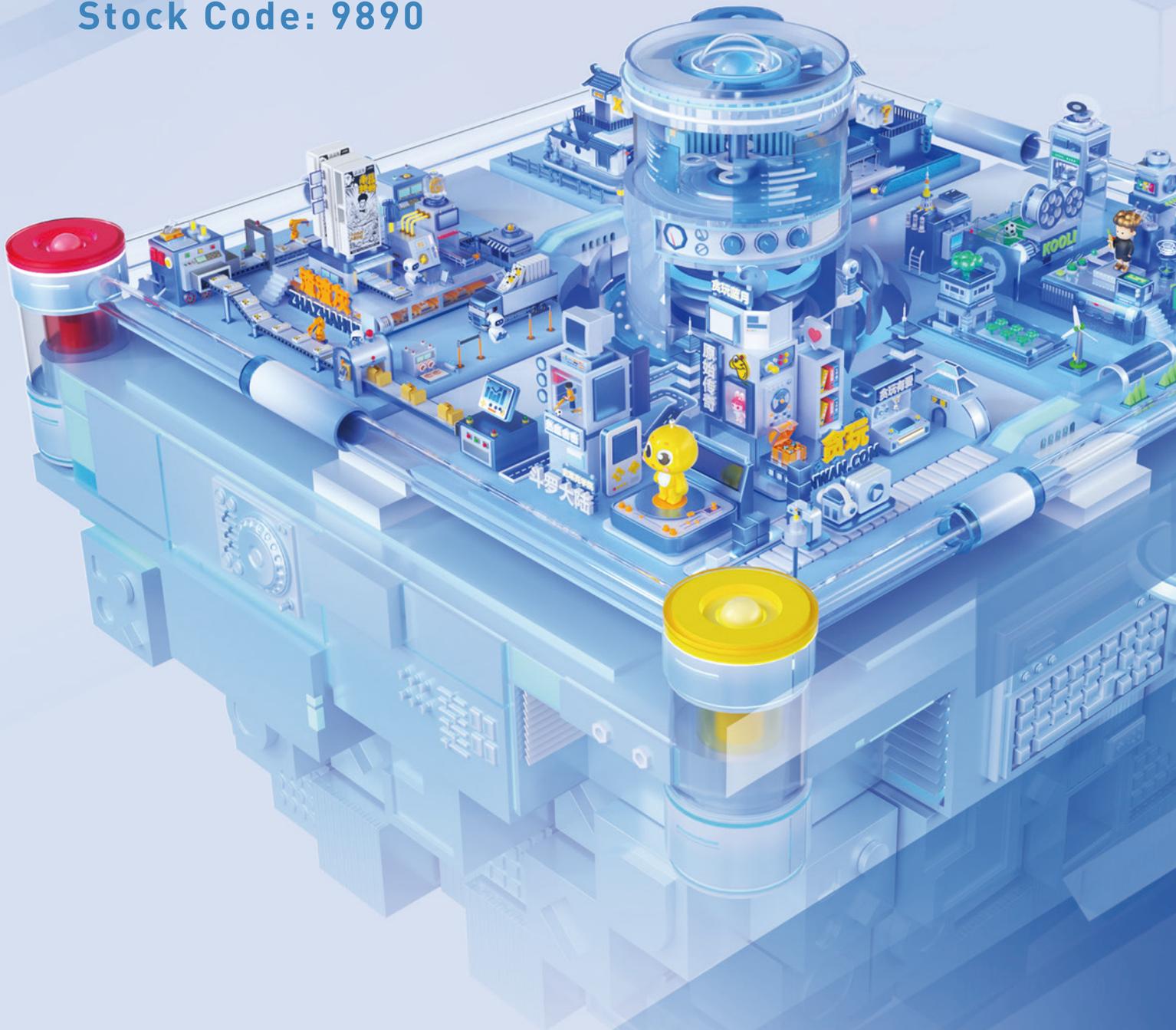




ZX Inc.
中旭未来

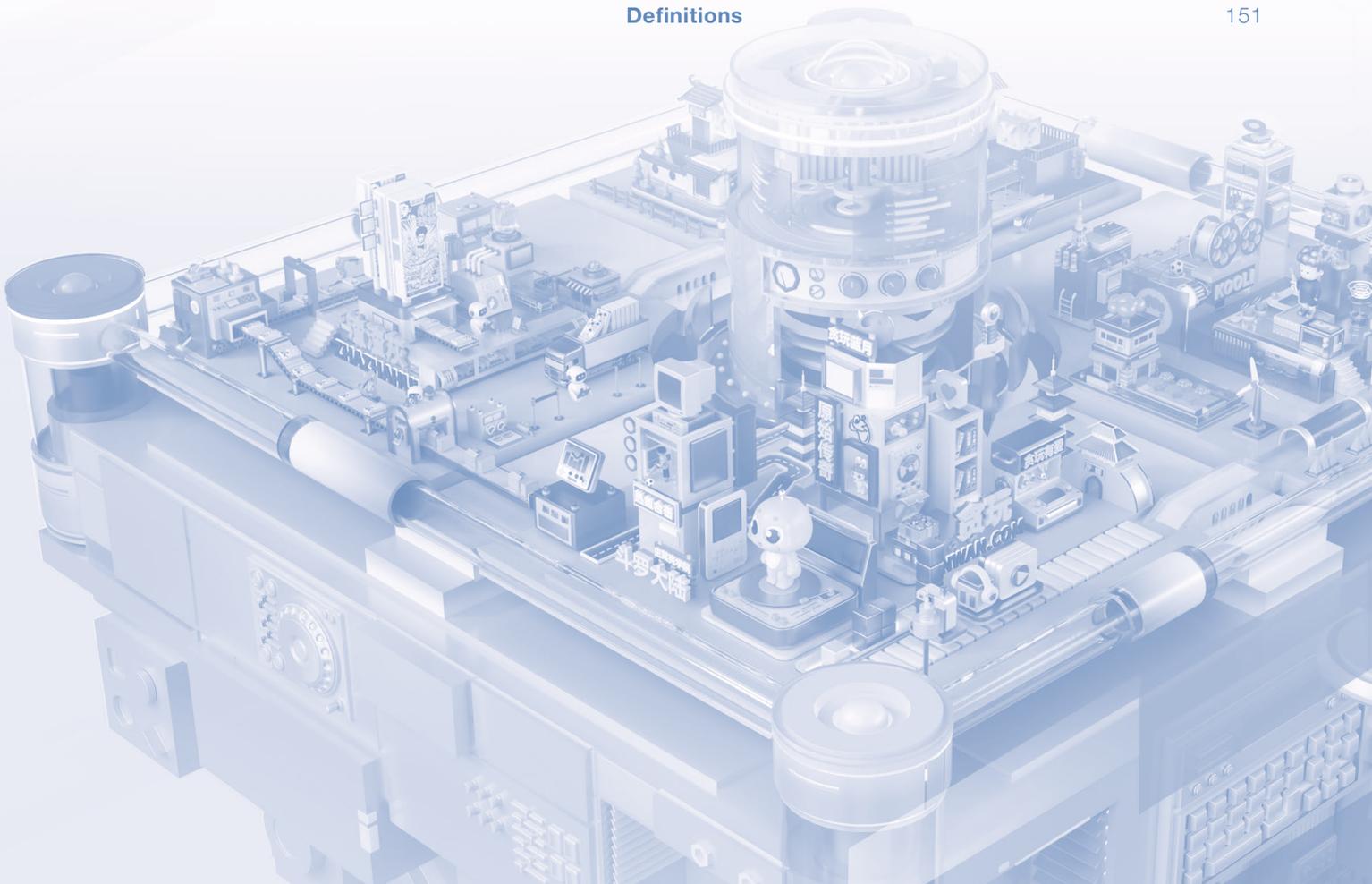
(Incorporated in the Cayman Islands with limited liability)

ANNUAL REPORT 2023
Stock Code: 9890



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. WU Xubo (*Chairman, Chief Executive Officer*)

Ms. WU Xuan (*Chief Operating Officer*)

Independent Non-executive Directors

Ms. SONG Siyun

Mr. QIN Yongde

Ms. ZHENG Yi

AUDIT COMMITTEE

Ms. ZHENG Yi (*Chairlady*)

Ms. SONG Siyun

Mr. QIN Yongde

REMUNERATION COMMITTEE

Ms. SONG Siyun (*Chairlady*)

Mr. WU Xubo

Ms. ZHENG Yi

NOMINATION COMMITTEE

Mr. WU Xubo (*Chairman*)

