement with the shareholder who held 30% of equity interests of Xiamen Youcheng, who agreed to act in concert with the Group in all of the decisions about the relevant activities such as operation plan and profit distribution plan. As a result, the Group have control on 70% of the equity interests and therefore have retained the control over Xiamen Youcheng after the disposal. The difference between the consideration received and 20% of the net assets of Ximen Youcheng on the disposal date, amounting RMB519,000, was recorded as an equity transaction in other reserves.

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2023	2022
	RMB'000	*RMB'000*
Non-current asset		
Investments in subsidiaries	**216,489**	154,032
Right of use assets	**164**	—
	216,653	154,032
Current assets		
Financial assets at FVTPL	**19,617**	16,827
Prepayments and other receivables	**11,465**	14,840
Amounts due from subsidiaries	**9,553**	1,323
Cash and cash equivalents	**102,474**	91,559
	143,109	124,549
Current liabilities		
Other payables	**952**	735
Amounts due to subsidiaries	**339,539**	278,644
Lease Liabilities	**172**	—
	340,663	279,379
Net current liabilities	**(197,554)**	(154,830)
	19,099	(798)
Capital and reserves		
Share capital	**42**	42
Reserves	**19,057**	(840)
	19,099	(798)

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Details of the movement in the Company's reserves are set out below:

	Share premium RMB'000	Share held for Share Award Scheme RMB'000	Other reserve RMB'000	Share-based payments reserve RMB'000	Retained earning (Accumulated losses) RMB'000	Total RMB'000
As at 1 January 2022	113,551	(16,594)	4	37,627	(38,535)	96,053
Profit and total comprehensive income for the year	—	—	—	—	6,210	6,210
Recognition of share-based payment expenses under the Share Option Scheme and the incremental fair value under the Compensation Grant *(defined in Note 36)*	—	—	—	7,683	—	7,683
Recognition of share-based payment expenses under the 2021 Share Award Scheme *(defined in Note 36)*	—	—	—	591	—	591
Recognition of share-based payment expenses under the 2022 Share Award Scheme *(defined in Note 36)*	—	—	—	26,061	—	26,061
Share-based payment expenses related to the share options forfeited after the vesting date	—	—	—	(5,223)	5,223	—
Vesting of award shares under the Compensation Grant, the 2021 Share Award Scheme and the 2022 Share Award Scheme	10,516	30,754	—	(41,270)	—	—
Dividends recognized as distribution	(92,857)	—	—	—	—	(92,857)
Repurchase of shares	—	(44,581)	—	—	—	(44,581)
As at 31 December 2022	**31,210**	**(30,421)**	**4**	**25,469**	**(27,102)**	**(840)**
Profit and total comprehensive income for the year	**—**	**—**	**—**	**—**	**161,622**	**161,622**
Recognition of share-based payment expenses under the Share Option Scheme and the incremental fair value under the Compensation Grant *(defined in Note 36)*	**—**	**—**	**—**	**564**	**—**	**564**
Recognition of share-based payment expenses under the 2021 Share Award Scheme *(defined in Note 36)*	**—**	**—**	**—**	**102**	**—**	**102**
Recognition of share-based payment expenses under the 2023 Share Award Scheme *(defined in Note 36)*	**—**	**—**	**—**	**61,791**	**—**	**61,791**
Share-based payment expenses related to the share options forfeited after the vesting date	**—**	**—**	**—**	**(2,866)**	**2,866**	**—**
Vesting of award shares under the Compensation Grant, the 2021 Share Award Scheme and the 2023 Share Award Scheme	**8,953**	**62,229**	**—**	**(71,182)**	**—**	**—**
Dividends recognized as distribution	**—**	**—**	**—**	**—**	**(162,823)**	**(162,823)**
Repurchase of shares	**—**	**(41,359)**	**—**	**—**	**—**	**(41,359)**
As at 31 December 2023	**40,163**	**(9,551)**	**4**	**13,878**	**(25,437)**	**19,057**

40. CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital risk 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 enhance shareholders' value in the long term.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group's capital risk is low.

