iDreamSky Technology Holdings Limited
创梦天地科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1119

ANNUAL REPORT
2023

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Xiangyu
(Chairman of the Board and Chief Executive Officer)
Mr. Guan Song
Mr. Jeffrey Lyndon Ko
Mr. Yang Jialiang
(Appointed on 30 August 2023)

Non-executive Directors

Mr. Ma Xiaoyi
(Resigned on 30 August 2023)
Mr. Zhang Han
Mr. Yao Xiaoguang
(Resigned on 30 August 2023)
Mr. Chen Yu
(Resigned on 30 August 2023)
Mr. Yang Ming
(Appointed on 30 August 2023)

Independent Non-executive Directors

Ms. Yu Bin
Mr. Li Xintian
Mr. Zhang Weining
Mr. Mao Rui

Audit Committee

Mr. Zhang Weining *(Chairman)*
Mr. Zhang Han
Ms. Yu Bin
Mr. Li Xintian

Nomination Committee

Mr. Chen Xiangyu *(Chairman)*
Mr. Guan Song
Ms. Yu Bin
Mr. Li Xintian
Mr. Zhang Weining

Remuneration and Appraisal Committee

Ms. Yu Bin *(Chairman)*
Mr. Jeffrey Lyndon Ko
Mr. Yang Jialiang
(Appointed on 30 August 2023)
Mr. Li Xintian
Mr. Zhang Weining

Strategy Committee

Mr. Chen Xiangyu *(Chairman)*
Mr. Guan Song
Mr. Jeffrey Lyndon Ko
Mr. Ma Xiaoyi
(Resigned on 30 August 2023)
Mr. Yao Xiaoguang
(Resigned on 30 August 2023)
Mr. Chen Yu
(Resigned on 30 August 2023)
Mr. Yang Ming
(Appointed on 30 August 2023)
Mr. Zhang Weining
Mr. Mao Rui

AUTHORIZED REPRESENTATIVES

Mr. Guan Song
Ms. Ng Ka Man (ACG, HKACG)

JOINT COMPANY SECRETARIES

Ms. Tang Xu
Ms. Ng Ka Man (ACG, HKACG)

LEGAL ADVISOR

As to Hong Kong law:
Clifford Chance
27/F, Jardine House
1 Connaught Place
Central, Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
10 Chater Road, Central, Hong Kong

REGISTERED OFFICE

The offices of Maples Corporate Services Limited
P.O. Box 309, Ugland House
Grand Cayman KY1-1104
Cayman Islands

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Shenzhen
Guangdong Province
PRC

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PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited
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Grand Cayman KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Shanghai Pudong Development Bank
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1/F and 2/F, Block B
International Chamber of Commerce Building
138 Fuhua Yi Road
Futian District
Shenzhen
Guangdong Province
PRC

Bank of China
Zhongxing Sub-branch
West Side, 1/F, ZTE R&D Building
13 Gaoxin South Road Four
Nanshan District
Shenzhen
Guangdong Province
PRC

COMPANY'S WEBSITE

www.idreamsky.com

STOCK CODE

1119

DATE OF LISTING

6 December 2018

Financial Highlights

	For the year ended 31 December				
	2019	2020	2021	2022	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Restated)	***RMB'000***
Revenues	2,792,970	3,212,118	2,637,637	2,594,528	**1,916,473**
Gross profit	1,225,738	1,335,764	1,103,341	400,460	**673,461**
Profit/(loss) before income tax	390,585	(574,478)	(181,180)	(2,507,750)	**(470,357)**
Profit/(loss) for the year	360,397	(564,996)	(155,930)	(2,521,578)	**(456,830)**
Adjusted profit/(loss) for the year	553,211	162,253	110,799	(576,152)	**139,597**

Note: In order to maintain data comparability, the data for 2023 and 2022 is limited to the scope of continuing operations only, excluding the discontinued operations. Please refer to pages 167 to 168 of this annual report for the figures of the discontinued operations. To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted profit/loss for the year as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. Our adjusted profit/loss for the year was derived from our profit/loss for the year from continuing operations excluding share-based compensation expenses, fair value gains or losses on financial assets, impairment of investments in associates accounted for using the equity method, fair value changes on financial liabilities at fair value through profit or loss, interest expense on convertible bonds, adjustment of amortized cost of convertible bonds due to early redemption, impairment provision of goodwill resulting from a business combination, provision for impairment of intangible assets, provision for impairment of financial assets, provision for impairment of prepayments and net exchange gains/losses.

	As at 31 December				
	2019	2020	2021	2022	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Total assets	6,086,762	6,752,841	6,610,940	4,323,718	**3,707,673**
Total liabilities	2,141,169	3,037,000	2,401,698	2,529,176	**1,964,446**
Total equity	3,945,593	3,715,841	4,209,242	1,794,542	**1,743,227**

Dear investors and friends who care about iDreamSky,

In recent years, the game industry has had a positive impact on economic growth, cultural promotion and technological innovation and it is developing towards a more prosperous and healthy direction. As a member of the game industry, we are well aware of our mission to bring high-quality works to the market, penetrate into the daily lives of users, and serve as a bridge connecting the virtual and the real worlds. We contribute innovative thinking and strategies to the continuous optimization and efficient operation of the digital society. Furthermore, through games, a global common language, we showcase the essence and elegance of the Chinese culture to the world.

By closely following the development trend of the digital economy and focusing on the main business of games, we have **established a user-centered** game ecosystem **with the operation of high-quality games as the core**. Leveraging advanced technology and computing platforms, we have, by carefully polishing character settings, world-building, storylines, and innovative gameplay, successfully **developed and published a number of globally renowned game products, and created influential user communities**.

Our three core competencies and advantages are as follows: first, we **have game IPs with a large user base and a long lifecycle**. Classic games such as "Subway Surfers (地鐵跑酷)", "Temple Run (神廟逃亡)", "Gardenscapes (夢幻花園)" and "Homescapes (夢幻家園)" have been online for 7 to 12 years and still maintain robust growth momentum; second, we **have global developing and operating capabilities**. We have transitioned from distribution to self-development and have accurately grasped the deep-level needs of users by integrating games with the community. Taking "Subway Surfers (地鐵跑酷)" for example, we have gradually accumulated experience from localization based on source code and ultimately transformed from distribution to self-development. At the same time, we are firmly committed to self-development and emphasize product differentiation. The self-developed product "Strinova (卡拉彼丘)", as the world's first anime style competitive shooting game, is about to be launched globally on multiple platforms; third, we have **built a community platform with a large number of users: Fanbook.** This platform deeply connects game developers and users, achieving efficient interaction and synergy between them. The flexible application and rapid deployment of in-app AI tools help us achieve application innovation in multiple dimensions and continuously improve the community's activeness and user stickiness.

BUSINESS REVIEW

Localization and Distribution of Globally Renowned IPs, Promoting Robust Growth of Long-running Games through Three Key Strategies

Over the past year, our long-running games have had a solid foundation and strong momentum, thanks to the high-quality content and excellent user service strategies: iteratively updating our content based on source code to continuously optimize and improve the gaming experience, collaboration with well-known IPs to attract more users, and enhancing user stickiness and activeness through the refined operation of Fanbook community. These three key strategies complement each other and help promote the steady growth of long-running games.

In 2023, the "Gardenscapes (夢幻花園)" and "Homescapes (夢幻家園)" made great achievements, with revenue increasing sharply by more than 50% year on year, hitting a record high since their launch. The "Gardenscapes (夢幻花園)" and "Homescapes (夢幻家園)" achieved an increase in both user size and health, fully demonstrating the excellent quality of this game series and our efficient operation capabilities.

This year, "Gardenscapes (夢幻花園)" released 10 new versions, each update bringing users a brand new gaming experience. Among them, 9 well-designed garden skins were particularly eye-catching, such as "Chinese mythology about peach of immortality (蟠桃獻瑞)", "Jiangnan Canal Town (江南水鄉)", "Twelve Constellations (十二星座)" and other localized original theme versions. Additionally, we also launched the public welfare theme version associated with the China Small Animal Protection Association, conveying positive energy and values to society.

"Subway Surfers (地鐵跑酷)", after ten years online, maintains its popularly and ranks top the iOS Download List in Mainland China. We insisted on monthly updates, and successfully launched 12 new versions in 2023, and brought diverse gameplay and surprises to users through the collaboration with classic IPs such as Ultraman (奥特曼) and Detective Conan (名偵探柯南), as well as Weibo. In addition, by leveraging the Fanbook community as the home ground, we carefully planned and launched a series of national competitive events, covering campus tournaments, live streamer tournaments, challenge tournaments and others, with the high-profile "Runner's Cup (跑神杯)" summit tournament as the grand finale, which provided a platform for the game enthusiasts to show themselves and engage in competition and communication.

"War Robots (機甲戰隊)" has rapidly risen to prominence since its release in China in January 2024 and ranked 7th in the shooting genre during the 2024 Chinese New Year, filling the gap of the realistic mech real-time combat game in the Chinese market. With our extensive publishing capabilities and strong operation capabilities of the Fanbook community, the game has not only won praise from users, but also achieved outstanding performance. In the first month of its launch in the Chinese region, more than 300 excellent works were received through creator solicitation activity, and these works have garnered tens of millions of views on the Douyin platform. In addition, the game won a high score of 4.7 on the App Store. These results fully prove the game's dual recognition in reputation and commercialization.

High-quality Delivery of Self-developed Games, Topping in the Segmented Markets

Dedicated to game self-development, we have successfully delivered a number of high-quality games, winning widespread market recognition and enthusiastic praise from users.

"Strinova (卡拉彼丘)" is a blockbuster product developed by us, with two most prominent features: shooting and anime. That is, on the one hand, it focuses on the segmented market of shooting genre; on the other hand, it integrates the anime art style and effect. By combining those two features, **"Strinova (卡拉彼丘)" filled in the current market gap and became the world's first anime competitive shooting game.**

On the date of the Pre-open Beta Test, the "Strinova (卡拉彼丘)" achieved first place on multiple Bilibili lists such as Reservation List and Shooting Genre Popularity Index List, and ranked steadily at the forefront of the WeGame Hot New Product List. In the subsequent official launch and Season 3, "Strinova (卡拉彼丘)" was even more overwhelming, topping the heat list of the Bilibili game center. During the period, the number of average DAUs of "Strinova (卡拉彼丘)" increased by more than 60%, the number of new users increased by 130%, the player retention increased by about 10%, the participation rate of new casual gameplay of "Push Mode (推車)" increased over 20% and the daily average online time per person exceeded 120 minutes. In addition, we have a plan for multi-platform deployment, and will bring this masterpiece to multiple platforms such as console and mobile in succession. With the continuous development and unlocking of new gameplay, new maps, new characters and other content, as well as the launch on multiple platforms globally, we firmly believe that "Strinova (卡拉彼丘)" has the potential to be a hit game.

This self-developed game has not only given us a firm foothold in the field of shooting games, but also, more importantly, we have successfully built a multi-platform global shooting technology pipeline and anime content pipeline through it. Meanwhile, we are also one of the leading companies in the industry to research and use the world's leading virtual engine to develop games, which is an important breakthrough with milestone significance for iDreamSky. Currently, our technology in shooting games has caught up with the industry-leading level. In the future, we will utilize our technological accumulations to create the most favorite shooting game products for young people. In terms of content pipeline, we have accumulated rich research and development experience in game world design, character shaping, music creation and other aspects through "Strinova (卡拉彼丘)". And the quality of our anime rendering pipeline, based on the UE4 game engine, has reached and even surpassed the level of industry leaders. These technological accumulations will lay a solid foundation for us to develop more new products rich in anime elements and satisfying the aesthetics of young users in the future.

In the past two years, "Glory All Stars (榮耀全明星)" has been ranking 1st among the side-scrolling ARPG mobile games, and the game is well in tune with the players' preferences. In 2023, 7 updated versions were launched for this game, including the introduction of the "Level 70 version (70級版本)", the "Dark Area Maze version (暗域迷宮版本)", and the "Dragon Spirit Warrior version (龍魂戰將版本)", all of which were highly acclaimed. It is worth mentioning that the collaboration with the well-known Chinese comic IP "the Overseas Immortal Mountain Chapter of Journey of the Young Vigilantes (少年歌行海外仙山篇)", which combined the classic elements of Chinese comics with the gameplay, has brought users a richer and more diverse game experience. Through "Glory All Stars (榮耀全明星)", we have built a closed-loop operation model of "release + livestream + content + user service", further enhancing the brand influence and market competitiveness of the game.

The domestic version of "Ni No Kuni: Cross Worlds (二之國：交錯世界)", which was officially launched on 28 February 2024, is a massive multiplayer online role-playing game jointly developed and operated by Netmarble, iDreamSky and Tencent. This game is built on the UE4 game engine, with a rich phantom monster system, known as an excellent masterpiece. In addition to advanced gameplay, this game has also maintained the classic elements of its series in music and art, presenting users with an adventure world full of surprises and fantasy.

Embracing AIGC, Fanbook Activates the Power of Communities

As a pioneer of the "Channel Community" concept, Fanbook has realized efficient interaction and collaboration between game content and users by deeply connecting them. Thanks to Fanbook, game developers are able to accurately capture user needs and focus on improving the quality of their products and services, while users are able to find like-minded enthusiasts, interact directly with game developers, and have the opportunity to participate in the game's development and distribution process.

Over the past year, Fanbook has supported the operation of tens of millions of users, realizing more efficient user-reach. It assists companies in improving operational efficiency by building operational block modules. The centralized management function for creators in Fanbook helps create more popular content, while the rapid deployment of AI tools enables multi-dimensional application innovation. This can not only provide an interactive community with new functions for game developers, but also promote the rapid development of the entire game industry.

By the end of 2023, Fanbook had added more than 10 million new users with more than 40,000 new communities, and the content creators community continued to expand. The number of views of the content created by these creators on major platforms exceeded 2 billion, fully demonstrating Fanbook's strong influence in the areas of game brand and user interaction, content innovation and sharing.

Embracing AI and Other Advanced Technologies to Drive Product Experience Upgrades

We closely embrace the cutting-edge AI technologies on a global scale, and actively explore the way of innovation and integration of AI in the gaming field by taking advantage of our own game, community scenario and developing capabilities.

In terms of efficiency and quality improvement, AI technology plays a significant role in the entire chain of organizational collaboration, product research and development, and operation, achieving efficiency improvements through intelligent means, while ensuring high-quality products and services.

In terms of user experience, AI has deeply occupied the users' minds. We have partnered with industry leaders such as Baichuan AI, we have successfully integrated AI companionship capabilities into the Fanbook community, providing players with a more colorful interaction experience. The "Xinghui (星繪)" character in the "Strinova (卡拉彼丘)" community is a typical representative of this. "Xinghui" is not only good at interpreting the emotion behind the text, but also can deeply resonate with the user in a unique way of the role, providing intimate companionship, thus significantly improving the user experience, extending the retention time of users, and enhancing user stickiness. The IP image of "Xinghui" is also deeply rooted in the hearts of players, becoming an unforgettable game partner for them.

In terms of content creation tools, we have integrated a comprehensive AI toolkit to provide strong support for creators. In the past year, we successfully held several AI creation events, attracting the active participation of more than 300,000 creators, and creating a total of more than 1 million high-quality AI works.

Lean Management Reduces Costs and Increases Efficiency, with Solid Growth in Operating Cash Flow

In recent years, in light of various factors such as the changes in the economic environment, the game industry and the Company, we have taken multiple measures to promote cost reduction and efficiency enhancement. We took the initiative to "suspend, shut down, merge and transfer" the non-core business, further optimized the organizational structure, focused on the core business, built four independent business lines, and made every effort to create high-quality products, which resulted in a robust growth in the revenue of core games. In addition, we have continuously deepen user operations through Fanbook community, increased the revenue and gross margin of our own channels, and improved the quality of revenue. The Company's cost reduction and efficiency enhancement initiatives have led to a continuous decrease in management and operating costs. In the future, we will continue to implement the concept of cost reduction and efficiency improvement in all aspects of the organization, promote the substantial improvement in corporate profits and operating cash flow, and pursue the maximization of long-term free cash flow.

In 2023, the net cash generated from operating activities in our consolidated financial statement was RMB253.0 million, representing a substantial increase over the net cash generated from operating activities of RMB93.9 million in the same period last year, mainly due to our focus on the revenue quality and operating cash flow. The existing core game business is growing steadily, and new game products are also being launched one after another. Our profitability and cash generation capabilities are very robust.

OUTLOOK FOR 2024

Global Market R&D and Operation, Ready to Soar in 2024

Looking forward, the domestic game market is still growing and the wave of games going overseas is accelerating. We will further enhance our global distribution, global deployment and independent R&D capabilities, continue our efforts in the domestic market while actively expanding the huge overseas incremental market, continuously increase the penetration rate of our products overseas, enhance our competitiveness and influence in the global market and promote the Chinese culture.

In 2024, we entered the Middle East market, exhibiting at the LEAP tech event in early March to give Saudi users a sneak peek at our gaming products represented by "Strinova (卡拉彼丘)". During the exhibition, we signed a memorandum of understanding with Saudi Cloud Computing Company, based on which we will integrate the technology and resources of both sides, and jointly promote the vigorous development of the game and esports industry in Saudi Arabia and the entire Middle East. With the continuous deepening of cooperation with outstanding local companies in Sauidi Aribia, we will attract more potential users and provide them with a better game performance and experience.

Localization of overseas high-quality game IPs for global distribution. With strong localization and distribution capabilities, we have not only achieved wide presence in the Chinese market, but also extended our vision and influence to the Middle East and even the rest of the world. In this process, we have, based on the principle of maximizing cost-effectiveness, promoted localization and globalization in an orderly manner.

In 2023, the casual games accounted for 5.11% of the overseas game market, becoming the fourth largest category. With an increase of 3.32% compared with 2022, it was the category with the largest growth in 2023. In the overseas market, the demand of a large number of players for casual and stress-relieving games remains unsatisfied, and there is great potential for the paying ability of overseas casual game players.

For "Subway Surfers (地鐵跑酷)", we will further explore its competitive potential, and help the international version to achieve online networking of the single-player game, so as to enhance user stickiness and extend the life cycle of the game. National competitive tournaments, such as campus tournaments, live streamer tournaments, and challenge tournaments, will also be held on an ongoing basis. In addition, we will collaborate with well-known IPs such as GG Bond (豬豬俠) and continue to drive product growth through the Fanbook community.

Our strong localization ability has won high recognition from developers and domestic users. Looking forward to 2024, we will export more localized high-quality versions to share with users around the world.

Enhancing game self-development and global operation. The global leading shooting products have a long life cycle, and the MAU in the past three years has basically remained stable. It is expected that "Strinova (卡拉彼丘)" will also become a long-running game. We plan to launch the mobile version in China in the second half of 2024, and launch the PC, mobile and console versions globally as soon as possible. To maintain the game's appeal, we have increased the frequency of version updates to one season every two months, and will continue to bring new characters, new maps, and new lounges. At the operational level, we will continue to expand the game's influence by organizing city tournaments in cities including Guangzhou and Chongqing and others as well as campus tournaments. In addition, we will make active promotions on more traffic platforms to attract more potential users.

RPG is still the world's largest genre of mobile games, with innovative gameplay, regional themes, localized style, and global IP being the core operating direction for this genre. For "Glory All Stars (榮耀全明星)", we will steadily push forward with version updates, introduce new gameplay and new professions, and launch cooperation with globally renowned IPs to ensure the game's long-term operation and sustainable development. For "War Robots (機甲戰隊)", more versions and contents will be released, and more social features will be added in line with battle play to further enhance user stickiness.

Actively embracing AI capabilities to promote the global development of Fanbook. In terms of the Fanbook community, we will make our best efforts to expand our user base, increase our user retention rate, and make in-depth exploration of more AI character companionship functions in addition to "Xinghui" to achieve a wider range of commercial applications, and promote the to-business game manufacturers to provide to-customer users with a richer and more innovative experience. In addition, the "Gardenscapes (夢幻花園)" community will also have a new "AI picture book master (AI繪本故事大師)" function, which uses advanced AI technology to generate a coherent six-grid story with just one image. Compared to other Image-to-Image technologies, it has excellent performance in maintaining the consistency of story protagonists, providing creators with a more convenient and efficient creation environment.

We have a profound understanding that advanced technology is a key driver for the continued growth of the game industry. Therefore, we will embrace new technologies and incorporate them into our game development to enhance the quality of our games. Meanwhile, we recognize that games are not only expressions of content, but also a medium for culture and art. On the path to achieving long-term development, we will, adhere to original IP as the core, focus on character creation and operation, continuously improve the quality and depth of the game by carefully refining the character settings, world-building, storylines, and innovative gameplay designs, bringing more outstanding games to the users worldwide.

Staying True to Our Original Aspiration, We Give Back to Society and Stive to Be a Technology Company with Warmth

We rely on high-quality content to combine enterprise development, cultural inheritance and public welfare actions, actively practice social responsibility.

In terms of cultural inheritance, we pay special attention to the protection and promotion of urban intangible cultural heritage. For example, in "Strinova (卡拉彼丘)", we digitized the art of Shadow Play (皮影) to inject modern technological elements into traditional culture, making it more ornamental and interactive. Through the crossover cooperation of "game + public welfare", we use technology, culture and art to revitalize the intangible cultural heritage and continue the historical lineage.

In terms of public welfare actions, we pay attention to the revitalization of rural education, and join hands with our partners to hold public welfare donation activities, sending cultural and spiritual nourishment to children in remote areas. We also advocate the protection of animals. We have cooperated with relevant organizations to launch small animal protection programs, and enhanced public awareness of small animal protection through the "Gardenscapes (夢幻花園)" and "Homescapes (夢幻家園)" and other diverse forms. In addition, we care about the internship and development of students from Hong Kong and Macao. We actively participated in relevant public welfare activities, and provided them with internship opportunities and employment guidance, so as to help them achieve better development.

The success of an enterprise lies not only in the economic benefits, but also in the contribution and responsibility to society. Therefore, while pursuing technological innovation and breakthroughs, we are committed to bringing the warmth of technology to everyone.

We would like to thank all our colleagues, users and investors for their long-term support and trust. We will stay true to our initial aspiration, focus on the main business of games, deeply cultivate our advantage, constantly enhance the internal value of the Company, bring high-quality products to users, and create greater value for shareholders.

Chairman
Chen Xiangyu
Shenzhen, the PRC, 28 March 2024

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Revenues	**1,916,473**	2,594,528
Cost of revenues	**(1,243,012)**	(2,194,068)
Gross profit	**673,461**	400,460
Selling and marketing expenses	**(230,597)**	(1,074,799)
General and administrative expenses	**(109,111)**	(108,186)
Research and development expenses	**(239,953)**	(315,981)
Impairment losses on intangible assets	**(23,245)**	(752,293)
Net impairment losses on financial assets	**(232,323)**	(359,807)
Other income	**25,430**	34,104
Other losses, net	**(11,097)**	(59,096)
Fair value losses on financial assets at fair value through profit or loss	**(27,856)**	(83,150)
Operating loss	**(175,291)**	(2,318,748)
Finance income	**6,205**	8,775
Finance costs	**(295,979)**	(181,243)
Finance costs, net	**(289,774)**	(172,468)
Share of results of investments accounted for using the equity method	**14,067**	(8,617)
Impairment of investments accounted for using the equity method	**(19,359)**	(7,917)
Loss before income tax	**(470,357)**	(2,507,750)
Income tax credit/(expense)	**13,527**	(13,828)
Loss for the year from continuing operations	**(456,830)**	(2,521,578)
Discontinued operations		
Loss for the year from discontinued operations after income tax	**(103,988)**	(68,339)
Loss for the year	**(560,818)**	(2,589,917)
Adjusted profit/(loss) for the year	**139,597**	(576,152)

CONTINUING OPERATION

Revenues

Revenue decreased by 26.1% to approximately RMB1,916.5 million for the year ended 31 December 2023 on a year-on-year basis (2022: RMB2,594.5 million). The following table sets forth our revenue for the years ended 31 December 2023 and 2022:

	For the year ended 31 December			
	2023		2022	
	RMB'000	**%**	*RMB'000* (Restated)	*%*
Game revenue	**1,849,089**	**96.5**	2,531,285	97.6
Information service revenue	**61,781**	**3.2**	48,956	1.9
Others	**5,603**	**0.3**	14,287	0.5
Total	**1,916,473**	**100.0**	2,594,528	100.0

Game revenue

The largest portion of our revenue was from games and contributed 96.5% and 97.6% of the total revenue for the years ended 31 December 2023 and 2022. Game revenue decreased by 27.0% from RMB2,531.3 million for the year ended 31 December 2022 to RMB1,849.1 million for the year ended 31 December 2023. The decrease in game revenue was mainly due to our focus on key high-quality games and the further reduction of operation of non-core games, which led to the decrease in operating revenue from non-core games. However, the revenue from core casual games increased steadily.

Since the launch of the self-developed game "Glory All Stars", it has continued to perform well in terms of various operating indicators and gross billing data, and has been maintaining strong growth potential up to now, thanks to a diversified gaming experience through continuous high-quality content output and in-depth linkage with well-known IPs and integrating the classics of Chinese comics. "Subway Surfers" successfully launched multiple new versions in 2023, and collaborated with multiple classic IPs and Weibo. The revenue performed stable during the Reporting Period. The "Gardenscapes" and "Homescapes" maintained frequent and close communication with core users through Fanbook and continued to launch high-quality content to accurately meet the deeper emotional experience demands of female users, therefore, their revenue increased over 50% year on year during the Reporting Period.

Information service revenue

Our information service revenue is primarily derived from our advertising services. Information service revenue increased from RMB49.0 million for the year ended 31 December 2022 to RMB61.8 million for the year ended 31 December 2023. The increase was mainly due to (i) an increase in advertising space within the games we launched and other games or applications we represented from third parties; and (ii) an increase in fees charged to advertisers or advertising agencies as a result of market conditions during the year.

Cost of Revenues

For the year ended 31 December 2023, the total cost of revenues of the Group was RMB1,243.0 million (2022: RMB2,194.1 million), representing a year-on-year decrease of 43.3%.

As a percentage of revenue, our cost of revenues decreased from 84.6% for the year ended 31 December 2022 to 64.9% for the year ended 31 December 2023. The decrease was mainly due to impairment provisions in 2022 in respect of our prepaid share of payment for game products that are not in line with the Group's core business strategy, resulting in higher revenue costs in 2022. Excluding the impact of the provision for impairment of prepaid sharing premiums, the gross margin for the year was 37.3% (2022: 36.0%), an increase over the same period in the prior year, mainly due to the continuous deepening of our user operation through Fanbook, leading to the increase in revenue from self-owned channels and the decrease in the proportion of games promoted through other channels, thus resulting in a corresponding decrease in channel costs.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 78.5% from RMB1,074.8 million for the year ended 31 December 2022 to RMB230.6 million for the year ended 31 December 2023. As a percentage of revenue, our selling and marketing expenses decreased from 41.4% for the year ended 31 December 2022 to 12.0% for the year ended 31 December 2023, primarily due to the significant decrease in marketing expenses as a result of our continuous improvements in customer acquisition efficiency and refined operation since the beginning of 2023.

General and Administrative Expenses

For the years ended 31 December 2023 and 2022, our general and administrative expenses were RMB109.1 million and RMB108.2 million respectively, which was basically stable for two years.

Research and Development Expenses

For the years ended 31 December 2023 and 2022, our research and development expenses were RMB240.0 million and RMB316.0 million, respectively. The decrease in research and development expenses was mainly due to the reduction of our investment in Fanbook with the maturity of the basic functions of the product. At the same time, we apply AIGC technology to game research and development, which has effectively improved the efficiency of game development and brought about a reduction in research and development expenses. As a percentage of revenue, our research and development expenses increased from 12.2% for the year ended 31 December 2022 to 12.5% for the year ended 31 December 2023.

Impairment Losses on Intangible Assets

Our impairment losses on intangible assets decreased from RMB752.3 million for the year ended 31 December 2022 to RMB23.2 million for the year ended 31 December 2023.

Net Impairment Losses on Financial Assets

We recorded net impairment losses on financial assets of RMB232.3 million and RMB359.8 million for the years ended 31 December 2023 and 2022, respectively. In 2023, despite the gradual resumption of economic activities, the long-term and complex nature of the COVID-19 pandemic continued to present challenges and uncertainties. Moreover, changes in the international situation, such as geopolitics and unforeseen emergency events, have also reduced individual users' purchasing power and their willingness to consume to some extent, which has resulted in insufficient solvency among some customers and business partners. The Group had taken a series of actions, including but not limited to negotiation for repayment arrangement and sending legal letters to the debtors. However, the business and financial situation of certain debtors were severely influenced by economic situations, resulting in enormous liabilities or ceased operation, based on the feedbacks from the actions taken, lack of reasonable expectation from the senior management team on the improvement of financial position of these debtors, and therefore the Group has recorded a total impairment loss on the financial assets of RMB232.3 million, including impairment losses on trade receivables and other receivables of RMB210.3 million and RMB22.0 million, respectively.

Fair Value Losses on Financial Assets at Fair Value Through Profit or Loss

Our fair value loss on financial assets at fair value through profit or loss decreased from RMB83.2 million for the year ended 31 December 2022 to RMB27.9 million for the year ended 31 December 2023.

Finance Costs, Net

Our net finance costs increased from RMB172.5 million for the year ended 31 December 2022 to RMB289.8 million for the year ended 31 December 2023. The main reason was that the interest expense arising from convertible bonds was RMB78.6 million and the adjustment of amortized cost arising from early redemption of convertible bonds was RMB130.6 million.

Income Tax Credit/Expense

We recorded an income tax credit of RMB13.5 million for the year ended 31 December 2023, compared to an income tax expense of RMB13.8 million for the year ended 31 December 2022.

Profit/Loss for the Year

Our loss for the year from continuing operations decreased from RMB2,521.6 million for the year ended 31 December 2022 to RMB456.8 million for the year ended 31 December 2023. Our adjusted profit for the year was RMB139.6 million for the year ended 31 December 2023 and our adjusted loss for the year was RMB576.2 million for the year ended 31 December 2022.

DISCONTINUED OPERATIONS (IP DERIVATIVES BUSINESS)

The Group disposed the IP derivatives business in March 2023, with a revenue of RMB 17.3 million and a loss for the period of RMB20.5 million from the IP derivatives business from the beginning of the year in 2023 to the disposal date, and a one-off loss caused by such disposal was RMB83.5 million.

OTHER FINANCIAL INFORMATION

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Adjusted profit/(loss) for the year[1]	**139,597**	(576,152)
EBITDA[2]	**(78,497)**	(2,152,666)
Adjusted EBITDA[3]	**308,773**	(277,524)

Notes:

(1) Our adjusted profit/loss for the year was derived from our profit/loss for the year from continuing operations excluding share-based compensation expenses, fair value gains or losses on financial assets, impairment of investments in associates accounted for using the equity method, fair value changes on financial liabilities at fair value through profit or loss, interest expense on convertible bonds, adjustment of amortized cost of convertible bonds due to early redemption, impairment provision of goodwill resulting from a business combination, provision for impairment of intangible assets, provision for impairment of financial assets, provision for impairment of prepayments and net exchange gains/losses. The adjusted profit/loss of 2022 has been restated to be comparable to that disclosed in 2023.

(2) EBITDA is net income or loss before interest expenses, adjustment of amortized cost of convertible bonds due to early redemption, income tax expense/credit, depreciation and amortization.

(3) Adjusted EBITDA is calculated using adjusted profit for the year, adding back depreciation of property, plant and equipment, investment properties and right-of-use assets, amortization of intangible assets, income tax expense/credit, interest expenses and adjustment of amortized cost of convertible bonds due to early redemption.

Non-IFRS Financial Measure

To supplement the consolidated financial statements of the Group prepared in accordance with IFRS, the three non-IFRS measures, namely adjusted profit for the year, EBITDA and adjusted EBITDA, as additional financial measures, have been presented in this annual report. These unaudited non-IFRS financial measures are used by the management of the Company to evaluate the Company's financial performance by eliminating the impact of items that they consider not indicative of the Company's operating performance and should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies.

The Company's management believes that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS measures provides useful information regarding the Group's financial performance to investors and shareholders of the Company. The Company's management also believes that the non-IFRS measures are appropriate for evaluating the Group's operating results and the relevant trends relating to its financial position. From time to time in the future, there may be other items that the Company may exclude in reviewing its financial results.

The following tables set forth the reconciliations of the Group's non-IFRS financial measures for the years ended 31 December 2023 and 2022 to the nearest measures prepared in accordance with IFRS:

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Reconciliation of loss for the year from continuing operations to adjusted profit/(loss) for the year:		
Loss for the year from continuing operations	**(456,830)**	(2,521,578)
Add: Fair value losses on financial assets at fair value through profit or loss	**27,856**	83,150
Add: Fair value losses on financial liabilities at fair value through profit or loss	**10,986**	—
Add: Share-based compensation expenses	**10,508**	13,173
Add: Impairment provision of goodwill resulting from a business combination	**—**	73,222
Add: Impairment of investments in associates accounted for using the equity method	**19,359**	7,917
Add: Interest expense on convertible bonds	**78,563**	70,284
Add: Adjustment of amortized cost of convertible bonds due to early redemption	**130,594**	—
Add: Impairment loss on intangible assets	**23,245**	752,293
Add: Net impairment losses on financial assets	**232,323**	359,807
Add: Impairment loss on prepayments	**40,731**	533,135
Add: Exchange losses, net	**22,262**	52,445
Adjusted profit/(loss) for the year	**139,597**	(576,152)
Reconciliation of loss for the year from continuing operations to EBITDA and adjusted EBITDA:		
Loss for the year from continuing operations	**(456,830)**	(2,521,578)
Add: Depreciation of property, plant and equipment, investment properties and right-of-use assets	**12,390**	13,112
Add: Amortization of intangible assets	**102,166**	211,072
Add: Income tax (credit)/expense	**(13,527)**	13,828
Add: Interest expense	**146,710**	130,900
Add: Adjustment of amortized cost of convertible bonds due to early redemption	**130,594**	—

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
EBITDA	**(78,497)**	(2,152,666)
Add: Fair value losses on financial assets at fair value through profit or loss	**27,856**	83,150
Add: Fair value losses on financial liabilities at fair value through profit or loss	**10,986**	—
Add: Share-based compensation expenses	**10,508**	13,173
Add: Impairment provision of goodwill resulting from a business combination	**—**	73,222
Add: Impairment of investments in associates accounted for using the equity method	**19,359**	7,917
Add: Impairment loss on intangible assets	**23,245**	752,293
Add: Net impairment loss on financial assets	**232,323**	359,807
Add: Impairment loss on prepayments	**40,731**	533,135
Add: Exchange losses, net	**22,262**	52,445
Adjusted EBITDA	**308,773**	(277,524)

Liquidity and Financial Resources

We adopt a prudent treasury management policy to ensure that our Group maintains a healthy financial position.

As at 31 December 2023, the Group's total cash and cash equivalents increased by 110.4% to approximately RMB190.4 million from approximately RMB90.5 million as at 31 December 2022. Our cash and cash equivalents were primarily denominated in RMB, HKD and USD.

As at 31 December 2023, the Group's total borrowings amounted to approximately RMB966.4 million (2022: approximately RMB1,011.2 million). The nature of the Group's borrowings is summarised as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Secured bank borrowings	**876,424**	991,241
Secured other borrowings	**90,000**	20,000
	966,424	1,011,241

The carrying amount of the Group's borrowings is denominated in the following currencies:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
RMB	**699,526**	568,400
EUR	**266,898**	442,841
	966,424	1,011,241

As at 31 December 2023, the current assets of the Group amounted to approximately RMB1,702.1 million, and the current liabilities of the Group amounted to approximately RMB1,594.1 million. As at 31 December 2023, the current ratio (being calculated as the current assets divided by current liabilities) of the Group was 1.07 as compared with 0.87 as at 31 December 2022.

Debt ratio is calculated based on our total liabilities as at the respective date divided by our total assets as at the same date. As at 31 December 2023, the debt ratio of the Group was 53.0% as compared with 58.5% as at 31 December 2022.

Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, convertible bonds, interest payable, lease liabilities less cash and cash equivalents and restricted cash. Total capital is calculated as "equity" as shown in the consolidated statements of financial position. As at 31 December 2023 and 2022, the gearing ratio of the Group was 57.3% and 80.5% respectively.

PLEDGE OF ASSETS

Among the total borrowings of the Group as at 31 December 2023, approximately RMB601.4 million (2022: approximately RMB751.2 million) was secured by certain trade receivables, certain game intellectual properties and deposits, which accounted for approximately 62.2% (2022: approximately 74.3%) of the Group's total borrowings.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any unrecorded significant contingent liabilities or guarantees against us (2022: nil).

CAPITAL EXPENDITURE

For the year ended 31 December 2023, our total capital expenditure was approximately RMB129.9 million, compared to approximately RMB221.9 million for the year ended 31 December 2022. Our capital expenditure primarily included expenditures for purchase of property, plant and equipment, and intangible assets. We plan to fund our capital expenditures through a combination of operating cash flows, debt financing and equity financing. We may adjust our capital expenditure according to our future development plans or in light of market conditions and other factors that we consider appropriate.

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

For the year ended 31 December 2023, the Group did not have any other material acquisitions, disposals or significant investments, except the split-off of its IP derivatives business in March 2023.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB, HKD, EUR and USD. Therefore, foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of our Group's entities. Our Group manages foreign exchange risk by performing regular reviews of our Group's net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible, and may enter into forward foreign exchange contracts, when necessary.

We did not hedge against any fluctuation in foreign currency during the years ended 31 December 2023 and 2022.

SECURITIES ISSUANCE AND USE OF PROCEEDS

On 16 October 2020, Dreambeyond Holdings Limited ("**DHL**"), a wholly-owned subsidiary of the Company, completed the issue of convertible bonds originally scheduled to mature on 16 October 2025 in an aggregate principal amount of HKD775 million (the "**2025 Convertible Bonds**") which were unconditionally and irrevocably guaranteed by the Company. The 2025 Convertible Bonds have an initial conversion price of HKD4.99 per Share and, assuming full conversion at the initial conversion price, may be converted into a maximum of 155,310,621 ordinary Shares with a par value of USD0.0001 each, with an aggregate nominal value of USD15,531.0621. The net proceeds from the issuance of 2025 Convertible Bonds by the Company were approximately HKD758 million, equivalent to approximately RMB638.5 million based on the exchange rate of RMB0.8423 to HKD1.00, and were fully utilised during the year ended 31 December 2021. For further details, please refer to the announcements of the Company dated 7 October 2020 and 16 October 2020 and the 2021 annual report of the Company.

On 10 July 2023, the Company and DHL entered into an agreement (the "**Dealer Agreement**") with Merrill Lynch (Asia Pacific) Limited (the "**Dealer**"), pursuant to which the Dealer has been appointed to, among other things, assist DHL and the Company in gathering indications of interest from the Bondholder who is willing to sell the 2025 Convertible Bonds held by it to DHL and the Company, and the Eligible Bondholder who has offered to accept the said invitation will be entitled to receive the repurchase price and accrued interest (the "**Repurchase of 2025 Convertible Bonds**"). On 11 July 2023, the Company has received, through the Dealer, the undertaking from the Eligible Bondholder to sell 2025 Convertible Bonds with an aggregate principal amount of approximately HKD758 million to the Company. On 24 July 2023, all the conditions set out in the Dealer Agreement in relation to the repurchase of the 2025 Convertible Bonds have been fulfilled and the Company completed the repurchase and cancellation of the 2025 Convertible Bonds in the principal amount of HKD758 million (representing 97.8% of the aggregate principal amount of the 2025 Convertible Bonds), and the remaining outstanding principal amount of the 2025 Convertible Bonds is HKD17 million.