Ms. SONG Siyun

Ms. ZHENG Yi

COMPANY SECRETARY

Ms. TSANG Wing Man

COMPLIANCE ADVISER

Somerley Capital Limited

20/F, China Building

29 Queen's Road Central

Hong Kong

AUTHORIZED REPRESENTATIVES

Mr. WU Xubo

Ms. TSANG Wing Man

AUDITOR

Ernst & Young

Certified Public Accountant and Registered Public Interest Entity Auditor

27/F, One Taikoo Place

979 King's Road

Quarry Bay, Hong Kong

HONG KONG LEGAL ADVISER

Kirkland & Ellis

26/F, Gloucester Tower

The Landmark

15 Queen's Road Central

Hong Kong

REGISTERED OFFICE

190 Elgin Avenue

George Town

Grand Cayman KY1-9008

Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN THE PRC

Building B

No. 9 Olympic Stadium South Road

Tianhe District, Guangzhou

Guangdong

PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Dah Sing Financial Centre

248 Queen's Road East

Wanchai

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited

190 Elgin Avenue

George Town

Grand Cayman KY1-9008

Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

INVESTOR RELATIONS

Email: IR@ZX.COM

COMPANY'S WEBSITE

<http://www.zx.com/>

STOCK CODE

9890

Four-Year Financial Summary

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the Year Ended December 31,			
	2023	2022	2021	2020
		(RMB in thousands)		
Revenue	6,514,585	8,817,221	5,735,718	2,872,393
Gross profit	4,573,318	6,409,690	4,738,359	2,439,364
Profit/(Loss) before tax	413,391	601,575	680,131	(1,223,845)
Profit/(Loss) for the year	273,289	491,522	616,441	(1,301,103)
Adjusted profit (Non-HKFRS measure)	541,994	560,084	627,589	515,011
Earnings per share attributable to ordinary equity holders of the parent				
Basic (RMB)	0.47	9.65	N/A	N/A
Diluted (RMB)	0.46	9.60	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31,			
	2023	2022	2021	2020
		(RMB in thousands)		
Total non-current assets	3,204,232	4,181,409	2,766,389	1,573,353
Total current assets	4,063,978	5,617,497	3,792,038	2,288,759
Total non-current liabilities	156,228	199,904	194,218	137,477
Total current liabilities	4,836,197	7,889,966	5,189,978	3,062,453
Total Equity	2,275,785	1,709,036	1,174,231	662,182

Letter to Shareholders

Dear Shareholders,

The grass is fresh in the spring morning, and the future is promising!

Looking back on the past eight years, ZX Inc. (hereinafter referred to as “we” or “us”) has rapidly developed from a small professional team to a group enterprise of over a thousand employees. This has been a testament to our proven strengths to withstand the challenges of the market, and a reflection of our firm belief and staying true to our goals. It has also been a sign that we have not forgotten our original aspirations and have believed in ourselves and our team to achieve these brilliant results.

In 2023, like other enterprises, we were faced with many opportunities and challenges. However, we firmly believe that great truths are always simple, and we always maintain the courage to move forward and constantly write legendary stories. On September 28, 2023, we successfully listed on the main board of the Hong Kong Stock Exchange, marking an important milestone in our growth journey and symbolizing our entry into a new stage of internationalization and industrialization.

The year of 2023 was also an important turning point for us in terms of business. In addition to maintaining our original in-depth domestic operation advantages, we made certain achievements in the exploration of overseas markets, which had laid a solid foundation for our products to “go global.”

In 2024, we will continue to put more efforts in four aspects, namely in-depth operation, market globalization, continuous creation of big IPs and AI large-language model, striving for more outstanding achievements.

In terms of in-depth operation, although the market is unpredictable, we always adhere to the basic principle of simplicity, constantly improve risk prevention awareness and self-confidence, and focus on traffic realization, conversion rate, information exchange, user attributes, data analysis, product elements and establishment of channels. In the next few years, we will be committed to providing users with better products and services and creating a better user experience for the entire market.

In terms of market globalization, 2023 was the first year that we officially entered the global market. Our success in the European and American markets had shown us broader development opportunities. In 2024, we will not only further develop the European and American markets, but also continue to explore other potential markets in Southeast Asia, Japan and South Korea, with an aim to improve our global strategic layout.

In terms of continuous creation of large IPs, we solidified our leading position in the distribution of a big IP, ChuanQi (傳奇), in 2023. In 2024, we will focus on promoting various new big IPs in game series such as MU (奇跡), Scions of Fate (熱血江湖), Soul Land (斗羅大陸), and The Smiling Proud Wanderer (笑傲江湖). This transformation strategy has effectively integrated and utilized our extensive experience in the field of game distribution and applied it to the research and development, distribution and operation of new series of big IPs, thus further enhancing our competitiveness and influence in the market.

In terms of AI large-language model, in 2024, we will launch the “X” intelligent marketing platform, based on the Luoshu (洛書) system and Hetu (河圖) system, to develop an AI large-language assistance system, and to serve the customized needs in the game advertising and marketing field. With the support of AI technology, we can predict industry trends, enhance the accuracy of advertisements, and at the same time, improve the response speed of game operation and management and player satisfaction, and optimize advertising and operation strategies.