Financial risk management

Categories of financial instruments

	2023	2022
	RMB'000	*RMB'000*
Financial assets		
Financial assets measured at amortized cost	**1,782,256**	1,504,728
Financial assets at FVTPL	**128,950**	91,243
Equity instruments at FVTOCI	**1,499**	5,808
Financial liabilities		
Financial liabilities measured at amortized cost	**28,807**	35,967

The Group's major financial instruments include rental and other deposits, equity instruments at FVTOCI, trade receivables, financial assets at FVTPL, other receivables, cash and cash equivalents, other payables, derivative financial liabilities and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign exchange risk and interest rate risk, other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below.

The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

40. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management (Continued)

Market risk

Foreign exchange risk

The Group has certain cash and cash equivalents denominated in HK$, US$, EUR$ and SG$ (2022: HK$, US$, EUR$ and SG$), and is exposed to foreign exchange risk arising from foreign currency exchange rate fluctuation, primarily with respect to HK$, US$, EUR$ and SG$. The Group currently does not hedge transactions undertaken in foreign currencies but manages its exposure through constant monitoring to limit as much as possible the amount of its foreign currency exposure. Foreign exchange risk arises when future commercial transactions and recognized assets are denominated in a currency that is not the entity's functional currency. The Group's finance department is responsible for monitoring and managing the net position in each foreign currency.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	2023 *RMB'000*	2022 *RMB'000*
US$	75,380	38,895
HK$	41,000	64,547
EUR$	120	891
SG$	1,807	350

The following table details the Group's sensitivity to a 5% (2022: 5%) increase and decrease in RMB against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2022: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB weaken 5% (2022: 5%) against the relevant currency. For a 5% (2022: 5%) strengthening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and the amounts below would be negative.

	Impact	
	2023 *RMB'000*	2022 *RMB'000*
Profit	5,915	5,234

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

40. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management (Continued)

***Market risk** (Continued)*

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group cash flow interest rate is mainly concentrated on the fluctuation of interest rates on bank balances. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management considers that the exposure of fair value interest rate risk in relation to lease liabilities and cash flow interest rate risk arising from variable-rate bank balances is insignificant. No sensitivity analysis is presented accordingly.

Other price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTOCI and FVTPL. The Group invested in certain unquoted equity securities for investees operating in mobile game development and operation industry sector for long term strategic purposes which had been designated as FVTOCI. The Group invested in listed and unlisted securities which are classified as FVTPL in order to increase the return on investments. Each investment is managed by senior management on a case by case basis.

The sensitivity analysis has been determined based on the exposure to equity price risk at the reporting date. If the fair value of the listed equity investments had been 5% higher/lower, the profit for the year ended 31 December 2023 would increase/decrease by RMB1,741,000 (2022: RMB1,252,000) as a result of the changes in the market quoted price. If the fair value of the remaining unlisted investments had been 5% higher/lower, the profit and the other comprehensive income for the year ended 31 December 2023 would increase/decrease by RMB4,707,000 (2022: RMB2,729,000) and RMB75,000 (2022: RMB247,000) as a result of the changes in fair value of investments at FVTPL and FVTOCI respectively.

Credit risk

The Group is mainly exposed to credit risk in relation to its trade receivables, other receivables, loans to associates, loans to employees, rental and other deposits as well as bank balances.

The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

40. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management (Continued)

Credit risk *(Continued)*

Trade receivables

The Group performs impairment assessment under ECL model on trade balances individually. Trade receivables with gross carrying amount of RMB150,527,000 (2022: RMB192,949,000) as at 31 December 2023 were due from the third-party games distribution channels, third-party payment vendors and advertisement agents in cooperation with the Group. If the co-operative relationships with the distribution channels, third-party payment vendors and advertisement agents are deteriorated or terminated; or if the distribution channels, third-party payment vendors and advertisement agents alter the co-operative arrangements; or if they experience financial difficulties in paying the Group, the Group's trade receivables might be adversely affected in terms of recoverability. To manage this risk, the Group maintains frequent communications with the distribution channels, third-party payment vendors and advertisement agents to ensure the effective credit control are in place. In view of the history of cooperation with the distribution channels, third-party payment vendors and advertisement agents and the sound collection history of receivables due from them, the directors of the Company believe that the credit risk inherent in the Group's outstanding trade receivable balances due from the distribution channels, third-party payment vendors and advertisement agents is low, accordingly, no impairment is made during the reporting period.