On 10 July 2023, the Company and the Dealer entered into a subscription agreement (the "**Subscription Agreement**"), pursuant to which the Dealer has conditionally agreed to subscribe for, or procure subscribers to subscribe for, the convertible bonds scheduled to mature on 24 July 2028 in an aggregate principal amount of HKD386 million (the "**2028 Convertible Bonds**") at the issue price of 100% of the aggregate principal amount of the Bonds at the initial conversion price of HKD3.64 (the "**Issue of 2028 Convertible Bonds**"). Assuming full conversion at the initial conversion price, it can be converted into a maximum of 106,043,956 ordinary Shares with a par value of USD0.0001 each, with an aggregate nominal value of USD10,604.3956. On 24 July 2023, all the conditions set out in the Subscription Agreement in relation to the issuance of bonds have been fulfilled and the Company completed the Issue of 2028 Convertible Bonds to not less than six subscribers which were independent individual, corporate and/or institutional investors under general mandate. For details, please refer to the announcements of the Company dated 10 July and 24 July 2023.

On 10 July 2023, the Company entered into a placing agreement (the "**Placing Agreement**") with the Dealer as placing agent, pursuant to which the Company has agreed to appoint the placing agent, and the placing agent has agreed to act as agent of the Company to procure, on a best effort basis, placees for the placing shares at the placing price of HKD3.10 per placing share (the "**Placing**"). On 18 July 2023, all the conditions of the placing as set out in the Placing Agreement have been fulfilled and the Company completed the allotment and issue of an aggregate of 164,177,200 ordinary Shares with a par value of USD0.0001 each under general mandate with an aggregate nominal value of USD16,417.72 to not less than six independent placees. The net price per ordinary Share was HKD3.02. For details, please refer to the announcements of the Company dated 10 July and 18 July 2023.

Based on the announcement of the Company dated 11 July 2023, the Directors considered that the Issue of 2028 Convertible Bonds and the Placing could provide the Company with additional funds at a lower funding cost to finance the repurchase of the 2025 Convertible Bonds and/or as general working capital. The aggregate actual net proceeds from the Placing and the Issue of 2028 Convertible Bonds is approximately HKD873 million, equivalent to approximately RMB797.88 million at the exchange rate of RMB0.914 to HKD1.00.

During the year ended 31 December 2023, the proceeds from the Placing and the issue of the Bonds have been used in accordance with the plans as set out in the relevant announcements and have been fully utilised. The table below sets out the details of the actual amount utilised (adjusted on a pro rata basis based on the actual net proceeds):

Usage	**Net proceeds from the Placing and the Issue of the 2028 Convertible Bonds**	**Actual amount utilised up to 31 December 2023**
	RMB in million	*RMB in million*
Repurchase of the 2025 Convertible Bonds	684.89	684.89
General working capital	112.99	112.99
Total	797.88	797.88

Note: Certain figures and percentage figures included in the above tables have been subject to rounding adjustments.

According to the announcement of the Company dated 16 October 2023, the remaining 2025 Convertible Bonds with the principal amount of HKD17 million were redeemed and cancelled on 16 October 2023. Accordingly, the 2025 Convertible Bonds were fully cancelled as at 31 December 2023.

The last closing price of the Shares of the Company as quoted on the Stock Exchange on 10 July 2023 was HKD3.38 per Share.

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Analysis of the principal activities of the Group is set out in Note 5 to the audited consolidated financial statements.

BUSINESS REVIEW AND OUTLOOK

A review of our business, a discussion and analysis of our performance during the year, the material factors underlying our results and financial position, certain material events occurred during the year, and the future development of our business have been set out in the section headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 5 to 11 and 12 to 22 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

The events after the reporting period are disclosed in Note 41 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

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

As far as the Board is aware, during the Reporting Period, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects.

PRINCIPAL RISKS AND UNCERTAINTIES

We face various risks involved in our daily business operations, including risks that are specific to our game publishing business as well as the industry and regulatory landscape in the PRC. In particular, the commercial launch of our games is subject to specific pre-approval and post-filing requirements as required by the relevant competent regulatory authorities in China, which may change from time to time. For details, please refer to the section headed "Corporate Governance Report — Risk Management and Internal Control" on pages 79 to 83 in this annual report.

Due to the legal restrictions imposed by China on foreign investors to engage in value-added telecommunications services in China, the Group's member companies operate business according to Contractual Arrangements, and therefore the Group is also subject to the risks relating to the Contractual Arrangements. For details, please refer to the "Contractual Arrangements — Risks relating to the Contractual Arrangements" on pages 53 to 54 of this section.

ENVIRONMENTAL PERFORMANCE AND POLICIES

The Group is a digital entertainment platform that publishes games through mobile apps and websites. Its business operation involves minimum direct discharge of pollutants or hazardous waste to the environment. However, the Group is committed to minimizing the impact on the environment from our business activities. In particular, the Group adheres to green, low-carbon office concept and encourages its employees to participate in resource conservation during their daily work at the office. Further details are set out in the 2023 Environmental, Social and Governance Report of the Company.

RELATIONSHIP WITH STAKEHOLDERS

We value stakeholders' concerns and opinions on our business performance and progress, and strive to maintain effective communication with our stakeholders, including our shareholders, employees, customers, suppliers, business partners, users, media and the public through a range of communication channels, such as our WeChat official account, official website, results presentation and emails to maintain a close and harmonious relationship with them. The details are set out in the 2023 Environmental, Social and Governance Report of the Company.

RESULTS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of comprehensive income on pages 94 to 95 of this annual report.

FINAL DIVIDENDS

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

FINANCIAL SUMMARY

A summary of the Company's results, assets and liabilities for the last five financial years are set out on page 4 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended 31 December 2023, revenue generated from the Group's five largest customers accounted for 7.2% (2022: 8.7%) of the Group's total revenue and our largest customer, accounted for 5.4% (2022: 3.5%) of the Group's total revenue. Tencent entered the Group's top five customers in 2023 and ranked first, and is also one of the major shareholders of the Company.

Major Suppliers

For the year ended 31 December 2023, the Group's five largest suppliers accounted for 67.7% (2022: 28.8%) of the Group's total purchases and our single largest supplier accounted for 27.6% (2022: 9.4%) of the Group's total purchases.

Save as disclosed above, during the year ended 31 December 2023, none of the Directors or any of their close associates or any shareholders who, to the best knowledge of the Directors, is interested in more than 5% of the number of issued Shares had any interest in the Company's five largest customers and suppliers.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company as at 31 December 2023 are set out in Note 29 to the consolidated financial statements.

HUMAN RESOURCES

As at 31 December 2023, the Group had 797 employees (2022: 1,048). The total remuneration expenses, excluding share-based compensation expense, for the year ended 31 December 2023 were RMB225.9 million, representing a decrease of 37.7% as compared to the year ended 31 December 2022. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group for the year ended 31 December 2023 are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company for the year ended 31 December 2023 are set out in Note 26 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group for the year ended 31 December 2023 are set out in Note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

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

TAXATION

Tax position of the Group for the year ended 31 December 2023 is set out in Note 12 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. Chen Xiangyu *(Chairman of the Board and Chief Executive Officer)*
Mr. Guan Song
Mr. Jeffrey Lyndon Ko
Mr. Yang Jialiang *(appointed on 30 August 2023)*

Non-executive Directors

Mr. Ma Xiaoyi *(resigned on 30 August 2023)*
Mr. Zhang Han
Mr. Yao Xiaoguang *(resigned on 30 August 2023)*
Mr. Chen Yu *(resigned on 30 August 2023)*
Mr. Yang Ming *(appointed on 30 August 2023)*

Independent non-executive Directors

Ms. Yu Bin
Mr. Li Xintian
Mr. Zhang Weining
Mr. Mao Rui

In accordance with the Memorandum and Articles of Association, Mr. Guan Song, Mr. Jeffrey Lyndon Ko and Mr. Zhang Weining shall retire by rotation, and being eligible, have offered themselves for re-election at the forthcoming AGM, and Mr. Yang Jialiang and Mr. Yang Ming will hold office only until the first AGM of the Company after their appointment and shall then be eligible for re-election at that meeting. Details of the Directors to be re-elected at the AGM are set out in the circular to the shareholders.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 58 to 63 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to the factors as set out in Rule 3.13 of the Listing Rules from each of the independent non-executive Directors, and the Company considers such Directors continue to be independent.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service contract with the Company. Pursuant to the contracts, they agreed to act as executive Directors for a term of three years with effect from the date of their appointments or renewal of the service contract (subject always to re-election as and when required under the Memorandum and Articles of Association). Either party has the right to give not less than three months' written notice to terminate the contract.

Each of the non-executive Directors has entered into a service contract with the Company. Their term of office shall commence from the date of their appointments or renewal of the service contract and shall continue for three years (subject always to re-election as and when required under the Memorandum and Articles of Association), until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than one month's written notice.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company. Their term of office shall be three years from the date of their appointments or the renewal of the letter of appointment (subject always to re-election as and when required under the Memorandum and Articles of Association), until terminated in accordance with the terms and conditions of the letter of appointment or by either party giving to the other not less than three months' written notice.

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

EMOLUMENT POLICY

The remuneration and appraisal committee of the Company is responsible for reviewing the remuneration policy and structure of the Directors regarding to the Company's operating results, Directors' individual performance and comparable market practices. Independent non-executive Directors are not entitled to any equity-linked compensation with performance-related elements and are not permitted to participate in the share award scheme. None of the Directors should be involved in deciding his/her own remuneration.

Details of the Directors' and CEO's remuneration for the year ended 31 December 2023 are set out in Note 10 to the consolidated financial statements.

Remuneration for Senior Management falls within the following range:

	Number	
	Year ended 31 December	
	2023	2022
HKD0 to HKD10,000,000	**6**	5
Over HKD10,000,000	**—**	—
	6	5

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

None of the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Company to which the Company or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

RIGHTS AND INTERESTS OF DIRECTORS ON COMPETING BUSINESSES

Our executive Director, Mr. Chen Xiangyu, is the founder and the largest Shareholder of our Company holding approximately 16.72% in the total issued Share as at the date of this annual report. Mr. Chen has held interests as a limited partner in certain venture capital funds and/or angel investment funds which may from time to time invest in technology companies, and his economic interest in such funds was insignificant.

Mr. Yang Ming, a non-executive Director, holds directorships in certain companies which are principally or partially engaged in online game services within the consolidated scope of Tencent and participates in the daily management and operation of such companies. In addition to the above, Mr. Yang Ming also holds directorships in certain other companies which are principally or partially engaged in online game services and/or internet community services (not within the consolidated scope of Tencent), but Mr. Yang Ming is not involved in the daily management and operation of such companies.

Notwithstanding the aforesaid interests, having considered that (i) Mr. Yang Ming is a non-executive Director of the Company, the business of the Company is principally operated and managed by the executive Directors and senior management of the Company together, and the Company and the aforesaid companies of which Mr. Yang Ming is a director are independent of each other in respect of the operation and management of the team, (ii) the Board of the Company currently has four independent non-executive Directors in order to strike a balance among the Directors who may have interests and to provide fair and objective advice to safeguard the interests of the Company and the shareholders as a whole, and (iii) Mr. Yang Ming is aware of and has been discharging his fiduciary duties as a director under the Listing Rules and has always acted in the best interests of the Company and the shareholders as a whole, and as such, the Board considers that the Group is capable of carrying on its business fairly and independently of competing businesses.

Save as disclosed above, for the year ended 31 December 2023, none of the Directors or their associates has any competing interests in the businesses which compete or are likely to compete, directly or indirectly, with our Group or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

MANAGEMENT CONTRACTS

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

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

On 30 August 2023, Mr. Ma Xiaoyi, Mr. Yao Xiaoguang and Mr. Chen Yu resigned as non-executive Directors and members of the strategy committee of the Company, while Mr. Yang Jialiang was appointed as an executive Director and a member of the remuneration and appraisal committee of the Company, and Mr. Yang Ming was appointed as a non-executive Director and a member of the strategy committee of the Company.

Ms. Yu Bin, an independent non-executive Director of the Company, resigned from her position as an independent director of Baozun Inc. in May 2023 and Kuke Music Holding Limited in June 2023.

Save as disclosed above, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules for the Reporting Period.

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

As at 31 December 2023, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the HKEX pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the HKEX pursuant to the Model Code were as follows:

Interest in Shares and underlying Shares

Name of Directors	Capacity/ Nature of Interest	Number of Shares held (3)	Approximate percentage of interest in the Company(1) (2)
Mr. Chen Xiangyu ("**Mr. Chen**")	Beneficial owner	26,720,800 (L)	1.70%
	Interest of controlled corporation	236,599,922 (L)	15.02%
Mr. Guan Song ("**Mr. Guan**")	Beneficial owner	14,978,000 (L)	0.95%
	Interest of controlled corporation	19,016,020 (L)	1.21%
Mr. Jeffrey Lyndon Ko ("**Mr. Ko**")	Interest of controlled corporation	13,965,000 (L)	0.89%
Mr. Yang Jialiang	Beneficial owner	912,000 (L)	0.06%

Notes:

(1) The percentages are calculated on the basis of 1,574,575,545 Shares in issue as at 31 December 2023.

(2) The percentage figures have been subject to rounding adjustments. Accordingly, figures shown in total may not be an arithmetic aggregation of the figures preceding them.

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

Interest in associated corporations

Name of Directors	Associated corporation	Capacity/ Nature of Interest	Number of Shares held	Approximate percentage of interest in the associated corporation
Mr. Chen	Shenzhen Mengyu Technology Co., Ltd.	Beneficial owner	500,000 (L)	5.00%

Save as disclosed above, as at 31 December 2023, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the HKEX pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the HKEX pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

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

As at 31 December 2023, to the best knowledge of 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 which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholders	Capacity/Nature of interest	Number of Shares held(6)	Approximate percentage of interest in the Company(1)(5)
Brilliant Seed Limited(2)	Beneficial owner	236,599,922 (L)	15.02%
Mr. Chen(2)	Beneficial owner	26,720,800 (L)	1.70%
	Interest of controlled corporation	236,599,922 (L)	15.02%
Tencent Mobility Limited(3)	Beneficial owner	249,141,192 (L)	15.82%
Tencent Holdings Limited(3)	Interest of controlled corporation	249,141,192 (L)	15.82%
iDreamSky Technology Limited(4)	Beneficial owner	120,842,927 (L)	7.67%
Dream Investment Holdings Limited(4)	Interest of controlled corporation	120,842,927 (L)	7.67%
Dream Technology Holdings Limited(4)	Interest of controlled corporation	120,842,927 (L)	7.67%

Notes:

(1) The percentages are calculated on the basis of 1,574,575,545 Shares in issue as at 31 December 2023.

(2) Brilliant Seed is wholly owned by Mr. Chen. Under the SFO, Mr. Chen is deemed to be interested in the Shares held by Brilliant Seed.

(3) Tencent Mobility Limited is a wholly owned subsidiary of Tencent Holdings Limited. Under the SFO, Tencent Holdings Limited is deemed to be interested in the Shares held by Tencent Mobility Limited.

(4) iDreamSky Technology Limited is wholly owned by Dream Investment Holdings Limited, which is an exempted company incorporated with limited liabilities in the Cayman Islands and is in turn wholly owned by Dream Technology Holdings Limited. None of the shareholders of Dream Technology Holdings Limited hold one third or more of the shareholding of Dream Technology Holdings Limited. Under the SFO, Dream Investment Holdings Limited and Dream Technology Holdings Limited are deemed to be interested in the Shares held by iDreamSky Technology Limited.

(5) The percentage figures have been subject to rounding adjustments. Accordingly, figures shown in total may not be an arithmetic aggregation of the figures preceding them.

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

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

SHARE SCHEME

Pre-IPO RSU Scheme

As approved by the Board, the Company adopted a restricted share unit (the "**RSU**") scheme (the "**Pre-IPO RSU Scheme**") on 18 May 2018, and the Board may, at its discretion, grant restricted share units to any participants subject to the provisions and conditions of the Scheme.

Purpose

The purpose of the Pre-IPO RSU Scheme is to reward the Group's employees for their contribution to the Group and to provide incentives to attract the best available personnel to maintain and further promote the success of the Group's business.

Eligible participants and maximum entitlement of each participant

Persons eligible to participate in the Pre-IPO RSU Scheme include but are not limited to full-time employees (including directors) of the Group. The maximum entitlement of each eligible participant is at the sole discretion of the administrator of the Scheme.

Scheme period and the remaining validity period

The Pre-IPO RSU Scheme shall be valid and effective for a period of ten years commencing from the adoption date, after which no further awards will be granted but the awards granted during the Pre-IPO RSU Scheme shall continue to be valid and exercisable in accordance with the terms of the grant. As at the date of this annual report, the remaining validity period of the Pre-IPO RSU Scheme is more than four years, and the Board has the right to terminate the Scheme before the expiration of the term.

Maximum number of shares

As at the effective date of the Scheme, the total number of RSUs available for issue under the Pre-IPO RSU Scheme shall not exceed 8,627,045 (the "**RSU Limit**"), representing 8,627,045 ordinary shares of the Company. On the Listing Date, the total share capital of the Company was increased from 500,000,000 shares to 5,000,000,000 shares and the authorized share capital was increased by ten times (for details, please refer to the Prospectus and announcement of the Company dated 16 October 2020). As a result, the number of RSU Limit shall be changed to 86,270,450 shares accordingly, representing 86,270,450 ordinary shares of the Company (representing 5.48% of the issued shares of the Company as at the date of this annual report).

Vesting period and exercise period

The Pre-IPO RSU Scheme does not define a vesting period and there is no minimum holding period limit. The actual vesting period is based on the terms and conditions agreed with each grantee, normally ranging from 12 months to 48 months from the date of grant.

Consideration upon acceptance

Consideration payable by a Participant upon acceptance of an award granted under the Pre-IPO RSU Scheme and the term of payment shall be determined at the absolute discretion of the administrator of the Scheme.

Details of grant

Details of the RSUs granted by the Group in accordance with the Pre-IPO RSU Scheme during the year ended 31 December 2023 are as follows:

Date of grant	Number of grants	Vesting Period	Performance targets
20 February 2023[(1)]	700,000[(2)]	With 3 years[(3)]	Yes[(4)]

Notes:

1. The fair value of the RSUs on the date of grant, which was the closing price of the Shares on the date of grant, was HKD4.00. The closing price of the Shares immediately before the date of grant was HKD3.90.

2. The grantee of this grant is Mr. Yang Jialiang. As at the date of grant, he has not yet been appointed as an executive Director.

3. The vesting schedule is to vest in three tranches on 1 August 2023, 2024 and 2025 based on a vesting scale of 3:3:4.

4. According to the evaluation results of individual comprehensive performance during the evaluation period, the corresponding proportion (divided into three levels of 100%, 50% or nil) shall be vested, which is determined by the Scheme Manager at its sole discretion.

5. As determined by the Scheme Administrator, the grantees of this grant are not required to pay any consideration upon acceptance of the RSUs and are not required to pay any purchase price upon vesting of the RSUs.

Details of the RSUs granted, vested, cancelled and lapsed by the Group to the employee participants under the Pre-IPO RSU Scheme during the year ended 31 December 2023 are as follows:

	RSUs					
	Not vested as at 1 January 2023	**Granted during the year**	**Vested during the year[(2)]**	**Cancelled during the year**	**Lapsed during the year**	**Not vested as at 31 December 2023**
Mr. Yang Jialiang	—	700,000	210,000	—	—	490,000
Five highest paid individuals[(1)]	543,089	—	432,609	—	—	110,480
Other employees	8,092,347	—	2,527,303	—	103,333	5,461,711
Total	**8,635,436**	**700,000**	**3,169,912**	**—**	**103,333**	**6,062,191**

Notes:

1. For the year ended 31 December 2023, the five highest paid individuals included one director, namely Mr. Yang Jialiang, and therefore only the data of RSUs for the remaining four individuals are presented herein.

2. During the year ended 31 December 2023, there was no purchase consideration for all vested RSUs. The weighted average closing price of the Shares immediately before the vesting of the RSUs was HKD3.548 per Share.

For details of the accounting policies adopted for the Pre-IPO RSU Scheme and the total expenses thereunder, please refer to Note 2.2(k) and Note 28 to the consolidated financial statements.

2023 Share Incentive Scheme

As approved by the Board, the Company has adopted a 10-year share incentive scheme on 18 May 2023 (the "**2023 Share Incentive Scheme**") which is solely satisfied by existing shares. The Board may accordingly make an offer of options and/or grant RSUs to any eligible participants. Please refer to the announcement of the Company dated 18 May 2023 for the principal terms of the 2023 Share Incentive Scheme.

Purpose

The purposes of the 2023 Share Incentive Scheme are to (i) recognize the contributions by the participants with an opportunity to acquire a proprietary interest in the Company; (ii) encourage and retain such individuals for the continual operation and development of the Group; (iii) provide additional incentives for them to achieve performance goals; (iv) attract suitable personnel for further development of the Group; and (v) motivate the participants to maximize the value of the Group for the benefits of both the participants and the Group, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the participants directly to the shareholders through ownership of Shares.

Eligible participants and maximum entitlement of each participant

The participants for the 2023 Share Incentive Scheme include any employee (whether full time or part time), executive or officer, director and consultant of any member of the Group, subject to provisions of the Share Incentive Scheme. The maximum number of Shares which may be awarded to any one participant under the 2023 Share Incentive Scheme in any 12-month period may not exceed 1% of the issued Shares as at the scheme adoption date.

Scheme period and the remaining validity period

The 2023 Share Incentive Scheme shall be valid and effective for a period of ten years commencing on the adoption date, after which no awards will be granted, but the provisions of the Share Incentive Scheme shall in all other respects remain in full force and effect and the awards granted during the term of the Share Incentive Scheme may continue to be valid, vested and exercisable in accordance with their respective terms of grant. As of the date of this annual report, the remaining validity period of the 2023 Share Incentive Scheme exceeds nine years, and the Board has the right to terminate the scheme before the expiry of the scheme term.

Maximum number of shares

The total number of Shares subject to the exercise of all options and/or RSUs granted under the 2023 Share Incentive Scheme shall not in aggregate exceed 28,207,966 Shares, representing 1.79% of the total issued share capital of the Company as at the date of this annual report. The options and/or RSUs granted under the 2023 Share Incentive Scheme are only satisfied with existing Shares and do not involve the issue of new Shares.

Vesting period and exercise period

The Board will determine the vesting period in accordance with the terms of the 2023 Share Incentive Scheme, the specific terms and conditions applicable to each option and award, but in any event shall not be less than 12 months. In addition, all options will automatically lapse and expire no later than the last day of the ten-year period after the date of grant. Unless the options have been withdrawn and cancelled or forfeited in whole or in part and subject to the provisions of the Share Incentive Scheme, the grantee may exercise his/her rights under the Share Incentive Scheme in accordance with the vesting schedule as set out in the relevant grant letter.

Amount payable upon acceptance and purchase price

On and subject to the terms of the 2023 Share Incentive Scheme, the Board has the discretion to make an offer of options to the eligible participants by way of a grant letter. The grantee who receives an offer of an option must pay RMB1.00 to the Company within the period specified in the relevant offer to accept the offer of an option, which payment shall not be refundable and shall not be deemed to be a partial payment of the subscription price. The subscription price and the payment term of the option shall be determined by the Board in its absolute discretion and in any event shall not be less than the market purchase price on or before the date of grant.

On and subject to the terms of the Share Incentive Scheme, the Board shall be entitled at any time during the term of the Share Incentive Scheme to grant RSUs to any participant as the Board may in its absolute discretion determine. The consideration (if any) payable by a selected participant to the Company for the acceptance of the RSUs under the Share Incentive Scheme and the payment terms shall be determined by the Board at its absolute discretion.

Details of grant

During the year ended 31 December 2023, the Company did not grant any options or RSUs under the 2023 Share Incentive Scheme. Accordingly, as at 31 December 2023, the number of Shares available for future grants under the 2023 Share Incentive Scheme was 28,207,966.

No RSUs were granted or vested to any Director under the 2023 Share Incentive Scheme during the year ended 31 December 2023.

For details of the accounting policies adopted for the 2023 Share Incentive Scheme, please refer to Note 2.2(k) to the consolidated financial statements.

2023 New Share Option Scheme

The Company adopted a 10-year share option scheme (the "**2023 New Share Option Scheme**") by an ordinary resolution at the annual general meeting of the Company dated 30 June 2023. The Board may accordingly grant options to any employee (whether full-time or part-time), executive or officer and director of any member of the Group under the 2023 New Share Option Scheme. Please refer to the circular of the Company dated 8 June 2023 for a summary of the principal terms of the 2023 New Share Option Scheme.

Purpose

The purposes of the 2023 New Share Option Scheme are to (i) recognize the contributions by the participants and give them an opportunity to acquire a proprietary interest in the Company; (ii) continue to encourage and retain such individuals for the continual operation and development of the Group; (iii) provide additional awards for them to achieve performance goals; (iv) attract suitable personnel for further development of the Group; and (v) motivate the participants to maximize the value of the Group for the benefits of both the participants and the Group, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the participants directly to the shareholders through ownership of Shares.

Eligible participants and maximum entitlement of each participant

Eligible participants include any employee (whether full time or part time), executive or officer and Directors (excluding independent non-executive Directors) of any subsidiary of the Group, subject to the terms of the 2023 New Share Option Scheme. No option may be granted to any eligible participant if the exercise in full of the option would result in the total number of Shares issued and to be issued under all options granted or to be granted to any eligible participant under the 2023 New Share Option Scheme, options in respect of new Shares and awards in respect of new Shares (including options exercised, cancelled and outstanding) exceeding, in aggregate, 1% of the issued share capital of the Company during the 12-month period ending on the date of grant of the relevant new grant (including the date).

Scheme period and the remaining validity period

The 2023 New Share Option Scheme shall be valid and effective for a period of ten years commencing on the adoption date, after which period no further options will be granted but the options which have been granted during the term of the 2023 New Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of grant. As of the date of this annual report, the remaining validity period of the 2023 New Share Option Scheme exceeds nine years, and the Board has the right to terminate the scheme before the expiry of the scheme term.

Maximum number of shares

The total number of Shares which may be issued upon exercise of all options to be granted under the 2023 New Share Option Scheme shall not in aggregate exceed 56,415,933 Shares, representing 3.58% of the total issued share capital of the Company as at the date of this annual report.

Vesting period and exercise period

The vesting period shall be determined at the discretion of the Board or the Chairman, but in any event the vesting period shall not be less than 12 months or such period as may be required or permitted under the Listing Rules.

The Board may specify in the grant letter the exercise period of the options and in all cases, all options shall expire and automatically lapse no later than the last day of the ten-year period after the date of grant. Unless the options have been withdrawn and cancelled or forfeited in whole or in part, subject to the terms of the 2023 New Share Option Scheme, the grantee may exercise his/her rights under the 2023 New Share Option Scheme in accordance with the vesting schedule as set out in the relevant grant letter.

Amount payable upon acceptance and exercise price

On and subject to the terms of the Listing Rules and the 2023 New Share Option Scheme, the Board shall be entitled at its discretion to make an offer of an option to an eligible participant by letter in such form as the Board may from time to time determine. The grantee who receives an offer of an option must pay RMB1.00 to the Company within the period specified in the relevant offer to accept the offer of an option, which payment shall not be refundable and shall not be deemed to be a partial payment of the exercise price.

The exercise price shall be such price as determined by the Board and notified to any grantee (subject to any adjustments made pursuant to the 2023 New Share Option Scheme) and shall not be less than the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) an amount equivalent to the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a Share on the date of grant, provided that in the event of fractional prices, the exercise price per Share shall be rounded upwards to the nearest whole cent.

Details of grant

Details of the share options granted, exercised, cancelled and lapsed by the Group to the eligible participants under the 2023 New Share Option Scheme during the year ended 31 December 2023 are as follows:

	Options
As at 30 June 2023	**56,415,933**
Granted during the year	8,880,000
Exercised during the year	—
Cancelled during the year	—
Lapsed during the year	—
As at 31 December 2023	**47,535,933**

During the year ended 31 December 2023, (i) no options were granted under the 2023 New Share Option Scheme to any Directors, chief executives or substantial shareholders or their associates; (ii) none of the grantees has been granted options and awards under the 2023 New Share Option Scheme beyond the 1% individual limit; and (iii) no options were granted to related entity participants and service providers under the 2023 New Share Option Scheme.

During the year ended 31 December 2023, details of share options granted by the Group to other employee participants under the 2023 New Share Option Scheme are as follows:

Date of grant	Number of options granted	Exercise price *HKD*	Vesting period[3]	Exercise period[3]	Performance targets *Yes/No*
28 July 2023[1]	1,830,000[2]	3.78	1 year	10 years	No
	1,550,000	4.92	1 year	10 years	No
	1,800,000	3.58	3 years	10 years	Yes[4]
	3,700,000	3.58	4 years	10 years	Yes[4]

Notes:

1. The closing price of the Shares immediately before the date of grant was HKD3.59 and the closing price of the Shares on the date of grant was HKD3.58.

2. The grantee of which comprises 212,000 share options is Mr. Yang Jialiang, who was not yet appointed as an executive Director of the Company as at the date of grant.

3. Both the vesting period and exercise period are counted from the date of grant.

4. Every 12 months from the date of grant is an assessment period. Two performance appraisals will be conducted during each assessment period and the results of each performance appraisal will be included in the annual consolidated performance score. The percentage of vesting of the grantee's share options in each assessment period is adjusted based on its annual consolidated performance score.

There were no options exercised during the year ended 31 December 2023 as the options granted by the Group to other employee participants under the 2023 New Share Option Scheme had not vested during the year ended 31 December 2023. In addition, there were no share options that were cancelled or lapsed during the year ended 31 December 2023.

Please refer to Note 2.2(k) and Note 28 to the consolidated financial statements for details of the accounting standard policy adopted for the 2023 New Share Option Scheme and the total expenses thereunder.

As at 1 January 2023, the Company had not adopted any share option scheme. As at 31 December 2023, the number of options available for grant under the Company's share option scheme was 47,535,933 shares. 8,880,000 Shares may be issued in regards of options and awards under all schemes of the Company during the year ended 31 December 2023, and such divided by the weighted average number of Shares in issue during the year is approximately 0.564%.

EQUITY-LINKED AGREEMENTS

Save as the 2023 New Share Option Scheme described in the previous section and the Subscription Agreement and Placing Agreement dated 10 July 2023 described in the section headed "Management Discussion and Analysis — Securities Issuance and Use of Proceeds" in pages 20 to 22 of this annual report, during the Reporting Period, the Company did not enter into or have any equity-linked agreements, and there were no provisions that would or might result in the issue of shares by the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

As the Board considered that the dealing prices of the Company's shares at the time did not reflect their intrinsic value, and the share repurchase program could reflect the Board's confidence in the Company's long-term development prospects and growth potential as well. During the Reporting Period, the total number of shares repurchased by the Company on the HKEX were 1,130,800, at a total consideration (before deduction of expenses) of HKD3,451,380.

During the Reporting Period, the Company's monthly report on share repurchase is set out as below:

Month	Number of Shares repurchased	Highest purchase price per Share *HKD*	Lowest purchase price per Share *HKD*	Total consideration (before deduction of expenses) *HKD*
September 2023	806,000	3.22	3.02	2,556,428.00
October 2023	324,800	2.93	2.65	894,952.00
	1,130,800			3,451,380.00

Save as disclosed above and in the section headed "Management Discussion and Analysis - Securities Issuance and Use of Proceeds" in pages 20 to 22 of this annual report, the Group had not purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2023.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Memorandum and Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

NON-COMPETITION UNDERTAKING

Mr. Chen Xiangyu has executed a power of attorney (the "**Power of Attorney**") on 10 May 2018, under which Mr. Chen has undertaken that, without the prior written consent of the WFOE, he will not use any information obtained from Shenzhen iDreamSky to engage in any business which competes or potentially competes with Shenzhen iDreamSky or its affiliates. The Company has received an annual confirmation from Mr. Chen Xiangyu that he has complied with the non-competition undertaking from the date of signing the Power of Attorney to 31 December 2023 for disclosure in this annual report. For details on non-competition undertaking, please refer to the section headed "Relationship with our Single Largest Shareholder" in the Prospectus.

The independent non-executive Directors have reviewed the performance of the non-competition undertaking from the date of the Power of Attorney to 31 December 2023 based on the information provided and/or confirmed by Mr. Chen, and are satisfied that Mr. Chen has complied with the non-competition undertaking.

CONNECTED TRANSACTIONS

During the Reporting Period, the Company had no connected transactions which are not exempt under Rule 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Tencent is one of the substantial shareholders of the Company and holds shares in the Company through its wholly-owned subsidiary. Tencent Computer and Tencent Technology are subsidiaries of Tencent. The Group has entered into a number of continuing connected transaction agreements with Tencent Group in respect business.

Summary of the Continuing Connected Transaction Agreement

As at the date of this report, the following transactions of our Group constitute the continuing connected transactions of the Company for the year ended 31 December 2023.

Advertising Cooperation Framework Agreement

On 29 December 2020, Shenzhen iDreamSky entered into an advertising cooperation framework agreement with Tencent Computer for a term of three years commencing from 1 January 2021 (the "**2021 Advertising Cooperation Framework Agreement**"), pursuant to which the parties agreed to conduct cooperation in respect of, inter alia, the following: (i) Shenzhen iDreamSky to provide advertising of products or services to Tencent Computer and/or its associates through the platform operated or participated by Shenzhen iDreamSky in exchange for the service fees payable by Tencent Computer to the Group; and (ii) acting as an intermediary to link the user traffic of third parties with the advertising services provided by Tencent Group. Our Group will conduct collective negotiations with Tencent Group in respect of the advertising services offered by Tencent Group in exchange for the service fees payable by relevant third parties to the Group.

The 2021 Advertising Cooperation Framework Agreement also provided for the proposed annual caps for the advertising service fees payable by Tencent Group to the Group for the three years ended 31 December 2023. For the proposed annual caps and the actual transaction amounts as at 31 December 2023, please refer to the "Review of the Annual Caps for the Continuing Connected Transactions" on page 48 of this section.

(a) *Reasons for the Transactions*

The Directors believe that enhancing the cooperation with Tencent Group will enable both parties to leverage on each other's competitive advantages and further increase the Group's advertising service business.

(b) *Listing Rules Implications*

Tencent Computer is a subsidiary of Tencent Group, a substantial shareholder of the Company, and thus a connected person of the Company. As the highest applicable percentage ratio for each of the proposed annual caps for the three years ended 31 December 2023 is expected to exceed 0.1% but below 5% on an annual basis, the transactions under the 2021 Advertising Cooperation Framework Agreement will constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

For details, please refer to the Company's announcement on 29 December 2020.

Payment Service Framework Agreement

On 29 December 2020, Shenzhen iDreamSky entered into a payment service framework agreement with Tencent Computer for a term of three years commencing from 1 January 2021 (the "**2021 Payment Service Framework Agreement**"), pursuant to which Tencent Computer agreed to provide payment services to the Group through the payment channels of Tencent Group for the purpose of enabling the Group's users to conduct online transactions. In exchange for the payment services provided, the Group shall pay a payment service fee to Tencent Group.

The 2021 Payment Service Framework Agreement also provided for the proposed annual caps for the payment service fee payable by the Group to Tencent Group for the three years ended 31 December 2023. For the proposed annual caps and the actual transaction amounts as at 31 December 2023, please refer to the "Review of the Annual Caps for the Continuing Connected Transactions" on page 48 of this section.

(a) Reasons for the Transactions

Our Directors consider that, taking into account the limited choices of online payment channels in the PRC, the leading position of the Tencent Group in the PRC online payment service industry and our users' profile where many of our users are existing users of the Tencent Group's online payment services, the 2021 Payment Service Framework Agreement would enable the Group to provide our users access to payment channels of Tencent Group and thus enhance our users' satisfactions with the Group's services.

(b) Listing Rules Implications

As the highest applicable percentage ratio for each of the three years ended 31 December 2023 in relation to the 2021 Payment Service Framework Agreement, in aggregate, is expected to exceed 0.1% but below 5% on an annual basis, the transactions contemplated under the 2021 Payment Service Framework Agreement will constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

For details, please refer to the Company's announcement on 29 December 2020.

Products and Services Purchasing Framework Agreement

On 29 December 2020, Shenzhen iDreamSky entered into a products and services purchasing framework agreement with Tencent Computer for a term of three years commencing from 1 January 2021 (the "**2021 Products and Services Purchasing Framework Agreement**"), pursuant to which Tencent Computer (or through its designated company) agreed to provide comprehensive services and products to our Group, including but not limited to the following technical products and services: (i) cloud services, cloud storage, cloud service related technical support; and (ii) SMS channel service, CDN network acceleration service, domain name resolution acceleration service. In exchange for the comprehensive services and products provided, our Group shall pay procurement fees in return for the products and services provided by the Tencent Group.

The 2021 Products and Services Purchasing Framework Agreement also provided for the proposed annual caps for the products and procurement fees payable by the Group to Tencent Group for the three years ended 31 December 2023. For the proposed annual caps and the actual transaction amounts as at 31 December 2023, please refer to the "Review of the Annual Caps for the Continuing Connected Transactions" on page 48 of this section.

(a) *Reasons for the Transactions*

Tencent is a leading provider of Internet value added service in the PRC, and offers a wide range of high-quality products and services. We have migrated the majority of our servers and computing infrastructure to Tencent Cloud and we became one of the few game publishers in China fully integrating cloud technology into game infrastructure. The Directors believe that the procurement of high-quality services and products from Tencent, especially technological products and services, will provide us with the necessary technologies to further develop our business, and we can leverage on the wide spectrum of products and services offered by Tencent to reduce unnecessary costs in reconciling and integrating the differences between different systems.

In addition, we also purchase virtual products and peripheral gaming products from the Tencent Group as part of our digital entertainment offering for our users in our marketing events, taking into account the popularity of those virtual and physical gaming products among our users.

(b) *Listing Rules Implications*

As the highest applicable percentage ratio for each of the three years ended 31 December 2023 in relation to the 2021 Products and Services Purchasing Framework Agreement, in aggregate, is expected to exceed 0.1% but below 5% on an annual basis, the transactions contemplated under the 2021 Products and Services Purchasing Framework Agreement will constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

For details, please refer to the Company's announcement on 29 December 2020.

IP Cooperation Framework Agreement

On 29 December 2020, Shenzhen iDreamSky entered into an IP cooperation framework agreement with Tencent Computer for a term of one year commencing from 1 January 2021 (the "**2021 IP Cooperation Framework Agreement**"), pursuant to which the cooperation shall be in the form of (i) resources investment for the development or adaption of comics work ("**Originated Work**"), including but not limited to advertising resources and currencies; and (ii) adaptation and operation of the Originated Work, including but not limited to distribution, adaptation and sales. The parties may further agree on the investment in the operation of the Originated Work separately.

In view of the enhanced cooperation between the parties in respect of intellectual property rights, Shenzhen iDreamSky and Tencent Computer amended the 2021 IP Cooperation Framework Agreement (the "**Amended 2021 IP Cooperation Framework Agreement**") on 20 September 2021, pursuant to which the cooperation shall be in the form of (i) resources investment for the development or adaption of the Originated Work, including but not limited to advertising resources and currencies; (ii) adaptation and operation of the Originated Work, including but not limited to distribution, adaptation and sales; and (iii) operation of Tencent's own and/or co-brand, IP and other products and/or services, including development, creation, production, online and offline advertising and sales, and operation in combination with the Company's own or right to use goods and/or services. The parties may further agree on the cooperation details separately.

In addition, the Amended 2021 IP Cooperation Framework Agreement adjusted the proposed annual caps for the relevant fees payable by the Group to Tencent Group for the years ended 31 December 2021, and supplemented the proposed annual caps for 2022 and 2023, respectively. For the proposed annual caps and the actual transaction amounts as at 31 December 2023, please refer to the "Review of the Annual Caps for the Continuing Connected Transactions" on page 48 of this section.

(a) Reasons for the Transactions

The Directors believe that the cooperation between the Company and Tencent Group in respect of intellectual property will become increasingly close, which will be conducive to both parties to fully utilize each other's competitive advantages and further enhance the Group's intellectual property-related product development and operation capabilities, enrich the Group's sales channels and increase the market awareness and share of the business.

(b) Listing Rules Implications

As the highest applicable percentage ratio for the proposed annual cap for each of the three years ending 31 December 2023 in relation to the Amended 2021 IP Cooperation Framework Agreement is expected to exceed 0.1% but below 5% on an annual basis, the transactions contemplated under the Amended 2021 IP Cooperation Framework Agreement will constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

For further details, please refer to the Company's announcements on 29 December 2020 and on 20 September 2021.