We deeply understand that team strength is the foundation for our sustainable and healthy development. In view of this, we are committed to cultivating the personal value of each employee and providing them with a supportive growth platform and ample growth opportunities, so that they can continue to grow and surpass themselves in practice.

Letter to Shareholders

In addition, we always adhere to social responsibilities. We actively participate in and support various public welfare activities, care for the growth of youth, promote community co-construction and rural revitalization, and make our own contributions to high-quality local development. We firmly believe that only through co-construction and sharing can we achieve a better and sustainable future.

“A time will come to ride the wind and cleave the waves; I’ll set my cloud-white sail and cross the sea which raves.” Although the road ahead is full of difficulties and the market remains uncertain and challenging, we are still confident in our endeavors. We have embarked on a new journey, seeking opportunities along the way. We firmly believe that no matter what challenges we encounter, as long as we maintain a positive attitude and cherish every moment of growth and achievement in the process, one day we will achieve our goals.

We recognize that our brilliant achievements are inalienable from the long-term support and trust of our Shareholders. In the future, we will continue to focus on excellent quality and sustainable development, strive to promote our vigorous growth, and share the joyful results with all of our shareholders.

Finally, I would like to express my heartfelt thanks again to all Shareholders for their support and trust! In the coming year, let us join hands and work together to create brilliance and strive for our sustainable development! Let us witness the continued growth and glory of ZX Inc.!

WU Xubo

Chairman and Chief Executive Officer

Guangzhou, the PRC

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

I. Company Overview

As a publisher of online game products in China, in 2023, we continued to devote to marketing and operating online games (in particular mobile games) in China. The online games developed by our clients and marketed and operated by us are delivered to players under the “Tan Wan” brand (貪玩遊戲). In 2023, we successfully launched 69 new games. As of December 31, 2023, we had operated over 350 game products, and the game products we marketed and operated had accumulated 489.3 million registered users. In 2023, we achieved an average monthly active user (MAU) of 8.7 million for the game products we marketed and operated and the average monthly revenue per paying user (ARPPU) of all the game products we marketed and operated was RMB469.2.

In 2023, we continued to enhance our core capabilities in marketing and operating game products. Gross profit margin for game products operated under the self-run model remained relatively stable at 95.4% and 92.3% in 2022 and 2023, respectively. Gross profit margin for the game products operated under the joint-run model increased from 16.3% in 2022 to 24.5% in 2023.

In addition to game products, we also provide marketing services in relation to online literature products and video clips. In 2023, revenue generated from other marketing business was RMB91.6 million, representing a significant increase of 141.0% from RMB38.0 million in 2022.

Furthermore, the end-user insights we accumulate allow us to spot other needs of end-users. We have developed our own consumer product brands in new consumption scenarios, including the instant food brand “Zha Zha Hui”(渣渣灰) and the pop toy brand “Bro Kooli.” In 2023, revenue generated from consumer product business was RMB213.7 million, remaining stable as RMB215.8 million in 2022.

II. Game Product Portfolio

We run our online game publishing business primarily through two operation models, namely the self-run model and joint-run model, where such categorization depends on whether the end-user acquisition for the game products we market and operate is solely performed by us through utilizing the marketing strategies formulated by our Hetu (河圖) and Luoshu (洛書) technology platforms. We measure the performance of the game products we marketed and operated as a whole by the following key operating metrics: (i) average MAUs, (ii) average monthly paying users (MPUs), (iii) average monthly ARPPU, and (iv) total number of cumulative registered end-users. The following table sets forth these operating metrics for the years/as of the dates indicated.

	For the year ended December 31,	
	2023	2022
Average MAUs (in thousands)	8,753.6	10,003.2
Average MPUs (in thousands)	1,102.8	1,770.4
Average monthly ARPPU (RMB)	469.2	403.4
	As of December 31,	
	2023	2022
Number of cumulative registered end-users ⁽¹⁾ (in millions)	489.3	356.1

Notes:

(1) The number of cumulative registered end-users is calculated on the basis of the number of registered accounts on file as of the end of each year.

Management Discussion and Analysis

In 2023, revenue generated from our top five game products was RMB3,142.7 million, representing a decrease of 45.4% from RMB5,751.2 million in 2022. Revenue generated from our top five game products accounted for 48.2% of our total revenue in 2023, as compared to 65.2% in 2022. The decrease in revenue generated from our top five game products was primarily because (i) our game products faced fierce market competition and experienced a decrease in gross billings; and (ii) we strategically enhanced our operations of other game products from various genres, resulting in a lesser reliance on revenue contribution from our top five game products.