Receivables for disposal of subsidiaries/associates

For receivables for disposal of subsidiaries/associates with an aggregate gross carrying amount of RMB137,672,000 (2022: RMB96,584,000), management makes individual assessment on the recoverability of such receivables based on historical settlement records, taken into consideration of those early repayments set out in note 12 and 19(i), and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balances, of receivables for disposal of subsidiaries/associates.

Loans to associates/employees/third parties, other receivables and rental and other deposits

For loans to associates, other receivables and rental and other deposits with an aggregate gross carrying amount of RMB90,389,000 (2022: RMB23,700,000), management makes individual assessment on the recoverability of receivables and rental and other deposits based on historical settlement records and past experience. For loans to employees with an aggregate gross carrying amount of RMB37,755,000 (2022: RMB17,407,000), management makes individual assessment on the recoverability based on the salaries, bonus, other benefits in kind and exercisable share awards. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balances of loans to associates/employees, other receivables and rental and other deposits.

For loans to third parties with gross carrying amount of RMB33,846,000 (2022: RMB18,172,000), management also make individual assessment on the recoverability by considering the profit forecast of the debtors and determined that lifetime credit losses amounted to RMB8,851,000 was recognized in the current year (2022: RMB5,386,000).

40. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management (Continued)

Credit risk *(Continued)*

Loans to associates/employees/third parties, other receivables and rental and other deposits (Continued)

The Group considers the probability of default upon initial recognition of financial assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period regarding to the receivables for disposal of subsidiaries/associates, loans to associates/employees/third parties, other receivables and rental and other deposits. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available. Forward-looking information considered includes debtor's credit rating and its business, financial or economic conditions which are expected to cause a significant decrease in debtor's ability to meet its obligation. The management has assessed that there has been no significant increase in credit risk since initial recognition and credit risk of default is insignificant, and therefore, no impairment has been recognized during the reporting period.

Bank balances

Credit risk on bank balances with gross carrying amount of RMB1,340,918,000 (2022: RMB1,163,316,000) is limited because the counterparties are reputable state-owned and local banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant.

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.

40. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management (Continued)

Liquidity risk *(Continued)*

The table below analyses the Group's non-derivative and derivative financial liabilities and lease 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 %	On demand or less than 1 year *RMB'000*	1–2 years *RMB'000*	2–5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount *RMB'000*
As of 31 December 2023						
Other payables	—	28,807	—	—	28,807	28,807
Lease liabilities	5.36	9,641	7,812	5,912	23,365	20,754
Total		33,648	7,812	5,912	47,372	44,762

	Weighted average interest rate %	On demand or less than 1 year *RMB'000*	1–2 years *RMB'000*	2–5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount *RMB'000*
As of 31 December 2022						
Other payables	—	35,967	—	—	35,967	35,967
Lease liabilities	6.65	11,765	7,818	—	19,583	17,805
Total		47,732	7,818	—	55,550	53,772

41. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Some of the Group's financial assets and 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 liabilities are determined (in particular, the valuation technique(s) and inputs used).

41. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

Fair value hierarchy as at 31/12/2023	**Level 1** *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Equity instruments at FVTOCI	**—**	**1,499**	**—**	**1,499**
Financial assets at FVTPL	**34,819**	**—**	**94,131**	**128,950**

Fair value hierarchy as at 31/12/2022	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Equity instruments at FVTOCI	—	—	5,808	5,808
Financial assets at FVTPL	29,463	61,780	—	91,243

Financial assets/ Financial liabilities	**Fair value as at 31/12/2023**	Fair value as at 31/12/2022	**Fair value hierarchy**	**Valuation technique and key inputs**	**Significant unobservable input**
Financial assets at FVTPL	**Equity securities listed in SSE- RMB34,819,000**	Equity securities listed in SSE- RMB29,463,000	Level 1 (31/12/2022: Level 1)	Quoted market price (31/12/2022: Quoted market price)	N/A (31/12/2022: N/A)
	Private fund — RMB62,599,000	Private fund — RMB31,780,000	Level 3 (31/12/2022: Level 2)	Asset-based approach (31/12/2022: Recent transaction approach)	Asset value with reference to the underlying assets of the funds (31/12/2022: N/A)
	10 percent interest in a partnership engaged in investments on the consumer industry, corporate services and entertainment sectors — RMB31,532,000	10 percent interest in a partnership engaged in investments on the consumer industry, corporate services and entertainment sectors — RMB30,000,000		Asset-based approach (31/12/2022: Recent transaction approach)	Recent transaction price of the similar assets as the underlying assets of the funds (31/12/2022: N/A)

41. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets/ Financial liabilities	Fair value as at 31/12/2023	Fair value as at 31/12/2022	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable input
Equity Instruments at FVTOCI	**19 percent equity interest in Shanghai Wenting Network Technology Ltd. engaged in research and development of online games — RMB0**	19 percent equity interest in Shanghai Wenting Network Technology Ltd. engaged in research and development of online games — RMB0	N/A (31/12/2022: Level 3)	N/A (31/12/2022: Asset-based approach)	N/A (31/12/2022: Value of the net assets)
	1.79 percent equity interest in West Bull Securities Limited engaged in security investment-RMB0	1.79 percent equity interest in West Bull Securities Limited engaged in security investment-RMB5,808,000	Level 3 (31/12/2022: Level 3)	Revenue multiples approach (31/12/2022: Revenue multiples approach)	Revenue multiples on comparable companies: 3.0; discounts for lack of marketability: 25% (31/12/2022: Revenue multiples on comparable companies: 13.9; discounts for lack of marketability: 7%)
	5 percent equity interest in Spirejoy Pte. Ltd. engaged in security investment-RMB1,499,000	N/A	Level 2 (31/12/2022: Level N/A)	Recent transaction approach (31/12/2022: N/A)	N/A (31/12/2022: N/A)

41. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

(ii) Reconciliation of Level 3 fair value measurements

	Equity instruments at FVTPL	
	2023	2022
	RMB'000	*RMB'000*
At 1 January	**—**	—
Purchase	**28,000**	—
Transfer to level 3	**61,780**	—
Gain from changes in fair value	**4,351**	—
At 31 December	**94,131**	—

	Equity instruments at FVTOCI	
	2023	2022
	RMB'000	*RMB'000*
At 1 January	**5,808**	10,146
Purchase	**—**	6,665
Disposal	**—**	(857)
Transfer to investments in associates	**—**	(400)
Total losses:		
— in other comprehensive expense	**(5,808)**	(9,746)
At 31 December	**—**	5,808

	Derivative financial liabilities	
	2023	2022
	RMB'000	*RMB'000*
At 1 January	**—**	(25,370)
Total gains:		
— in other gains and losses	**—**	14,342
Settlement of the Dividend Restriction Clause *(Note 19)*	**—**	11,028
At 31 December	**—**	—

41. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

(ii) Reconciliation of Level 3 fair value measurements (Continued)

Of the total gains or losses for the year included in profit or loss, no gains or losses (2022: RMB14,342,000) relates to derivative financial liabilities at the end of the current reporting period. Fair value gains or losses on derivative financial liabilities are included in 'other gains and losses'.

Included in other comprehensive income is an amount of RMB5,808,000 loss (2022: RMB9,746,000 loss) relating to unlisted equity securities classified as equity instruments at FVTOCI held at the end of the current reporting period and is reported as fair value through other comprehensive reserve.

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis.

The directors of the Company consider that the carrying amounts of the Group's financial assets and liabilities measured at amortized cost approximate their fair values.

42. COMMITMENT

	31/12/2023	31/12/2022
	RMB'000	*RMB'000*
Commitments to contribute funds to financial assets at FVTPL	**70,000**	70,000
investment in associates	**9,800**	—
investment in joint ventures	**20,000**	—
Total	**99,800**	70,000

43. EVENTS AFTER THE REPORTING PERIOD

On 22 March 2024, the Group entered into New Contractual Arrangements through Yutai Shenzhen Network Technology Limited with Jilin Yutai, Mr. Wu, Mr. Guo and Shenzhen Jiaxiang Weilai Network Technology Co., Ltd. ("**Jiaxiang Weilai**"), among others, to establish an independent framework. This framework enables the Group to recognize and receive the economic benefits from Jiaxiang Weilai's businesses and operations and allows the Company to effectively control and have the right, to the extent permitted by the laws of the PRC, to acquire the equity interests in Jiaxiang Weilai owned by Jilin Yutai or the assets of Jiaxiang Weilai. The Group entered into the New Contractual Arrangements, with a view to establishing new contractual structure for companies within the non-card and board game business segment that are engaged in businesses where foreign ownership is prohibited.