Game Cooperation Framework Agreement

On 29 December 2020, Shenzhen iDreamSky entered into a game cooperation framework agreement with Tencent Computer for a term of three years commencing from 1 January 2021 (the "**2021 Game Cooperation Framework Agreement**"), pursuant to which our Group and the Tencent Computer agreed to (i) license (a) games of our Group and/or (b) games licensed to our Group by third parties, and engage the Tencent Group for distribution or publishing for such games; (ii) license the games of the Tencent Group for the distribution and operations on our platforms; and (iii) cooperate on other gaming-related matters, including but not limited to (a) the Tencent Group engaging us to develop customized games, (b) the Tencent Group licensing its IPs to us for development of games, and (c) joint development of games by our Group and the Tencent Group. The Tencent Group and our Group shall pay distribution and/or licensing fees to each other (as the case may be). The precise scope of service, commission rate, the applicable payment channel and other details of the arrangement shall be agreed between the relevant parties separately.

The 2021 Game Cooperation Framework Agreement also provided for the proposed annual caps for the distribution fee and/or revenue share payable by the Group to Tencent Group and the distribution fee and/or revenue share payable by Tencent Group to the Group under the 2021 Game Cooperation Framework Agreement for the three years ended 31 December 2023. In view of (i) the anticipated demand from Tencent Group for the Group's customized development services, and (ii) the strengthening of cooperation with Tencent Group. On 12 August 2021, with the approval of the Board and in compliance with the reporting and announcement requirements under Chapter 14A of the Listing Rules, the Company revised the annual caps for the distribution fee and/or revenue share payable by Tencent Group to the Group under the 2021 Game Cooperation Framework Agreement for the three years ending 31 December 2023 by adding an additional category cap for the customized development fees payable by Tencent Group to the Group. In early 2023, the Company expected to further strengthen the cooperation with Tencent Group in the field of game business for the year ended 31 December 2023. Therefore, on 18 May 2023, with the approval of the Board and compliance with the reporting and announcement requirements under Chapter 14A of the Listing Rules, the Company further revised the annual cap for the licensing fees payable by the Group to Tencent Group under the 2021 Game Cooperation Framework Agreement for the year ended 31 December 2023. Apart from that, the annual caps for the distribution fees payable by the Group to Tencent Group and the customized development fees and/or licensing fees payable by Tencent Group to the Group remain unchanged. Save for the above two revisions to the annual caps, the terms of the 2021 Game Cooperation Framework Agreement remain unchanged. For the proposed annual caps and the actual transaction amounts as at 31 December 2023, please refer to the "Review of the Annual Caps for the Continuing Connected Transactions" on page 48 of this section.

(a) Reasons for the Transactions

The Tencent Group owns a large amount of top-rated game products and game platforms, and our Group has been dedicated to the production and operation of popular games. It is expected that the Tencent Group and our Group could leverage on each other's competitive advantages in products and platforms to improve the popularity of games owned by each other and increase the number of platform users and leverage on each other's game development capabilities. In addition, as a one-stop game publishing solution to game developers, we are able to leverage on the Amended 2021 Game Cooperation Framework Agreement and distribute the games licensed to us from global game developers through our cooperation with Tencent.

(b) Listing Rules Implications

As the highest applicable percentage ratio for each of the three years ended 31 December 2023 in relation to the Amended 2021 Game Cooperation Framework Agreement is expected to exceed 0.1% but below 5% on an annual basis, the transactions contemplated under the Amended 2021 Game Cooperation Framework Agreement will constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

For further details, please refer to the Company's announcements on 29 December 2020, 12 August 2021 and 18 May 2023.

QQfamily Cooperation Agreement

On 11 March 2021, Shenzhen iDreamSky Entertainment entered into the QQfamily cooperation agreement (the "**QQfamily Cooperation Agreement**") with Tencent Technology. Pursuant to which, Tencent Technology agreed to grant a non-exclusive and non-transferable license of the QQfamily IP to Shenzhen iDreamSky Entertainment for the Group's plan to open QQfamily themed offline stores in the PRC. Furthermore, Tencent Technology agreed that it will not operate QQfamily themed offline stores for game console experience, game retail, and audio-visual experience or video game themed parties on its own or authorize other parties to do so. In addition, during the construction, design, decoration and operation of the QQfamily themed offline stores, Shenzhen iDreamSky Entertainment shall have the right to use the QQfamily IP for the visual identity design and store decoration, design of staff uniforms, and the design and production of marketing materials for QQfamily themed offline stores in accordance with the terms set forth in the QQfamily Cooperation Agreement. Shenzhen iDreamSky Entertainment shall submit the design plan and schedule to Tencent Technology for review and approval in writing before implementing the relevant plan. Pursuant to the QQfamily Cooperation Agreement, within the first three years of the term of the QQfamily Cooperation Agreement, Shenzhen iDreamSky Entertainment may open a total of 150 QQfamily themed offline stores (i.e. 7 flagship stores with a floor area of at least 300 square meters and the remaining standard stores with a floor area of 50 to 300 square meters) directly operated by the Group in popular commercial areas in first and second tier cities in the PRC. The contracting parties will further evaluate the cooperation and may reach separate agreement on the details of opening stores for the last two years of the term in due course.

In exchange for the non-exclusive and non-transferable QQfamily IP license granted by Tencent Technology to Shenzhen iDreamSky Entertainment, Shenzhen iDreamSky Entertainment shall pay a total of RMB10.0 million to Tencent Technology within the first three years of the term of the QQfamily Cooperation Agreement, and an agreement shall be reached through negotiation on the profit distribution arrangement for the last two years. In addition, Shenzhen iDreamSky Entertainment shall also pay a deposit of RMB0.3 million to Tencent Technology within 15 working days after the date of the QQfamily Cooperation Agreement to ensure that it achieves certain business or sales targets under the QQfamily Cooperation Agreement.

The term of the QQfamily Cooperation Agreement commenced on 1 March 2021 and will expire on 28 February 2026. The QQfamily Cooperation Agreement also provided for the proposed annual caps for the licensing fees payable by the Group to Tencent Technology during the contract period. For the proposed annual caps and the actual transaction amounts as at 31 December 2023, please refer to the "Review of the Annual Caps for the Continuing Connected Transactions" on page 48 of this section.

(a) Reasons for the Transactions

The Directors consider that Tencent is a leading value-added internet service provider in the PRC and the QQfamily IP is well known and has a large potential fan base in the PRC. The Company expects that its business portfolio will be further enhanced and diversified through the Company's plan to open QQfamily themed offline stores with the Tencent Group under the QQfamily Cooperation Agreement.

(b) *Listing Rules Implications*

As at the signing date of the QQfamily Cooperation Agreement, Tencent is a substantial shareholder of the Company, holding approximately 18.59% of the total issued shares of the Company through its wholly-owned subsidiaries, and Tencent Technology is a subsidiary of Tencent. Therefore, under Chapter 14A of the Listing Rules, Tencent Technology is the connected person of the Company, and the QQfamily Cooperation Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company. As the highest applicable percentage ratio for each of the five years ending 31 December 2026 in relation to the QQfamily Cooperation Agreement is expected to exceed 0.1% but below 5% on an annual basis, the transactions contemplated under the QQfamily Cooperation Agreement will constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules. Pursuant to Rule 14A.52 of the Listing Rules, as the term of the QQfamily Cooperation Agreement exceeds three years, the Company has appointed Somerley Capital Limited, being the independent financial adviser appointed for the purpose of Rule 14A.52 of the Listing Rules, to explain the reason for the longer term and confirms that such term of such agreement is a normal business practice.

For further details, please refer to the Company's announcement on 11 March 2021.

Review of the Annual Caps for the Continuing Connected Transactions

A summary of the proposed annual caps and the actual transaction amounts of the above continuing connected transactions for the year ended 31 December 2023 is set out as follows:

Continuing Connected Transactions	Proposed Annual Cap for 2023 *RMB'000*	Actual Transaction Amount in 2023 *RMB'000*
2021 Advertising Cooperation Framework Agreement (Revenue-based)		
Advertising service fee payable by Tencent Group to our Group	52,800	20,595
2021 Payment Service Framework Agreement (Expense-based)		
Payment service fee payable by our Group to Tencent Group	6,221	1,312
2021 Products and Services Purchasing Framework Agreement (Expense-based)		
Procurement fee payable by our Group to Tencent Group for products and services	35,490	21,414
2021 IP Cooperation Framework Agreement (Expense-based)		
Licensing fee and/or revenue share payable by our Group to the Tencent Group	46,000	—
Amended 2021 Game Cooperation Framework Agreement		
Distribution fee payable by our Group to Tencent Group (Expense-based)	28,512	11,628
Licensing fee payable by Tencent Group to our Group in the form of revenue sharing (Revenue-based)	124,900	83,524
Licensing fee payable by our Group to Tencent Group (Expense-based)	58,127	29,749
Customized development fee payable by Tencent Group to our Group (Revenue-based)	21,667	—
QQfamily Cooperation Agreement (Expense-based)		
Licensing fee for the QQfamily IPs payable by our Group to Tencent Group	5,333	157

Annual Review by our Independent Non-Executive Directors and Auditor

For the year ended 31 December 2023, the independent non-executive Directors have reviewed the aforesaid continuing connected transactions and confirmed that the transactions have been entered into:

1. in the ordinary and usual course of business of the Company;

2. on normal commercial terms or better; and

3. in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole.

For the year ended 31 December 2023, the auditor of the Company has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions of the Group in accordance with Practise Statement 740 and Rule 14A.56 of the Listing Rules, an extract of which is as follows:

1. the transactions have been approved by the Board;

2. the transactions were, in all material respects, in accordance with the pricing policies of the Company;

3. the transactions were entered into in accordance with the relevant agreements governing the transactions; and

4. the aggregate amounts of the transactions have not exceeded the relevant caps.

Details of the related party transactions carried out in the normal course of business are set out in Note 38 to the consolidated financial statements. Save as disclosed above, none of these related party transactions constitutes a connected transaction or continuing connected transaction as defined under the Listing Rules, and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

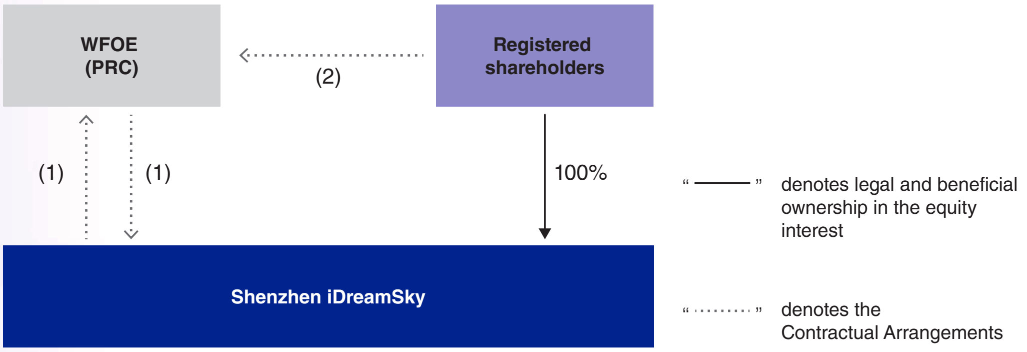
Renewal of Cooperation Framework Agreement of Continuing Connected Transactions

On 10 November 2023, Shenzhen iDreamSky and Tencent Computer agreed to renew the 2021 Framework Agreements, by entering into (i) the 2024 Advertising Cooperation Framework Agreement in relation to, among other things, the cooperation on advertising of products and services of both parties; (ii) the 2024 Payment Service Framework Agreement in relation to, among other things, the provision of payment services by Tencent Group to the Group; (iii) the 2024 Products and Services Purchasing Framework Agreement, in relation to, among other things, the provision of comprehensive services and products by Tencent Group to the Group; and (iv) the 2024 Game Cooperation Framework Agreement, in relation to, among other things, the corporation on games between the parties. The above agreements have been approved by the Board and are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules. In particular, the distribution transactions contemplated under the 2024 Game Cooperation Framework Agreement and the Proposed Annual Caps have been approved by the independent shareholders. The term of the above agreements is from 1 January 2024 to 31 December 2026. For details, please refer to the announcements of the Company dated 10 November and 28 December 2023 and the circular of the Company dated 11 December 2023.

CONTRACTUAL ARRANGEMENTS

Our Company has entered into a series of Contractual Arrangements with the WFOE and our PRC Consolidated Affiliated Entities, pursuant to which our Company would gain effective control over, and receive all the economic benefits generated by, the businesses operated by our PRC Consolidated Affiliated Entities. Accordingly, through the Contractual Arrangements, the results of operations and assets and liabilities of Shenzhen iDreamSky and its subsidiaries are consolidated into our results of operations and assets and liabilities under IFRS as if they were subsidiaries of our Group. The total revenue of our PRC Consolidated Affiliated Entities during the year ended 31 December 2023 was approximately RMB1,903.3 million, and the total assets of our PRC Consolidated Affiliated Entities as at 31 December 2023 was approximately RMB3,650.0 million.

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



Notes:

(1) WFOE provides business support, technical support, consulting services and other services in exchange for service fees from Shenzhen iDreamSky. Please refer to the paragraph headed "Summary of the Contractual Arrangements" below.

(2) The registered shareholders of Shenzhen iDreamSky, namely Mr. Chen Xiangyu, Mr. Guan Song, Ningbo Meishan Free Trade Zone iDream Tonghui Investment Partnership (Limited Partnership) (寧波梅山保稅港區築夢同輝投資管理合夥企業(有限合夥)), Mr. Lei Junwen, Mr. Su Meng, Linzhi Yongjin Information Technology Co., Ltd. (林芝永進信息科技有限公司) and Hengqin Chuangmeng Ruitong Equity Investment (Limited Partnership) (橫琴创梦瑞通股權投資企業(有限合夥)) are collectively referred to as "Registered Shareholders". Mr. Chen Xiangyu, Mr. Guan Song, Mr. Lei Junwen and Mr. Su Meng are referred to as the "Relevant Individual Shareholders".

    The Registered Shareholders executed exclusive option agreement, powers of attorney and equity pledge agreements, and the spouse of each of the Relevant Individual Shareholders executed an undertaking, in favor of WFOE. Please refer to the paragraph headed "Summary of the Contractual Arrangements" below.

(3) In addition to the restricted and/or prohibited business of our Company, Shenzhen iDreamSky also holds investments in certain entities in the PRC (the "**Relevant Entities**"), each of which (i) is engaged in business subject to foreign ownership restriction; (ii) is engaged in business subject to foreign ownership prohibition; or (iii) does not currently carry out business operations that are subject to foreign investment restrictions under the Negative List; however, (a) the Relevant Entity intends to invest or engage in potential businesses that are subject to foreign investment restrictions and has expressly rejected our Company's proposed transfer of interest in the Relevant Entity held by our Group to WFOE, (b) the transfer of interest in the Relevant Entity is expressly prohibited pursuant to the relevant requirement under the PRC laws, and/or (c) based on our Company's communication with the other stakeholders in the Relevant Entity, it would be impracticable to obtain the consent and/or assistance from all of the relevant stakeholders required for our Company's proposed transfer of interest in the Relevant Entity held by our Group to WFOE. For further details of these Relevant Entities, please refer to pages 213 to 224 of the Prospectus.

Summary of the Contractual Arrangements

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

Exclusive Business Cooperation Agreement

On 10 May 2018, WFOE and Shenzhen iDreamSky entered into the exclusive business cooperation agreement (the "**Exclusive Business Cooperation Agreement**"), pursuant to which Shenzhen iDreamSky agreed to engage WFOE as its exclusive service provider to provide, including but not limited to, technical support, development, maintenance and update of software, business management consultation, marketing and promotion services, leasing, assignment or disposal of equipment or properties, and other services. In exchange for these services, Shenzhen iDreamSky shall pay a service fee, which shall consist of 100% of the total consolidated profit of Shenzhen iDreamSky, after deducting any accumulated deficit of Shenzhen iDreamSky and its affiliated entities in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions. During the term of the Exclusive Business Cooperation Agreement, WFOE enjoys all the economic benefits in relation to Shenzhen iDreamSky's business operation. The Exclusive Business Cooperation Agreement also provides that WFOE has the exclusive and proprietary ownership, rights and interests in all intellectual properties arising out of or created during the performance of the Exclusive Business Cooperation Agreement.

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

Exclusive Option Agreement

On 10 May 2018, WFOE, Shenzhen iDreamSky and the Registered Shareholders entered into the exclusive option agreement (the "**Exclusive Option Agreement**"), pursuant to which WFOE has the irrevocable and exclusive right to purchase, or to designate one or more persons to purchase, from the Registered Shareholders all or any part of their equity interests in Shenzhen iDreamSky at any time and from time to time at WFOE's sole and absolute discretion to the extent permitted by PRC laws.

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

Equity Pledge Agreement

On 10 May 2018, WFOE, Shenzhen iDreamSky and the Registered Shareholders entered into the equity pledge agreement (the "**Equity Pledge Agreement**"), pursuant to which the Registered Shareholders agreed to pledge all of their respective equity interests in Shenzhen iDreamSky to WFOE as collateral security for any and all of the secured indebtedness under the Contractual Arrangements and for securing the performance of their obligations under the Contractual Arrangements. During the pledge period, WFOE was entitled to receive any dividends or other distributable benefits arising from the equity interests in Shenzhen iDreamSky held by the Registered Shareholders.

The pledge in favor of WFOE under the Equity Pledge Agreement shall remain valid until all the contractual obligations of the Registered Shareholders and Shenzhen iDreamSky under the Contractual Arrangements have been fully performed and all the secured indebtedness of the Registered Shareholders and Shenzhen iDreamSky under the Contractual Arrangements have been fully paid.

Powers of Attorney

On 10 May 2018, the Registered Shareholders executed powers of attorneys (the "**Powers of Attorney**"), pursuant to which the Registered Shareholders irrevocably appointed WFOE and its appointees (including but not limited to the directors of WFOE and their successors and liquidators replacing the directors but excluding those non-independent directors or who may give rise to conflict of interests) as their exclusive agents and attorneys-in-fact to act on their behalf on all matters concerning Shenzhen iDreamSky and to exercise all of their respective rights as a Registered Shareholder of Shenzhen iDreamSky in accordance with the PRC laws and the memorandum and articles of association of Shenzhen iDreamSky.

The Powers of Attorney shall be irrevocable and remain effective for so long as each Registered Shareholder holds equity interest in Shenzhen iDreamSky.

Spouse Undertakings and Confirmations from the Relevant Individual Shareholders

The spouse of each of the Relevant Individual Shareholders, where applicable, has signed an undertaking (the "**Spouse Undertakings**") to the effect that (i) the respective Relevant Individual Shareholder's interests in Shenzhen iDreamSky (together with any other interests therein) do not fall within the scope of communal properties; and (ii) the spouse has no right to or control over such interests of the respective Relevant Individual Shareholder and will not have any claim on such interests.

Each of the Relevant Individual Shareholders has also confirmed to the effect that (i) his/her spouse is aware of the Exclusive Option Agreement, the Equity Interest Pledge Agreement and the respective Power of Attorney; (ii) his shareholding is his personal property and does not constitute joint property; (iii) his/her spouse agrees that he has the right to claim any interests, handle his shareholding at his sole discretion without consent of his/her spouse and to enjoy the rights and perform the obligations under the Exclusive Option Agreement, the Equity Interest Pledge Agreement and the respective Power of Attorney by himself. If he/she and his/her spouse get divorced, the equity interest in the domestic company held by him/her is his/her personal property and does not constitute a joint property of him/her and his/her spouse, and he/she will take measures to ensure the performance of the Exclusive Option Agreement, the Equity Interest Pledge Agreement and the respective Power of Attorney and will not take any actions in violation of the Exclusive Option Agreement, the Equity Interest Pledge Agreement and the respective Power of Attorney; and (iv) in the event of his/her death, incapacity or any other event which causes his/her inability to exercise his/her shareholder's rights in Shenzhen iDreamSky, his/her successors will inherit all his/her rights and obligations under the Power of Attorney.

Reasons for adopting the Contractual Arrangements

Our principal businesses involve publication and operation of games through mobile apps and websites and are subject to foreign investment restrictions in accordance with the Guidance Catalog of Industries for Foreign Investment. In view of such PRC regulatory background, after consultation with our PRC legal advisers, we determined that it was not viable for our Company to hold our PRC Consolidated Affiliated Entities directly through equity ownership. For further details of the foreign investment restrictions relating to the Contractual Arrangements, please refer to the sections headed "Contractual Arrangements — PRC Regulatory Background — Overview" and "Contractual Arrangements — Development in the PRC Legislation on Foreign Investment" on pages 211 to 212 and pages 239 to 246 of the Prospectus.

Risks relating to the Contractual Arrangements

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

1. If the PRC government determines that the Contractual Arrangements do not comply with the applicable regulations, our business could be materially and adversely affected;
2. If the PRC government determines that our ownership structure does not comply with restrictions contained in the GAPP Notice, we would be subject to severe penalties;
3. Our Contractual Arrangements with Shenzhen iDreamSky and its Registered Shareholders may not be as effective in providing control as direct ownership. Shenzhen iDreamSky and its Registered Shareholders may fail to perform their obligations under these Contractual Arrangements;
4. Our ability to enforce the share pledge agreements may be subject to limitations based on PRC laws and regulations;
5. The Registered Shareholders of Shenzhen iDreamSky have potential conflicts of interest with us, which may adversely affect our business;
6. We may lose the ability to use and enjoy the benefits of the assets held by Shenzhen iDreamSky that are important to the operations of our business if such entity goes bankrupt or becomes subject to dissolution or liquidation proceeding;
7. Our Contractual Arrangements with Shenzhen iDreamSky may result in adverse tax consequences; and
8. Substantial uncertainties exist with respect to enactment timetable, interpretation and implementation of the draft PRC Foreign Investment Law and how it may impact the viability of our current cooperate structure, corporate governance and business operations.

For further details of these risks, please refer to the section headed "Risk Factors — Risks Related to Our Contractual Arrangements" on pages 51 to 58 of the Prospectus.

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

1. major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion as and when they arise;
2. our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
3. our Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports; and
4. our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance with WFOE and our PRC Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Listing Rules Implications and Waivers from the HKEX

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions for our Company pursuant to Chapter 14A of the Listing Rules. As such, we have applied to the HKEX, and the HKEX has granted, a waiver from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules; and (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, for so long our Shares are listed on the HKEX, subject, however, to the following conditions:

1. no change to the Contractual Arrangements will be made without independent non-executive Directors' approval;
2. no change to the Contractual Arrangements will be made without independent shareholders' approval;
3. on the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and our PRC Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon expiry of the existing arrangements or in relation to any existing or new WFOE or operating company (including branch companies) engaging in the same business as that of our Group which our Group may wish to establish when justified by business expediency, without obtaining the approval of the shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements; and
4. we will disclose details relating to the Contractual Arrangements on an ongoing basis.

Annual Review by our Independent Non-Executive Directors and Auditor

Our independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that:

1. the transactions carried out during the year ended 31 December 2023 had been entered into in accordance with the relevant provisions of the Contractual Arrangements;
2. no dividends or other distributions had been made by our PRC Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;
3. other than the Contractual Arrangements, no new contracts had been entered into, renewed and/or reproduced between our Group and the PRC Consolidated Affiliated Entities during the year ended 31 December 2023; and
4. the Contractual Arrangements had been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable so far as our Group is concerned, and in the interest of our Company and its shareholders as a whole.

Our Auditor has confirmed in a letter to our Board that the transactions under the Contractual Arrangements have been approved by our Board, the transactions carried out during the year ended 31 December 2023 had been entered into in accordance with the relevant provisions of the Contractual Arrangements, and that no dividends or other distributions had been made by our PRC Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.

SOCIAL RESPONSIBILITY

During the Reporting Period, the Company continued to focus on animal protection and rural education.

In 2022, the Company joined hands with the China Small Animal Protection Association to launch the “Gardenscapes and Homescapes Guardian of Stray Animals Public Welfare Program (夢幻守護流浪小動物公益計劃)”, and carried out a series of online activities of “Guardian of Stray Little Angels (守護流浪小天使)” in the games of “Gardenscapes” and “Homescapes”. In the spring of 2023, we continued to launch the second phase of the “Gardenscapes and Homescapes Guardian Program (夢幻守護計劃)”, calling on more players to participate in the rescue of stray animals. In addition to organizing public welfare activities in the game, we also cooperated with the China Small Animal Protection Association and the Shanghai “Love & Don’t let go” Shelter Centre (上海「愛不釋手」庇護中心) to repair the Dream Love House (夢幻愛心屋) and improve the living environment for small animals.

In 2023, the Game Working Committee of the China Audio-video and Digital Publishing Association (中國音數協遊戲工委) and the CCAA Esports Working Committee (電競工委) carried out a public welfare donation activity called “Games Promote Brilliance (遊益生輝)”. The Company’s project teams such as “Subway Surfers” and “Gardenscapes” actively participated in the activity, and donated teaching and learning supplies to the children in Erlang Primary School in Lijiang, Yunnan Province.

In 2023, the total donations made by the Group amounted to RMB718,041.

For details, please refer to the 2023 Environmental, Social and Governance Report of the Company.

ISSUANCE OF DEBENTURES

During the Reporting Period, no issuance of debentures was made by the Company.

SIGNIFICANT LEGAL PROCEEDINGS

During the Reporting Period, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the directors to be pending or threatening against the Company.

PERMITTED INDEMNITY PROVISION

Under the Memorandum and Articles of Association, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of his duties in his office; be indemnified and secured harmless out of the assets of the Company; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty.

The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

EMPLOYEES AND THEIR REMUNERATION POLICIES, RETIREMENT PLANS AND TRAINING PROGRAMS

As at 31 December 2023 and 2022, we had 797 and 1,048 full-time employees, respectively. Substantially all of our employees are located in the PRC, and a small number of employees are located in Hong Kong.

Our success depends on our ability to attract, retain and motivate qualified personnel. We provide employees with competitive remuneration packages to achieve the Group's talent strategic objectives. In addition to basic salary, we also provide employees with diversified remuneration policies such as performance bonus and share awards. Details of the remuneration of employees are set out in Note 10 to the consolidated financial statements in this annual report. We also purchase commercial health and accident insurance for our employees. We have granted, and plan to continue to grant in the future, share award schemes to our employees to incentivize their contributions to our development.

The Group and its employees in the PRC participate in various social security plans and housing funds in accordance with the laws and regulations of the PRC and the requirements of the relevant authorities where the PRC employees are located. Among them, post-employment benefit plans are basic pension insurance organized and implemented by the Ministry of Human Resources and Social Security of the People's Republic of China (the "**Social Security Department**"), which belong to the category of defined contribution plans. These insurance plans shall be calculated as a percentage of the employees' basic salaries and make monthly contributions, which are charged to profit or loss on an accrual basis. The Social Security Department is responsible for the payment of the basic social pension to the retired employees upon their retirement in the PRC. We also make contributions for our Hong Kong employees at the statutory mandatory contribution rates jointly borne by the Company and the employees within the statutory limits prescribed by the Mandatory Provident Fund Schemes Ordinance.

During the year ended 31 December 2023, no forfeited contributions were used to offset employers' contributions and forfeited contributions were available to reduce the contributions payable in the future years.

We provide talent management training programs for our senior management to help them enhance their strategic vision and leadership skills. We also provide employees with job-specific trainings, such as customer service training and compliance management training, as well as various theme-specific trainings such as Tech-talk activities, induction training for fresh graduates and employee sharing activities. Through these trainings, we help employees improve their professional skills and comprehensive qualities.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the section Corporate Governance Report on pages 64 to 86 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued Shares, the prescribed minimum percentage of public float approved by the HKEX and permitted under the Listing Rules, were held by the public at all times during the Reporting Period and as at the date of this annual report.

AUDITOR

PricewaterhouseCoopers was appointed as the Auditor during the Reporting Period. The accompanying financial statements prepared in accordance with IFRSs have been audited by PricewaterhouseCoopers.

PricewaterhouseCoopers shall retire at the forthcoming AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as Auditor will be proposed at the AGM.

During the past three years, the Company has not changed auditors.

On behalf of the Board
Chen Xiangyu
Chairman

Shenzhen, the PRC, 28 March 2024

Directors and Senior Management

Directors

Executive Directors

Mr. Chen Xiangyu (陳湘宇), aged 41, is an executive Director, Chairman of the Board and Chief Executive Officer of our Company. Mr. Chen has more than fifteen years of experience in mobile games, telecommunication, technology and management and is fully responsible for overseeing the Company's strategy, business and management. Mr. Chen is a co-founder and also serves as the chief executive officer and a director of Shenzhen iDreamSky, a director of Shenzhen Mengyu and a director of Chuangyi Shikong. Mr. Chen has received numerous awards and recognitions for his entrepreneurship and industry expertise, including being listed as one of the "40 Elite Individuals in Business Under the age of 40 in the PRC" (中國40位40歲以下的商界精英) in years 2014 and 2016 by Fortune Magazine (Chinese edition), being listed as one of the "Top 10 PRC Entrepreneurs Born in 1980s" (中國十大八零後創業家) by the Hurun Report (胡潤百富) in 2016, being listed as one of the "100 Most Innovative Individuals in PRC Business of 2016" (2016中國商業最具創意人物100) by the Fast Company Magazine, being awarded the Young Individual in Technology Award (青年科技獎) by the Shenzhen Science and Technology Association (深圳市科學技術協會) in 2017 and being selected as "Remarkable Young Entrepreneur of the Year in Shenzhen" (深圳青年創業年度風雲人物). In 2016, Mr. Chen was appointed as "Ambassador of Innovative Entrepreneurship of Nanshan District" (南山區創新創業形象大使) by the government of Nanshan District, Shenzhen, the PRC. In July 2017, he was nominated to the position of committee member of the Youth Association of Shenzhen (深圳市青年聯合會委員). Mr. Chen received his bachelor's degree in computer science and technology from the Central South University in the PRC in July 2000.

Mr. Guan Song (關嵩), aged 42, is an executive Director and Chief Technology Officer of our Company. Mr. Guan is also a co-founder and the chief technology officer of Shenzhen iDreamSky. Mr. Guan has more than fifteen years of experience in the telecommunications, technology and Internet, and is fully responsible for supervising the Company's business core technology deposition, international cutting-edge technology application research. Mr. Guan is the joint inventor of a Chinese invention patent and led the development of more than ten game software products. Mr. Guan is certificated for High-Level Professional in Shenzhen by Human and Social Security Administration of Shenzhen Municipality (深圳市人力資源和社會保障局). Mr. Guan received a bachelor's degree in software engineering from Zhejiang University in the PRC in June 2004.

Mr. Jeffrey Lyndon Ko (高煉惇), aged 41, is an executive Director and President of our Company. Mr. Ko is also a co-founder and the president of Shenzhen iDreamSky. Mr. Ko has more than twenty years of experience in the games industry and is fully responsible for overseeing the Company's game business segment, as well as overseas strategy, overseas pipeline connection and overseas investment. Except for holding positions in the Group, Mr. Ko was appointed as a special expert of expert think tank by China Game Industry Research Institute in August 2021, and was elected as the president of the Shenzhen ESports Association on November 2018. He also served as the advisor of Hong Kong Esports Limited and the honorary president of Macau E-Sports Federation. In 2009, Mr. Ko was awarded a "Developer 30 Under 30 Award" from DEVELOP magazine. He was the first person of Chinese descent to have received such award. In 2018, Mr. Ko was awarded as one of the Top 100 Generation Talents with Most Potential of China.

Mr. Yang Jialiang, aged 41, is the chief human resources officer of the Company and was appointed as Executive Director in August 2023. Mr. Yang has extensive experience in human resources management and is fully responsible for the Company's human resources and administrative management. Since serving as chief human resources officer, he has made outstanding contributions to the Company's organizational change and the introduction of outstanding talents. Prior to joining the Company, Mr. Yang Jialiang worked at Tencent where he served as the recruitment manager for the Corporate Development Group and the consulting director successively from September 2013 to March 2022. From August 2010 to September 2013, he worked at Huawei Technologies Co., Ltd., where he served as the global high-end recruitment manager for its software department. Mr. Yang Jialiang obtained a Bachelor's degree of Arts in Journalism from Zhejiang University in the PRC in 2005 and a Master's degree of Law in political science from Zhejiang University in the PRC in 2007.

Non-executive Directors

Mr. Zhang Han (張涵), aged 43, was appointed as a non-executive Director of our Company in April 2020. Mr. Zhang is currently a partner of Sequoia Capital China. Prior to that, Mr. Zhang served as a partner of Redpoint China Ventures (紅點中國創業投資基金) from 2017 to 2021, Mr. Zhang served as a partner of Redpoint Ventures (紅點創業投資基金) from 2010 to 2016 and a market engineer at Infineon Technologies (China) Co., Ltd. (英飛淩科技(中國)有限公司), a global leading semiconductor company, from 2006 to 2009. Mr. Zhang was selected as one of the top 40U40 investors in CY Zone in 2018. He was also selected as one of the top 50 China Mid-Generation Investors in 36Kr, one of the F40 China Young Investors in Investment World and one of the of 70 Youth Leader GP30 of the generation born in the 70s in FOF Weekly in 2019. Mr. Zhang obtained his bachelor's degree in automation and master's degree in vehicle engineering in Tsinghua University in the PRC in 2002 and 2005, respectively.

Mr. Yang Ming, aged 41, serves as the head of domestic game distribution line at Interactive Entertainment Group of Tencent. He was appointed as a non-executive Director of our Company in August 2023. Since Mr. Yang Ming joined Tencent in 2006, he has been in responsible for several key businesses successively. He has led the game product "League of Legends" to rapidly grow to a nationwide e-sports game, and led the team of game product "Dungeon & Fighter" to win Tencent Major Business Breakthrough Award for several times. In addition to the position aforementioned, Mr. Yang Ming has been a non-executive director of China Ruyi Holdings Limited (whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, stock code: (0136) since June 2023. Mr. Yang Ming holds a master's degree in management from Wuhan University in the PRC.

Independent Non-executive Directors

Ms. Yu Bin (余濱), aged 54, was appointed as independent non-executive Director of our Company in May 2018. Ms. Yu has extensive industry experience in financial management. In addition to her position in our Group, Ms. Yu has been an independent non-executive director of ZERO2IPO Holdings Inc. (清科創業控股有限公司) since December 2020, and an independent director of GDS Holdings Ltd. since November 2016. Before that, Ms. Yu has been an independent director of Kuke Music Holding Limited from January 2021 to June 2023, an independent director of Baozun Inc. from May 2015 to May 2023, an independent non-executive director of Tian Ge Interactive Holdings Limited (天鴿互動控股有限公司) from July 2014 to January 2021. In addition, Ms. Yu has served as the chief financial officer of Lingochamp Inc. from October 2017 to January 2020,as the chief financial officer of InnoLight Technology Corp. from January 2015 to April 2017,as the chief financial officer of Star China Media Limited (星空華文傳媒集團) from May 2013 to January 2015,as a senior vice president of Youku Tudou Inc. from August 2012 to April 2013, as the chief financial officer of Tudou Holdings Limited from January 2012 to April 2013, and as the vice president of finance of Tudou Holdings Limited from July 2010 to December 2011.

Ms. Yu obtained a bachelor's degree in English literature from Xi'an Foreign Language University in the PRC in July 1992, a master's degree in accounting from the University of Toledo in the United States in May 1999, and a Tsinghua–INSEAD EMBA degree from Tsinghua University and INSEAD in January 2013. She has been a member of the American Institute of Certified Public Accountants since November 2013 and a member of Chartered Global Management Accountant since December 2013.

Mr. Li Xintian (李新天), aged 58, was appointed as independent non-executive Director in May 2018. In addition to his position in our Group, Mr. Li has been serving as a professor in the University of Wuhan since November 2005. Prior to that, Mr. Li has been teaching in the Office of Teaching and Research of Civil Commercial Law of the Department of Law of the University of Wuhan (武漢大學法學院民商法教研室) since September 1992, where he has held the position of lecturer and became an associate professor on June 2000. In addition, Mr. Li has held independent directorships in a number of listed companies: Mr. Li has been an independent director of Huachangda Intelligent Equipment Group Co., Ltd. (華昌達智能裝備集團股份有限公司) from November 2013 to February 2015, an independent director of Hubei Century Network Technology Co., Ltd. (湖北盛天網絡技術股份有限公司) from May 2012 to November 2015 and an independent director of Guangdong Hec Technology Holding Co., Ltd. (廣東東陽光科技控股股份有限公司) from May 2008 to May 2014. He was admitted by the Ministry of Justice of Hubei (湖北省司法廳) as a lawyer in July 1993. Mr. Li obtained his bachelor's degree in law in July 1989 from the Wuhan University in the PRC and his doctorate degree in law from the Wuhan University in the PRC in June 2002.

Mr. Zhang Weining (張維寧), aged 45, was appointed as independent non-executive Director in May 2018. In addition to his position in our Group, Mr. Zhang has been serving as an associate professor of Cheung Kong Graduate School of Business (長江商學院) since May 2015. Before that, Mr. Zhang served as assistant professor in Business School of National University of Singapore from August 2010 to December 2011. He has been a director of Transino Technology Corp., LTD. (北京時代正邦科技股份有限公司) since September 2016, and holds approximately 0.15% of the share capital therein. Mr. Zhang has been serving as an independent non-executive director of Grandshores Technology Group Limited (雄岸科技集團有限公司) from June 2018 to May 2022. Mr. Zhang has been a director of Guangzhou Topcomm Media Advertising Co., Ltd. (廣州尚思傳媒廣告股份有限公司) from June 2013 to May 2018, and holds approximately 4.32% of the share capital therein. Mr. Zhang has been a director of Sichuan Tianyi Science & Technology Co., Ltd. (四川天一科技股份有限公司) from August 2012 to November 2015. Mr. Zhang obtained his bachelor's degree in accounting in Southwestern University of Finance and Economics in the PRC in July 2001 and his doctorate's degree in management in the University of Texas in the United States in August 2010.

Mr. Mao Rui (毛睿), aged 48, was appointed as independent non-executive Director of our Company in August 2020. In addition to his position in our Group, Mr. Mao has joined Shenzhen University as an associate professor of College of Computer Science and Software Engineering in 2010, and currently serves as a Changjiang Scholars Special Position professor and associate dean of College of Computer Science and Software Engineering, primarily responsible for scientific research and foreign affairs. His research primarily focuses on big data management and high-performance computing.

Mr. Mao also serves as an executive dean of Shenzhen Institute of Computing Sciences, deputy director of National Engineering Laboratory for Big Data System Computing Technology, director of Guangdong Provincial Key Laboratory of popular High-Performance Computing, director of Guangdong Provincial Engineering Technology Research Center of Domestic High-Performance Data Computing System, and director of Shenzhen Key Laboratory of Service Computing and Application. He is also a distinguished member of China Computer Federation (CCF), and is on expert panel of Big Data, Database and Theoretical Computer Science.

Mr. Mao obtained a bachelor's degree and a master's degree in Computer Science from University of Science and Technology of China in 1997 and 2000, respectively. He further obtained a master's degree in Statistics and a doctorate's degree in Computer Science from the University of Texas at Austin in the United Sates in 2006 and 2007, respectively.

Senior Management

Mr. Lei Junwen (雷俊文), aged 40, was appointed as Chief Financial Officer of our Company since May 2018 and is primarily responsible for overseeing the overall financial management, investment and financing, capital market and strategic development of our Group. Mr. Lei also serves as the chief financial officer of Shenzhen iDreamSky and a director of Horgos iDreamSky. Mr. Lei has extensive industry experience in the financial management, accountancy and consultancy industries, including experience in KPMG from August 2006 to May 2010, where he was eventually promoted to audit assistant manager, as senior manager of Vermillion Partners Limited (銀硃合夥人有限公司) from June 2010 to November 2013 and as chief financial officer of XDK Communication Equipment (Huizhou) Co., Ltd. (訊達康通訊設備(惠州)有限公司) from December 2010 to November 2013. Mr. Lei is a Certified Public Accountant in the PRC. Mr. Lei obtained his bachelor's degree in accounting from Zhejiang University in the PRC in June 2005, and he also obtained an EMBA degree from PBC School of Finance, Tsinghua University in June 2023.