We have been actively expanding the genres coverage of our game product portfolio and pipeline. The genres of game products we operated in 2023 and expect to launch in 2024 primarily consist of massively multiplayer online role-playing games (MMORPG), simulation games (SLG), casual games, tower defense games and collectible card games.

The table below sets forth a description of our major game products.

Game Product	Genre	Descriptions	Illustrations
Soul Land: Shrek Academy 	MMORPG	A team battle mobile game adapted from novels and animations with dual authorization	 
Legend of Origin 	MMORPG	Featuring highly attractive real-life scenes and magical arrays	 
Qi Xiong Zheng Ba 	SLG	Remaking classic war strategy gameplay	 
Anti-Fraud Hero 	Public welfare mini program game	A public welfare game with interactive real-life storylines	 

Management Discussion and Analysis

III. Business Overview

3.1 Online Game

3.1.1 Business Overview

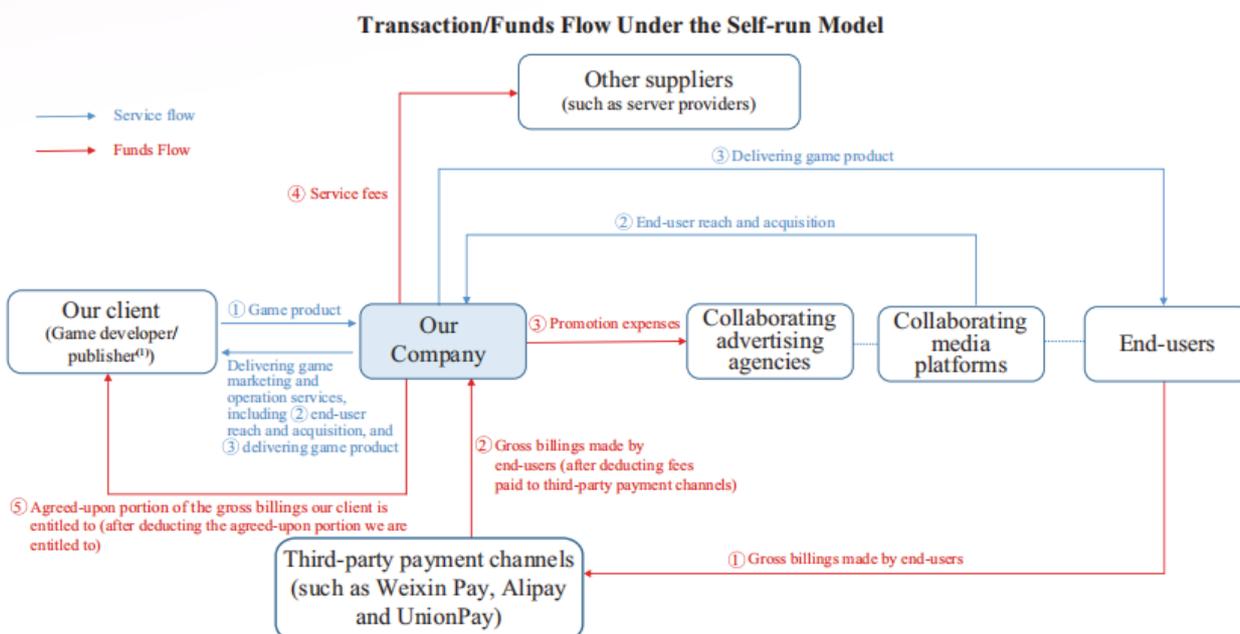
As of December 31, 2023, we had enabled marketing and operation of over 350 game products, which had accumulated 489.3 million registered users. In 2023, we achieved an average MAU of 8.7 million for the game products we marketed and operated. In 2023, the ARPPU of all the game products we marketed and operated was RMB469.2.

3.1.2 Operation models

We run our online game publishing business primarily through two operation models, namely the self-run model and joint-run model, where such categorization depends on whether the end-user acquisition for the game products we market and operate is solely performed by us through utilizing the marketing strategies formulated by our Hetu (河圖) and Luoshu (洛書) technology platforms.

Under the self-run model, we enable precision marketing, in-depth operation and brand development of the game products utilizing our Hetu (河圖) and Luoshu (洛書) technology platforms to form marketing strategies and operation decisions. Under this model, we integrate all the components of our service flow for the particular game products we market and operate, and utilize our internal resources to execute all the steps along this service process, depending on the particular needs of the product.