Mr. Ho, Mario Yau Kwan (何猷君), aged 29, was appointed as Chief Marketing Officer of our Company since May 2018 and is primarily responsible for marketing and promotions, Esports related business and augmented reality games. Mr. Ho also serves as the chief marketing officer of Shenzhen iDreamSky. Mr. Ho has been the first Chairperson of the Macau E-sports Federation since April 2018. He has been a member of the Guangdong Province Federation of Returned Overseas Chinese Youth Committee (廣東省僑聯青年委員會) and a member of the Youth Committee of the Associação Comercial de Macau (澳門中華總商會青年委員會) since 2018. Mr. Ho was appointed as the members of 13th Hubei Provincial Committee of the Chinese People's Political Consultative Conference since January 2023. Mr. Ho obtained his bachelor's degree in management science in June 2016 from the Massachusetts Institute of Technology.

For biographical details of Mr. Chen Xiangyu, Mr. Guan Song, Mr. Jeffrey Lyndon Ko and Mr. Yang Jialiang, who form part of our senior management team, please refer to the section above on pages 58 to 59.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining high standards of corporate governance to safeguard the interests of the shareholders and stakeholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix C1 (formerly Appendix 14) to the Listing Rules as its own code of corporate governance. Save as disclosed in this report, the Company has complied with all applicable code provisions under the CG Code during the Reporting Period. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering the Company's objectives are set out in the section headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 5 to 11 and 12 to 22 of this annual report.

THE BOARD

Board Responsibilities

The Board is responsible for the overall leadership of the Company, oversees the Company's strategic decisions and monitors business and performance. To ensure high efficient operation and flexible and fast decision making, the Board has delegated the authority and responsibility for day-to-day management and operation of the Company to the senior management of the Company. The senior management team meets as frequent as necessary to formulate policies and make recommendations to the Board. The senior management team administers, enforces, interprets and supervises compliance with the internal rules and operational procedures of the Company as well as its subsidiaries and conducts regular reviews, recommends and advises on appropriate amendments to such rules and procedures. The senior management team reports to the Board on a regular basis and communicates with the Board whenever required.

To oversee particular aspects of the Company's affairs, the Board delegates certain matters requiring particular time, attention and expertise to the Board committees with the support of independent oversight and experts, which are more appropriate for the Board committees to deal with. As such, the Board has established four Board committees to take charge of these matters and to assist the Board in making appropriate decision. These four Board committees include the audit committee (the "**Audit Committee**"), the remuneration and appraisal committee (the "**Remuneration and Appraisal Committee**"), the nomination committee (the "**Nomination Committee**") and the strategy committee (the "**Strategy Committee**") of the Company (together, the "**Board Committees**"). Each of the committees has its written terms of reference which clearly specify its powers and authorities. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

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

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

Delegation by the Board

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

The daily management, administration and operation of the Company are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of the Directors but may delegate some corporate governance duties to the Board Committees. The corporate governance functions of the Board include:

1. to develop and review the Company's policies and practices on compliance with corporate governance;
2. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
3 to develop, review and monitor the code of conduct and compliance manual applicable to the Directors and employees;
4 to assign the Audit Committee to review and monitor the effectiveness of the Company's risk management and internal control systems, evaluate and manage the risks faced by the Company, and review and monitor the whistleblowing policy and its compliance;
5 to assign the Nomination Committee to review and monitor the Board Diversity Policy and continuous professional development of Directors;
6 to review the Shareholders' Communication Policy to enhance effective communication between the Company and the shareholders; and
7 to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Board reviews the Company's corporate governance policies at least annually. The regular key concerns of the Board include but are not limited to: significant risks faced by the Group, the effectiveness of the internal control system, the review of the Memorandum and Articles of Association and the decision-making authority and authorization system of the Board and senior management of the Company. During the Reporting Period, the Board and relevant Board Committees have performed the duties under code provision A.2.1 of the CG Code.

At the Board meeting dated 28 March 2024, the Board has reviewed and approved the Corporate Governance Report of the Company for the year 2023 and authorized for issue. For details of risk management and internal control in 2023, please refer to the section headed "Risk Management and Internal Control" on pages 79 to 83 of this report.

Mechanisms for the Board to obtain independent views and opinions

All Directors of the Company received a comprehensive induction on the first occasion of their appointment, through training and reading on relevant materials, so as to ensure that they understand the business and operations of the Group and are fully aware of their responsibilities and obligations under the Listing Rules and relevant regulatory requirements. The Company continues to provide the Directors with information and materials related to the updates of the Listing Rules, listing regulatory information, and directors' training materials relevant to the performance of their duties, so that the Directors can continue to obtain professional development and perform their duties in accordance with the Listing Rules and relevant laws and regulations.

Each Director is entitled to seek advice from the Company's management, company secretary or relevant departments of the Company regarding the Company's relevant circumstances, and to seek independent professional advice on any matters relating to the performance of his/her duties at the Company's expense. The Company has purchased liability insurance for Directors and senior management in respect of legal risks that may be faced by the Directors and senior management in the performance of their duties to ensure that the Directors and senior management can contribute independent views and opinions to the Company.

During the Reporting Period, the Board has reviewed the implementation of the mechanism and reviewed and considered that the mechanism remains effective.

Board Diversity Policy

The Company recognizes the benefits of having a diverse Board and recognizes that maintaining diversity at Board, senior management team and employee is an essential element in maintaining and enhancing the Company's competitive advantage. The Company is committed to promoting gender diversity at the Board and throughout the Group.

The Company has adopted a board diversity policy (the "**Board Diversity Policy**"), which is available on the website of the Company, to ensure that the Company will consider board diversity in terms of, among other things, age, cultural and educational background, professional and industry experience, special skills, knowledge, perspectives and other contributions that can be made to the Board when selecting candidates to join the Board, with a focus on gender as one of the factors in achieving board diversity of the Company.

The Board Diversity Policy of the Company requires that the number of independent non-executive Directors shall account for at least one-third of the Board, and there shall be at least one female Director and one independent non-executive Director with financial related background. During the Reporting Period, the Board has reviewed the Board Diversity Policy and is of the view that the current Board composition has fully complied with the aforesaid requirements. We aim to maintain at least the current level of female representation on our Board. The Nomination Committee will continue to monitor suitable candidates for potential female Directors, including but not limited to appointment of executive Directors within the Group and/or appointment of non-executive Directors externally. The Board will also consider to further increase the proportion of its female members when suitable candidates are available in the future.

When selecting suitable candidates for senior management and employees, the Group not only considers the experience and ability of the candidates, but also resolutely opposes gender discrimination. As at 31 December 2023, the number of female employees of the Group accounted for approximately 36.9% of the total number of employees. The Board considers that the Group has achieved gender diversity at the employee level, and is not aware of any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

Nomination Policy for Directorship

In light of article 16.2 of the articles of association of the Company, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board but the number of Directors so appointed shall not exceed the maximum number determined from time to time by the shareholders in general meeting of the Company. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his/her appointment and be eligible for re-election at such meeting.

Subject to the provisions of the Memorandum and Articles of Association and the Cayman Companies Act, upon the resolutions proposed by a majority of the Directors, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

The majority of the members of the Board shall consist of citizens of the People's Republic of China (the "**PRC Nationals Requirement**"). The shareholders of the Company may by ordinary resolution at any time remove any Director (including a managing director or other executive Director but without prejudice to any claim for damages under any contract) before the expiration of his period of office notwithstanding anything in the Memorandum and Articles of Association or in any agreement between the Company and such Director and may by ordinary resolution elect another person in his stead. Any such change shall be subject to the aforementioned PRC Nationals Requirement. Any person so elected shall hold office during such time only as the Director in whose place he is elected would have held the same if he had not been removed. The Nomination Committee is bound to follow the PRC Nationals Requirement.

Nomination Committee's Role and its Selection Process and Criteria

The Nomination Committee shall review the said information and documents provided by the nominated candidate and conduct the following process (in accordance with the following criteria) with a view to assessing and evaluating whether such candidate is suitably qualified to be appointed as a director of the Company before making recommendations to the Board:

1. to assess such candidate's qualifications, skills, knowledge, ability and experience and also potential time commitment and attention to perform director's duties under common law, legislation and applicable rules, regulations and guidance (including without limitation the Listing Rules and the "Guidance for Boards and Directors" published by the HKEX (the "**Guidance for Boards**")), with reference to the corresponding professional knowledge and industry experience which may be relevant to the Company and also the potential contributions that such candidate could bring to the Board (including potential contributions in terms of qualifications, skills, experience, independence and gender diversity);
2. in addition and without prejudice to Paragraph 1 above, to assess such candidate's personal ethics, integrity and reputation (including without limitation to conduct appropriate background checks and other verification processes against such candidate);

3. with reference to the Company's Board Diversity Policy (as adopted and amended by the Board from time to time), to take into account the then current structure, size and composition (including without limitation the balancing of the age, gender, cultural and educational background, professional and industry experience, skills and knowledge, and diversity of perspectives appropriate to the requirements of the Company's business) of the Board and the Company's strategy, with due regard for the benefits of the appropriate diversity of the Board and also such candidate's potential contributions thereto;
4. to consider board succession planning considerations and the long-term needs of the Company;
5. in case of a candidate for an independent non-executive Director of the Company, to assess: (i) the independence of such candidate with reference to, among other things, the independence criteria as set out in Rule 3.13 of the Listing Rules; and (ii) the guidance and requirements relating to independent non-executive Directors set out in code provision B.3.4 of the CG Code and in the Guidance for Boards; and
6. to consider any other factors and matters as the Nomination Committee may consider appropriate.

Board's Decision

The Board shall consider the recommendations from the Nomination Committee and make a decision as to whether the nominated candidate shall be eligible to be appointed as a director of the Company.

Board Composition

As at the date of this annual report, the Board comprises four executive Directors, two non-executive Directors and four independent non-executive Directors as follows:

Executive Directors

Mr. Chen Xiangyu *(Chairman of the Board and Chief Executive Officer)*
Mr. Guan Song
Mr. Jeffrey Lyndon Ko
Mr. Yang Jialiang

Non-executive Directors

Mr. Zhang Han
Mr. Yang Ming

Independent Non-executive Directors

Ms. Yu Bin
Mr. Li Xintian
Mr. Zhang Weining
Mr. Mao Rui

The biographies of the Directors are set out under the section headed "Directors and Senior Management" on pages 58 to 63 of this annual report. To the knowledge of the Board, save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management" in this annual report, none of the Directors have any personal relationships (including financial, business, family or other material or relevant relationship) with any other Directors.

For the Reporting Period, the Board has met at all times the requirements under Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Director with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise and relating to the appointment of independent non-executive Directors representing at least one-third of the Board. As each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules, the Company considers each of them to be independent.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee.

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company. Pursuant to the contracts, they have agreed to act as executive Directors for a term of three years with effect from the date of their appointments or renewal of the service contract (subject always to re-election as and when required under the Memorandum and Articles of Association). Either party has the right to give not less than three months' prior notice in writing to terminate the relevant agreement.

Each of the non-executive Directors has entered into a service contract with the Company. The term of their office shall be three years from the date of their appointments or renewal the service contract (subject always to re-election as and when required under the Memorandum and Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company. The term of their office shall be three years from the date of their appointments or renewal of the letter of appointment subject always to re-election as and when required under the Memorandum and Articles of Association until terminated in accordance with the terms and conditions of the letter of appointment or by either party giving to the other not less than three months' prior notice in writing.

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

The procedures and process of appointment, re-election and removal of Directors are set out in the Memorandum and Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

In accordance with the Memorandum and Articles of Association, at every AGM of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director appointed pursuant to article 16.2 or article 16.3 of the articles of association of the Company shall not be taken into account in determining which Directors are to retire by rotation. A retiring Director shall retain office until the close of the general meeting at which he retires and shall be eligible for re-election thereat. The Company at any AGM at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

In accordance with the Memorandum and Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board but the number of Directors so appointed shall not exceed the maximum number determined from time to time by the shareholders in general meeting of the Company. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at that meeting.

In accordance with the Memorandum and Articles of Association, the Company may from time to time in general meeting by ordinary resolution increase or reduce the number of Directors but the number of Directors shall not be less than two. Subject to the provisions of the Memorandum and Articles of Association and the Cayman Companies Act, upon the resolutions proposed by a majority of the Directors, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election.

Chairman and Chief Executive Officer

Under Code Provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should be performed by different individuals.

At present, the roles of the chairman of the Board and the chief executive officer of the Company are performed by Mr. Chen Xiangyu. Owing to his background, qualification and experience in relation to the Company, Mr. Chen Xiangyu is regarded as the best candidate for assuming the dual roles. The Board considers Mr. Chen Xiangyu's assumption of the dual roles enables the Company to maintain the consistency of the Company's policies and the stability and efficiency of the Company's operations, which is proper and in the best interests of the Company.

During the daily operations of the Company, all material decisions are approved by the Board and the relevant Board Committees, as well as the senior management team. In addition, the Directors proactively participate in all the board meeting and the relevant board committee meetings, and the Chairman ensures all the Directors are duly informed of all the matters to be approved at the meetings. In addition, the senior management team provide the Board with sufficient, clear, complete and reliable company information on a regular basis and from time to time. The Board also regularly meets and reviews the operations of the Company under the leadership of Mr. Chen Xiangyu on a quarterly basis.

The Board is therefore of the view that there is an adequate balance of power and that appropriate safeguards are in place. The arrangement will have no effect on the balance of power and authority between the Board and the Company's senior management team. The Board will continue to regularly monitor and review the Company's current structure and to make necessary changes when appropriate.

Continuous Professional Development of Directors

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The joint company secretary of the Company has from time to time updated and provided written training materials relating to the roles, functions and duties of a Director. Each Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each director to discharge their duties. The Company also organizes related training programs for the directors from time to time to provide directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors and senior management team also meet a periodically or as necessary to discuss issues such as operation of the Group, corporate governance policies, and regulatory compliance.

For the year ended 31 December 2023, all Directors had participated in the continuous professional development relating to relevant directors' duties and responsibilities and the latest regulatory information and business of the Group:

Name of Directors	**Participation in continuous professional development** *Yes/No*
Executive Directors:	
Mr. Chen Xiangyu	Yes
Mr. Guan Song	Yes
Mr. Jeffrey Lyndon Ko	Yes
Mr. Yang Jialiang *(appointed on 30 August 2023)*	Yes
Non-executive Directors:	
Mr. Ma Xiaoyi *(resigned on 30 August 2023)*	Yes
Mr. Zhang Han	Yes
Mr. Yao Xiaoguang *(resigned on 30 August 2023)*	Yes
Mr. Chen Yu *(resigned on 30 August 2023)*	Yes
Mr. Yang Ming *(appointed on 30 August 2023)*	Yes
Independent non-executive Directors:	
Ms. Yu Bin	Yes
Mr. Li Xintian	Yes
Mr. Zhang Weining	Yes
Mr. Mao Rui	Yes

Participation in continuous professional development includes attending the trainings/seminars and/meetings arranged by the Company or other external parties, or reading materials relevant to corporate governance, Listing Rules, latest regulatory information and other regulatory requirements, and the Group's businesses.

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year for Board meetings, and at approximately quarterly intervals. Notices of not less than 14 days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

The Chairman of the Board also focuses on the communication with the independent non-executive Directors and holds at least one meeting with the independent non-executive Directors annually without the presence of other Directors.

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying Board documents are dispatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the joint company secretaries with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

Nine Board meetings and two general meetings (i.e., annual general meeting dated 30 June 2023 and extraordinary general meeting dated 28 December 2023) were held during the Reporting Period. The attendance of each Director at the Board meetings and the general meetings is set out in the table below:

	Number of meetings attended/ eligible to attend	
Directors	**Board meetings**	**General meetings**
Executive Directors:		
Mr. Chen Xiangyu	9/9	2/2
Mr. Guan Song	9/9	2/2
Mr. Jeffrey Lyndon Ko	9/9	2/2
Mr. Yang Jialiang *(appointed on 30 August 2023)*	2/2	1/1
Non-executive Directors:		
Mr. Ma Xiaoyi *(resigned on 30 August 2023)*	4/4	1/1
Mr. Zhang Han	9/9	2/2
Mr. Yao Xiaoguang *(resigned on 30 August 2023)*	4/4	1/1
Mr. Chen Yu *(resigned on 30 August 2023)*	4/4	1/1
Mr. Yang Ming *(appointed on 30 August 2023)*	2/2	1/1
Independent non-executive Directors:		
Ms. Yu Bin	9/9	2/2
Mr. Li Xintian	9/9	2/2
Mr. Zhang Weining	9/9	2/2
Mr. Mao Rui	9/9	2/2

BOARD COMMITTEES

As described above, the Board has established four Board Committees, each of which has been delegated responsibilities and reports back to the Board: Audit Committee, Nomination Committee, Remuneration and Appraisal Committee, and Strategy Committee. The roles and functions of these committees are set out in their respective terms of reference. The terms of reference of each of these committees will be revised from time to time to ensure that they continue to meet the needs of the Company and to ensure compliance with the CG Code. The terms of reference of the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee and the Strategy Committee are available on the Company's website and the HKEX's website.

Audit Committee

The Audit Committee comprises four members, three independent non-executive Directors, namely Mr. Zhang Weining (Chairman), Ms. Yu Bin, Mr. Li Xintian, and one non-executive Director, Mr. Zhang Han.

The principal duties of the Audit Committee are as follows:

1. Being primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and considering any questions of its resignation or dismissal;
2. Monitoring the integrity of the Group's financial statements, annual reports and accounts, half year reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them;
3. Reviewing the Group's financial controls, risk management and internal control systems; and
4. Discussing the risk management and internal control systems with the senior management, and ensuring that the senior management has performed its duties to have effective systems and to review annually the effectiveness, adequacy and appropriateness of those systems. This review should include the adequacy of resources, staff qualifications and experience, training programs and budgets of the Group's accounting and financial reporting functions.

The code provision D.3.3(e)(i) of the CG Code provides that the terms of reference of the Audit Committee shall have the terms that the members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet at least twice a year with the Company's Auditor. The Company has complied with the code provision D.3.3(e)(i) of the CG Code during the Reporting Period.

The Audit Committee has fully complied with its terms of reference. During the Reporting Period, four Audit Committee meetings were held, the attendance of members of the Audit Committee at the meetings is set out in the following table:

Directors	**Attended/Eligible to Attend**
Mr. Zhang Weining *(Chairman)*	4/4
Ms. Yu Bin	4/4
Mr. Li Xintian	4/4
Mr. Zhang Han	4/4

During the Reporting Period, the Audit Committee discussed and considered the following matters:

1. reviewed with the management and Auditor of the Company the accounting policies and practices adopted by the Group, and discussed the unaudited interim financial statements for the six months ended 30 June 2023;
2. planned the meetings covering the engagement with external Auditor, and the nature and scope of the audit and reporting obligations before the annual audit commences;
3. reviewed annual results of the Company and its subsidiaries for the year ended 31 December 2022 as well as the audit report prepared by the Company's Auditor relating to accounting issues and major findings in course of audit;
4. reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, the staff qualifications and experience, the training programs and the Company's accounting budget and financial reporting function), risk management systems and processes;
5. discussed the re-appointment arrangement of the Company's Auditor; and
6. discussed, reviewed and approved the relevant policies on the engagement of the Auditor to provide non-assurance services.

Nomination Committee

The Nomination Committee currently comprises five members, including two executive Directors, namely Mr. Chen Xiangyu (Chairman) and Mr. Guan Song, and three independent non-executive Directors, namely Ms. Yu Bin, Mr. Li Xintian and Mr. Zhang Weining.

The principal duties of the Nomination Committee are as follows:

1. Reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
2. Making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive. The Nomination Committee shall make recommendations on appointment of Directors with due regard to the Board Diversity Policy of the Company and in accordance with the challenges and opportunities faced by the Company;
3. Identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorship;
4. Assessing the independence of independent non-executive Directors; and
5. Before making any appointment recommendations to the Board, evaluating the balance of Directors based on (including but not limited to) gender, age, cultural and educational background, professional and industry experience, and, in the light of such evaluation preparing a description of the roles and capabilities required for a particular appointment.

The Nomination Committee assesses the candidate or incumbent on criteria such as character, integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendation of the Nomination Committee will then be put to the Board for decision.

The Nomination Committee has fully complied with its terms of reference. During the Reporting Period, two Nomination Committee meetings were held, and the attendance of members of the Nomination Committee at the meetings is set out in the following table:

Directors	Attended/Eligible to Attend
Mr. Chen Xiangyu *(Chairman)*	2/2
Mr. Guan Song	2/2
Ms. Yu Bin	2/2
Mr. Li Xintian	2/2
Mr. Zhang Weining	2/2

The following is a summary of the work performed by the Nomination Committee for the Reporting Period:

1. reviewed size, structure and composition of the Board and made recommendations to the Board on re-election of Directors;
2. reviewed the Board Diversity Policy;
3. reviewed the independence of the independent non-executive Directors;
4. discussed and reviewed the Nomination Policy for Directorship; and
5. reviewed and made recommendations to the Board on the appointment of Mr. Yang Jialiang as an executive Director and Mr. Yang Ming as a non-executive Director.

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee comprises five members, including three independent non-executive Directors, namely Ms. Yu Bin (Chairman), Mr. Li Xintian and Mr. Zhang Weining, and two executive Directors, namely Mr. Jeffrey Lyndon Ko and Mr. Yang Jialiang.

The principal duties of the Remuneration and Appraisal Committee include the following:

1. to make recommendations to the Board on the Company's remuneration policy and structure and on the establishment of a formal and transparent procedure for developing remuneration policy;
2. to evaluate the performance of the Directors and senior management and determine their remuneration packages (including benefits in kind, pension rights and compensation payments), with delegated responsibility;
3. to consider salaries paid by comparable companies, time and responsibilities involved and employment conditions elsewhere in the Group in respect of specific positions;
4. to review and make recommendations to the Board on the adoption and amendment of the share award scheme of the Company; and
5. to review and/or approve the matters related to the share scheme as mentioned in Chapter 17 of the Listing Rules.

The Remuneration and Appraisal Committee has fully complied with its terms of reference. During the Reporting Period, two Remuneration and Appraisal Committee meetings were held, and the attendance of members of the Remuneration and Appraisal Committee at the meetings is set out in the following table:

Directors	**Attended/Eligible to Attend**
Ms. Yu Bin *(Chairman)*	2/2
Mr. Li Xintian	2/2
Mr. Zhang Weining	2/2
Mr. Jeffrey Lyndon Ko	2/2
Mr. Yang Jialiang *(appointed on 30 August 2023)*	0/0

The following is a summary of the work performed by the Remuneration and Appraisal Committee for the Reporting Period:

1. reviewed the remuneration policy of the Group;
2. reviewed and made recommendations to the Board on the remuneration packages of the Directors and senior management;
3. reviewed the Pre-IPO RSU Scheme of the Company, considered the consistency between the purpose of the plan and the development objectives of the Group, and reviewed its implementation; and
4. reviewed and made recommendations to the Board on the remuneration arrangements of the new Directors, Mr. Yang Jialiang and Mr. Yang Ming.

Strategy Committee

The Strategy Committee currently comprises six members, including three executive Directors, namely Mr. Chen Xiangyu (Chairman), Mr. Guan Song and Mr. Jeffrey Lyndon Ko, one non-executive Director, namely Mr. Yang Ming, and two independent non-executive Directors, namely Mr. Zhang Weining and Mr. Mao Rui.

The principal duties of the Strategy Committee include the following:

1. Researching and making recommendations to the Board on the long-term development strategies and plans of the Company;
2. Researching and making recommendations to the Board on the major financing plans of the Company and other major strategic issues influencing the development of the Company; and
3. Reviewing the implementation of the above matters.

The Strategy Committee is responsible to the Board and shall submit its proposals to the Board for examination and decision.

The Strategy Committee has fully complied with its terms of reference. During the Reporting Period, one Strategy Committee meeting was held, and the attendance of members of the Strategy Committee at the meeting is set out in the following table:

Directors	Attended/Eligible to Attend
Mr. Chen Xiangyu *(Chairman)*	1/1
Mr. Guan Song	1/1
Mr. Jeffrey Lyndon Ko	1/1
Mr. Ma Xiaoyi *(resigned on 30 August 2023)*	1/1
Mr. Yao Xiaoguang *(resigned on 30 August 2023)*	1/1
Mr. Chen Yu *(resigned on 30 August 2023)*	1/1
Mr. Zhang Weining	1/1
Mr. Mao Rui	1/1
Mr. Yang Ming *(appointed on 30 August 2023)*	0/0

The following is a summary of the work performed by the Strategy Committee for the Reporting Period:

1. reviewed the implementation of the development strategies and plans of the Company for 2022; and
2. discussed the development strategies and plans of the Company for 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code for the Reporting Period.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2023 which give a true and fair view of the affairs of the Company and of the Company's results and cash flows.

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

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

The statement by the Auditors regarding their reporting responsibilities on the audited consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 87 to 223 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and continuously monitoring the effectiveness of the Company's risk management and internal control systems, including but not limited to material risks relating to environmental, social and governance, to safeguard the Company's assets and shareholders' interests.

To ensure the effectiveness of the risk management and internal control systems, the Company has adopted the "Three Lines of Defence" for internal control, and established organisation structure of risk management and internal control based on the actual facts of the Company and under the supervision and guidance of the Board.

First line of defence

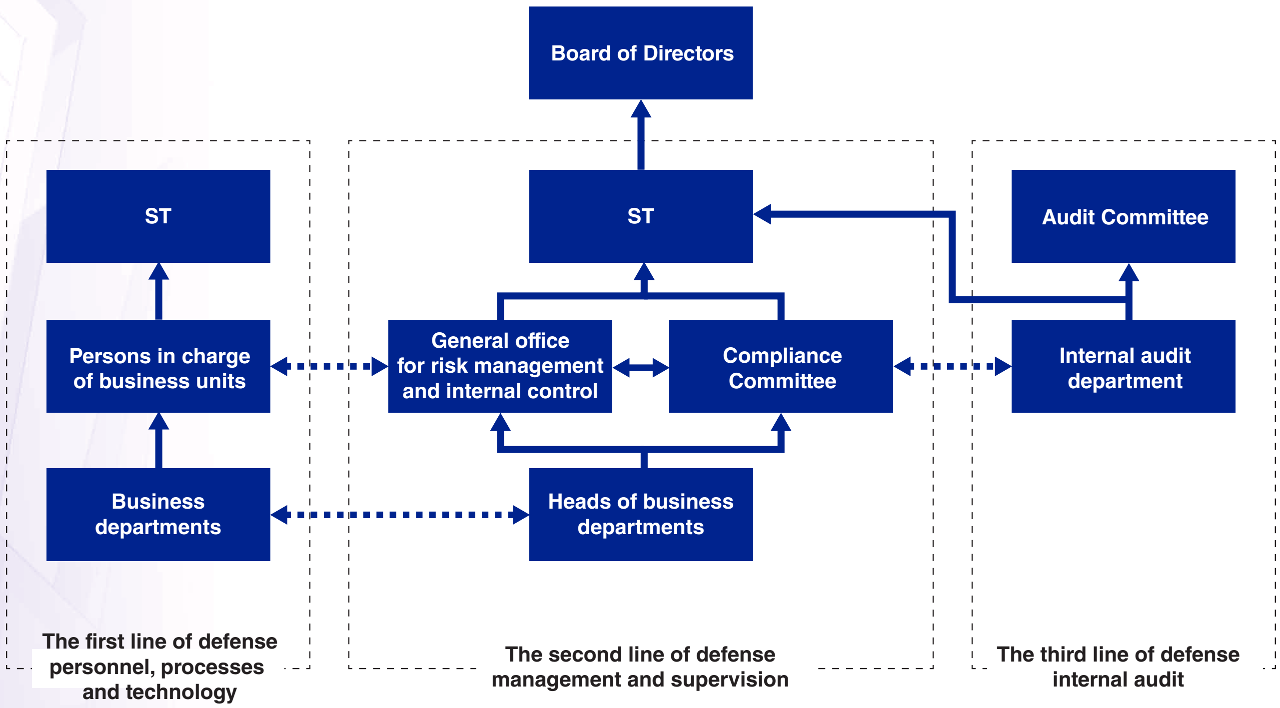
The first line of defence consists of various business lines/business departments at the grassroots level of the Company, which are responsible for designing and implementing relevant controls to cope with risks, and the heads of various departments report to the senior management ("**ST**").

Second line of defence

The second line of defence is mainly composed of the heads of each business department, who are responsible for reporting to the General Office and the Compliance Committee, and finally accept ST supervision and management to ensure the effective implementation of the risk management and internal control work of the first line of defence.

Third line of defence

The third line of defence is composed of the Internal Audit Department, which is responsible for collecting business process information from the General Office and the Compliance Committee, and carrying out corresponding audit work on major risks to evaluate the effectiveness of the Company's risk management and internal control systems. The Internal Audit Department reports to the Audit Committee and ST in a two-way and independent manner, and is highly independent.



The "Three Lines of Defence" model is designed to manage the risk of failure to achieve business objectives, not completely eliminate the risk of failure to achieve our business strategy, and to provide reasonable but not absolute assurance against material misstatement or loss.

Through the implementation of the "Three Lines of Defence" model, the Company instils a management and mindset in all employees by incorporating risk management and internal control elements in their daily duties to promote their risk management awareness.

The Board and the management attach great importance to the Company's risk management and internal control systems. In 2023, the Company continued to improve the internal management system and promote the implementation of the system to enhance the risk management and internal control system and ensure the soundness and effectiveness of the internal control system.

During the year ended 31 December 2023, the Board has reviewed and confirmed that the Company's risk management and internal control systems are sound, effective and adequate at least annually. The review covered key controls, including financial, operational, compliance controls, risk management and ESG-related functions. At the same time, the Group's internal audit function continues to adopt a risk-oriented audit approach to ensure that the audit scope takes into account major concerns and major risks, and formulates improvement plans for identified loopholes and follows up regularly to ensure that improvement measures are implemented.

The Company has formulated policies to promote and support anti-corruption laws and regulations. The Internal Audit Department is responsible for receiving reports through multiple channels, following up and investigating suspected fraud cases in a timely manner, and also assisting the management to carry out cultural publicity related to anti-corruption and integrity.

MATERIAL RISKS

With the changes in the external environment and the development of the Company's business, through the following risk management processes, the key risks concerned by the management in 2023 include the risk of responding to changes in the macroeconomic environment and policies, the risk of product innovation and new product promotion, and the risk of user attraction and retention.

1. Risk Identification	2. Risk Assessment	3. Responses to Risks	4. Risk Reporting
Identify the risks faced by the Company by risk types including strategy, market, operation, finance and legal, environmental, social and governance.	Understand and evaluate the impact and possibility of risks in response to the Company's risks, and design questionnaires to assess the adequacy of the Company's policies and controls.	Provide optimisation suggestions for the identified risks and assist the business departments or relevant persons in charge to make corresponding rectification.	Report to the Board and senior management and implement relevant rectification.

The Audit Committee, on behalf of the Board, monitors the overall risk profile of the Company and evaluates the changes in the nature and severity of the Company's key risks. The Audit Committee is of the view that appropriate measures have been taken by the management to address and manage the key risks to a level acceptable to the Board.

The key risks currently faced by the Company and the risk response measures implemented are summarised below.

Risks in response to macroeconomic environment and policy changes

The game business must comply with various laws, regulations, policies and guidelines issued by the PRC policy authorities. In 2023, the regulatory and development policies of the game industry have been gradually improved, such as the Measures for the Administration of Online Games (Draft for Solicitation of Opinions) and the Premium Online Game Publishing Project issued by the National Press and Publication Administration. Changes in the external macroeconomic environment and changes in policies have an important impact on the long-term development of the Company. In addition, with the gradual expansion of the Company's business overseas, changes in the international social situation and differences in the pace of economic development in various regions may reduce the willingness of individual users to spend, which in turn affects the Company's individual income sources.

The Company has formulated a clear development strategy, focused on key high-quality games, continued to deepen the advantageous track, and at the same time grasped policy opportunities to carry out comprehensive planning and arrangement for the overseas publishing of self-developed high-quality games. The Company has also set up a professional department and engaged external professional consultants to maintain close communication with the business management and external regulatory authorities at all times. At the same time, the Company has set up a compliance committee comprising professionals in legal affairs, policy development and technology development to keep abreast of policy changes, interpret regulatory requirements, improve internal management systems, and strictly implement compliance requirements at the product and implementation level to ensure the compliance operation of the game business.

Product innovation and new product promotion risks

Continuous innovation and R&D are crucial to the extension of the product life cycle and the long-term development of the Company. The Company needs to establish a sound innovation and R&D mechanism and invest sufficient resources to ensure continuous innovation and R&D and maintain product activity. In 2023, the Company's first self-developed nijigen competitive shooting product "Strinova" was successfully launched and planned to be launched globally. At the same time, the Fanbook platform is fully promoted to users, with clear product positioning, agile and efficient iterative upgrading, and continuous innovation and optimisation of products, which are crucial to the promotion of new products and the achievement of expected goals.

The Company has established a sound user research and product development mechanism. Through regular research on the market and users, the Company continuously optimises game functions and innovates game gameplay, and adjusts product distribution and promotion strategies in a timely manner. At the same time, the Company actively embraces AI capabilities, uses AI technologies to improve the efficiency of content innovation, and continuously improves the quality of games and user experience. The Company also continued to improve the talent density by recruiting professionals, and focused on the development and iteration of key products to ensure that the resources invested can support the continuous innovation and iteration of products.

User attraction and retention risks

The Company's game business revenue is based on the scale of its user base, user engagement and payment rates. The Company focuses on the game business and focuses on long-term operation. "Subway Surfers", "Gardenscapes" and "Homescapes" have been in operation for many years. At the same time, in 2023, new products such as "Strinova" and "Ni No Kuni: Cross Worlds" have also been tested and launched one after another to improve the retention rate of old customers and the success rate of new customers, which is of great significance to the Company's future business growth. The Company will continue to pay attention to the risks of user attraction and retention.

The Company has established a user retention analysis mechanism to regularly investigate player satisfaction, analyse the reasons for user loss, and efficiently respond to user needs. At the same time, the Company interacts deeply with players through regular offline exchange meetings and anniversary celebrations to enhance players' sense of participation and retention. In terms of attracting new customers, the Company formulates precise drainage plans, uses system tools to monitor the drainage effect, regularly reviews data and adjusts drainage strategies in a timely manner, so as to continuously improve the success rate of user attraction.

The Board believes that the Company's accounting, financial reporting and ESG performance and reporting functions have been performed by staff with appropriate qualifications and experience, and such staff have received appropriate and sufficient training and development. Based on the work report from the Audit Committee, the Board also believes that the Company's internal audit function is adequately resourced and has sufficient budget. The relevant employees have appropriate qualifications and experience, and have obtained sufficient training and development.

Inside Information Internal Control

The Company has put in place procedures for disclosure of inside information. The Capital Market Department is responsible for identifying and evaluating any material information in a timely manner. If the material information is identified as inside information, the Capital Market Department shall promptly report to the Board and propose to disclose such information as soon as possible in accordance with the relevant provisions of the SFO and the Listing Rules, and take appropriate measures to keep the inside information confidential until the inside information is appropriately disclosed.

DIVIDEND POLICY

Subject to the Cayman Companies Act and the Memorandum and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

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

AUDITOR'S REMUNERATION

The remuneration for the services provided by the Auditor to the Company for the year ended 31 December 2023 is approximately as follows:

Type of Services	**Amount** *(RMB)*
Audit services	5,510,000
Non-audit services	
– Assurance services provided in relation to the issue of the 2028 Convertible Bonds	1,000,000
– Assurance services provided in respect of the Group's continuing connected transactions for 2023	5,000
– Other consulting services*	523,124
	1,528,124
Total	**7,038,124**

* Other consultancy services include agreed-upon procedures services for the issuance of the 2028 Convertible Bonds, the 2023 annual results announcement and the provision of compliance and consultancy services in relation to the 2023 Environmental, Social and Governance Report, taxation in the PRC and Hong Kong.

JOINT COMPANY SECRETARIES

Ms. Tang Xu ("**Ms. Tang**") has been appointed as a joint company secretary, and is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

For the year ended 31 December 2023, in order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Ng Ka Man ("**Ms. Ng**"), a senior manager of TMF Hong Kong Limited (a company secretarial service provider), as another joint company secretary to assist Ms. Tang to discharge her duties as a company secretary of the Company. Her primary corporate contact person at the Company is Ms. Tang.

For the year ended 31 December 2023, Ms. Tang and Ms. Ng have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' COMMUNICATION POLICY

To promote effective communication with shareholders, the Company has adopted a Shareholders' Communication Policy which is available on the Company's website. Under the policy, the Company communicates with its shareholders in a timely and effective manner through various channels. Corporate Communications in electronic form are available at the HKExnews website of the HKEX and the Company's website at any time. In addition to regular reports, the Company also makes announcements from time to time, including voluntary announcements on business progress in response to shareholders' concerns on business progress.

The Company regards the AGM as an important opportunity for direct communication with the shareholders. The Chairman of the Company and the chairmen of the Board Committees of the Company will attend the AGMs to answer shareholders' questions. The Auditor will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence. The Company encourages the shareholders to attend to AGMs and other general meetings, which allow the shareholders to communicate with the Board, and exercise their right to vote.

To safeguard the interests of the shareholders as a whole, the Company has adopted an inside information management policy which sets out the procedures and internal control systems for the handling and dissemination of inside information. The policy provides guidelines to the Directors, senior management and all employees to ensure that inside information is not disseminated in advance and individually by adopting necessary confidentiality measures and procedures. The Company also pays close attention to the news reports on the Company in the market and clarifies false information in a timely manner.

The effectiveness of the Shareholders' Communication Policy is reviewed on a regular basis. As at the date of this report, the Board has reviewed the implementation of the Shareholders' Communication Policy for the Reporting Period and confirmed that it remains effective.

INVESTOR RELATIONS

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

Investors may access the Company's corporate communications on the HKExnews website and the "Investor Relations" section of the Company's official website. In addition, the Company holds results announcement activities after the publication of annual results and interim results announcement each year. Some Directors and senior management will attend the launch event to communicate directly with shareholders and investors.

The Company has also set up an investor contact email: ir@idreamsky.com. Investors, stakeholders and the public are welcome to provide valuable advice and make enquiries.

SHAREHOLDERS' RIGHTS

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

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

Convening of extraordinary general meeting and putting forward proposals

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Memorandum and Articles of Association. Any one or more members holding as at date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (calculated on the basis of one vote per share in the share capital of the Company) shall at all times have the right, by written requisition to the Board or any one of the Joint Company Secretaries of the Company, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitions(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitions(s) as a result of the failure of the Board shall be reimbursed to the requisitions(s) by the Company.

As regards proposing a person for election as a Director by shareholders, the procedures are available on the website of the Company.

Right of enquiry

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Joint Company Secretary of the Company whose contact details are as follows: 16/F, Unit 3, Block A, Kexing Science Park, Ke Yuan North Road, Nanshan, Shenzhen, the PRC.

Shareholders could post their enquiries about their shareholdings to the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

CHANGE IN CONSTITUTIONAL DOCUMENTS

In order to comply with the relevant requirements on the level of core shareholder protection as set out in Appendix A1 (formerly Appendix III) to the Listing Rules, the Board has considered and approved certain amendments to the Memorandum and Articles of Association (the "**Proposed Amendments**") at the Board meeting dated 30 March 2023. The Proposed Amendments were voted by shareholders in the form of special resolutions at the annual general meeting dated 30 June 2023 in accordance with applicable laws and regulations, and came into effect.