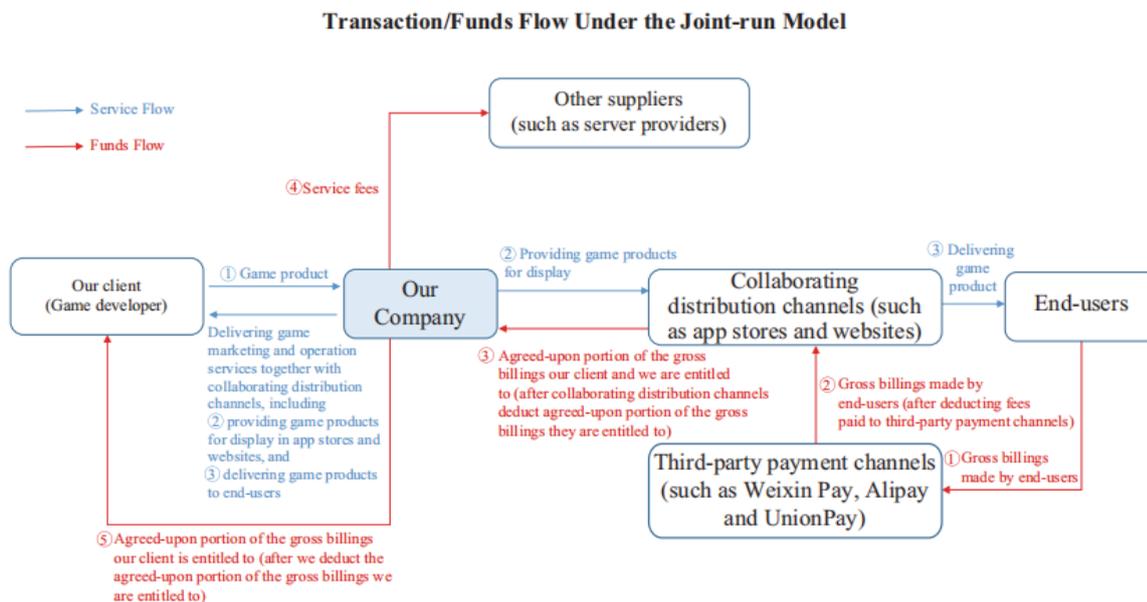
Set forth below is a diagram illustrating a typical transaction/funds flow of our online game publishing business under the self-run model:



Management Discussion and Analysis

Under the joint-run model, we leverage the user bases, marketing resources and technology platforms with our collaborating distribution channels which connect game products with the available resources. The collaborating distribution channels serve as both an end-user acquisition channel and our strategic partner to joint-run the game products. These collaborating distribution channels are mainly mobile application stores, through which we can further increase the coverage of end-users. In other words, we draw upon a portion of product distribution and end user acquisition capabilities from external sources and channels, which also allow the end-users to experience the game product through such external channels on the mobile end.

Set forth below is a diagram illustrating a typical transaction/funds flow of our online game publishing business under the joint-run model:



3.1.3 Differences Between the Two Models in Profitability

The key differences between the two models in profitability are due to the following:

- (1) Under the self-run model, we conduct marketing and payment channel operation and/or brand development on our own, and we are responsible for identifying, contracting with the payment channels and the collaborating media platforms/advertising agencies or payment processing on behalf of game developer clients if needed. Therefore, commissions paid to the payment channels and the marketing fees calculated based on pay-to-sale are included in cost of sales.
- (2) Under the joint-run model, we involve collaborating distribution channels to serve as both an end-user acquisition channel and our strategic partner to joint-run the authorized game products. A portion of the gross amounts paid by the end-users are withheld directly by the collaborating distribution channels (primarily mobile application stores) pursuant to the business arrangement with such collaborating distribution channels. We record the amount withheld by the collaborating distribution channels under the joint-run model as part of the cost of sales.

Management Discussion and Analysis

3.1.4 Technology Platform

We have developed our own proprietary technology platforms, as highlighted by our intelligent end-user engagement platform — the Luoshu (洛書) system, and our proprietary business intelligence analytics system — the Hetu (河圖) system.

(1) Intelligent End-User Engagement Platform — Luoshu (洛書) System

We have achieved centralized management of various media platforms through our intelligent end-user engagement platform, the Luoshu (洛書) system, which, in turn, enhanced the efficiency for placement. It allows us to address various marketing demands of the game products we market and operate, which in turn enhance end-user coverage with minimized human operations. The Luoshu (洛書) system features AI-driven engagement recommendations based on the automated match of the game products we market and operate and the traffic channels' bidding systems. The Luoshu (洛書) system achieves intelligent effective end-user engagement while building stable technical support for our future business expansion.

(2) Proprietary business intelligence analytics system — the Hetu (河圖) system

Our proprietary business intelligence analytics system, our Hetu (河圖) system, is capable of monitoring and analyzing the marketing campaign results through various tags generated, including time slots, channels and characteristics of the target user group. Our Hetu (河圖) system intellectually adjust the end-user engagement strategies and spending for the game products we market and operate on a real-time basis and optimize the campaign results to achieve the best marketing results. Our Hetu (河圖) system is able to conduct sub-second data inquiry and analytics and generate key features of users in real time.

3.2 Consumer Product

The end-user insights we accumulate allow us to spot other needs of end-users. Our consumer product business currently focuses on sales of instant food and pop culture-related merchandise empowered by the content we create or market, as highlighted by “Zha Zha Hui (渣渣灰)” and “Bro Kooli.”

In 2022 and 2023, our revenue generated from consumer product business amounted to RMB215.8 million and RMB213.7 million, respectively, accounting for 2.4% and 3.3% of our total revenue for the same years, respectively.

IV. Outlook

Looking forward, we will continue to enhance and expand our online game publishing business, alongside fortifying our technology and innovation in areas such as in-house brand and content development. We aim to develop, market and operate products with high monetization potential and diversify our end-user base. We are committed to continuously enhancing our intelligent technologies and investing in digital marketing and AI-powered intelligent engagement. In maintaining our leading position in the publication and operation of legendary IPs, we will strategically launch new game series based on major IPs such as MU (奇跡), Scions of Fate (熱血江湖), Soul Land: Shrek Academy (斗羅大陸：史萊克學院), and The Smiling Proud Wanderer (笑傲江湖), etc, thus boosting our market competitiveness and influence. In 2024, we will persist in broadening our footprint in the European and American markets and expand into other international markets such as Southeast Asia, Japan, and Korea, thereby refining our global strategic positioning.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Our revenue is generated primarily from (i) marketing and operating online games developed by game developers and marketing online literature products and video clips developed by content creators; and (ii) our consumer product business, primarily including sales of our private-label and local-flavor rice noodle products and other fast consumer foods under the brand “Zha Zha Hui.”

The following table sets forth a breakdown of our revenue both in absolute amount and as a percentage of our total revenue for the years indicated:

	For the Year Ended			
	December 31,		2022	
	2023		2022	
	(RMB'000)	%	(RMB'000)	%
Online Game Publishing Business and Other Marketing Business				
Game products operated under the self-run model	4,264,462	65.4%	6,179,622	70.1%
– Collaboration with game developers	3,747,693	57.5%	5,563,803	63.1%
– Collaboration with game publishers	58,818	0.9%	85,586	1.0%
– Self-owned game	457,951	7.0%	530,233	6.0%
Game products operated under the joint-run model	1,944,848	29.9%	2,383,819	27.1%
– Collaboration with game developers	1,548,414	23.8%	1,768,457	20.1%
– Self-owned game	396,434	6.1%	615,362	7.0%
Others	91,618	1.5%	38,022	0.4%
Subtotal	6,300,928	96.7%	8,601,463	97.6%
Consumer Product Business	213,657	3.3%	215,758	2.4%
Total	6,514,585	100.0%	8,817,221	100.0%

We recorded revenue of RMB6,514.6 million in 2023, representing a decrease of 26.1% from RMB8,817.2 million in 2022. The decrease was primarily due to a decrease in revenue generated from the online game publishing business.

Online Game Publishing Business and Other Marketing Business

Revenue generated from the game products we market and operate under the self-run model decreased by 31.0% from RMB6,179.6 million in 2022 to RMB4,264.5 million in 2023. Revenue generated from the game products we market and operate under the joint-run model decreased by 18.4% from RMB2,383.8 million in 2022 to RMB1,944.8 million in 2023. The decreases were primarily because (i) our game products faced fierce competition from new and existing game products in the market in 2023; and (ii) we strategically reduced our reliance on revenue contribution from our top five game products by devoting more efforts to our operations of other game products and developing new IPs, whose revenue was still in the ramp-up period.

Revenue generated from other marketing business, primarily revenue from marketing online literature products and video clips, increased significantly by 141.0% from RMB38.0 million in 2022 to RMB91.6 million in 2023, which was generally in line with the Group’s efforts to export its core capabilities to sectors beyond game products.