To the Shareholders of iDreamSky Technology Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of iDreamSky Technology Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 94 to 223, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

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 IFRS Accounting Standards 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 International Standards on Auditing ("**ISAs**"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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 matters identified in our audit are summarised as follows:

- Revenue recognition — estimation of lifespan of in-game virtual items
- Recoverability of intangible assets — game intellectual properties and licenses and prepayments — prepaid revenue sharing to content providers

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition — estimation of Player Relationship Period Refer to Notes 2.2(I), 4(a) and 6 to the consolidated financial statements. For the year ended 31 December 2023, the Group's revenue from game business amounted to RMB1,849,089,000, representing 96% of the Group's total revenues. The revenue was mainly derived from the sales of in-game virtual items. The Group recognizes the revenue from sales of in-game virtual items ratably over the lifespan of in-game virtual items determined by management with reference to the average expected playing period of paying players ("**Player Relationship Period**") for Role-Playing Game mobile games and certain casual mobile games. We focus on this area due to the fact that management applied significant judgements in determining the Player Relationship Period. These judgements included (i) the determination of key assumptions applied in the calculation of Player Relationship Period, including historical users' consumption patterns, churn rates, reactivity on marketing activities and game life-cycle; (ii) the identification of events that may trigger changes in the expected Player Relationship Period.	Our procedures performed in relation to the estimation of lifespan of in-game virtual items included: — We obtained an understanding of management's internal control over assessment process of the estimation of the lifespan of in-game virtual items, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity, subjectivity and change. — We evaluated and tested, on a sample basis, the key controls in respect of the estimation of lifespan of in-game virtual items, including management's review and approval of (i) determination of the estimated Player Relationship Period; and (ii) changes in the estimated Player Relationship Period based on periodic reassessment on any indications triggering such changes. We also assessed, with the involvement of our IT specialist, the integrity of data generated from the Group's information system supporting the management's review, including testing the information system logic for generation of reports, and checking, on a sample basis, the monthly computation of revenue recognized on selected games based on reports generated from the Group's information system.

Key Audit Matter	How our audit addressed the Key Audit Matter
	— We assessed, with the involvement of our IT specialist, the reasonableness of the expected Player Relationship Period adopted by management by testing, on a sample basis, the reliability of the data generated from the information systems regarding the historical users' consumption patterns and checking the calculation of the churn rates. We also evaluated the consideration made by management in determining the reactivity of marketing activities and game life-cycle for expected Player Relationship Period with reference to historical operating and marketing data of the relevant games. We also assessed, on a sample basis, the historical accuracy of the management's estimation by comparing the actual Player Relationship Period for the mobile games for the current year against the original estimation of Player Relationship Period of those games made in the prior years. — We understood the process for which management identified events that might trigger changes in the expected Player Relationship Period, and assessed if those changes have been reflected in management's Player Relationship Period estimation in the current year. We found that the results of our procedures performed to be materially consistent with management's supporting documentation.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of intangible assets — game intellectual properties and licenses and prepayments — prepaid revenue sharing to content providers Refer to Notes 2.2(c), 4(d), 4(e), 18 and 23 to the consolidated financial statements. As of 31 December 2023, the net book value of the Group's intangible assets — game intellectual properties and licenses and prepayments — prepaid revenue sharing to content providers (namely, the "**Game Related Intangible Assets**") amounted to RMB964,620,000 and RMB464,168,000, respectively. An impairment loss of RMB23,245,000 and RMB40,731,000, respectively, was recognized during for the year ended 31 December 2023. Management exercised significant judgment in assessing the impairment of the Game Related Intangible Assets. In making such assessment, management considered all factors that may affect the future development and launch plans, and exercised judgment in developing its expectation for the future cash flows from these games. We focus on auditing the impairment of Game Related Intangible Assets because the estimation of the recoverable amount is subject to significant assumptions used including the estimated revenue, distribution costs and other related expenses.	Our procedures performed in relation to the impairment assessment of intangible assets — game intellectual properties and licenses and prepayments — prepaid revenue sharing to content providers included: — We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud. — We understood and evaluated the design and operating effectiveness of the internal controls over the impairment assessment of Game Related Intangible Assets, including the determination of appropriate impairment approaches, valuation models and assumptions and the calculation of impairment provisions. — For games already launched and operated, we evaluated the historical accuracy of impairment assessment to assess the effectiveness of management's estimation process by comparing the expected cashflow in the prior period against the respective actual performance during the year, insuring material differences identified were already considered in the current impairment assessment. — For games for which the development is yet to be completed, we examined the contracts to check the validity of the purchased Game Related Intangible Assets, discussed with the management to understand their future development and launch plans.

Key Audit Matter	How our audit addressed the Key Audit Matter
	— We discussed with management to understand the basis of the estimated cash flow projections and evaluated the reasonableness of the estimated revenue, channel costs and other related expenses prepared by management. — We tested the mathematical accuracy of the calculations of the estimated future net cash flows of games. — We assessed the adequacy of the disclosures related to impairment assessment of Game Related Intangible Assets. Based on the above, we considered that the significant judgments and estimates made by management were supportable by the evidence obtained and procedures performed.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee 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 IFRS Accounting Standards 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.

The Audit Committee is 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Cecilia, Lai Ting Yau.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2024

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000 (Restated)
Continuing operations			
Revenues	6	**1,916,473**	2,594,528
Cost of revenues	7	**(1,243,012)**	(2,194,068)
Gross profit		**673,461**	400,460
Selling and marketing expenses	7	**(230,597)**	(1,074,799)
General and administrative expenses	7	**(109,111)**	(108,186)
Research and development expenses	7	**(239,953)**	(315,981)
Impairment losses on intangible assets	7	**(23,245)**	(752,293)
Net impairment losses on financial assets	3.1	**(232,323)**	(359,807)
Other income	8	**25,430**	34,104
Other losses, net	9	**(11,097)**	(59,096)
Fair value losses on financial assets at fair value through profit or loss	21	**(27,856)**	(83,150)
Operating loss		**(175,291)**	(2,318,748)
Finance income	11	**6,205**	8,775
Finance costs	11	**(295,979)**	(181,243)
Finance costs, net	11	**(289,774)**	(172,468)
Share of results of investments accounted for using the equity method	20	**14,067**	(8,617)
Impairment of investments accounted for using the equity method	20	**(19,359)**	(7,917)
Loss before income tax		**(470,357)**	(2,507,750)
Income tax credit/(expense)	12	**13,527**	(13,828)
Loss for the year from continuing operations		**(456,830)**	(2,521,578)
Discontinued operations			
Loss for the year from discontinued operations after income tax	13	**(103,988)**	(68,339)
Loss for the year		**(560,818)**	(2,589,917)
Other comprehensive loss			
Items that will not be reclassified to profit or loss			
— Currency translation differences		**27,208**	303,748
Items that may be reclassified to profit or loss			
— Currency translation differences		**(19,147)**	(247,571)
Total comprehensive loss for the year		**(552,757)**	(2,533,740)

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000 (Restated)
Loss for the year attributable to owners of the Company			
— from continuing operations		**(453,381)**	(2,429,874)
— from discontinued operations		**(102,966)**	(62,419)
Loss for the year attributable to owners of the Company		**(556,347)**	(2,492,293)
Loss for the year attributable to non-controlling interests			
— from continuing operations		**(3,449)**	(91,704)
— from discontinued operations		**(1,022)**	(5,920)
Loss for the year attributable to non-controlling interests		**(4,471)**	(97,624)
		(560,818)	(2,589,917)
Total comprehensive loss attributable to:			
— Owners of the Company		**(548,286)**	(2,436,116)
— Non-controlling interests		**(4,471)**	(97,624)
		(552,757)	(2,533,740)
Losses per share			
From continuing operations			
— Basic losses per share (in RMB)	*14*	**(0.32)**	(1.75)
— Diluted losses per share (in RMB)	*14*	**(0.32)**	(1.75)
From discontinuing operations			
— Basic losses per share (in RMB)	*14*	**(0.07)**	(0.05)
— Diluted losses per share (in RMB)	*14*	**(0.07)**	(0.05)
From continuing and discontinued operations			
— Basic losses per share (in RMB)	*14*	**(0.39)**	(1.80)
— Diluted losses per share (in RMB)	*14*	**(0.39)**	(1.80)

Note: As detailed in Note 13, the comparative information has been re-presented to show the results of Discontinued Operations separately.

The notes on pages 101 to 223 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**98,354**	107,943
Intangible assets	18	**965,535**	1,004,718
Investment properties	17	**6,515**	6,955
Right-of-use assets	16	**96,236**	185,415
Investments accounted for using the equity method	20	**330,033**	347,461
Financial assets at fair value through profit or loss	21	**325,743**	348,897
Prepayments and other receivables	23	**72,620**	91,182
Deferred tax assets	35	**110,539**	113,553
		2,005,575	2,206,124
Current assets			
Inventories		**—**	20,688
Trade receivables	22	**369,260**	724,932
Prepayments and other receivables	23	**983,871**	1,013,086
Contract costs	34	**47,288**	55,405
Financial assets at fair value through profit or loss	21	**73,145**	125,857
Restricted cash	25	**38,105**	87,099
Cash and cash equivalents	24	**190,429**	90,527
		1,702,098	2,117,594
Total assets		**3,707,673**	4,323,718
Equity attributable to owners of the Company			
Share capital, share premium and treasury shares	26	**3,745,616**	3,291,884
Reserves	27	**936,373**	800,985
Accumulated losses		**(3,036,252)**	(2,472,523)
		1,645,737	1,620,346
Non-controlling interests		**97,490**	174,196
Total equity		**1,743,227**	1,794,542

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	29	**123,526**	—
Lease liabilities	16	**9,539**	82,113
Convertible bonds	30	**237,297**	—
		370,362	82,113
Current liabilities			
Borrowings	29	**842,898**	1,011,241
Lease liabilities	16	**13,269**	34,926
Trade payables	31	**273,415**	443,498
Other payables and accruals	32	**152,117**	224,687
Financial liabilities at fair value through profit or loss	33	**99,633**	—
Contract liabilities	34	**170,751**	199,133
Convertible bonds	30	**—**	492,261
Current income tax liabilities		**42,001**	41,317
		1,594,084	2,447,063
Total liabilities		**1,964,446**	2,529,176
Total equity and liabilities		**3,707,673**	4,323,718

The notes on pages 101 to 223 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 94 to 223 were approved by the Board of Directors on 28 March 2024 and were signed on its behalf.

Chen Xiangyu	Guan Song
Director	*Director*

Consolidated Statement of Changes in Equity

	Note	Share capital, share premium and treasury shares RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000	Translation differences RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the Company								
Balance at 1 January 2023		**3,291,884**	**16,100**	**96,062**	**66,996**	**621,827**	**(2,472,523)**	**1,620,346**	**174,196**	**1,794,542**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(556,347)**	**(556,347)**	**(4,471)**	**(560,818)**
Other comprehensive loss										
— Currency translation differences	27	**–**	**–**	**–**	**8,061**	**–**	**–**	**8,061**	**–**	**8,061**
Total comprehensive loss for the year		**–**	**–**	**–**	**8,061**	**–**	**(556,347)**	**(548,286)**	**(4,471)**	**(552,757)**
Transactions with owners										
Profit appropriation to statutory reserves	27	**–**	**–**	**7,382**	**–**	**–**	**(7,382)**	**–**	**–**	**–**
Share-based compensation expenses	28	**–**	**–**	**–**	**–**	**10,508**	**–**	**10,508**	**–**	**10,508**
Repurchase of 2025 convertible bonds	30(a)	**–**	**245,355**	**–**	**–**	**(262,620)**	**–**	**(17,265)**	**–**	**(17,265)**
Equity component of 2028 convertible bonds issued	30(b)	**–**	**–**	**–**	**–**	**126,702**	**–**	**126,702**	**–**	**126,702**
Issuance of ordinary shares	26	**456,916**	**–**	**–**	**–**	**–**	**–**	**456,916**	**–**	**456,916**
Acquisition of treasury shares	26	**(3,184)**	**–**	**–**	**–**	**–**	**–**	**(3,184)**	**–**	**(3,184)**
Disposal of a subsidiary	13	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(72,235)**	**(72,235)**
Total transactions with owners		**453,732**	**245,355**	**7,382**	**–**	**(125,410)**	**(7,382)**	**573,677**	**(72,235)**	**501,442**
Balance at 31 December 2023		**3,745,616**	**261,455**	**103,444**	**75,057**	**496,417**	**(3,036,252)**	**1,645,737**	**97,490**	**1,743,227**
Balance at 1 January 2022		3,166,013	16,100	91,777	10,819	626,286	24,055	3,935,050	274,192	4,209,242
Loss for the year		–	–	–	–	–	(2,492,293)	(2,492,293)	(97,624)	(2,589,917)
Other comprehensive loss										
— Currency translation differences	27	–	–	–	56,177	–	–	56,177	–	56,177
Total comprehensive loss for the year		–	–	–	56,177	–	(2,492,293)	(2,436,116)	(97,624)	(2,533,740)
Transactions with owners										
Profit appropriation to statutory reserves	27	–	–	4,285	–	–	(4,285)	–	–	–
Share-based compensation expenses	28	–	–	–	–	13,637	–	13,637	–	13,637
Issuance of ordinary shares	26	159,062	–	–	–	–	–	159,062	–	159,062
Acquisition of treasury shares	26	(33,191)	–	–	–	–	–	(33,191)	–	(33,191)
Transaction with non-controlling interests		–	–	–	–	(18,096)	–	(18,096)	(4,265)	(22,361)
Disposal of a subsidiary		–	–	–	–	–	–	–	1,893	1,893
Total transactions with owners		125,871	–	4,285	–	(4,459)	(4,285)	121,412	(2,372)	119,040
Balance at 31 December 2022		3,291,884	16,100	96,062	66,996	621,827	(2,472,523)	1,620,346	174,196	1,794,542

The notes on pages 101 to 223 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from operations	36(a)	**253,031**	93,754
Income taxes (paid)/refunded		**(71)**	167
Net cash generated from operating activities		**252,960**	93,921
Cash flows from investing activities			
Proceeds from disposals of property, plant and equipment	36(a)	**78**	495
Purchase of property, plant and equipment		**(31,990)**	(31,094)
Purchase/prepayment of intangible assets		**(97,868)**	(190,793)
Loans to related parties	38(b)	**(47,070)**	(10,947)
Repayment of loans due from related parties	38(b)	**47,331**	231
Loans to shareholders		**(13,813)**	(106,579)
Repayment of loans due from shareholders		**1,298**	44,051
Loans to third parties		**(96,121)**	(32,641)
Repayment of loans due from third parties		**34,500**	45,481
Investments in associates and joint ventures		**(9,000)**	(14,213)
Investments in financial assets at fair value through profit or loss		**—**	(18,011)
Proceeds from disposal of financial assets at fair value through profit or loss		**60,941**	8,654
Disposal of discontinued operations	13	**(1,339)**	—
Proceeds from disposal of investments in associates and joint ventures		**11,811**	30,878
Dividend income received from financial assets at fair value through profit or loss		**3,317**	—
Proceeds from disposal of a subsidiary		**—**	7,650
Payment for acquisition of a subsidiary		**—**	(54,850)
Net cash used in investing activities		**(137,925)**	(321,688)

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Cash flows from financing activities			
Proceeds from borrowings		**1,256,209**	636,700
Repayment of borrowings		**(1,321,541)**	(1,002,816)
Payments for share repurchase	*26*	**(3,184)**	(33,191)
Changes in restricted cash		**38,050**	(34,870)
Principal elements of lease payments		**(12,808)**	(30,518)
Interest expenses paid		**(77,542)**	(78,164)
Repurchase of 2025 convertible bonds	*30(a)*	**(700,668)**	—
Net proceeds from issuance of convertible bonds	*30(b)*	**346,453**	—
Net proceeds from issuance of new shares	*26*	**456,916**	159,062
Payment for transaction with non-controlling interest		**—**	(22,361)
Net cash used in financing activities		**(18,115)**	(406,158)
Net increase/(decrease) in cash and cash equivalents		**96,920**	(633,925)
Cash and cash equivalents at the beginning of the financial year		**90,527**	714,801
Effects of exchange rate changes on cash and cash equivalents		**2,982**	9,651
Cash and cash equivalents at the end of the year		**190,429**	90,527

The notes on pages 101 to 223 are an integral part of these consolidated financial statements.

1 General information and basis of preparation

1.1 General information

iDreamSky Technology Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 3 January 2018 as an exempted company with limited liability. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the "**Group**") are principally engaged in mobile game development and operating in the People's Republic of China (the "**PRC**" or "**China**").

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**HKEX**") since 6 December 2018.

This consolidated financial statements for the year ended 31 December 2023 are presented in Renminbi ("**RMB**"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 28 March 2024.

The financial position and performance of the Group was particularly affected by the disposal of a subsidiary in March 2023 (see Note 13).The disposal was accounted as the discontinued operation and the Group's comparative figures of the consolidated statement of comprehensive income was restated.

1.2 Basis of preparation

(a) *Compliance with all applicable International Financial Reporting Standards as issued by the IASB "("IFRS Accounting Standards")" and the Hong Kong Companies Ordinance*

The consolidated financial statements of the Group have been prepared in accordance with all applicable IFRS Accounting Standards and requirements of the Hong Kong Companies Ordinance Cap. 622.

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

(b) *Historical cost convention*

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

1 General information and basis of preparation (Continued)

1.2 Basis of preparation (Continued)

(c) Going concern basis

During the year ended 31 December 2023, the Group reported a net loss of RMB560,818,000. As at 31 December 2023, the Group had borrowings with total amount of RMB966,424,000, while RMB842,898,000 will be due for repayment in one year and the Group's cash and cash equivalents amounted to RMB190,429,000. The directors of the Company have carefully considered the future liquidity, the operation performance and the available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern for at least twelve months from 31 December 2023, taking into consideration the following plans and measures:

(1) The Company's management expects its operation performance will continue to improve and will continue to generate operation cash inflow in 2024 because (i) the existing games have established a loyal user base, which is expected to contribute to more operating cash flow in the future and will require less expenditures on advertising and promotion. (ii) The Group will launch multiple versions of certain games in 2024, which are projected to generate positive cash flow for the Group. (iii) the Group will control the other expenditures, accelerate the collection of outstanding trade and other receivables by taking appropriate measures and (iv) the Group plans to further enhance its strategy by deepening cooperation with overseas enterprises to drive the existing games to generate additional revenue.

(2) During the year ended 31 December 2023, the Group repaid bank borrowings of RMB1,321,541,000 and obtained new bank borrowings of RMB1,256,209,000. As of 31 December 2023, the Group had unutilized facilities amounting to RMB357,974,000. Subsequent to the year end, the Group had further obtained new banking facilities of RMB300,000,000 and had drawn down a total amount RMB242,863,000 from these facilities as mentioned above. The directors believe the Group will be able to renew its existing banking facilities and borrowings when they fall due in 2024 as well as obtaining bank loans and new bank facilities based on the Group's relationship with the banks and the historical experience of successful facility renewal with the banks.

1 General information and basis of preparation (Continued)

1.2 Basis of preparation (Continued)

(c) ***Going concern basis*** (Continued)

(3) As of 31 December 2023, the Group had registered quotas of USD200,000,000 for overseas borrowings. Out of total amount of these registered quotas, EUR40,000,000 or equivalent amount can be used for borrowings with maturity more than one year. The directors of the Company believes that the Group would be able to obtain funding from issuance bonds or other financial arrangements when needed in the twelve months from 31 December 2023 under the prevailing rules and regulations.

(4) The Group will continue to monitor its compliance with the financial covenant requirements of all borrowings and facilities. Should the Group be unable to comply with the covenant requirements, the management of the Company will discuss and negotiate with the respective banks and will seek to further revise the terms and covenant requirements or obtain a waiver of compliance with the covenant requirements from the lenders, if needed.

The directors have reviewed the Group's cash flow projection prepared by management, which cover a period of not less than twelve months from 31 December 2023. The directors of the Company are of the opinion that, considering the anticipated cash flows to be generated from the Group's operations, the ability to renew the existing facilities and obtain borrowings as well as the abovementioned available unutilized bank facilities and quotas of overseas funding, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2023. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2 Summary of material accounting policies

The material accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 New and amended standards

(a) New and amended standards adopted by the Group

The following new standard and amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2023:

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

The Group has adopted the Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" on 1 January 2023, which resulted in the recognition of separate deferred income tax assets and separate deferred income tax liabilities for temporary differences arising on leases, both at initial recognition and subsequently.

Except for above, the adoption of these new and amended standards does not have significant impact on the financial statements of the Group.

2 Summary of material accounting policies (Continued)

2.1 New and amended standards (Continued)

(b) New standards and interpretations not yet adopted

Certain amendments to accounting standards and interpretation have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to IFRS 16	Lease liability in a sales and leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2.2 Material accounting policies

(a) Principles of consolidation and equity accounting

(i) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group refer to Note 2.3(a).

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Summary of material accounting policies (Continued)

2.2 Material accounting policies (Continued)

(a) ***Principles of consolidation and equity accounting*** (Continued)

(i) *Subsidiaries* (Continued)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

The operations of the Group were mainly carried out by Shenzhen iDreamSky Technology Co., Ltd. ("**Shenzhen iDreamSky**"), a limited liability company incorporated in Shenzhen, the PRC, and its subsidiaries (the "**PRC Consolidated Affiliated Entities**").

The PRC regulations restrict foreign ownership of companies that provide the operations of games through mobile apps and websites, which include activities and services operated by Shenzhen iDreamSky. In order to enable certain foreign companies to make investments into the business of the Group, Shenzhen Qianhai iDream Technology Co., Ltd. ("**Qianhai iDream**") was established by iDreamSky Holdings (HK) Limited ("**iDreamSky Holdings (HK)**") as a Wholly Foreign Owned Enterprise (the "**WFOE**").

The WFOE has entered into various agreements ("**Contractual Arrangements**") with Shenzhen iDreamSky and its registered equity holders, which enables the WFOE and the Group to:

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

2 Summary of material accounting policies (Continued)

2.2 Material accounting policies (Continued)

(a) Principles of consolidation and equity accounting (Continued)

(i) Subsidiaries (Continued)

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

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognized at cost in the consolidated statement of financial position.

(iii) Joint arrangements

Under IFRS 11, Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognized at cost in the consolidated statement of financial position.

(iv) Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

2 Summary of material accounting policies (Continued)

2.2 Material accounting policies (Continued)

(a) *Principles of consolidation and equity accounting* (Continued)

(iv) *Equity method* (Continued)

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.2(d).

(v) *Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS Accounting Standards.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

2 Summary of material accounting policies (Continued)

2.2 Material accounting policies (Continued)

(b) Intangible assets

(i) Computer software

Acquired computer software stated at historical cost less amortization. Acquired computer software are capitalized on the basis of the costs incurred to acquire and bring to use the specific software, and are amortized on a straight-line basis over their useful lives, from 1 to 3 years.

(ii) Game intellectual properties and licenses

Under certain exclusive games arrangements entered between the Group and the game developers, the Group pays upfront license fees to the game developers as the Group obtained the games developed by those game developers. The Group recognizes the upfront license fees as intangible assets. These intangible assets are amortized on a straight-line basis over the expected economic life, from 3 to 5 years. These amortization are recorded in cost of revenues (where the games are commercially launched) or general and administrative expenses (where the games are not yet commercially launched).

In some other circumstance, the Group prepaid the upfront license fees to game developers as the Group is entitled a right to operate third party developed games for certain period of time in certain countries. The Group recognizes the prepaid license fees as intangible assets upon the related games passed the external testing. The Group amortizes these intangible assets on a straight-line basis over the remaining license period from commercial launch of the related games. These amortization are recorded in cost of revenues.

(iii) Research and development expenditures

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when recognition criteria are fulfilled. These criteria include: (i) it is technically feasible to complete the software product so that it will be available for use; (ii) management intends to complete the software product and use or sell it; (iii) there is an ability to use or sell the software product; (iv) it can be demonstrated how the software product will generate probable future economic benefits; (v) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and (vi) the expenditure attributable to the software product during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognized as expenses as incurred.

Development costs previously recognized as expenses are not recognized as assets in subsequent periods.

2 Summary of material accounting policies (Continued)

2.2 Material accounting policies (Continued)

(c) Impairment of non-financial assets

Goodwill and intangible assets not yet available for use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(d) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 Summary of material accounting policies (Continued)

2.2 Material accounting policies (Continued)

(d) Investments and other financial assets (Continued)

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("**OCI**"), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

2 Summary of material accounting policies (Continued)

2.2 Material accounting policies (Continued)

(d) ***Investments and other financial assets*** (Continued)

(iii) *Measurement* (Continued)

Debt instruments (Continued)

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within fair value (losses)/gains on financial assets at fair value through profit or loss in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in fair value (losses)/gains on financial assets at fair value through profit or loss in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) *Impairment*

The Group has types of financial assets subject to IFRS 9's expected credit loss model:

- Trade receivables
- Other receivables (excluding prepayments)
- Restricted cash
- Cash and cash equivalents

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 22 for further details.

2 Summary of material accounting policies (Continued)

2.2 Material accounting policies (Continued)

(e) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value. The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

The Group irrevocably designated its financial guarantee contracts as measured at fair value through profit or loss at their initial recognition.

(f) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently measured at fair value through profit or loss.

(g) Convertible bonds

The fair value of the liability portion of a convertible bond is determined using a market interest rate for a non-convertible bond with similar terms. This amount is recorded as a liability on an amortized cost basis until conversion or maturity of the bonds. The remaining of the proceeds is allocated to the conversion option. Any directly attributable transaction costs are allocated to the liability and equity or derivative liability component in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a convertible bond is measured at amortized cost using the effective interest method. The equity component of a convertible bond is not re-measured subsequent to initial recognition except on conversion or expiry.

The convertible bonds are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the end of the reporting period.

When there is option for early redemption before maturity, the gross carrying amount of the liability component was remeasured by discounting the revised future contractual cash flows when the Group changes its estimation that the early redemption option is expected to incurred, using original effective interest rate. Any difference was recognized in profit and loss.

When the convertible bonds are repurchased through re-negotiation, the repurchase price was allocated between the liability component and the equity component on the same basis that was used in the original allocation process. The difference between the consideration payable allocated to liability component and the liability component's carry amount was recognised in profit and loss. And the difference between the consideration payable allocated to equity component and the equity component's carry amount was recognised in equity.

2 Summary of material accounting policies (Continued)

2.2 Material accounting policies (Continued)

(h) Contract liabilities and contract costs

Contract liabilities primarily consists of the unamortized revenue from sales of game tokens and virtual items for mobile game, provision of self-developed game license to third parties and unearned revenue from information service, where there is still an implied obligation to be provided by the Group and will be recognized as revenue when all of the revenue recognition criteria are met.

Contract costs primarily consist of the unamortized commission charges by distribution and payments channels and will be recognized as cost of revenues through amortization over the average expected playing period of the paying players ("**Player Relationship Period**"), which is consistent with the pattern of recognition of the associated revenue.

(i) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operation. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned. Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(j) Current and deferred income tax

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

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

2 Summary of material accounting policies (Continued)

2.2 Material accounting policies (Continued)

(j) ***Current and deferred income tax*** (Continued)

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2 Summary of material accounting policies (Continued)

2.2 Material accounting policies (Continued)

(k) Share-based payments

Equity-settled share-based payment transactions

The Group operates several equity-settled share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of equity instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement date and grant date.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as of the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period. Furthermore, if the entity modifies the terms or conditions of the equity instruments granted in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the entity shall nevertheless continue to account for the services received as consideration for the equity instruments granted as if that modification had not occurred (other than a cancellation of some or all the equity instruments granted).

At the end of each reporting period, the Group revises its estimates of the number of RSUs and options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2 Summary of material accounting policies (Continued)

2.2 Material accounting policies (Continued)

(I) Revenue recognition

Revenues are recognized when or as the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

(i) Game distribution revenue

The Group is a publisher of mobile games developed by third party game developers or its own. The Group licenses mobile games from game developers and earns game publishing service revenue by making a localized version of the licensed games and publishing them to the game players through distribution channels, including various mobile application stores and software websites, as well as other game publishers with cooperation relationship with the Group (collectively referred to as "**Distribution Channels**"), including the Group's websites. Through the Distribution Channels, game players can download the mobile games to their mobile devices. The mobile games published by the Group which are operated under a free-to-play model whereby game players can download the games free of charge and are charged for the purchase of in-game virtual items via payment channels, such as various mobile carriers and third-party internet payment systems (collectively referred to as "Payment Channels", Distribution Channels and Payment Channels collectively referred to as "**Platforms**").

<u>*Casual mobile games*</u>

For casual mobile games, game players play the games on their own. The majority of casual mobile games are match-three puzzle games, endless running games and casual competition games that the game players play on their own. Upon the completion of download and installation of the games to the game players' mobile devices, all functionalities of the games have been fully delivered to the devices. Players can then play the games on their device without real time connection to the internet. At game players' discretion, in-game virtual items may be purchased to enhance game players' game experience. The fulfilment of in-game purchase requires connection to the mobile carriers' network or internet connection to the servers of Payment Channels at the time of purchase. Once the game players confirm their purchase requests, the Payment Channels send an "unlock code" to the device of the game players and then the purchased virtual items are automatically unlocked in the downloaded game. Therefore, future play and use of the purchased features do not require ongoing online connectivity or involvement of the Group and game servers are not necessary for game players to play the game or utilize the purchased in-game features or items. The Group does not have a practice or history of replacing lost games or data of offline mobile games for game players. However, starting from 2017, the Group also encourages the game player to register a game account for same casual games, and for those registered game players, the Group provides the additional services to store the in-game user information (including game playing contents and player's in-game purchase data) in the severs and will replace lost game and user data for those game players in certain circumstance.

2 Summary of material accounting policies (Continued)

2.2 Material accounting policies (Continued)

(I) ***Revenue recognition*** (Continued)

(i) *Game distribution revenue* (Continued)

<u>*Role-Playing Game ("RPG") mobile games*</u>

For RPG mobile games, game players interact with other online players to collaborate or to compete among themselves to complete certain tasks of the games within a virtual social environment. The majority of RPG mobile games are role-playing games that the game players play with other online players. Playing the online mobile games requires real time internet connection to game servers, where all in-game user information is stored, including game playing contents and player's in-game purchase data. The game application downloaded on game players' device is similar to a portal to access the online game servers which are hosted by the game developers. Game players may purchase in-game virtual items or features via the payment channels to enhance their game-playing experience similar to offline mobile games.

<u>*Principal Agent Consideration*</u>

- Third party licensed mobile games

  Proceeds earned from selling in-game virtual items, in both of the licensed casual and RPG mobile games, are shared between the Group and the game developers, with the amount paid to the developers generally calculated based on amounts paid by players, after deducting the fees paid to the Payment Channels and the Distribution Channels including the credit allowable for deduction for games that were downloaded through the Group's owned platforms, multiplied by a predetermined percentage for each game.

  The Group evaluates agreements with the game developers, Distribution Channels and Payment Channels in order to determine whether or not the Group acts as the principal or as an agent in the arrangement with each party respectively, which it considers in determining if relevant revenues should be reported gross or net of the predetermined amount of the proceeds shared with the other parties. The determination of whether to record the revenues gross or net is based on an assessment of various factors, including but not limited to whether the Group (i) is the primary obligor in the arrangement; (ii) has general inventory risk; (iii) changes the product or performs part of the services; (iv) has latitude in establishing the selling price; (v) has involvement in the determination of product and service specifications. The assessment is performed for all of the Group's licensed mobile games.

2 Summary of material accounting policies (Continued)

2.2 Material accounting policies (Continued)

(l) ***Revenue recognition*** (Continued)

(i) Game distribution revenue (Continued)

Principal Agent Consideration (Continued)

- Third party licensed mobile games (Continued)

  — The Group acts as Agent

  With respect to certain of the Group's game license arrangements entered during the reporting period, the Group considered that the (i) game developers are responsible for providing the game products desired by the game players; (ii) the costs incurred by the developers to develop the games are more than the licensing costs and game localizations costs incurred by the Group; (iii) the hosting and maintenance of game servers for running the online mobile games is the responsibility of the developers, (iv and v) the developers have the right to review and approve the pricing of in-game virtual items and the specification, modification or update of the game made by the Group. The Group's responsibilities are publishing, providing payment solution and market promotion service, and thus the Group views the game developers to be its customers and considers itself as the agent of the game developers in the arrangements with game players. Accordingly, the Group records the game publishing service revenue from these licensed games, net of amounts paid to the game developers.

  As the Group is responsible for identifying, contracting with and maintaining the relationships of the distribution and payment channels, commission fees paid to the Distribution Channels and Payment Channels are included in cost of revenues and presented on a gross basis. The Group considers it is the primary obligor to the game developers for the reasons identified above as it has been given latitude by the game developers in selecting distribution and payment channels for its service to the game developers.

  — The Group acts as Principal

  With respect to certain of the Group's game license arrangements entered during the reporting period, there are same game license arrangements under which the Group takes primary responsibilities of game operation, including determining distribution and payment channels, providing customer services, hosting game servers, if needed, and controlling game and services specifications and pricing. Under this type of game license arrangement, the Group considered itself as a principal in these arrangements. Accordingly, the Group records the mobile games revenues from these third party licensed games on a gross basis. Commission fees paid to Distribution Channels and Payment Channels and content fees paid to third party game developers are recorded as cost of revenues.

2 Summary of material accounting policies (Continued)

2.2 Material accounting policies (Continued)

(l) ***Revenue recognition*** (Continued)

(i) *Game distribution revenue* (Continued)

Principal Agent Consideration (Continued)

- Self-developed and acquired mobile games

  During the reporting period, the Group has been self-developing mobile games and acquiring mobile games from game developers. Game revenues derived from self-developed and acquired mobile games are recorded on a gross basis as the Group acts as a principal to fulfill most obligations related to the mobile game operation. Commission fees paid to Distribution Channels and Payment Channels are recorded as cost of revenues.

Timing of revenue recognition

- Casual mobile games

  For the casual mobile games, the Group does not provide the restore and replacement services, the Group has determined that all revenue recognition criteria are met upon players' confirmation of the purchase request and the unlocking of the purchased virtual items. This is because the service fee earned by the Group from the developers is fixed or determinable, the fee is considered collectible and the performance by the Group has occurred once the game players purchase virtual items. The Group has no additional performance obligations to the game developer or game players in order to earn the service fee upon the completion of the corresponding in-game purchases. Therefore, the Group recognizes revenue from providing services to casual mobile game developers upon the purchase of in-game virtual items by the game players for this type of arrangements.

  For the casual mobile games the Group provides the restore, replacement, and other similar services to RPG mobile games and the Group recognized the revenue ratably over the Player Relationship Period (see below).

2 Summary of material accounting policies (Continued)

2.2 Material accounting policies (Continued)

(I) ***Revenue recognition*** (Continued)

(i) *Game distribution revenue* (Continued)

Timing of revenue recognition (Continued)

- RPG mobile games

  As the Group is acting as an agent in selling the RPG mobile games to game players, the Group has determined that all revenue recognition criteria are met upon players' confirmation of the purchase request although the utilization of the purchased virtual items require connection to the game servers. The fact that the operation of these mobile games requires hosting and maintenance of online game servers would not affect the timing of revenue recognition by the Group because those obligations are the responsibilities of the game developers as the primary obligor. Therefore, the Group recognizes revenues from providing services to RPG mobile game developers upon the purchase of in-game virtual items by the game players as the Group has no further obligations to the game developers in order to earn the service fee upon the completion of the corresponding in-game purchases.

  For RPG mobile games where the Group is acting as a principal, the Group has determined that it is obligated to provide on-going services to the game players who purchased virtual items to gain an enhanced game-playing experience over the Player Relationship Period, and accordingly, the Group recognizes the revenues ratably over the Player Relationship Period of these paying players, starting from the point in time when virtual items are delivered to the players' accounts, and all other revenues recognition criteria are met.

  As the RPG games are under a free-to-play model and revenue is generated from game paying players when they purchase game points for in-game virtual items, the Group focuses on the Player Relationship Period when estimating the period over which revenue is being recognized. The Group tracks each of the paying players' purchases and log in history for each significant game to estimate the Player Relationship Period, which is the Player Relationship Period of all paying players between the first time the players charge game points into their accounts and the last log in. If a new game is launched and only a limited period of paying player data is available, then the Group considers other qualitative factors, such as the playing patterns for paying users for other games with similar characteristics.

2 Summary of material accounting policies (Continued)

2.2 Material accounting policies (Continued)

(I) Revenue recognition (Continued)

(i) Game distribution revenue (Continued)

Timing of revenue recognition (Continued)

- RPG mobile games (Continued)

  For the year ended 31 December 2023 and 2022, the Player Relationship Period is based on games that have sufficient historical operating data on a sample basis, respectively. The same Player Relationship Period was applied to the other games due to the lack of sufficient historical operating data, as well as the similarity in game characteristics and playing patterns of paying players, such as targeted players and purchasing frequency. While the Group believes its estimates to be reasonable based on available game player information, it may revise such estimates in the future as the games' operation periods change, sufficient individual game data become available, or there is indication that the similarities in characteristics and playing patterns of paying players of the games change. Any adjustments arising from changes in Player Relationship Period would be applied prospectively on the basis that such changes are caused by new information indicating a change in game player behavior patterns. Any changes in the Group's Player Relationship Period may result in revenues being recognized on a basis different from prior periods' and may cause its operating results to fluctuate.

  The Group also hosted and maintained certain servers to collect and analyze data relating to user location, type and number of games downloaded, playing frequency and time and purchasing habits of the users of casual and RPG games. However, the hosting and maintaining of these servers for internal data analysis does not affect the timing of revenue recognition by the Group.

2 Summary of material accounting policies (Continued)

2.2 Material accounting policies (Continued)

(l) ***Revenue recognition*** (Continued)

(ii) Game license revenue

The Group derives revenue from licensing its self-developed games to other game publishers, who operates the Group's online games in defined regions or countries within a specific period. The licensing fees normally comprise of non-refundable fixed licensing fees (either up-front or under specific payment schedule) and variable licensing fees calculated based on prescribed terms. The Group has evaluated the respective roles and responsibilities of the Group and the publishers in the delivery of game experience to players and concluded that the Publishers have the primary responsibility in these licensing arrangements as they are responsible for marketing and promotion of the games in the market, hosting the game servers, determining the price of the in-game virtual items, selection of distribution and payment channels and providing customer services, and therefore have exposure to the significant risks and rewards associated with the operation of these games under the licensing arrangements. Accordingly, variable licensing fees (revenue share), which are calculated based on a prescribed percentage of the proceeds received by the Publishers from players, are recognized as revenue on a net basis when the sales occur. The non-refundable fixed licensing fees are initially recorded in contract liability and are then recognized as revenue ratably over the license period as they are considered to be right-to-access license arrangements.

(iii) Game development service and technical support service revenue

The Group also engaged in provision of mobile games development services and technical support services including on-going updates of new contents and maintenance service to certain game operators. In these arrangement, game operators own the Intellectual properties of related games. For the arrangements with multiple performance obligation, at the contract inception date, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group determines standalone selling prices based on the prices charged to customers if it's directly observable. If the standalone selling price is not directly observable, the contractually stated price is believed to best reflect the relative standalone selling price of performance obligations in a contract considering the Group's customary business practices. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgments on these assumptions and estimates may impact the revenue recognition.

Revenue from providing development services is recognized in the accounting period in which the services are rendered and accepted by the customer. For technical support services, the Group considers it provides a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer, and allocated the variable consideration based on certain percentage of sales of in-game virtual items to each day of distinct services and recognizes revenue in the month when related sales occur.

2 Summary of material accounting policies (Continued)

2.2 Material accounting policies (Continued)

(l) ***Revenue recognition*** (Continued)

(iv) Information service revenue

Information service revenue mainly represents revenue generated from information services, primarily revenue for advertising business, which mainly comprise revenues derived from performance based, display based advertisement.

Revenue from performance based advertisements is recognized based on actual performance measurement. The Group recognizes the revenue from the delivery of pay-for click, pay-for download or pay-for instant display advertisements for advertisers to users of the Group based on the relevant performance measures.

Revenue from displaying advertisements is recognized ratably over the respective contract periods with the advertisers and their advertising agencies, when the related advertisements are displayed.

(m) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(n) Share capital and shares held for employee share scheme

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

Where any group company purchases the Company's share capital (also referred to as "**treasury shares**"), for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's owners until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

2 Summary of material accounting policies (Continued)

2.2 Material accounting policies (Continued)

(n) Share capital and shares held for employee share scheme (Continued)

Shares held by restricted stock units ("**RSUs**") Holdings Entities (the companies holdings shares pursuant to the RSUs Plan on trust or on behalf of the grantees of the Company, namely Sky Investment Limited and Sky Technology Limited) are disclosed as treasury shares and deducted from contributed equity.

(o) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Trade payables are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

(p) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related services are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as payroll and welfare, which include the medical and insurance other benefits, during employment payable in the balance sheet.

(ii) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick and maternity leave are not recognized until the time of leave.

(iii) Pension obligations

The Group's companies incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan and other defined contribution social security plans organized by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable and other social security payables to all existing and future retired employees under these plans and the Group has no further obligation beyond the contributions made. Contributions to these plans are expenses as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

2 Summary of material accounting policies (Continued)

2.2 Material accounting policies (Continued)

(p) *Employee benefits* (Continued)

(iv) Bonus plans

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for profit sharing and bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

(q) *Earnings per share*

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares.

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(r) *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer ("**CEO**") who reviews consolidated results, makes strategic decisions and assesses performance of the Group.

2 Summary of material accounting policies (Continued)

2.2 Material accounting policies (Continued)

(s) Foreign currency translations

(i) Changes in ownership interests

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company is Hong Kong dollar ("**HKD**"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as financial assets at fair value through other comprehensive income are recognized in other comprehensive income.

2 Summary of material accounting policies (Continued)

2.2 Material accounting policies (Continued)

(s) Foreign currency translations (Continued)

(iii) Group companies

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of RMB are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- All resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.3 Other accounting policies

(a) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;

- liabilities incurred to the former owners of the acquired business;

- equity interests issued by the Group;

- fair value of any asset or liability resulting from a contingent consideration arrangement; and

- fair value of any pre-existing equity interest in the subsidiary.

2 Summary of material accounting policies (Continued)

2.3 Other accounting policies (Continued)

(a) Business combinations (Continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as of the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

2 Summary of material accounting policies (Continued)

2.3 Other accounting policies (Continued)

(b) Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

— Land and buildings	20 years
— Furniture and office equipment	3 years
— Server and other equipment	3 years
— Motor vehicles	5 years
— Leasehold improvements	Shorter of estimated useful lives or remaining lease terms

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress represents the direct costs of construction incurred for property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.2(c)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in "Other losses, net" in the consolidated statement of comprehensive income.

2 Summary of material accounting policies (Continued)

2.3 Other accounting policies (Continued)

(c) Investment properties

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the Group. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis, after taking into account the estimated residual value (10% of original cost), over the estimated useful lives. The estimated useful lives of the Group's investment properties are 20 or 31 years.

(d) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

(e) Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2 Summary of material accounting policies (Continued)

2.3 Other accounting policies (Continued)

(g) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for further operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(h) Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less. Bank deposits which are restricted to use are included in “restricted cash” of the consolidated statement of financial position.

(i) Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2 Summary of material accounting policies (Continued)

2.3 Other accounting policies (Continued)

(j) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

(k) Dividend income

Dividends are received from financial assets measured at FVPL and at FVOCI. Dividends are recognized as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognized in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

(l) Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on performance, initially measured using the index or rate as of the commencement date;

2 Summary of material accounting policies (Continued)

2.3 Other accounting policies (Continued)

(l) ***Leases*** (Continued)

- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on performance, which are not included in the lease liability until they take effect. When adjustments to lease payments based on performance take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 Summary of material accounting policies (Continued)

2.3 Other accounting policies (Continued)

(l) *Leases* (Continued)

Right-of-use assets are measured at cost comprising the following:

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of offices are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

(m) *Interest income*

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

2 Summary of material accounting policies (Continued)

2.3 Other accounting policies (Continued)

(m) Interest income (Continued)

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(n) Government grants/subsidies

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

Government grants relating to costs are deferred and recognized in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment, and other non-current assets are included in non-current liabilities as deferred income and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

(o) Dividend distribution

Dividends distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and security risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Company.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of the Company is HKD whereas functional currency of the subsidiaries operate in the PRC is RMB and the subsidiaries operate in oversea is United States dollar ("**USD**"). The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible and may enter into forward foreign exchange contracts, when necessary.

The Group's PRC subsidiaries are exposed to foreign exchange risk arising from recognized assets in foreign currencies, primarily with respect USD in transactions with certain oversea platforms. For the years ended 31 December 2023 and 2022, if USD had strengthened/weakened by 10% against RMB with all other variables held constant, post-tax loss for the years ended 31 December 2023 and 2022 would have been RMB1,231,000 and RMB9,382,000 lower/higher, respectively, mainly as a result of foreign exchange gains/losses on translation of USD-denominated receivables and cash and cash equivalents.

The Company exposed to foreign exchange risk arising from the borrowings denominated in Euro ("**EUR**") whereas the company's functional currency is HKD. For the year ended 31 December 2023, if EUR had strengthened/weakened by 10% (2022: 10%) against HKD with all other variables held constant, post-tax loss for the year ended 31 December 2023 would have been RMB26,690,000 (2022: RMB44,284,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of EUR-denominated borrowings.

The Group does not hedge against any fluctuation in foreign currencies during the years ended 31 December 2023 and 2022.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) ***Market risk*** (Continued)

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for cash and cash equivalents, restricted cash and loans to third parties, details of which have been disclosed in Note 24, 25 and 23 respectively.

The Group's exposure to changes in interest rates is also attributable to its borrowings, details of which have been disclosed in Note 29. Borrowings carried at floating rates expose the Group to cash flow interest-rate risk whereas those carried at fixed rates expose the Group to fair value interest-rate risk.

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

As of 31 December 2023 and 2022, borrowings of the Group which were bearing at floating rates amounted to approximately, RMB470,424,000 and RMB410,000,000 respectively. As of 31 December 2023 and 2022, if the interest rates had been 50 basis point higher/lower and all other variables were held constant, the Group's post-tax loss for the years ended 31 December 2023 and 2022 would has been approximately RMB2,199,000 and RMB2,050,000 higher/lower.

The exposure of the group's borrowings to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period are as follows:

	As of 31 December 2023 *RMB'000*	**% of total loans**	As of 31 December 2022 *RMB'000*	% of total loans
Variable rate borrowings	**470,424**	**48.68%**	410,000	40.54%
Fixed rate borrowings — repricing or maturity dates:				
Less than 1 year	**496,000**	**51.32%**	601,241	59.46%
	966,424	**100%**	1,011,241	100%

An analysis by maturities is provided in Note 3.1(c). The percentage of total loans shows the proportion of loans that are currently at variable rates in relation to the total amount of borrowings.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Price risk

The group's exposure to equity securities price risk arises from investments held by the group and classified in the statement of financial position either as at FVPL.

The Group is exposed to price risk in respect of listed investment and unlisted investment measured at FVPL held by the Group. The Group is not exposed to commodity price risk. To manage its price risk arising from its investments, the Group diversifies its portfolio. Each investment is managed by management on a case by case basis.

(b) Credit risk

The Group is exposed to credit risk primarily in relation to its cash and cash equivalents (including restricted cash) placed with banks, trade receivables and contract assets, amounts due from related parties and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) Credit risk of cash and cash equivalents and restricted cash

To manage this risk, the Group only makes transactions with state-owned banks and reputable financial institutions in the PRC and reputable international banks and financial institutions outside of the PRC. There has been no recent history of default in relation to these banks and financial institutions. The expected credit loss is minimum.

(ii) Credit risk of trade receivables

Trade receivables at the end of each reporting period were due from the third party payment channels and mobile carriers, third party distribution channels partners, online advertising customers and agencies in cooperation with the Group, as well as due from related parties (collectively "**Customers**"). If the strategic relationship with the Customers are terminated or scaled-back; or if the Customers alter the co-operative arrangements; or if the Customers experience financial difficulties in paying the Group, the Group's corresponding trade receivables might be adversely affected in terms of recoverability. To manage this risk, the Group maintains frequent communications with the Customers to ensure the effective credit control. The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables (Note 22).

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) ***Credit risk*** (Continued)

(iii) Credit risk of other receivables

Other receivables at the end of each reporting period were mainly loans to employees, loans to third parties, loans to shareholders, amounts due from related parties and rental and other deposits. The directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as of the reporting date with the risk of default as of the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third party borrower's ability to meet its obligations;

- actual or expected significant changes in the operating results of the third party borrower;

- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of the borrower;

- the employment relationship with the employee borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded.

A default on a financial asset is when the counterparty fails to make contractual payments/repayable demanded (i) within 60 days of when they fall due; (ii) because of insolvency.

Other receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categories a loan or receivable for write off when a debtor fails to make contractual payments/repayable demanded greater than 120 days past due. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Group uses three stages for other receivables which reflect their credit risk and how the credit loss provision is determined for each of those categories.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

(iii) Credit risk of other receivables (Continued)

Over the terms of the loans, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers the historical loss rates for third parties, related parties and employees, and adjusts for forward-looking macroeconomic data. The Group provided for credit losses against other receivables as follows:

			As of 31 December 2023	
Other receivables	Expected credit loss rate	Basis for recognition of expected credit loss provision	Gross amount RMB'000	Carrying amount (net of impairment provision) RMB'000
Rental and other deposits-performing	0.76%	12 months expected losses	3,644	3,616
Loans to shareholders-performing	0.41%	12 months expected losses	74,126	73,822
Loans to employees-performing	0.42%	12 months expected losses	969	965
Loans to third parties-performing	0.80%	12 months expected losses	108,551	107,687
Amounts due from related parties	0.66%	12 months expected losses	10,820	10,748
Others-performing	0.44%	12 months expected losses	20,073	19,986
Loans to third parties-underperforming	100.00%	Life time expected losses	93,556	–
Others-underperforming	100.00%	Life time expected losses	3,979	–
			315,718	216,824

			As of 31 December 2022	
Other receivables	Expected credit loss rate	Basis for recognition of expected credit loss provision	Gross amount RMB'000	Carrying amount (net of impairment provision) RMB'000
Rental and other deposits-performing	0.92%	12 months expected losses	12,258	12,145
Loans to shareholders-performing	0.91%	12 months expected losses	86,157	85,373
Loans to employees-performing	0.48%	12 months expected losses	1,879	1,870
Loans to third parties-performing	1.03%	12 months expected losses	47,943	47,449
Amounts due from related parties	0.73%	12 months expected losses	16,538	16,418
Others-performing	0.47%	12 months expected losses	8,532	8,492
Loans to third parties-underperforming	100.00%	Life time expected losses	190,148	–
Others-underperforming	100.00%	Life time expected losses	12,135	–
			375,590	171,747

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Credit risk of other receivables (Continued)

Movements in the provision for impairment of other receivables as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
At the beginning of the year	**203,843**	10,896
Provision for impairment	**22,047**	193,029
Written off during the year	**(127,404)**	(5,901)
Disposal of a subsidiary	**(1,209)**	(186)
Foreign currency translation difference	**1,617**	6,005
At the end of the year	**98,894**	203,843

The Group wrote off other receivables totaling RMB127,404,000 due to the severe deterioration in the financial positions of the debtors, who were in a net liability position, lacked sufficient assets to repay the Group in the event of winding up, or without available assets in compulsory execution. Despite these challenges, the Group continues to engage in enforcement activity to recover outstanding receivables.

(c) Liquidity risk

Management of the Group aims to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. Due to the dynamic nature of the underlying businesses, the Group's finance department aims to maintain flexibility in funding by maintaining adequate cash and cash equivalents.

As described in Note 1.2(c), in the opinion of the directors of the Company, in light of the above and taking into consideration the anticipated cash flows to be generated from the Group's operations as well as the abovementioned plans and measures, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2023.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) ***Liquidity risk*** (Continued)

The table below analyzes the Group's financial liabilities into relevant maturity grouping 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.

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Above 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
As of 31 December 2023						
Non-derivative						
Borrowings	863,623	64,482	59,243	6,285	993,633	966,424
Trade payables	273,415	—	—	—	273,415	273,415
Convertible bonds *(Note 30)*	17,490	17,490	370,294	—	405,274	237,297
Lease liabilities	14,097	9,714	—	—	23,811	22,808
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	66,581	—	—	—	66,581	66,581
Financial liabilities at fair value through profit or loss *(Note)*	82,775	—	—	—	82,775	59,070
Derivative						
Financial liabilities at fair value through profit or loss	52,737	—	—	—	52,737	40,563
Total	1,353,228	74,196	296,540	6,285	1,730,249	1,666,158

Note: The maximum amount of the guarantee or liability to settle the contingent put arrangement is allocated to the earliest period in which the guarantee could be called or the put option could be exercised.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk* (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Above 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
As of 31 December 2022						
Borrowings	1,020,781	—	—	—	1,020,781	1,011,241
Trade payables	443,498	—	—	—	443,498	443,498
Convertible bonds *(Note 30)*	713,918	—	—	—	713,918	492,261
Lease liabilities	40,084	40,516	47,240	553	128,393	117,039
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	90,027	—	—	—	90,027	90,027
Total	2,308,308	40,516	47,240	553	2,396,617	2,154,066

3.2 Capital managements

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern and support the sustainable growth of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance owners' value in the long term.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, lease liabilities, interest payable and convertible bonds less cash and cash equivalents and restricted cash. Total capital is calculated as "equity" as shown in the consolidated statements of financial position. As of 31 December 2023 and 2022, the gearing ratio of the Group is 57.34% and 80.49% respectively.

3. Financial risk management (Continued)

3.3 Fair value estimation

(a) Fair value hierarchy

The table below analyzes the Group's financial instruments carried at fair value as of 31 December 2023 and 2022 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value as of 31 December 2023 and 2022.

As of 31 December 2023	***Note***	**Level 1** ***RMB'000***	**Level 2** ***RMB'000***	**Level 3** ***RMB'000***	**Total** ***RMB'000***
Financial assets at fair value through profit or loss					
Investments in unlisted entities and private investment funds	21	**—**	**—**	**325,743**	**325,743**
Investments in listed entities	21	**73,145**	**—**	**—**	**73,145**
Total financial assets		**73,145**	**—**	**325,743**	**398,888**
Financial liabilities at fair value through profit or loss	33	**—**	**—**	**99,633**	**99,633**
Total financial liabilities		**—**	**—**	**99,633**	**99,633**
		73,145	**—**	**425,376**	**498,521**

As of 31 December 2022	*Note*	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Financial assets at fair value through profit or loss					
Investments in unlisted entities and private investment funds	21	—	—	348,897	348,897
Investments in listed entities	21	125,857	—	—	125,857
Total financial assets		125,857	—	348,897	474,754

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(a) ***Fair value hierarchy*** (Continued)

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the end of the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. if all significant inputs that are required to measure fair value of an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

(b) ***Valuation techniques to determine fair value***

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The net asset value of the investments;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value; and

Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(c) *Fair value measurements using significant unobservable inputs (level 3)*

The following table presents the changes in level 3 financial assets for the years ended 31 December 2023 and 2022:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
At the beginning of the year	**348,897**	457,507
Additions	**9,673**	13,389
Disposals	**(2,970)**	(212)
Changes in fair value recognized in profit or loss	**(31,882)**	(128,060)
Transfers from level 3 to level 1 *(Note 21)*	**—**	(4,000)
Currency translation differences	**2,025**	10,273
At the end of the year	**325,743**	348,897
Changes in unrealized losses for the year included in profit or loss at the end of the year	**(31,882)**	(128,060)

The following table presents the changes in level 3 financial liabilities for the years ended 31 December 2023:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
At the beginning of the year	**—**	—
Additions	**88,647**	—
Disposals	**—**	—
Changes in fair value recognized in profit or loss	**10,986**	—
Transfers from level 3 to level 1	**—**	—
Currency translation differences	**—**	—
At the end of the year	**99,633**	—
Changes in unrealized losses for the year included in profit or loss at the end of the year	**10,986**	—

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(d) Valuation processes of the Group (level 3)

The Group has a team that manages the valuation exercise of level 3 instruments for financial reporting purposes. The team performs valuation, or necessary updates, at least once every six months. On an annual basis, the team adopts various techniques to determine the fair value of the Group's level 3 instruments. External valuation experts may also be involved and consulted when it is necessary.

The components of the level 3 instruments mainly include investments in private investment funds, unlisted companies, financial guarantee contracts and derivative liabilities. As these instruments are not traded in an active market, their fair values have been determined using various applicable valuation techniques, including discounted cash flows approach, comparable transactions approach, net asset value of the investments and other option pricing models, etc. Major assumptions used in the valuation include historical financial results, assumptions about terminal growth rate, estimates of weighted average cost of capital ("**WACC**"), price-to-sale ratio, and other exposure, etc.

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements of investments in unlisted entities included in financial assets at fair value through profit or loss.

Key unobservable inputs At 31 December 2023	Range of inputs at 31 December 2023	Change	Fair value change as of 31 December 2023 *RMB'000*
WACC	16.0%–26.70%	+5.00%	(8,426)
	16.0%–26.70%	-5.00%	16,029
Terminal growth rate	2.0%-3.0%	+5.00%	128
	2.0%–3.0%	-5.00%	9,708
Price-to-sale ratio	4.90–8.05	+5.00%	433
	4.90–8.05	-5.00%	(433)
Volatility	46.47%-50.8%	+5.00%	95
	46.47%–50.8%	-5.00%	(147)
Risk free rate	3.32%-3.94%	+5.00%	(76)
	3.32%–3.94%	-5.00%	189

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(d) Valuation processes of the Group (level 3) (Continued)

Key unobservable inputs At 31 December 2022	Range of inputs at 31 December 2022	Change	Fair value change as of 31 December 2022 *RMB'000*
WACC	17.00%–25.70%	+5.00%	(5,455)
	17.00%–25.70%	-5.00%	11,643
Terminal growth rate	2.50%–3.00%	+5.00%	122
	2.50%–3.00%	-5.00%	712
Price-to-sale ratio	1.93–6.34	+5.00%	542
	1.93–6.34	-5.00%	(542)
Volatility	44.15%–44.40%	+5.00%	(2,522)
	44.15%–44.40%	-5.00%	2,522
Risk free rate	3.92%–4.12%	+5.00%	(485)
	3.92%–4.12%	-5.00%	1,455

For the level 3 fair value measurements of investments in private equity funds and venture capital funds included in financial assets at fair value through profit or loss, it is primarily valued based on the latest available consolidated financial statements and valuation reports provided by their general partners. Other fund investments are valued based on the reported net asset values of the respective instruments as provided by fund managers or their issuers. The fair value is higher when the net asset values increase.

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(d) ***Valuation processes of the Group (level 3)*** (Continued)

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements of financial liabilities at fair value through profit or loss.

Key unobservable inputs At 31 December 2023	Range of inputs at 31 December 2023	Change	Fair value change as of 31 December 2023 *RMB'000*
Volatility	58.02%–61.17%	+5.00%	—
	58.02%–61.17%	-5.00%	—
Bond Yield	51.59%	+1.00%	—
	51.59%	-1.00%	—
Borrowing Rate	4.5%	+1.00%	(3,789)
	4.5%	-1.00%	4,004

4 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4 Critical accounting estimates and judgements (Continued)

(a) Estimates of Player Relationship Period in the Group's game development and game publishing services

As described in Note 2.2(l), the Group recognizes the revenues ratably over the estimated average Player Relationship Period for RPG mobile games and certain casual mobile games where the Group acts as Principal. The determination of Player Relationship Period in each game is made based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a semi-annual basis. Any adjustments arising from changes in the Player Relationship Period as a result of new information will be accounted for as a change in accounting estimate.

(b) Fair value measurement of financial assets and financial liabilities at fair value through profit or loss

The fair value assessment of financial assets and financial liabilities at fair value through profit or loss that are measured at level 3 fair value hierarchy requires significant estimates, which include estimating the future cash flows, determining appropriate discount rates, expected volatility, market information of recent transactions (such as recent fund raising transactions undertaken by the investees) and other assumptions. Changes in these assumptions and estimates could materially affect the respective fair value of these financial assets and financial liabilities. The Group monitors its financial assets and financial liabilities for their fair value assessment by considering factors including, but not limited to, current economic and market conditions, recent fund raising transactions undertaken by the investees, the operating performance of the investees including current earnings trends and other company-specific information.

(c) Revenue recognition

Pursuant to game publishing and operation arrangements signed between the Group and the third party game developers or Platforms, the Group's responsibilities in publishing and operating the licensed or commissioned-developed games vary for each game. The determination of whether to record these revenues using gross or net basis is based on an assessment of various factors, including but not limited to whether the Group (i) is the primary obligor to the game developers and game players in the arrangements; (ii) has latitude in establishing the selling price of virtual items; (iii) changes the products or performs part of the services; (iv) has involvement in the determination of product and service specifications; and (v) has the rights to determine secondary Platform.

(d) Recoverability of game intellectual properties and licenses

The Group tests whether game intellectual properties and licenses suffered any impairment every six months and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Judgement is required to identify any impairment indicators existing for any of the Group's game intellectual properties and licenses, i.e. the remaining period of licensed games, the performance of those launched games, the development and launch plans for certain type of games and etc. If there is a significant adverse change in the games' performance, it may be necessary to take additional impairment charge to the consolidated statements of comprehensive income.

4 Critical accounting estimates and judgements (Continued)

(e) Recoverability of prepaid revenue sharing to content providers

Under game licensing contracts with content providers, the Group generally prepaid revenue sharing to content providers for certain period of time when the Group operates these third party developed games in certain countries/regions. Those prepaid revenue sharing is recorded in prepayment when the Group made cash payment to the content providers. Such prepayment are recognized as “cost of revenues” on incurred basis. If the unearned prepaid revenue sharing to content providers can not be fully recovered by the game revenue to be generated in the remaining contractual period, the Group will recognize impairment loss against the carrying amount of such prepayment.

(f) Share-based compensation arrangements

As mentioned in Note 2.2(k), the Group has granted share options to its employees and other qualifying participants under the 2023 New Share Option Scheme adopted on 30 June 2023. The directors have adopted the Binomial Model to determine the total fair value of the options granted, which is to be expensed over the respective vesting periods. Significant estimates and judgment on key parameters, such as risk-free rate, dividend yield and expected volatility, are required to be made by the directors based on historical experience and other relevant factors in applying the Binomial Model (Note 28). Changes in these estimates and judgments could materially affect the fair value of these options granted. The fair value of share options granted to employees determined using the Binomial Model was approximately HKD1.53 (equivalent to approximately RMB1.38) in 2023.

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of vesting periods of the options and awarded shares (the “**Expected Retention Rate**”) in order to determine the amount of share-based compensation expenses charged to the consolidated income statement. Where the final retention rate is different from the initial estimate, such differences will impact the share-based compensation expenses in subsequent periods. As of 31 December 2023, the Expected Retention Rate of the Group’s wholly-owned subsidiaries was assessed to be not lower than 91% (2022: 98%).

(g) Income taxes

The Group is subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

4 Critical accounting estimates and judgements (Continued)

(h) Expected credit loss for receivables

The impairment provisions for trade receivables, amounts due from related parties, other receivables are based on assumptions about the expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 3.1(b) and Note 22. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statements of comprehensive income/loss.

5 Segment information

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the CODM. The Group's CODM has been identified as the CEO, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. Previously the CEO of the Group considered that the Group's operations were operated and managed on 2 reportable segments, game and information services and IP derivatives business. The subsidiary operated IP derivatives business was sold effective from 31 March 2023 and is reported in the current period as a discontinued operation. The comparative figures in the consolidated income statement and the consolidated statement of comprehensive income and segment information have been restated to present their operations as "discontinued operations". The comparative figures in consolidated statement of financial position and consolidated statement of cash flows were not re-presented. Further details of financial information of the discontinued operations are set out in Note 13.

Continued operations

Game and information services

The segment of game and information services mainly includes (a) game distribution; (b) game development and co-operation; (c) in-game information services.

Discontinued operations

IP derivatives business

As disclosed in Note 13, the Group disposed the subsidiary, which operates the IP derivatives business, and accounted it as the discontinued operation. The IP derivatives business primarily offers game console experience and retails, game and cultural IP-themed sales of trendy products.

5 Segment information (Continued)

Discontinued operations (Continued)

IP derivatives business (Continued)

The CODM assesses the performance of the operating segments mainly based on segment revenues, cost of revenues, gross profit and segment results. The segment results are calculated as segment gross profit minus operating expenses (including selling and marketing expenses, general and administrative expenses, research and development expenses and impairment losses on intangible assets but excluding some unallocated portions) of each operating segment. Thus, segment result would present revenues, cost of revenues and gross profit for each segment, which is in line with CODM's performance review. There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments. The revenue is mainly generated in the PRC.

The segment information and the reconciliation with loss before income tax provided to the Group's CODM for the reportable segments for the years ended 31 December 2023 and 2022 is as follows:

	Year ended 31 December 2023		
	Continued operations	Discontinued operations	
	Game and information services	IP derivatives business	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenues	1,916,473	17,314	1,933,787
Cost of revenues	(1,243,012)	(11,653)	(1,254,665)
Gross profit	673,461	5,661	679,122
Gross margin	35.14%	32.70%	35.12%
Segment results	180,293	(20,454)	159,839
Reconciliation:			
Unallocated operating expenses	(129,097)	—	(129,097)
Net impairment losses on financial assets	(232,323)	—	(232,323)
Other income	25,430	—	25,430
Other losses, net	(11,097)	—	(11,097)
Fair value losses on financial assets at fair value through profit or loss	(27,856)	—	(27,856)
Finance income	6,205	—	6,205
Finance costs	(295,979)	—	(295,979)
Share of results of investments accounted for using the equity method	14,067	—	14,067
Loss before income tax	(470,357)	(20,454)	(490,811)

5 Segment information (Continued)

Discontinued operations (Continued)

IP derivatives business (Continued)

(Restated)	Year ended 31 December 2022 Continued operations Game and information services *RMB'000*	 Discontinued operations IP derivatives business *RMB'000*	 Total *RMB'000*
Revenues	2,594,528	139,596	2,734,124
Cost of revenues	(2,194,068)	(118,856)	(2,312,924)
Gross profit	400,460	20,740	421,200
Gross margin	15.43%	14.86%	15.41%
Segment results	(1,737,983)	(69,308)	(1,807,291)
Reconciliation:			
Unallocated operating expenses	(120,733)	—-	(120,733)
Net impairment losses on financial assets	(359,807)	—	(359,807)
Other income	34,104	—	34,104
Other losses, net	(59,096)	—	(59,096)
Fair value losses on financial assets at fair value through profit or loss	(83,150)	—	(83,150)
Finance income	8,775	—	8,775
Finance costs	(181,243)	—	(181,243)
Share of results of investments accounted for using the equity method	(8,617)	—	(8,617)
Loss before income tax	(2,507,750)	(69,308)	(2,577,058)

The Company is domiciled in Cayman Islands while the Group's non-current assets and revenues are substantially located in and derived from the PRC, therefore, no geographical segments are presented.

6 Revenues

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Game and information services revenues		
Game revenue	**1,849,089**	2,531,285
Information service revenue	**61,781**	48,956
Others	**5,603**	14,287
	1,916,473	2,594,528

The timing of revenues recognition by category is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
At a point in time	**1,179,577**	1,056,431
Over time	**736,896**	1,538,097
	1,916,473	2,594,528

There are two kinds of unsatisfied performance obligations as of 31 December 2023 and 2022.

One is the sales of game tokens and virtual items where there is still an implied obligation to be provided by the Group. The Group has determined that it is obligated to provide on-going services to the game players over the Player Relationship Period of the paying players. The amount of such unsatisfied performance obligations had been reflected in contract liabilities as of the end of the year.

The other one is the mobile game development services and game cooperation services including on-going updates of new contents and maintenance service under variable price contracts, such as based on the pre-agreed percentage of the net billing of the game. The amount can not be estimated under such variable price contracts.

Contract liabilities will be recognize as revenues ratably over the Player Relationship Period of these paying players, starting from the point in time when virtual items are delivered to the players' accounts, and all other revenues recognition criteria are met.

7 Expenses by nature

Expenses included in cost of revenues, selling and marketing expenses, general and administrative expenses, research and development expenses and impairment losses on intangible assets are analyzed below:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Channel costs	**686,685**	955,847
Revenue share to content providers	**361,238**	392,881
Employee benefit expenses *(Note 10)*	**236,392**	375,606
Promotion and advertising expenses	**217,986**	1,053,105
Amortization of intangible assets *(Note 18)*	**102,166**	211,072
Technical and development services fee in relation to game development and others	**60,994**	77,224
Cloud computing, bandwidth and server custody fees	**43,974**	36,955
Impairment provisions for prepayments *(Note 23)*	**40,731**	533,135
Impairment provisions for intangible assets *(Note 18)*	**23,245**	752,293
Professional service fees	**19,969**	14,759
Depreciation of right-of-use assets *(Note 16)*	**11,134**	11,297
Travelling and entertainment expenses	**10,736**	9,592
Short-term rental and utilities expenses	**3,307**	4,037
Auditor's remuneration		
— Audit services	**5,510**	6,500
— Non-audit services	**1,528**	297
Depreciation of property, plant and equipment *(Note 15)*	**1,256**	1,815
Others	**19,067**	8,912
Total cost of revenues, selling and marketing expenses, general and administrative expenses, research and development expenses and impairment losses on intangible assets	**1,845,918**	4,445,327

During the year ended 31 December 2023, certain game intellectual properties and licenses which are not yet commercially launched were fully or partly impaired and impairment losses of RMB23,245,000 (2022: RMB752,293,000) was charged to the consolidated statement of comprehensive income. Since the impairment losses are material to the Group, "Impairment losses on intangible assets" was disclosed separately in consolidated statement of comprehensive income.

During the years ended 31 December 2023 and 2022, the impairment loss of prepayments that revenue sharing to content providers have been disclosed in cost of revenues under IFRS 15.

8 Other income

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Government grants *(a)*	**16,446**	18,435
Additional deduction of value-added tax *(b)*	**5,661**	15,634
Dividend income	**3,317**	—
Others	**6**	35
	25,430	34,104

(a) Government grants represented various subsidies granted by and received from local government authorities in the PRC. Government grants related to costs are subsidies for funding the Group's internet related research expenditures.

(b) Pursuant to the "Announcement on Clarification of Policies on VAT Reduction and Exemption for Small-scale VAT Payers, etc." (Cai Shui [2023] 01) jointly issued by the Ministry of Finance and the State Administration of Taxation in January 2023, certain subsidiaries of the Group are qualified for additional 5% deduction of value-added tax ("**VAT**") from output VAT from 1 January 2023 to 31 December 2023.

Pursuant to the "Announcement on Relevant Policies for Deepening the Value-added Tax Reform" (Cai Shui Haiguan [2019] 39) jointly issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs in March 2019, certain subsidiaries of the Group are qualified for additional 10% deduction of value-added tax ("**VAT**") from output VAT from 1 April 2019 to 31 December 2022.

9 Other losses, net

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Fair value losses on financial liabilities at fair value through profit or loss	**10,986**	—
Donation	**718**	1,294
Net losses on disposal of property, plant and equipment	**87**	328
(Gains)/losses on disposal of investments in associates and joint venture *(Note 20)*	**(15)**	7,188
Gains on disposal of subsidiaries	**—**	(23,540)
Goodwill impairment	**—**	73,222
Others	**(679)**	604
	11,097	59,096

10 Employee benefit expenses

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Basic wages and salaries	**174,558**	213,130
Bonuses	**8,802**	80,765
Pension costs — defined contribution plans *(a)*	**29,679**	33,176
Share-based compensation expenses *(Note 28)*	**10,508**	13,173
Other social security costs, housing benefits and other employee benefit expenses *(a)*	**12,845**	35,362
	236,392	375,606

10 Employee benefit expenses (Continued)

(a) Pension costs and other employee benefits

Employees of the Group companies in the PRC are required to participate in defined contribution retirement schemes administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage of the employee's salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees. Other employee benefits include housing provident fund, which varies from different city in the PRC, usually 5%–12% of the average monthly salary of employees. Medical and other insurance are also covered by other employee benefits.

Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees.

As of 31 December 2023 and 2022, the Group was not entitled to any forfeited contributions to reduce the Group's future contributions.

10 Employee benefit expenses (Continued)

(b) Directors' and Chief Executive's emoluments

The remuneration of every director and the CEO for the year ended 31 December 2023 is set out below:

Name	Fees	Salaries	Share-based compensation	Pension costs-defined contribution plan, other social security costs, housing benefits, and other employee benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Chen Xiangyu (CEO)	—	1,220	—	63	1,283
Mr. Jeffrey Lyndon Ko	—	1,308	—	278	1,586
Mr. Guan Song	—	1,105	—	63	1,168
Mr. Yang Jialiang	—	440	504	34	978
	—	4,073	504	438	5,015
Independent non-executive Directors					
Ms. Yu Bin	200	—	—	—	200
Mr. Zhang Weining	200	—	—	—	200
Mr. Li Xintian	200	—	—	—	200
Mr. Mao Rui	200	—	—	—	200
	800	—	—	—	800
Non-executive Directors					
Mr. Zhang Han	—	—	—	—	—
Mr. Yang Ming	—	—	—	—	—
	—	—	—	—	—
Total	800	4,073	504	438	5,815

Mr. Yang Jialiang has been appointed as an executive Director and a member of the Remuneration and Appraisal Committee of the Board with effect from 30 August 2023.

10 Employee benefit expenses (Continued)

(b) Directors' and Chief Executive's emoluments (Continued)

The remuneration of every director and the CEO for the year ended 31 December 2022 is set out below:

Name	Fees	Salaries	Share-based compensation	Pension costs-defined contribution plan, other social security costs, housing benefits, and other employee benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Chen Xiangyu (CEO)	—	1,021	—	51	1,072
Mr. Jeffrey Lyndon Ko	—	1,309	—	269	1,578
Mr. Guan Song	—	997	—	51	1,048
	—	3,327	—	371	3,698
Independent non-executive Directors					
Ms. Yu Bin	200	—	—	—	200
Mr. Zhang Weining	200	—	—	—	200
Mr. Li Xintian	200	—	—	—	200
Mr. Mao Rui	200	—	—	—	200
	800	—	—	—	800
Non-executive Directors					
Mr. Ma Xiaoyi	—	—	—	—	—
Mr. Zhang Han	—	—	—	—	—
Mr. Yao Xiaoguang	—	—	—	—	—
Mr. Chen Yu	—	—	—	—	—
	—	—	—	—	—
Total	800	3,327	—	371	4,498

10 Employee benefit expenses (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for each of the year ended 31 December 2023 and 2022 include one director whose emoluments are reflected in the analysis presented above. The aggregate amounts of emoluments for the remaining four individuals (2022: four) during the year are set out below:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**6,056**	7,075
Pension costs — defined contribution plan, other social security costs, housing benefits, and other employee benefits	**267**	267
Share-based compensation expenses	**2,593**	1,476
	8,916	8,818

The emoluments of those individuals fell within the following bands:

	Number of individuals	
	Year ended 31 December	
	2023	2022
HKD1,500,001 to HKD2,000,000	**—**	1
HKD2,000,001 to HKD2,500,000	**3**	1
HKD2,500,001 to HKD3,000,000	**1**	1
HKD3,000,001 to HKD3,500,000	**—**	1
	4	4

11 Finance costs, net

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Finance costs:		
— Interest expense on bank borrowings	**66,796**	58,898
— Exchange losses, net	**22,262**	52,445
— Adjustment of amortized cost of convertible bonds due to early redemption *(Note 30)*	**130,594**	—
— Interest expense on convertible bonds *(Note 30)*	**78,563**	70,284
— Interest expense on lease liabilities *(Note 16(b))*	**1,351**	1,718
— Interest capitalized	**(3,587)**	(2,102)
	295,979	181,243
Finance income:		
— Interest income on bank deposits	**(6,205)**	(8,775)
	(6,205)	(8,775)
Finance costs, net	**289,774**	172,468

12 Income tax (credit)/expense

The income tax (credit)/expense of the Group for the years ended 31 December 2023 and 2022 is analyzed as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Current income tax	**686**	884
Deferred income tax	**(14,213)**	12,944
Income tax (credit)/expense	**(13,527)**	13,828

12 Income tax (credit)/expense (Continued)

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the statutory tax rate of 25% in the PRC as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Loss before income tax	**(470,357)**	(2,507,750)
Tax calculated at 25%	**(117,589)**	(626,938)
Tax effects of:		
— Preferential income tax rates applicable to subsidiaries on PRC *(c)*	**3,026**	201,236
— Effects of different tax rate *(a) (b)*	**68,126**	81,020
— Income not subject to tax	**(3,291)**	(238)
—Tax losses and temporary differences for which no deferred income tax asset was recognized	**81,124**	405,637
— Utilisation of tax losses and temporary differences which was not recognized as deferred income tax asset	**(25)**	—
— Expenses not deductible for income tax purposes	**3,247**	3,451
— Super deduction for research and development expenses *(c)*	**(48,145)**	(50,340)
Income tax (credit)/expense	**(13,527)**	13,828

(a) Cayman Islands corporate income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5%.

(c) PRC Enterprise Income Tax ("EIT")

The income tax provision of the Group in respect of its operations in PRC was calculated at the tax rate of 25% on the assessable profits, based on the existing legislation, interpretations and practices in respect thereof.

12 Income tax (credit)/expense (Continued)

(c) PRC Enterprise Income Tax ("EIT") (Continued)

Shenzhen iDreamSky was approved as a newly established "Software Enterprise" in June 2013. In 2022, Shenzhen iDreamSky renewed its qualification as a "High and New Technology Enterprise" ("**HNTE**"), and it is subject to a reduced preferential EIT rate of 15% for three-year period from 2022 to 2024 according to the applicable tax preference applicable to the HNTE.

Qianhai iDream was established in Qianhai, Bonded Zone of Shenzhen in April 2018. In 2021, Qianhai iDream obtained the qualification as a HNTE, and it is subject to a reduced preferential EIT rate of 15% for three-year period from 2021 to 2023.

Qianhai Chuangyi Shikong Technology (Shenzhen) Co., Ltd. ("**Chuangyi Shikong**") was established in Qianhai, Bonded Zone of Shenzhen in October 2014 and is subject to an applicable tax rate of 15% in 2023, as it meets the requirements set out by local authorities for the preferential tax rate.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 50% of their research and development expenses incurred before 2018 and 75% of their research and development expenses incurred from 2018 to 2022 as tax deductible expenses when determining their assessable profits for that year ("**Super Deduction**"). From 1 January 2023 onwards, enterprises engaging in research and development activities are entitled to claim 100% of their research and development expenses as tax deductible expenses when determining their assessable profits for that year. The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits.

Certain subsidiaries of the Group in the PRC have been granted certain tax concessions to small scale entities by tax authorities in the PRC whereby the subsidiaries operating in the respective region are entitled to tax concessions.

(d) PRC Withholding Tax ("WHT")

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

The Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as of the end of each reporting period.

13 Discontinued operations

(a) Description

As at 31 March 2023, the Group disposed 51.1% equity interests of a subsidiary, Shenzhen iDreamSky Entertainment Co., Ltd. ("**Shenzhen iDreamSky Entertainment**"), which represents a separate operating segment, IP derivatives business at a consideration of RMB3 and loss the control of the subsidiary. This disposal was accounted as the discontinued operation and the Group's comparative figures of the consolidated statement of comprehensive income was restated. The financial information of the disposed subsidiary and the financial impact of the disposal is set out below.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the three months ended 31 March 2023 and the year ended 31 December 2022.

	For the three months ended 31 March 2023 ***RMB'000***	For the year ended 31 December 2022 *RMB'000*
Revenues	**17,314**	139,596
Cost of revenues	**(11,653)**	(118,856)
Gross profit	**5,661**	20,740
Selling and marketing expenses	**(18,565)**	(63,894)
General and administrative expenses	**(5,662)**	(14,269)
Research and development expenses	**(1,116)**	(6,657)
Net impairment losses on financial assets and contract assets	**—**	(1,121)
Other income	**92**	245
Other losses, net	**(867)**	(339)
Finance income/(cost), net	**3**	(4,013)
Loss before income tax	**(20,454)**	(69,308)
Income tax expense	**—**	969
Loss after income tax of discontinued operation	**(20,454)**	(68,339)
Loss on sale of the subsidiary after income tax	**(83,534)**	—
Loss from discontinued operation	**(103,988)**	(68,339)
Net cash outflow from operating activities	**(11,420)**	(40,877)
Net cash outflow from investing activities	**(3,714)**	(27,712)
Net cash inflow from financing activities	**14,750**	67,451
Net decrease in cash generated by the subsidiary	**(384)**	(1,138)

No other comprehensive income was recognized in the discontinued operation.

13 Discontinued operations (Continued)

Financial impact of the disposal

	As of 31 December 2023 RMB'000
Cash consideration	—*
Liabilities assumed *(a)*	(88,647)
Non-controlling interests	72,235
Non-current assets	129,770
Current assets *(b)*	59,681
Current liabilities	(57,762)
Non-current liabilities	(64,567)
Less: Carrying amount of net assets sold	67,122
Loss on sale before income tax and reclassification of foreign currency translation reserve	83,534
Income tax expense on loss	—
Loss on sale after income tax	83,534

* Cash consideration is less than 1 thousand.

(a) There are liabilities assumed in the disposal, see more details in Note 33.

(b) Cash and cash equivalents amounting to RMB1,339,000 was included in current assets.

14 Losses per share and dividends

(a) Losses per share

(i) Basic

	Year ended 31 December					
	2023			2022		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Loss attributable to owners of the Company *(RMB'000)*	**(453,381)**	**(102,966)**	**(556,347)**	(2,429,874)	(62,419)	(2,492,293)
Weighted average number of shares in issue *(thousands)*	**1,410,398**	**1,410,398**	**1,410,398**	1,386,326	1,386,326	1,386,326
Basic losses per share *(in RMB)*	**(0.32)**	**(0.07)**	**(0.39)**	(1.75)	(0.05)	(1.80)

Basic losses per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of shares in issue during the year, excluding ordinary shares repurchased by the Group and held as treasury shares (Note 26).

(ii) Diluted

As the Group incurred loss for the years ended 31 December 2023 and 2022, the impact of the share options and awarded shares granted and convertible bonds was not included in the calculation of the diluted losses per share as their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the years ended 31 December 2023 and 2022 are the same as basic losses per share.

(b) Dividends

The Board has resolved that no dividend shall be declared for the years ended 31 December 2023 and 2022.

15 Property, plant and equipment

	Furniture and office equipment RMB'000	Server and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2022						
Opening net book amount	4,225	2,548	505	11,036	43,935	62,249
Additions	3,538	3,274	—	22,401	28,229	57,442
Disposals	(321)	(1,869)	(149)	(949)	—	(3,288)
Depreciation charge	(1,635)	(1,165)	(223)	(5,437)	—	(8,460)
Closing net book amount	5,807	2,788	133	27,051	72,164	107,943
At 31 December 2022						
Cost	23,008	16,195	1,801	53,305	72,164	166,473
Accumulated depreciation	(17,201)	(13,407)	(1,668)	(26,254)	—	(58,530)
Net book amount	5,807	2,788	133	27,051	72,164	107,943
Year ended 31 December 2023						
Opening net book amount	**5,807**	**2,788**	**133**	**27,051**	**72,164**	**107,943**
Additions	**910**	**401**	**—**	**3,027**	**22,099**	**26,437**
Disposals	**(152)**	**(15)**	**—**	**(892)**	**—**	**(1,059)**
Depreciation charge	**(1,121)**	**(510)**	**—**	**(2,338)**	**—**	**(3,969)**
Disposals of subsidiary	**(2,857)**	**(1,388)**	**—**	**(26,753)**	**—**	**(30,998)**
Closing net book amount	**2,587**	**1,276**	**133**	**95**	**94,263**	**98,354**
At 31 December 2023						
Cost	**20,282**	**14,423**	**1,801**	**895**	**94,263**	**131,664**
Accumulated depreciation	**(17,695)**	**(13,147)**	**(1,668)**	**(800)**	**—**	**(33,310)**
Net book amount	**2,587**	**1,276**	**133**	**95**	**94,263**	**98,354**

15 Property, plant and equipment (Continued)

Depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cost of revenues	**380**	872
General and administrative expenses	**241**	406
Research and development expenses	**695**	1,997
Selling and marketing expenses	**2,653**	5,185
	3,969	8,460

16 Leases

This note provides information for leases where the Group is a lessee.

(a) Amounts recognized in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Right-of-use assets		
Buildings	**21,165**	107,351
Land use rights	**75,071**	78,064
	96,236	185,415
Lease liabilities		
Non-current	**9,539**	82,113
Current	**13,269**	34,926
	22,808	117,039

Additions to the right-of-use assets during the year ended 31 December 2023 were RMB6,215,000 (2022: RMB63,306,000).

Disposals to the right-of-use assets during the year ended 31 December 2023 were RMB81,265,000, which mainly due to the disposal of discontinued operations disclosed in Note 13 (2022: RMB708,000).

16 Leases (Continued)

(b) Amounts recognized in the consolidated statement of comprehensive income or capitalized in the construction in progress

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets		
Buildings	**11,134**	30,573
Land use rights	**2,993**	2,993
	14,127	33,566

During the year ended 31 December 2023, the depreciation of RMB11,134,000 (2022: RMB30,573,000) from buildings was charged in profit or loss and RMB2,993,000 (2022: RMB2,993,000) from land use rights was recognized in construction in progress.

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Interest expense (included in finance costs)	**1,351**	5,249
Expense relating to short-term leases (included in cost of revenues and general and administrative expenses)	**213**	1,121
	1,564	6,370

(c) Amounts recognized in the consolidated statement of cash flows relating to leases

During the year ended 31 December 2023, the cash outflow about the principal element and interest element of lease payments was RMB12,808,000 and RMB1,351,000 respectively (2022: RMB30,518,000 and RMB5,249,000), the cash outflow about payment for short-term and low-value lease was RMB213,000 (2022: RMB1,121,000).

(d) The Group's leasing activities and how these are accounted for

The Group leases various offices and offline stores. Rental contracts are typically made for fixed periods of 1 to 6 years but may have extension options as described in (f) below.

16 Leases (Continued)

(e) Variable lease payments

Some lease contracts contain agreements that monthly payment is determined by the higher of fixed payments or variable payments. Fixed payments are stable in one or two years and increase in next years, while variable payments are calculated by percentage of gross revenue, usually 3% to 15%. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores, or only paying variable lease payments in the several years at the beginning. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs. All the variable lease arrangements were related to discontinued operations described in Note 13.

(f) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable by the Group.

17 Investment properties

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Opening net book amount	**6,955**	31,860
Disposal of a subsidiary *(Note 43(c))*	**—**	(24,465)
Depreciation charge	**(440)**	(440)
Closing net book amount	**6,515**	6,955

The investment property as of 31 December 2023 is the buildings located in Changsha Xincheng Science Park for offices, held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through sales and rental.

The fair value of the investment properties as of 31 December 2023 was RMB11,980,000 (2022: RMB12,290,000).

17 Investment properties (Continued)

(a) Amounts recognized in profit or loss for investment properties

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Rental income from operating leases	**11**	35
Direct operating expenses from properties that generates rental income	**(37)**	(74)
	(26)	(39)

(b) Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly or quarterly. To reduce credit risk, the Group sets agreements of rental deposit and liquidated damages in contract in case of tenants' delay in payments or no payments. The Group also sets increasing rental price during term of lease to against the increasing CPI.

18 Intangible assets

	Game intellectual properties and licenses *RMB'000*	Computer software *RMB'000*	Capitalized development costs for internal use software *RMB'000*	Total *RMB'000*
Year ended 31 December 2022				
Opening net book amount	1,690,382	2,229	1,518	1,694,129
Additions	261,276	457	—	261,733
Amortization charge *(a)*	(208,233)	(1,615)	(1,518)	(211,366)
Impairment *(b)*	(752,293)	—	—	(752,293)
Currency translation differences	12,515	—	—	12,515
Closing net book amount	1,003,647	1,071	—	1,004,718
At 31 December 2022				
Cost	2,513,531	39,160	77,602	2,630,293
Accumulated amortization	(851,938)	(38,089)	(77,602)	(967,629)
Accumulated impairment *(b)*	(657,946)	—	—	(657,946)
Net book amount	1,003,647	1,071	—	1,004,718
Year ended 31 December 2023				
Opening net book amount	**1,003,647**	**1,071**	**—**	**1,004,718**
Additions	**83,503**	**915**	**—**	**84,418**
Amortization charge *(a)*	**(101,432)**	**(792)**	**—**	**(102,224)**
Impairment *(b)*	**(23,245)**	**—**	**—**	**(23,245)**
Disposals	**—**	**(279)**	**—**	**(279)**
Currency translation differences	**2,147**	**—**	**—**	**2,147**
Closing net book amount	**964,620**	**915**	**—**	**965,535**
At 31 December 2023				
Cost	**2,091,211**	**38,921**	**77,602**	**2,207,734**
Accumulated amortization	**(798,136)**	**(38,006)**	**(77,602)**	**(913,744)**
Accumulated impairment *(b)*	**(328,455)**	**—**	**—**	**(328,455)**
Net book amount	**964,620**	**915**	**—**	**965,535**

18 Intangible assets (Continued)

(a) Amortization charges for intangible assets

Amortization charges were expensed in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cost of revenues	**84,199**	190,665
General and administrative expenses	**17,529**	18,318
Research and development expenses	**496**	1,403
Selling and marketing expenses	**—**	980
	102,224	211,366

(b) Impairment for intangible assets

The impairment for intangible assets mainly represents impairment of game intellectual properties and licenses and is the excess amount of the carrying amount of the game intellectual properties and licenses fees to the game developers over the cash flow projections to be generated in the remaining contractual period.

During the year ended 31 December 2023, certain game intellectual properties and licenses which belong to the segment of game and information services were fully or partly impaired and impairment losses of RMB23,245,000 was charged to the consolidated statement of comprehensive income, as the Group has terminated its contract with content providers or further developing and launching these games would not generate sufficient profit to cover operation cost.

During the year ended 31 December 2022, certain game intellectual properties and licenses which belong to the segment of game and information services were fully impaired and impairment losses of RMB752,293,000 was charged to the consolidated statement of comprehensive income, as the Group decided not to further develop and launch certain games which missed the best time window for launching due to the progress of approval of publication numbers.

The Group's core strategy focuses on the publishing and self-development of exquisite games. Therefore, the Group has continuously adjusted and optimized its product layout in the future and gradually terminated products that are no longer in line with the Group's game business strategy in the future.

As certain game contracts have expired before 31 December 2023, the management expects that it is unlikely to reverse the impairment provision in the future, so part of the accumulated impairment of the game amounting to RMB352,736,000 (2022: RMB94,347,000) is written off, of which the related cost is RMB507,970,000 (2022: RMB154,382,000) and the responding accumulated amortization is RMB155,234,000 (2022: RMB60,035,000).

18 Intangible assets (Continued)

(c) As of 31 December 2023 and 2022, the Group's certain game intellectual properties and licenses with original cost of RMB157,000,000 and nil respectively were pledged to a bank to secure certain bank borrowings of the Group (Note 29), and they were fully amortized under the policy of the Group.

19 Financial instruments by category

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
Assets as per consolidated statements of financial position		
Financial assets at amortized cost:		
— Trade receivables *(Note 22)*	**369,260**	724,932
— Other receivables *(Note 3.1(b))*	**216,824**	171,747
— Restricted cash *(Note 25)*	**38,105**	87,099
— Cash and cash equivalents *(Note 24)*	**190,429**	90,527
Financial assets at fair value		
— Financial assets at fair value through profit or loss *(Note 21)*	**398,888**	474,754
	1,213,506	1,549,059
Liabilities as per consolidated statements of financial position		
Financial liabilities at amortized cost:		
— Borrowings *(Note 29)*	**966,424**	1,011,241
— Lease liabilities *(Note 16)*	**22,808**	117,039
— Trade payables *(Note 31)*	**273,415**	443,498
— Other payables and accruals (excluding payroll and welfare payables and other tax payables) *(Note 32)*	**66,581**	90,027
— Convertible bonds *(Note 30)*	**237,297**	492,261
Financial liabilities at fair value		
— Financial liabilities at fair value through profit or loss *(Note 33)*	**99,633**	—
	1,666,158	2,154,066

20 Investments accounted for using the equity method

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
Associates *(a)*	**275,405**	268,401
Joint ventures *(b)*	**54,628**	79,060
	330,033	347,461

(a) Investments in associates

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
At the beginning of the year	**268,401**	273,834
Additions *(i)*	**9,000**	26,251
Disposal *(ii)*	**(186)**	(12,132)
Impairment *(iii)*	**(5,859)**	(7,917)
Share of results	**3,891**	(13,497)
Currency translation differences	**158**	1,862
At the end of the year	**275,405**	268,401

The Group directly hold solely ordinary shares of the associates. As of 31 December 2023 and 2022, the Group invested in 26 and 25 associates respectively. The share of results of the associates was not material to the Group. Therefore, in the opinion of the directors, none of the associates is material to the Group.

(i) Additions

The Group invested certain associates and made additional investments in existing associates, with an aggregate amount of RMB9,000,000 and RMB13,213,000 during the years ended 31 December 2023 and 2022, respectively. These associates are principally engaged or invested in online game business and other internet-related businesses.

(ii) Disposal

During the year ended 31 December 2023, The Group disposed certain investments from existing associates at considerations of RMB201,000 (2022: RMB4,379,000) and recognized disposal gain of RMB15,000 (2022 disposal loss of RMB7,375,000).

20 Investments accounted for using the equity method (Continued)

(a) Investments in associates (Continued)

(iii) Impairment

During the year ended 31 December 2023, the Group made impairment provisions of RMB5,859,000 (2022: RMB7,917,000) against the carrying amounts of two (2022: one) associates, based on the results of impairment assessment performed on the carrying amount against its respective recoverable amount. The impairment loss mainly resulted from serious deterioration of operation due to the inability to generate sufficient cash flow from existing games and the inability to launch new games due to lack of the licensed copyright.

Set out below are the top 5 associates of the Group as of 31 December 2023 and 2022.

Name	Place of incorporation/ Establishment	Issued shares/ Registered capital	Percentage of ownership interest attributable to the Group 31 December 2023	2022	Principal activities	Carrying amount RMB'000 31 December 2023	2022
Nanjing Chuangyi Qiaokang Equity Investment Partnership Enterprise (Limited Partnership)	Jiangsu	RMB200,000,000	**49.50%**	49.50%	Financing	**98,491**	90,223
Zhejiang Yiyou Internet Technology Co., Ltd. ("**Zhejiang Yiyou**")	Zhejiang	RMB15,502,377	**19.00%**	19.00%	Software business	**75,255**	76,540
Anhui Sichuang Sports Development Co., Ltd.	Anhui	RMB6,250,000	**22.00%**	22.00%	Culture, sports and entertainment	**30,241**	32,004
Ganzhou West Dream Digital Industry Investment Development Center (limited partnership)	Jiangxi	RMB500,000,000	**34.00%**	34.00%	Financing	**16,871**	10,000
Shenzhen Zero One Zhihe Technology Co., Ltd	Guangdong	RMB1,411,900	**24.79%**	24.79%	Software business	**11,575**	10,333

20 Investments accounted for using the equity method (Continued)

(b) Investments in joint ventures

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
At the beginning of the year	**79,060**	98,351
Additions	**—**	1,000
Disposal and transfer *(i)*	**(21,283)**	(26,313)
Impairment *(ii)*	**(13,500)**	—
Share of results	**10,176**	4,880
Currency translation differences	**175**	1,142
At the end of the year	**54,628**	79,060

(i) Disposal

During the year ended 31 December 2023, The Group disposed certain investments from existing joint ventures at considerations of RMB11,610,000 and recognized disposal gains of RMBnil (2022: RMB26,500,000 and RMB187,000).

Set out below are the joint ventures of the Group as of 31 December 2023 and 2022. The joint ventures as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the Group's proportion of ownership interest is the same as the proportion of voting rights held by the Group. The share of profits of the joint ventures was not material to the Group. Therefore, in the opinion of the directors, none of the joint ventures is material to the Group.

20 Investments accounted for using the equity method (Continued)

(b) Investments in joint ventures (Continued)

(ii) Impairment

During the year ended 31 December 2023, the Group made impairment provisions of RMB13,500,000 (2022: RMBnil) against the carrying amounts of one (2022: nil) joint ventures, based on the results of impairment assessment performed on the carrying amount against its respective recoverable amount.

Name	Place of incorporation/ establishment	Issued shares/ Registered capital	Percentage of ownership interest attributable to the Group 31 December 2023	2022	Principal activities	Carrying amount RMB'000 31 December 2023	2022
Shenzhen iDreamSky Venture Investment Partnership (Limited Partnership)	Shenzhen	RMB104,000,000	**50.00%**	50.00%	Venture capital business	**40,699**	42,381
Tianjin Wenmeng Interactive Entertainment Co., Ltd.	Tianjin	RMB10,000,000	**50.00%**	50.00%	Performance brokerage agency	**5,052**	5,042
Tianjin Lewei Shidai Culture Development Co., Ltd. ("**Tianjin Lewei Shidai**")	Tianjin	RMB10,000,000	**49.00%**	49.00%	Film and television program planning	**4,900**	4,900
Guangzhou ChuangShi Huyu Information Technology Co., Ltd.	Guangzhou	RMB2,000,000	**50.00%**	50.00%	Software business	**3,977**	2,000

There were no contingent liabilities related to the Group's interest in the joint ventures as of 31 December 2023 and 2022.

21 Financial assets at fair value through profit or loss

Financial assets mandatorily measured at FVPL include the following:

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
Non-current assets		
Investments in unlisted entities and private investment funds	**325,743**	348,897
Current assets		
Investments in listed entities	**73,145**	125,857
	398,888	474,754

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Included in non-current assets		
At the beginning of the year	**348,897**	457,507
Additions and transfer	**9,673**	13,389
Changes in fair value	**(31,882)**	(128,060)
Disposal	**(2,970)**	(212)
Transfer from non-current to current	**—**	(4,000)
Currency translation differences	**2,025**	10,273
At the end of the year	**325,743**	348,897
Included in current assets		
At the beginning of the year	**125,857**	73,959
Additions	**—**	5,000
Changes in fair value	**4,026**	44,910
Disposal	**(57,971)**	(8,325)
Transfer from non-current to current	**—**	4,000
Currency translation differences	**1,233**	6,313
At the end of the year	**73,145**	125,857

21 Financial assets at fair value through profit or loss (Continued)

The investments in listed entities included in current assets comprised shares traded on the listed market.

The investments in unlisted entities included in non-current assets comprised private investment funds and some investments in private entities mainly operated in the PRC, USA and Korea in form of ordinary shares and convertible redeemable preferred shares. The preferred shares are convertible into ordinary shares anytime at the option of the holder, or automatically in the event of an initial public offering ("**IPO**") of the investees. The preferred shares are redeemable at the option of the Group if there is no IPO of investees after several years from the dates of investment, and therefore are accounted for the investment in those investees as financial assets at fair value through profit or loss. For other minority interests in private companies, the Group elected the fair value method at the date of initial recognition and carried these investments subsequently at fair value. Changes in fair value are reflected in the consolidated statement of comprehensive income. These companies are engaged in technology, game developing and other internet-related services.

22 Trade receivables

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Third parties	**534,759**	842,957
Related parties *(Note 38(c))*	**11,642**	31,968
	546,401	874,925
Less: provision for impairment *(b)*	**(177,141)**	(149,993)
	369,260	724,932

22 Trade receivables (Continued)

(a) The credit terms of trade receivables granted by the Group are generally 3 months. Aging analysis based on recognition date of the gross trade receivables at the respective reporting date are as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**139,876**	240,231
3 months to 1 year	**55,411**	270,370
1 to 2 years	**196,511**	273,176
2 to 3 years	**132,152**	89,065
Over 3 years	**22,451**	2,083
	546,401	874,925

(b) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics and the days past due of each type of the trade receivables to measure the expected credit losses. During the years ended 31 December 2023 and 2022, the expected losses rate for trade receivables are determined according to provision matrix as follows:

	Year ended 31 December 2023			
	Third party distribution channels	**Advertising customers**	**Third-party payment channels and mobile carriers**	**Related parties**
Within 3 months	**3.24%**	**1.21%**	**0.94%**	**0.92%**
3 months to 1 year	**16.55%**	**6.17%**	**4.96%**	**1.40%**
1 to 2 years	**42.47%**	**10.41%**	**N/A**	**2.17%**
2 to 3 years	**79.11%**	**29.06%**	**N/A**	**3.34%**
Over 3 years	**92.52%**	**100.00%**	**N/A**	**100.00%**

22 Trade receivables (Continued)

(b) (Continued)

	Year ended 31 December 2022			
	Third party distribution channels	Advertising customers	Third-party payment channels and mobile carriers	Related parties
Within 3 months	3.31%	0.35%	1.89%	1.02%
3 months to 1 year	15.35%	1.76%	8.87%	1.57%
1 to 2 years	40.54%	3.75%	40.83%	2.40%
2 to 3 years	76.20%	14.76%	72.88%	3.64%
Over 3 years	100.00%	100.00%	100.00%	N/A

Movements in the provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
At the beginning of the year	**149,993**	87,087
Provision for impairment (i)	**210,276**	167,899
Receivables written off during the period as uncollectible (ii)	**(183,128)**	(104,993)
At the end of the year	**177,141**	149,993

(i) Including impairment provided individually of RMB183,128,000 and impairment on collective basis of RMB27,148,000. The provisions for impaired receivables have been included in "net impairment losses on financial assets" in the consolidated statement of comprehensive income.

(ii) The Group wrote off trade receivables of RMB183,128,000 as there was no reasonable expectation of recovery due to the insufficient solvency among some customers and business partners impacted by macroeconomic deterioration and adverse changes in the industry ecosystem. The Group continues to engage in enforcement activity to recover the due receivable.

(c) The carrying amount of the Group's trade receivables is denominated in the following currencies:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
RMB	**541,847**	869,833
USD	**4,554**	5,092
	546,401	874,925

22 Trade receivables (Continued)

(d) As of 31 December 2023 and 2022, the fair values of trade receivables approximate their carrying amounts. The maximum exposure to credit risk at each of the reporting date is the carrying value of the net receivable balance.

(e) As of 31 December 2023 and 2022, trade receivables of RMB111,893,000 and RMB65,738,000 respectively were pledged to banks to secure certain bank facilities granted to the Group (Note 29).

23 Prepayments and other receivables

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Prepayments		
Prepaid revenue sharing to content providers *(a)*	**663,824**	866,765
Prepaid advertising expenses *(b)*	**342,923**	376,609
Recoverable value-added tax	**11,569**	29,090
Prepayment to related parties *(Note 38(c))*	**6,604**	6,938
Others	**14,403**	33,747
	1,039,323	1,313,149
Less: provision for impairment *(e)*	**(199,656)**	(380,628)
	839,667	932,521
Less: non-current Prepayment	**—**	(920)
	839,667	931,601
Other receivables		
Loans to third parties *(c)*	**202,107**	238,091
Loans to shareholders	**74,126**	86,157
Amounts due from related parties	**10,820**	16,538
Rental and other deposits	**3,644**	12,258
Loans to employees *(d)*	**969**	1,879
Others	**24,052**	20,667
	315,718	375,590
Less: provision for impairment *(Note 3.1)*	**(98,894)**	(203,843)
	216,824	171,747
Less: non-current other receivables	**(72,620)**	(90,262)
	144,204	81,485

23 Prepayments and other receivables (Continued)

(a) The Group licenses online games from game developers and pays sharing of proceeds earned from selling in-game virtual items to game developers. Those prepaid revenue sharing are expensed and recorded into "cost of revenues" on incurred basis.

(b) The Group engaged various online advertising suppliers and made prepayments in exchange for better advertising opportunities and resources in some arrangements. Such amounts are recognized as "selling and marketing expenses" when the advertising services are rendered.

(c) Loans to third parties represented the loans provided to a number of third parties, which were mainly unsecured, interest free except a loan that was interest-bearing fixed 4.35% per annum.

(d) Loans to employees mainly represent advances to employees for various expenses to be incurred in the ordinary course of business and housing loans to certain employees. These loans are unsecured, interest-free and to be repaid in 1 to 5 years from the grant dates.

(e) Movements in the provision for impairment of prepayments as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
At the beginning of the year	**380,628**	9,873
Provision for impairment	**40,731**	533,135
Written off during the year	**(221,703)**	(162,380)
At the end of the year	**199,656**	380,628

The impairment provision mainly represents impairment of prepaid revenue sharing to game developers, which is primarily related to certain games licensed by the Group which did not operate well or align with the Group's future strategy. The provision is the excess amount of the carrying amount of the unearned pre-paid revenue sharing to game developers over the cash flow projections to be generated in the remaining contractual period.

During the year ended 31 December 2023, certain game intellectual properties and licenses which belong to the segment of game and information services were fully or partly impaired and impairment losses of RMB40,731,000 was charged to cost of revenues in the consolidated statement of comprehensive income, as the Group has terminated its contract with content providers or further developing and launching these games would not generate sufficient profit to cover related operation cost.

23 Prepayments and other receivables (Continued)

(e) (Continued)

During the year ended 31 December 2022, certain game intellectual properties and licenses which belong to the segment of game and information services were fully impaired and impairment losses of RMB533,135,000 was charged to cost of revenues in the consolidated statement of comprehensive income, as the Group decided not to further develop and launch certain games which missed the best time window for launching due to the progress of approval of publication numbers.

The Group's core strategy focuses on the publishing and self-development of exquisite games. Therefore, the Group has continuously adjusted and optimized its product layout in the future and gradually terminated products that are no longer in line with the Group's game business strategy in the future.

(f) As of 31 December 2023 and 2022, the carrying amount of other receivables were primarily denominated in RMB and USD and approximated their fair value at each of the reporting date.

24 Cash and cash equivalents

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cash at bank and on hand	**190,419**	90,502
Due from other financial institutions	**10**	25
	190,429	90,527

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
RMB	**181,575**	55,255
USD	**1,555**	27,787
HKD	**2,277**	7,285
Others	**5,022**	200
	190,429	90,527

25 Restricted cash

As at 31 December 2023, restricted deposits held at banks of RMB38,105,000 (31 December 2022: RMB87,099,000) were placed mainly due to borrowings pledged.

26 Share capital, share premium and treasury shares

	Number of shares	Nominal value of shares	Equivalent nominal value of shares	Share premium	Treasury shares	Group total
		USD'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Authorised:						
As of 31 December 2023 and 2022	5,000,000,000	500	—	—	—	—
Issued and fully paid:						
As of 31 December 2021	1,387,475,615	139	893	3,165,141	(21)	3,166,013
Shares vested for share incentive scheme *(a, Note 28(a))*	—	—	—	(6)	6	—
Issuance of ordinary shares *(c)*	32,854,730	3	21	159,041	—	159,062
Acquisition of treasury shares *(b)*	—	—	—	—	(33,191)	(33,191)
Cancellation of shares *(b)*	(8,994,400)	(1)	(7)	(29,623)	29,630	—
As of 31 December 2022	1,411,335,945	141	907	3,294,553	(3,576)	3,291,884
Shares vested for share incentive scheme *(a, Note 28(a))*	**—**	**—**	**—**	**(14)**	**14**	**—**
Issuance of ordinary shares *(c)*	**164,177,200**	**16**	**117**	**456,799**	**—**	**456,916**
Acquisition of treasury shares *(b)*	**—**	**—**	**—**	**—**	**(3,184)**	**(3,184)**
Cancellation of shares *(b)*	**(937,600)**	**—**	**—**	**(3,562)**	**3,562**	**—**
As of 31 December 2023	**1,574,575,545**	**157**	**1,024**	**3,747,776**	**(3,184)**	**3,745,616**

(a) There are 3,169,912 shares and 7,598,961 shares vested during the year ended 31 December 2023 and 2022, the remaining treasury shares of the Group is 1,060,712 and 4,230,624 as of 31 December 2023 and 2022.

(b) During the year ended 31 December 2023, the Group bought back a total of 1,130,800 (2022: 9,932,000) ordinary shares of the Company that listed on the HKEX. The total amount paid to buy back these ordinary shares was HKD3,451,000 (equivalent to RMB3,184,000) (2022: HKD38,896,000 (equivalent to RMB33,191,000)). 937,600 shares bought back during the Year ended 31 December 2022 were cancelled on 3 February 2023 and resulted in the decrease in the Company's share capital and share premium of RMB3,562,000.

(c) On 24 July 2023, an aggregate of 164,177,200 placing shares have been placed to no less than six independent investors at the placing price of HKD3.10 per placing share pursuant to the terms and conditions of the placing agreement dated 10 July 2023. The proceeds from the placing were used to fund the repurchase of outstanding convertible bonds (Note 30(a)) and for general working capital.

27 Reserves

	Capital reserves *RMB'000*	Statutory reserves *RMB'000*	Translation differences *RMB'000*	Other reserves *RMB'000*	Total reserves *RMB'000*
As of 1 January 2022	16,100	91,777	10,819	626,286	744,982
Share-based compensation expenses *(Note 28)*	—	—	—	13,637	13,637
Profit appropriation to statutory reserves	—	4,285	—	—	4,285
Transaction with non-controlling interests *(Note 43(c))*	—	—	—	(18,096)	(18,096)
Currency translation differences	—	—	56,177	—	56,177
As of 31 December 2022	16,100	96,062	66,996	621,827	800,985
As of 1 January 2023	**16,100**	**96,062**	**66,996**	**621,827**	**800,985**
Share-based compensation expenses *(Note 28)*	**—**	**—**	**—**	**10,508**	**10,508**
Repurchase of convertible bonds *(Note 30(a))*	**245,355**	**—**	**—**	**(262,620)**	**(17,265)**
Equity component of convertible bonds issued *(Note 30(b))*	**—**	**—**	**—**	**126,702**	**126,702**
Profit appropriation to statutory reserves	**—**	**7,382**	**—**	**—**	**7,382**
Currency translation differences	**—**	**—**	**8,061**	**—**	**8,061**
As of 31 December 2023	**261,455**	**103,444**	**75,057**	**496,417**	**936,373**

In accordance with the Companies Laws of the PRC and the stipulated provisions of the Memorandum and Articles of Association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective Statutory Surplus Reserve Funds and the Discretionary Reserve Funds before distributions are made to the owners. The percentage of appropriation to Statutory Surplus Reserve Fund is 10%. The amount to be transferred to the Discretionary Reserve Fund is determined by the equity owners of these companies. When the balance of the Statutory Surplus Reserve Fund reaches 50% of the registered capital, such transfer needs not to be made. Both the Statutory Surplus Reserve Fund and Discretionary Reserves Fund can be capitalized as capital of an enterprise, provided that the remaining Statutory Surplus Reserve Fund shall not be less than 25% of the registered paid in capital.

27 Reserves (Continued)

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

28 Share-based payments

(a) 2018 Share Incentive Plan

On 18 May 2018, the Company issued and allotted an aggregate of 8,627,045 shares (86,270,450 shares after additional share issuance on 6 December 2018) to the RSUs Holding Entities for employee incentive plan purpose.

During the year ended 31 December 2019, RSUs Holding Entities granted aggregate of 16,492,066 shares to employees, among which 2,601,251 shares are without vesting conditions. Out of the remaining 13,890,815 shares, the vesting period for 75,362 shares is 1 year and the vesting schedule is 100% after 12 months from original grant date; the vesting period for 6,855,065 shares is 3 years, and the vesting schedule is 1/3 after 12 months from original grant date and the remaining 2/3 will vest in 2 equal installments over the next 2 years; the vesting period for 6,960,388 shares is 4 years, and the vesting schedule is 25% after 12 months from original grant date and remaining 75% will vest in 3 equal installments over the next years. The Group recorded RMB100,301,000 share-based compensation expense accordingly during the year ended 31 December 2019.

During the year ended 31 December 2020, RSUs Holding Entities granted aggregate of 18,566,947 shares to employees, among which 3,647,147 shares are without vesting conditions. Out of the remaining 14,919,800 shares, the vesting period for 112,779 shares is 1 year and the vesting schedule is 100% after 12 months from original grant date; the vesting period for 24,000 shares is 2 years, and the vesting schedule is 50% after 12 months from original grant date and the remaining 50% will vest after 24 months from original grant date; the vesting period for 8,373,322 shares is 3 years, and the vesting schedule is 1/3 after 12 months from original grant date and remaining 2/3 will vest in 2 equal installments over the next 2 years; the vesting period for 6,409,699 shares is 4 years, and the vesting schedule is 25% after 12 months from original grant date and remaining 75% will vest in 3 equal installments over the next years. The Group recorded RMB89,460,000 share-based compensation expense accordingly during the year ended 31 December 2020.

28 Share-based payments (Continued)

(a) 2018 Share Incentive Plan (Continued)

During the year ended 31 December 2021, RSU Holding Entities granted aggregate of 8,085,721 shares to employees, among which 4,465,700 shares are without vesting conditions. Out of the remaining 3,620,021 shares, the vesting period for 800,000 shares is 1 year and the vesting schedule is 100% after 12 months from original grant date; the vesting period for 2,484,021 shares is 3 years, and the vesting schedule is 1/3 after 12 months from original grant date and remaining 2/3 will vest in 2 equal installments over the next 2 years; the vesting period for 336,000 shares is 4 years, and the vesting schedule is 25% after 12 months from original grant date and remaining 75% will vest in 3 equal installments over the next 3 years.

During the year ended 31 December 2022, RSU Holding Entities granted aggregate of 1,470,180 shares to employees, among which 90,180 shares are without vesting conditions. Out of the remaining 1,380,000 shares, the vesting period for 1,300,000 shares is 2 year and the vesting schedule is 50% after 12 months from original grant date and the remaining 50% will vest after 24 months from original grant date; the vesting period for 80,000 shares is 3 years, and the vesting schedule is 1/3 after 12 months from original grant date and remaining 2/3 will vest in 2 equal installments over the next 2 years.

During the year ended 31 December 2023, RSU Holding Entities granted aggregate of 700,000 shares to employees, the vesting period for 700,000 shares is 3 years, and the vesting schedule is 1/3 after 12 months from original grant date and remaining 2/3 will vest in 2 equal installments over the next 2 years.

The total amount to be expensed is determined by reference to the market price of the Company's shares at the grant date. The Group recorded RMB6,108,000 share-based compensation expense accordingly during the year ended 31 December 2023 (2022: RMB13,637,000).

Movement in the number of awarded shares for the year ended 31 December 2023 and 2022 is as follows:

	Year ended 31 December	
	2023	2022
At the beginning of the year	**8,635,436**	16,346,986
Granted	**700,000**	1,470,180
Vested	**(3,169,912)**	(7,598,961)
Forfeited	**(103,333)**	(1,582,769)
At the end of the year	**6,062,191**	8,635,436

28 Share-based payments (Continued)

(b) 2023 New Share Option Plan

On 30 June 2023 (the "**Adoption Date**"), the Company adopted a new share option scheme (the "**2023 New Share Option Scheme**"), which shall be valid and effective for a period of ten years commencing on the Adoption Date.

On 28 July 2023, the Company granted 8,880,000 share options to certain employees and directors under the 2023 New Share Option Scheme. The vesting period for 3,380,000 share options is 1 year and the vesting schedule is 100% after 12 months from original grant date; the vesting period for 1,800,000 share options is 3 years, and the vesting schedule is 1/3 after 12 months from original grant date and remaining 2/3 will vest in 2 equal installments over the next 2 years; the vesting period for 3,700,000 share option is 4 years, and the vesting schedule is 25% after 12 months from original grant date and remaining 75% will vest in 3 equal installments over the next 3 years.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price *HKD*	Number of share options
At 1 January 2023	—	—
Granted	3.86	8,880,000
Vested	—	—
Forfeited	—	—
At 31 December 2023	3.86	8,880,000
Exercisable as 31 December 2023	—	—

No options expired during the periods covered by the above tables.

28 Share-based payments (Continued)

(b) 2023 New Share Option Plan (Continued)

Outstanding share options

Details of the expiry dates, exercise prices and the respective numbers of share options which remained outstanding as at 31 December 2023 are as follows:

Expiry Date	Range of exercise price	Number of share options Year ended 31 December 2023
1 years commencing from the date of grant of options	HKD3.78~HKD4.92	3,380,000
3 years commencing from the date of grant of options	HKD3.58	1,800,000
4 years commencing from the date of grant of options	HKD3.58	3,700,000
		8,880,000

Fair value of options

The total amount to be expensed is determined by reference to the fair value of the options granted by using option-pricing model, "Enhanced FAS 123" binomial model (the "**Binomial Model**"), which includes the impact of market performance conditions (such as the Company's share price) but excludes the impact of service condition and non-market performance conditions.

The weighted average fair value of options granted during the year ended 31 December 2023 was HKD1.53 per share (equivalent to approximately RMB1.38 per share).

The total amount to be expensed is determined by the fair value of options. The Group recorded RMB4,400,000 share-based compensation expense accordingly during the year ended 31 December 2023.

28 Share-based payments (Continued)

(b) 2023 New Share Option Plan (Continued)

Fair value of options (Continued)

The Group also adopts valuation and actuarial techniques to assess the fair value of other equity instruments of the Group granted under the share-based compensation plans as appropriate. Other than the exercise price mentioned above, significant judgments on parameters, such as risk-free rate, dividend yield and expected volatility, were required to be made by the directors in applying the Binomial Model, which are summarised as below:

	Year ended 31 December 2023
Weighted average share price at the grant date	HKD3.58
Risk free rate	3.84%
Dividend yield	0.00%
Expected volatility *(Note)*	44.26%

Note: The expected volatility, measured as the standard deviation of expected share price returns, is determined based on the average daily trading price volatility of the shares of the Company.

Expected retention rate

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of the vesting periods of the share options (the "**Expected Retention Rate**") in order to determine the amount of share-based compensation expenses charged to the consolidated statement of comprehensive income. As at 31 December 2023, the Expected Retention Rate was assessed to be 91%.

29 Borrowings

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Included in non-current liabilities		
Secured bank borrowings *(a)*	**123,526**	—
	123,526	—
Included in current liabilities		
Secured bank borrowings *(a)*	**712,898**	508,400
Current portion of long-term bank borrowings, secured (a)	**40,000**	482,841
Secured other borrowings	**90,000**	20,000
	842,898	1,011,241
	966,424	1,011,241

As at 31 December 2023, the Group's long-term bank borrowings bear weighted average interest rate of 4.77% (2022: 4.19%) per annum, and the short-term bank borrowings bear weighted average interest rate of 6.21% (2022: 5.57%) per annum.

29 Borrowings (Continued)

(a) The pledge and guarantee related to bank borrowings is as follows:

	Bank borrowings as at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Secured by deposits and the shares of subsidiaries of the Company	**266,898**	442,841
Guaranteed by the Company, and/or certain subsidiaries of the Company	**275,000**	240,000
Secured by the pledge of assets of the Group (including trade receivables, intellectual properties and licenses or term deposits), and/or guaranteed by the Company and/or its subsidiaries	**334,526**	270,000
Secured by certificate of deposit	**—**	38,400
	876,424	991,241

(b) The maturity of borrowings is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**842,898**	1,011,241
Between 1 and 2 years	**60,000**	—
Between 2 and 5 years	**57,500**	—
Above 5 years	**6,026**	—
	966,424	1,011,241

(c) The carrying amount of the Group's borrowings is denominated in the following currencies:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
RMB	**699,526**	568,400
EUR	**266,898**	442,841
	966,424	1,011,241

30 Convertible bonds

(a) 2025 Convertible Bonds

On 6 October 2020, a subsidiary of the Group entered into a subscription agreement for HKD-settled convertible bonds in an aggregate principal amount of HKD775,000,000 (equivalent to approximately RMB692,284,000) due 16 October 2025 (the "**2025 Convertible Bonds**"), with an initial conversion price of HKD4.99 per share. The 2025 Convertible Bonds bear interest rate of 3.125% per annum, payable semi-annually, with maturity of 5 years from the issuance date and can be converted into shares of the Company at the holder's option at any time on or after the date which is 41 days after the issuance date up to the close of business on the date falling seven days prior to the maturity date at an initial conversion price of HKD4.99 per share. On 16 October 2020, the 2025 Convertible Bonds were issued. The holder of each 2025 Convertible Bonds will have the right at holder's option, to require the Group to redeem all or some only of such holder's bonds on 16 October 2023. The 2025 Convertible Bonds are guaranteed by the Company.

The 2025 Convertible Bonds was recognized as liability component and equity component as follows:

- The initial value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond of the Group. Embedded financial derivatives, comprised the fair value of the option of the holders of the 2025 Convertible Bonds to require the Company to redeem the 2025 Convertible Bonds; and the fair value of the option of the Company to redeem the 2025 Convertible Bonds. These embedded redemption options are closely related to the host debt as the redemption amount is principal amount together with accrued but unpaid interest, therefore they are not able to be accounted for separately. The initial value of the liability component and the fair value of the embedded redemption options were recognized as a single liability component, and it subsequently carried at amortized cost.

- Equity component, being the conversion option of the 2025 Convertible Bonds, initially recognized at the residual amount after deducting the value of the aforesaid single liability component from the net proceeds at the initial recognition.

Interest expense is calculated by applying the effective interest rate of 16.73% per annum to the liability component.

During 2023, the Company revised its estimates of 2025 Convertible Bonds contractual cash flows by discounting the revised future contractual cash flows using original effective interest rate to reflect the estimation on exercise of the early redemption, and adjusted the gross carrying amount of the amortised cost of the liability component of 2025 Convertible Bonds. The difference was recognised in profit and loss.

30 Convertible bonds (Continued)

(a) 2025 Convertible Bonds (Continued)

In July 2023, the Company and the holders of the 2025 Convertible Bonds entered into an agreement, among which the Company would repurchase approximately 97.8% of the initial principal amount of 2025 Convertible Bonds with the principal amounting to HKD758,000,000 at a discounted price of HKD749,329,726 from the holders. The repurchase price was allocated between the liability component and the equity component on the same basis that was used in the original allocation process. Any difference between the consideration payable allocated to liability component and the liability component's carrying amount was recognized in profit and loss. And difference between the consideration payable allocated to equity component and the equity component's carry amount amounting to RMB17,265,000 was recognised in equity. As the 2025 convertible Bonds had been repurchased, the equity components initially recognised in other reserves was transferred to capital reserves.

On 24 July 2023 ("**Repurchase Day**"), the Company completed the repurchase of the 2025 Convertible Bonds at a total cash consideration of HKD749,329,726. This cash settlement was funded by the Company's newly issuance of 164,177,200 ordinary shares on 18 July 2023 (Note 26), and the newly issuance of HKD386,000,000 convertible bond (the "**2028 Convertible Bonds**") on 24 July 2023.

The Company further repurchased the remaining HKD17,000,000 of 2025 Convertible Bonds on 16 October 2023, and pursuant to the original terms of the 2025 Convertible Bonds, the remaining principal and interest in the sum of HKD17,264,897 were settled in one lump sum.

Movement of the 2025 Convertible Bonds is set out as follows:

	Liability *RMB'000*	Capital reserves *RMB'000*	Other reserves *RMB'000*	Total *RMB'000*
As of 1 January 2022	401,461	—	262,620	664,081
Interest expenses *(Note 11)*	70,284	—	—	70,284
Coupon interests paid	(20,104)	—	—	(20,104)
Currency translation differences	40,620	—	—	40,620
As of 31 December 2022	492,261	—	262,620	754,881
As of 1 January 2023	**492,261**	**—**	**262,620**	**754,881**
Interest expenses *(Note 11)*	**59,282**	**—**	**—**	**59,282**
Coupon interests paid	**(10,897)**	**—**	**—**	**(10,897)**
Adjustment of amortized cost of convertible bonds due to early redemption	**130,594**	**—**	**—**	**130,594**
Repurchase	**(683,403)**	**245,355**	**(262,620)**	**(700,668)**
Currency translation differences	**12,163**	**—**	**—**	**12,163**
As of 31 December 2023	**—**	**245,355**	**—**	**245,355**

30 Convertible bonds (Continued)

(b) 2028 Convertible Bonds

On 24 July 2023, the Group entered into a subscription agreement for HKD-settled convertible bonds in an aggregate principal amount of HKD386,000,000 (equivalent to approximately RMB352,804,000) due 24 July 2028, with an initial conversion price of HKD3.64 per share. The 2028 Convertible Bonds bear interest rate of 5% per annum, payable semi-annually, with maturity of 5 years from the issuance date and can be converted into shares of the Company at the holder's option at any time on or after the date which is 41 days after the issuance date up to the close of business on the date falling seven days prior to the maturity date at an initial conversion price of HKD3.64 per share. On 24 July 2023, the 2028 Convertible Bonds were issued. The holder of each 2028 Convertible Bonds will have the right at holder's option, to require the Group to redeem all or some only of such holder's bonds on 24 July 2026.

The 2028 Convertible Bonds was recognized as liability component and equity component as follows:

- The initial value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond of the Group. Embedded financial derivatives, comprised the fair value of the option of the holders of the 2028 Convertible Bonds to require the Company to redeem the 2028 Convertible Bonds; and the fair value of the option of the Company to redeem the 2028 Convertible Bonds. These embedded redemption options are closely related to the host debt as the redemption amount is principal amount together with accrued but unpaid interest, therefore they are not able to be accounted for separately. The initial value of the liability component and the fair value of the embedded redemption options were recognized as a single liability component, and it subsequently carried at amortized cost.

- Equity component, being the conversion option of the 2028 Convertible Bonds, initially recognized at the residual amount after deducting the value of the aforesaid single liability component from the net proceeds at the initial recognition.

Movement of the 2028 Convertible Bonds is set out as follows:

	Liability *RMB'000*	Other reserves *RMB'000*	Total *RMB'000*
As of 1 January 2023	—	—	—
Carrying amount on initial recognition	219,751	126,702	346,453
Interest expenses *(Note 11)*	19,281	—	19,281
Currency translation differences	(1,735)	—	(1,735)
As of 31 December 2023	**237,297**	**126,702**	**363,999**

Interest expense is calculated by applying the effective interest rate of 20.20% per annum to the liability component.

As of 31 December 2023, there has been no conversion of the 2028 Convertible Bonds.

31 Trade payables

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Third parties	**233,436**	392,851
Related parties *(Note 38(c))*	**39,979**	50,647
	273,415	443,498

Trade payables are primarily related to the purchase of services for server custody, game licenses, and the revenue collected by the Group which is to be shared to cooperated game developers according to respective cooperation agreements. The credit terms of trade payables granted to the Group are usually 3 months.

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**82,235**	141,675
3 months to 1 year	**134,639**	252,546
1 to 2 years	**44,167**	33,629
2 to 5 years	**12,374**	15,648
	273,415	443,498

(b) The carrying amount of the Group's trade payables is denominated in the following currencies:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
RMB	**273,293**	441,885
USD	**122**	1,613
	273,415	443,498

(c) As of 31 December 2023 and 2022, the fair value of trade payables approximated to their carrying amount.

32 Other payables and accruals

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Payroll and welfare payables	**58,635**	98,230
Other tax payables	**26,901**	36,430
Other payables due to related parties *(Note 38(c))*	**25,858**	30,507
Other payables to construction in progress	**11,191**	21,254
Professional service fee payable	**5,029**	6,422
Advance from business partners	**11,794**	5,362
Interest payable	**1,631**	1,480
Others	**11,078**	25,002
	152,117	224,687

As of 31 December 2023 and 2022, other payables and accruals were denominated in RMB and USD and the fair values of these balances approximated to their carrying amounts.

33 Financial liabilities at fair value through profit or loss

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Financial guarantee contracts *(a)*	**59,070**	—
Derivative *(b)*	**40,563**	—
	99,633	—

(a) It represents the financial guarantee provided to the new shareholders of a disposed subsidiary as disclosed in Note 13. The management of the Group irrevocably designated these financial guarantee contracts as measured at fair value through profit or loss at their initial recognition.

(b) It represents derivative liabilities arising from contingent put arrangements with a shareholder of a disposed subsidiary (Note 13).

34 Contract costs and liabilities

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
Contract costs:		
Costs to obtain contracts for games	**47,288**	55,405
Contract liabilities:		
Game publishing	**45,456**	153,489
Game development	**125,295**	43,698
IP derivatives business	**—**	1,946
	170,751	199,133

(a) Significant changes in contract costs and liabilities

Contract costs mainly represents the unamortized commissions charged by the Platforms and costs incurred for game development service.

Contract liabilities primarily consist of the unamortized revenue from sales of virtual items for mobile games, where there is still an implied obligation to be provided by the Group over time.

(b) Revenues recognized in relation to contract liabilities

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Revenues recognized that was included in the contract liabilities balance at the beginning of the year:		
Game publishing	**153,489**	200,696
Game development	**—**	6,000
Information service	**—**	2,100
	153,489	208,796

35 Deferred income tax

(a) Deferred tax assets

The analysis of deferred income tax assets are as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
The balance comprises temporary differences attributable to:		
Contract liabilities	**6,818**	23,023
Impairment provisions	**23,355**	23,420
Tax losses	**36,328**	38,414
Intangible assets amortization	**13,085**	13,185
Fair value losses on financial assets at fair value through profit or loss	**21,089**	16,728
Accrued expenses	**22,727**	22,581
Lease liabilities	**3,299**	25,821
Total deferred tax assets	**126,701**	163,172
Set-off of deferred tax liabilities	**(16,162)**	(49,619)
Deferred tax assets, net	**110,539**	113,553

35 Deferred income tax (Continued)

(a) Deferred tax assets (Continued)

The movements in deferred income tax assets, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Deferred income tax assets *RMB'000*	Deferred income tax liabilities *RMB'000*	Deferred income tax, net *RMB'000*
At 31 December 2022	**138,936**	**(25,383)**	**113,553**
Adjustment on Amendments to IAS 12	**24,236**	**(24,236)**	**—**
At 1 January 2023 (Restated)	**163,172**	**(49,619)**	**113,553**
Recognized in profit or loss	**(19,244)**	**33,457**	**14,213**
Disposal of a subsidiary *(Note 13)*	**(17,227)**	**—**	**(17,227)**
At 31 December 2023	**126,701**	**(16,162)**	**110,539**
At 31 December 2021	141,207	(15,635)	125,572
Adjustment on Amendments to IAS 12	15,219	(15,219)	—
At 1 January 2022 (Restated)	156,426	(30,854)	125,572
Recognized in profit or loss	6,746	(18,765)	(12,019)
At 31 December 2022 (Restated)	163,172	(49,619)	113,553

35 Deferred income tax (Continued)

(b) Deferred tax assets

The movements of deferred income tax assets before offsetting are as follows:

	Deferred government grants	Contract liabilities	Intangible assets amortization	Impairment provisions	Fair value losses on financial assets at fair value through profit or loss	Accrued expenses	Lease liabilities	Unused losses carried forward	Total
			Deferred income tax assets on temporary differences arising from						
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2022	**—**	**23,023**	**13,185**	**23,420**	**16,728**	**22,581**	**1,585**	**38,414**	**138,936**
Adjustment on Amendments to IAS 12	**—**	**—**	**—**	**—**	**—**	**—**	**24,236**	**—**	**24,236**
At 1 January 2023 (Restated)	**—**	**23,023**	**13,185**	**23,420**	**16,728**	**22,581**	**25,821**	**38,414**	**163,172**
Recognized in profit or loss	**—**	**(16,205)**	**(100)**	**8**	**4,361**	**1,549**	**(22,522)**	**13,665**	**(19,244)**
Disposal of a subsidiary	**—**	**—**	**—**	**(73)**	**—**	**(1,403)**	**—**	**(15,751)**	**(17,227)**
At 31 December 2023	**—**	**6,818**	**13,085**	**23,355**	**21,089**	**22,727**	**3,299**	**36,328**	**126,701**
At 31 December 2021	101	30,104	12,181	28,141	6,356	22,782	—	41,542	141,207
Adjustment on Amendments to IAS 12	—	—	—	—	—	—	15,219	—	15,219
At 1 January 2022 (Restated)	101	30,104	12,181	28,141	6,356	22,782	15,219	41,542	156,426
Recognized in profit or loss	(101)	(7,081)	1,004	(4,721)	10,372	(201)	10,602	(3,128)	6,746
At 31 December 2022 (Restated)	—	23,023	13,185	23,420	16,728	22,581	25,821	38,414	163,172

35 Deferred income tax (Continued)

(c) Deferred tax liabilities

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
The balance comprises temporary differences attributable to:		
Contract costs	**9,926**	25,383
Fair value gains on financial assets at fair value through profit or loss	**2,977**	—
Right-of-use assets	**3,259**	24,236
Total deferred tax liabilities	**16,162**	49,619
Set-off of deferred tax assets	**(16,162)**	(49,619)
Deferred tax liabilities, net	**—**	—

The movements in deferred income tax liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Deferred income tax liabilities on temporary differences arising from			
	Contract costs	Fair value gains on financial assets at fair value through profit or loss	Right-of-use assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2022	**(25,383)**	**—**	**—**	**(25,383)**
Adjustment on Amendments to IAS 12	**—**	**—**	**(24,236)**	**(24,236)**
At 1 January 2023 (Restated)	**(25,383)**	**—**	**(24,236)**	**(49,619)**
Recognized in profit or loss	**15,457**	**(2,977)**	**20,977**	**33,457**
At 31 December 2023	**(9,926)**	**(2,977)**	**(3,259)**	**(16,162)**
At 31 December 2021	(15,635)	—	—	(15,635)
Adjustment on Amendments to IAS 12	—	—	(15,219)	(15,219)
At 1 January 2022 (Restated)	(15,635)	—	(15,219)	(30,854)
Recognized in profit or loss	(9,748)	—	(9,017)	(18,765)
At 31 December 2022 (Restated)	(25,383)	—	(24,236)	(49,619)

35 Deferred income tax (Continued)

(d) Deferred income tax assets are recognized for tax losses carrying forwards and deductible temporary differences to the extent that realisation of the related tax benefits through the future taxable profits is probable. During the years ended 31 December 2023 and 2022, the Group did not recognize deferred income tax assets in respect of losses of approximately RMB486,702,000 and RMB2,604,451,000 respectively. The tax losses as of 31 December 2023 amounting to RMB223,965,000 can be carried forward indefinitely, and the remaining amount of RMB3,071,225,000 will expire from year 2023 to 2027,(2021: RMB153,942,000, indefinitely; RMB2,654,547,000, from year 2022 to 2026).

36 Cash generated from operations

(a) Reconciliation of net loss to cash inflow from operating activities:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Loss for the year from		
Continuing operations	**(456,830)**	(2,521,578)
Discontinued operations	**(103,988)**	(68,339)
Loss for the year including discontinued operations	**(560,818)**	(2,589,917)
Adjustments for:		
— Depreciation of property, plant and equipment *(Note 15)*	**3,969**	8,460
— Depreciation of investment properties *(Note 17)*	**440**	440
— Depreciation of right-of-use assets *(Note 16)*	**11,134**	30,573
— Amortization of intangible assets *(Note 18)*	**102,224**	211,366
— Losses on disposals of property, plant and equipment	**953**	1,243
— Gains on disposals of right-of-use assets	**—**	(116)
— (Gains)/loss on disposal of investments in associates *(Note 9)*	**(15)**	7,188
— Impairment provisions for financial assets *(Note 3.1) (Note 22)*	**232,323**	360,928
— Impairment provisions for prepayments *(Note 23)*	**40,731**	533,135
— Impairment provisions for intangible assets *(Note 18)*	**23,245**	752,293
— Impairment of investments accounted for using the equity method *(Note 20)*	**19,359**	7,917
— Share-based compensation expenses *(Note 28)*	**10,508**	13,637
— Share of results of investments accounted for using the equity method *(Note 20)*	**(14,067)**	8,617
— Losses/(gains) on disposal of subsidiaries *(Note 13)*	**83,534**	(23,540)
— Losses/(gains) on disposal of financial assets at fair value through profit or loss *(Note 9)*	**—**	(117)
— Dividend income received from financial assets at fair value through profit or loss	**(3,317)**	—
— Goodwill impairment *(Note 9)*	**—**	73,222
— Finance costs *(Note 11)*	**295,979**	185,261
— Changes in fair value of financial assets at fair value through profit or loss *(Note 21)*	**27,856**	83,150
— Changes in Financial liabilities at fair value through profit or loss *(Note 9)*	**10,986**	—
— Income tax (credit)/expense *(Note 12)*	**(13,527)**	12,859
Change in operating assets and liabilities, net of effects from disposal of discontinued operations:		
— Decrease/(increase) in receivables	**177,716**	(37,699)
— (Decrease)/increase in payables	**(190,365)**	518,052
— Changes in contract costs	**8,117**	35,891
— Changes in contract liabilities	**(28,382)**	(51,040)
— Changes in advance receipt	**1,126**	3,291
— Changes in inventories	**2,378**	(9,357)
— Changes in restricted cash	**10,944**	(41,983)
Cash generated from operations	**253,031**	93,754

36 Cash generated from operations (Continued)

(a) Reconciliation of net profit to cash inflow from operating activities (Continued):

In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment and intangible assets comprise:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Net book amount *(Note 15)*	**1,059**	3,288
Losses on disposal of property, plant and equipment	**(953)**	(1,243)
Proceeds from disposal of property, plant and equipment	**78**	495
Receivables from disposal of property, plant and equipment	**28**	1,550

(b) Net debt reconciliation

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cash and cash equivalents	**190,429**	90,527
Restricted cash	**38,105**	87,099
Convertible bonds	**(237,297)**	(492,261)
Borrowings-repayable within 1 year	**(842,898)**	(1,011,241)
Borrowings-repayable after 1 year	**(123,526)**	—
Lease liabilities	**(22,808)**	(117,039)
Interest payable	**(1,631)**	(1,480)
Net debt	**(999,626)**	(1,444,395)

36 Cash generated from operations (Continued)

(b) Net debt reconciliation (Continued)

	Cash and cash equivalents RMB'000	Restricted Cash RMB'000	Convertible bonds RMB'000	Borrowings-repayable within 1 year RMB'000	Borrowings-repayable after 1 year RMB'000	Lease liabilities RMB'000	Interest payable RMB'000	Total RMB'000
Net debt as of 1 January 2022	714,801	10,246	(401,461)	(899,711)	(450,719)	(79,826)	(155)	(1,106,825)
Cash flows								
— Net cash flows	(633,925)	76,853	—	(20,900)	387,016	30,518	—	(160,438)
— Interest paid	—	—	20,104	—	—	—	58,060	78,164
Non-cash movements								
— Interest expense	—	—	(70,284)	—	—	(5,249)	(59,385)	(134,918)
— New lease	—	—	—	—	—	(63,306)	—	(63,306)
— Exchange impacts	9,651	—	(40,620)	—	(22,194)	—	—	(53,163)
— Reclassification	—	—	—	(90,630)	90,630	—	—	—
— Other non-cash movements	—	—	—	—	(4,733)	824	—	(3,909)
Net debt as of 31 December 2022	90,527	87,099	(492,261)	(1,011,241)	—	(117,039)	(1,480)	(1,444,395)
Net debt as of 1 January 2023	**90,527**	**87,099**	**(492,261)**	**(1,011,241)**	**—**	**(117,039)**	**(1,480)**	**(1,444,395)**
Cash flows								
— Net cash flows	**96,920**	**(48,994)**	**354,215**	**(47,600)**	**112,932**	**12,808**	**—**	**480,281**
— Interest paid	**—**	**—**	**10,897**	**—**	**—**	**—**	**66,645**	**77,542**
Non-cash movements								
— Interest expense	**—**	**—**	**(209,157)**	**—**	**—**	**(1,351)**	**(66,796)**	**(277,304)**
— New lease	**—**	**—**	**—**	**—**	**—**	**(6,213)**	**—**	**(6,213)**
— Exchange impacts	**2,982**	**—**	**(10,428)**	**—**	**(19,457)**	**—**	**—**	**(26,903)**
— Reclassification	**—**	**—**	**—**	**215,943**	**(215,943)**	**—**	**—**	**—**
— Equity component of convertible bonds	**—**	**—**	**109,437**	**—**	**—**	**—**	**—**	**109,437**
— Other non-cash movements	**—**	**—**	**—**	**—**	**(1,058)**	**88,987**	**—**	**87,929**
Net debt as of 31 December 2023	**190,429**	**38,105**	**(237,297)**	**(842,898)**	**(123,526)**	**(22,808)**	**(1,631)**	**(999,626)**

37 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Intangible assets	**70,388**	183,340
Construction in progress	**120,432**	159,274
	190,820	342,614

38 Significant related party transactions

(a) Names and relationships with related parties

The following companies are related parties of the Group that had balances and/or transactions with the Group.

Names of major related parties	Nature of relationship
Tencent and its subsidiaries (collectively "**Tencent Group**")	Shareholder of the Company
IDS Partnership01 L.P.	Shareholder of the Company
Shenzhen iDreamSky Entertainment*	Subsidiary of the Company
Hengqin Chuangmeng Qida Equity Investment Enterprise (Limited Partnership) ("**Hengqin Chuangmeng Qida**")	Associate of the Group
Zhejiang Yiyou	Associate of the Group
Shenzhen Xingfei Culture Co., Ltd. ("**Shenzhen Xingfei**")	Associate of the Group
iDream Legu (Nanjing) Cultural Industry Development Co., Ltd. ("**iDream Legu**")	Associate of the Group
Shenzhen Mengzuofang Technology Co., Ltd. ("**Shenzhen Mengzuofang**")	Joint venture of the Group
Tianjin Lewei Shida	Joint venture of the Group
Mr. Jeffrey Lyndon Ko	Director of the Company
Mr. Lei Junwen	Senior management of the Company
Mr. Chen Xiangyu	Director of the Company
Mr. Guan Song	Director of the Company
Shenzhen Zero One Zhihe Technology Co., LTD ("**Zero One Zhihe**")	Associate of the Group
Shipshape Holdings Limited ("**Shipshape**")	Related party of a director
Zhuhai Hengqin Zhumeng Space Investment Co., Ltd. ("**Hengqin Zhumeng**")	Company controlled by a senior management of the Company

* Shenzhen iDreamSky Entertainment has been disposed by the Group in the first quarter of 2023, details are disclosed in Note 13.

38 Significant related party transactions (Continued)

(b) Significant transactions with related parties

In addition to those disclosed elsewhere in these consolidated financial statements, the following transactions were carried out with related parties.

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 parties.

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Provision of services		
Tencent Group	**104,119**	47,290
Shenzhen Mengzuofang	**3,612**	32,004
Zero One Zhihe	**709**	4,607
	108,440	83,901
IP cooperation		
Tencent Group	**—**	2,358
Purchases of services		
Tencent Group	**34,354**	33,303
Revenue share to content providers		
Tencent Group	**29,749**	39,637
Zhejiang Yiyou	**—**	32,230
	29,749	71,867
Licence fees of the QQfamily IPs		
Tencent Group	**157**	1,887

38 Significant related party transactions (Continued)

(b) Significant transactions with related parties (Continued)

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Loans provided to related parties		
Mr. Lei Junwen	**—**	4,132
Shipshape	**—**	2,087
Mr. Guan Song	**—**	2,068
iDream Legu	**1,050**	1,230
Mr. Chen Xiangyu	**—**	1,000
IDS Partnership01 L.P.	**—**	300
Mr. Jeffrey Lyndon Ko	**91**	130
Shenzhen iDreamSky Entertainment	**28,929**	—
Shenzhen Mengzuofang	**17,000**	—
	47,070	10,947
Disposal of subsidiary's shares to a related party		
Hengqin Zhumeng *(Note)*	**—***	—
Financial guarantee provided to a related party		
Hengqin Zhumeng *(Note)*	**37,861**	—

* The amount was less than 1 thousand.

Note: It is related to the disposal of the subsidiary disclosed in Note 13. In the first quarter of 2023, Henqin Zhumeng obtained 24.1% equity interest of Shenzhen iDreamSky Entertainment from the Group at a cash consideration of RMB2. Financial guarantee provided to Hengqin Zhumeng by the Group arising from this transaction was accounted for as a financial liabilities at fair value through profit or loss with a carrying value amounted to RMB37,861,000 as of 31 December 2023 (Note 33(a)).

38 Significant related party transactions (Continued)

(b) Significant transactions with related parties (Continued)

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Repayment received from related parties:		
Mr. Jeffrey Lyndon Ko	**2**	—
Mr. Chen Xiangyu	**1,000**	—
Mr. Guan Song	**400**	—
Shenzhen iDreamSky Entertainment	**28,929**	—
iDream Legu	**—**	230
Shipshape	**—**	1
Shenzhen Mengzuofang	**17,000**	—
	47,331	231

38 Significant related party transactions (Continued)

(c) Year end balances with related parties

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
Amounts due from related parties		
iDream Legu	**3,682**	4,582
Mr. Lei Junwen	**2,709**	4,307
Shipshape	**2,266**	2,233
Mr. Guan Song	**—**	2,068
Mr. Jeffrey Lyndon Ko	**1,425**	1,314
Mr. Chen Xiangyu	**—**	1,000
Shenzhen Mengzuofang	**420**	420
Tencent Group	**—**	300
IDS Partnership01 L.P.	**248**	244
Hengqin Chuangmeng Qida	**70**	70
	10,820	16,538
Less: provision for impairment *(Note 3.1)*	**(72)**	(120)
	10,748	16,418
Trade receivables		
Tencent Group	**7,362**	22,770
Shenzhen Mengzuofang	**—**	5,600
Zero One Zhihe	**4,207**	3,598
Shenzhen iDreamSky Entertainment	**73**	—
	11,642	31,968

38 Significant related party transactions (Continued)

(c) Year end balances with related parties (Continued)

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade payables		
Tencent Group	**18,803**	50,647
Shenzhen Xingfei	**15,590**	—
Shenzhen Mengzuofang	**5,405**	—
Shenzhen iDreamSky Entertainment	**181**	—
	39,979	50,647
Prepayments to related parties		
Tencent Group	**6,604**	6,938
	6,604	6,938
Other payables		
Zero One Zhihe	**9,958**	14,458
Tencent Group	**6,000**	6,149
Hengqin Chuangmeng Qida	**5,000**	5,000
Tianjin Lewei Shidai	**4,900**	4,900
	25,858	30,507
Contract liabilities due to related parties		
Tencent Group	**125,295**	43,698

The above amounts due from related parties were unsecured, interest-free and repayable on demand.

The above amounts due to related parties were unsecured, interest-free and repayable on demand.

38 Significant related party transactions (Continued)

(d) Key management personnel compensations

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**5,822**	4,891
Pension costs-defined contribution plan, other social security costs, housing benefits, and other employee benefits	**339**	421
Share-based compensation expenses	**1,476**	—
	7,637	5,312

39 Contingencies

The Group did not have any material contingent liabilities as of 31 December 2023 and 2022.

40 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

Director's and chief executive's emoluments are disclosed in Note 10.

(b) Directors' retirement benefits

No retirement benefits were paid to or payable in respect of their services as directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking during the years ended 31 December 2023 and 2022.

(c) Directors' termination benefits

During the reporting period, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable.

(d) Consideration provided to third parties for making available directors' services.

No consideration was provided to or receivable by third parties for making available directors' services subsisted at the end of or at any time during the years ended 31 December 2023 and 2022.

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

No loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of or at any time during the years ended 31 December 2023 and 2022, except for the transactions disclosed in Note 38.

40 Benefits and interests of directors (Continued)

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

No other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the years ended 31 December 2023 and 2022, except for the transactions disclosed in Note 38.

41 Subsequent events

There were no material subsequent events during the period from 31 December 2023 to the approval date of these financial statements by the Board on 28 March 2024.

42 Financial position and reserve movement of the Company

(a) Financial position of the Company

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Investments in subsidiaries	**1,366,574**	1,366,574
Amounts due from subsidiaries	**2,147,425**	—
Financial assets at fair value through profit or loss	**70,763**	82,391
Intangible assets	**127,892**	125,760
	3,712,654	1,574,725
Current assets		
Amounts due from subsidiaries	**—**	2,230,439
Amounts due from related parties	**4,290**	40,563
Prepayments and other receivables	**165,720**	279,443
Restricted cash	**6,459**	5,117
Cash and cash equivalents	**7,089**	7,175
	183,558	2,562,737
Total assets	**3,896,212**	4,137,462
EQUITY		
Share capital, share premium and treasury shares	**3,745,616**	3,291,884
Other reserves	**594,959**	458,314
Accumulated losses	**(1,022,023)**	(619,598)
Total equity	**3,318,552**	3,130,600
LIABILITIES		
Non-current liabilities		
Convertible bonds	**237,297**	—
	237,297	—
Current liabilities		
Borrowings	**266,898**	442,841
Amounts due to subsidiaries	**72,842**	65,304
Other payables and accruals	**623**	6,456
Convertible bonds	**—**	492,261
	340,363	1,006,862
Total liabilities	**577,660**	1,006,862
Total equity and liabilities	**3,896,212**	4,137,462

The financial position of the Company was approved by the Board of Directors on 28 March 2024 and was signed on its behalf:

Chen Xiangyu	Guan Song
Director	*Director*

42 Financial position and reserve movement of the Company (Continued)

(b) Other reserves and accumulated losses movement of the Company

	Other reserves RMB'000	Accumulated losses RMB'000
At 31 December 2021	154,566	(320,131)
Loss for the year	—	(299,467)
Currency translation differences	303,748	—
At 31 December 2022	458,314	(619,598)
Loss for the year	**—**	**(402,425)**
Repurchase of convertible bonds *(Note 30(a))*	**(17,265)**	**—**
Equity component of convertible bonds issued *(Note 30(b))*	**126,702**	**—**
Currency translation differences	**27,208**	**—**
At 31 December 2023	**594,959**	**(1,022,023)**

43 Subsidiaries and controlled structured entities

The following is a list of principal subsidiaries of the Company as of 31 December 2023

Company Name	Place of establishment and nature of legal entity	Particulars of issued/registered capital	Proportion of equity interest held by the Group (%)		Principal activities and place of operation
			2023	2022	
(a) Directly owned					
iDreamSky Holdings (HK)	Hong Kong	HKD1	**100%**	100%	Investment holding/Hong Kong
Dreambeyond Holdings Limited	Cayman	USD50,000	**100%**	100%	Investment holding/Cayman
Dream Impression Holdings Limited	Cayman	USD50,000	**100%**	100%	Investment holding/Cayman
(b) Indirectly owned					
Qianhai iDream	The PRC, limited liability company	USD150,000,000	**100%**	100%	Internet and software technology development and service/The PRC
Chuangyi Shikong	The PRC, limited liability company	RMB187,473,000	**100%**	100%	Internet and software technology development and service/The PRC
Shenzhen Ledou Technology Co., Ltd.	The PRC, limited liability company	RMB10,000,000	**100%**	100%	Internet and software technology development and service/The PRC
Changsha Mengju Information Technology Co., Ltd.	The PRC, limited liability company	RMB10,000,000	**100%**	100%	Internet and software technology development and service/The PRC

43 Subsidiaries and controlled structured entities (Continued)

Company Name	Place of establishment and nature of legal entity	Particulars of issued/registered capital	Proportion of equity interest held by the Group (%) 2023	2022	Principal activities and place of operation
Shenzhen Baixingsheng Investment Management Co., Ltd.	The PRC, limited liability company	RMB3,000,000	**100%**	100%	Financing/The PRC
Zhuhai Hengqin Hunmeng Investment Enterprise LLP	The PRC, limited liability company	RMB100,000,000	**100%**	100%	Financing/The PRC
Tianjin Huohun Internet Technology Co., Ltd.	The PRC, limited liability company	RMB10,000,000	**51%**	51%	Internet and software technology development and service/The PRC
Tianjin Shengting Information Technology Co., Ltd.	The PRC, limited liability company	RMB10,000,000	**51%**	51%	Internet and software technology development and service/The PRC
Dreammaker (HK) Technology Limited	Hong Kong	HKD1,000,000	**100%**	100%	Internet Information Service/Hong Kong
iDreamSky Technology (HK) Limited	Hong Kong	HKD1	**100%**	100%	Internet Information Service/Hong Kong
IDS 01 Holdings Limited	Cayman	USD1	**100%**	100%	Investment holding/Cayman
IDS 02 Holdings Limited	Cayman	USD1	**100%**	100%	Investment holding/Cayman
IDS 05 Holdings Limited	Cayman	USD1	**100%**	100%	Investment holding/Cayman
IDS 06 Holdings Limited	Cayman	USD1	**100%**	100%	Investment holding/Cayman
IDS 08 Holdings Limited	Cayman	USD5,000,000	**100%**	100%	Investment holding/Cayman
IDS 11 Holdings Limited	Cayman	USD1	**100%**	100%	Investment holding/Cayman
IDS 12 Holdings Limited	Cayman	USD1	**100%**	100%	Investment holding/Cayman
IDS 13 Holdings Limited	Cayman	USD1	**100%**	100%	Investment holding/Cayman
iDreamSky Creative Limited	Hong Kong	HKD1	**100%**	100%	Investment holding/Hong Kong
DSKY Venture (Korea)	Korea	WON5,373,040,000	**100%**	100%	Investment holding/Korea
(c) Controlled by the Company pursuant to the Contractual Arrangements					
Shenzhen iDreamSky	The PRC, limited liability company	RMB215,001,755	**100%**	100%	Internet and software technology development and service/The PRC
Shenzhen Chenhai Star Technology Co., Ltd.	The PRC, limited liability company	RMB10,000,000	**100%**	100%	Internet and software technology development and service/The PRC
Hunan Langshan iDreamSky Cultural Communication Co., Ltd.	The PRC, limited liability company	RMB2,000,000	**100%**	100%	Culture, sports and entertainment/The PRC
Horgos Ledou Technology Co., Ltd.	The PRC, limited liability company	RMB1,000,000	**100%**	100%	Internet and software technology development and service/The PRC
Horgos iDreamSky	The PRC, limited liability company	RMB10,000,000	**100%**	100%	Internet and software technology development and service/The PRC
Shenzhen Mengyutongchuang Technology Enterprise (Limited Partnership)	The PRC, limited liability company	RMB1,000,000	**100%**	100%	Internet and software technology development and service/The PRC
Shenzhen Qianhai Juzheng Investment Management Co., Ltd.	The PRC, limited liability company	RMB10,000,000	**51%**	51%	Financing/The PRC

43 Subsidiaries and controlled structured entities (Continued)

Company Name	Place of establishment and nature of legal entity	Particulars of issued/registered capital	Proportion of equity interest held by the Group (%)		Principal activities and place of operation
			2023	2022	
Shenzhen iDream Huyu Technology Co., Ltd.	The PRC, limited liability company	RMB1,000,000	**51%**	51%	Culture, sports and entertainment/ The PRC
Shenzhen Mengyu Technology Co., Ltd.	The PRC, limited liability company	RMB10,000,000	**95%**	95%	Internet and software technology development and service/The PRC
Changsha Xunhuo Network Technology Co., Ltd.	The PRC, limited liability company	RMB1,499,250	**51%**	51%	Internet and software technology development and service/The PRC

(i) In the first quarter of 2023, the Group disposed all the equity interest of Shenzhen iDreamSky Entertainment to certain investors, one of which is a related party of the Group (Note 38(a)), and lost control over it (Note 13).

The directors of the Company considered that the non-controlling interests in respect of the subsidiaries are not material to the Group, and therefore, no summarized financial information of the relevant subsidiaries is presented separately.

(ii) Significant restrictions

As of 31 December 2023, cash and cash equivalents, term deposits and restricted cash of the Group, amounting to RMB228,534,000 were held in the Mainland of China and they are subject to local exchange control and other financial and treasury regulations. The local exchange control, and other financial and treasury regulations provide for restrictions, on payment of dividends, share repurchase and offshore investments, other than through normal activities.

Definitions

In this annual report, the following expressions have the meanings set out below unless the context otherwise requires:

"AGM"	the annual general meeting of the Company
"Auditor"	PricewaterhouseCoopers, the independent auditor of the Company
"Board"	the board of Directors of the Company
"Brilliant Seed"	Brilliant Seed Limited, a company incorporated in the BVI on 2 January 2018 and wholly-owned by Mr. Chen Xiangyu
"Cayman Companies Act"	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CG Code"	the Corporate Governance Code as set out in the Appendix C1 (formerly Appendix 14) to the Listing Rules
"Chuangyi Shikong"	Qianhai Chuangyi Shikong Technology (Shenzhen) Co., Ltd. (前海創意時空科技(深圳)有限公司), a company incorporated in China, and a subsidiary of our Company
"Company" or "our Company" or "iDreamSky"	iDreamSky Technology Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the HKEX under stock code 1119
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, our Company, the WFOE, Shenzhen iDreamSky and its registered shareholders
"Director(s)"	the director(s) of the Company
"EUR"	Euro, the legal currency of the member states of the European Union
"Group" or "our Group" or "we" or "us"	the Company, its subsidiaries and its PRC Consolidated Affiliated Entities from time to time
"HKD"	Hong Kong dollars, the legal currency of Hong Kong
"HKEX"	The Stock Exchange of Hong Kong Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Horgos iDreamSky"	Horgos iDreamSky Information Technology Co., Ltd. (霍爾果斯創夢天地信息科技有限公司), a company incorporated in China, and a subsidiary of our Company

"IFRS(s)"	International Financial Reporting Standards
"IPO"	the global offering of the shares of the Company on 6 December 2018 at a price of HKD6.60 per share, the net proceeds of which was approximately HKD776.4 million, after deducting professional fees, underwriting commissions and other related listing expenses
"IP(s)"	intellectual property(ies)
"Listing Date"	6 December 2018, being the date on which the shares of the Company became listed and commenced trading on the HKEX
"Listing Rules"	The Rules Governing the Listing of Securities on the HKEX
"Memorandum and Articles of Association"	the memorandum and articles of association of the Company (as amended, restated or supplemented or otherwise modified from time to time)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 (formerly Appendix 10) to the Listing Rules
"Practise Statement"	the Practise Statement issued by the Hong Kong Institute of Certified Public Accountants and its amendments from time to time
"PRC" or "China"	the People's Republic of China, excluding, for the purposes of this annual report only, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
"PRC Consolidated Affiliated Entities"	the entities we control through the Contractual Arrangements, namely Shenzhen iDreamSky and its subsidiaries
"Prospectus"	the prospectus of the Company dated 26 November 2018
"Reporting Period"	the year ended 31 December 2023
"RMB"	Renminbi, the legal currency of the PRC
"Role-Playing Game" or "RPG(s)"	games in which users assume the roles of characters in a fictional setting
"SFO"	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
"Share(s)"	ordinary share(s) of the Company with a nominal value of USD0.0001 each in the share capital of the Company
"Shenzhen iDreamSky"	Shenzhen iDreamSky Technology Co., Ltd. (深圳市創夢天地科技有限公司), a company established in the PRC and a PRC Consolidated Affiliated Entity of our Company

"Shenzhen iDreamSky Entertainment"	Shenzhen iDreamSky Entertainment Co., Ltd. (深圳市創夢天地娛樂有限公司), a company established in the PRC and a subsidiary of the Company
"Shenzhen Mengyu"	Shenzhen Mengyu Technology Co., Ltd. (深圳市夢域科技有限公司), a company incorporated in China, and a subsidiary of our Company
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Tencent"	Tencent Holdings Limited, one of the Company's substantial shareholders, a limited liability company incorporated under the laws of the Cayman Islands and the shares of which are listed on the HKEX under stock code 700
"Tencent Computer"	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), a company established in the PRC and a Consolidated Affiliated Entity of Tencent
"Tencent Group"	Tencent and its subsidiaries
"Tencent Technology"	Tencent Technology (Shenzhen) Co., Ltd, a company incorporated in China, and a subsidiary of Tencent
"Tianjin Huohun"	Tianjin Huohun Internet Technology Co., Ltd. (天津火魂網絡科技有限公司), a non-wholly owned subsidiary of the Company incorporated in the PRC, formerly named Shanghai Huohun Internet Technology Co., Ltd., which changed its name to Tianjin Huohun Internet Technology Co., Ltd. (天津火魂網絡科技有限公司) in January 2022
"USD"	U.S. dollars, the legal currency of the United States of America
"WFOE"	Shenzhen Qianhai iDream Technology Co., Ltd. (深圳市前海創夢科技有限公司), a wholly-owned foreign enterprise established in the PRC and a subsidiary of our Company
"%"	percent