Management Discussion and Analysis

Consumer Product Business

Revenue generated from consumer products business, primarily including sales of our private-label and local-flavor rice noodle products and other fast consumer foods under the brand “Zha Zha Hui,” remained relatively stable at RMB215.8 million and RMB213.7 million in 2022 and 2023, respectively.

Cost of Sales

The Group’s cost of sales decreased by 19.4% from RMB2,407.5 million in 2022 to RMB1,941.3 million in 2023, primarily in relation to commissions to third-party distribution channels and payment, which was in line with the decrease in gross billings generated from game products.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group’s total gross profit decreased by 28.7% from RMB6,409.7 million in 2022 to RMB4,573.3 million in 2023 as a result of the revenue decline from our online game publishing business, which was in turn attributable to the fierce market competition faced by our game products, and the relatively short period of revenue generation for our new games launched in 2023.

The Group’s gross profit margin remained relatively stable at 72.7% and 70.2% in 2022 and 2023, respectively.

Gross profit margin for game products operated under the self-run model remained relatively stable at 95.4% and 92.3% in 2022 and 2023, respectively. Gross profit margin for the game products operated under the joint-run model increased from 16.3% in 2022 to 24.5% in 2023, primarily because the reduction in costs was greater than the decrease in revenue as we strategically streamlined our collaboration with the distribution channels that were entitled to a higher portion of gross billings. Gross profit margin for the consumer product business decreased from 40.7% in 2022 to 31.5% in 2023, as a result of the increase of procurement costs for our rice noodle products in 2023.

Other Income and Gains

Other income and gains increased by 60.0% from RMB292.6 million in 2022 to RMB468.1 million in 2023, primarily due to profit from the sale of financial assets, mainly representing our equity investments in a listed company.

Selling and Distribution Expenses

The Group’s selling and distribution expenses decreased by 31.0% from RMB5,622.4 million in 2022 to RMB3,880.2 million in 2023, primarily due to a decrease in game marketing and promotion expenses as (i) the new game products we launched in 2023 had a relatively short marketing and promotion period due to their launch time schedules, and (ii) we did not launch new blockbuster games in 2023 that required significant marketing and promotion resources.

Administrative Expenses

The Group’s administrative expenses increased by 51.0% from RMB175.7 million in 2022 to RMB265.3 million in 2023, primarily due to (i) the increase in share-based compensation as a result of the implementation of the pre-IPO share option plan as adopted in November 2022, and (ii) the increase in listing expense in 2023.

R&D Costs

The Group’s R&D costs increased by 8.6% from RMB157.7 million in 2022 to RMB171.2 million in 2023, primarily due to an increase in share-based compensation in 2023 as a result of the implementation of the pre-IPO share option plan as adopted in November 2022.

Management Discussion and Analysis

Other Expenses

The Group's other expenses increased significantly from RMB8.3 million in 2022 to RMB208.3 million in 2023, primarily due to (i) an increase in fair value losses of financial assets, primarily due to the unanticipated changes in the market value of a listed company we invested; (ii) an increase in goodwill impairment of long-term equity investment, in relation to Hainan Zhangwan Network Technology Co., Ltd. (海南掌玩網絡科技有限公司), a non-wholly owned subsidiary acquired in 2021; and (iii) an increase in donation expenses.

Finance Costs

The Group's finance costs decreased by 12.6% from RMB107.9 million in 2022 to RMB94.3 million in 2023, primarily due to a decrease in finance costs on bills payable as means of payment to our business partners, which was in line with the decrease in our revenue.

Share of Profits and Losses of Joint Ventures

The Group recorded gains of RMB6.4 million in 2023, compared to gains of RMB7.4 million in 2022, as the Group's share of profits and losses of joint ventures, primarily due to a decrease in the gains recorded by our joint venture company, Zhejiang Xuwan Technology Co., Ltd. (浙江旭玩科技有限公司) in 2023.

Share of Profits and Losses of Associates

The Group recorded losses of RMB13.3 million in 2023, primarily in relation to share of losses of our associate company, Hangzhou Shengxu Miracle Network Technology Co., Ltd. (杭州盛旭奇跡網絡科技有限公司). We recorded share of losses of associates of RMB33.9 million in 2022. The fluctuation was primarily because the book value of our investments in Fuzhou Zizai Entertainment Internet Technology Co., Ltd. (福州自在互娛網絡科技有限公司) had been written down to zero, therefore we ceased to record share of losses of this associate in 2023.

Income Tax Expense

The Group recorded income tax expense of RMB110.1 million and RMB140.1 million in 2022 and 2023, respectively. The increase was primarily attributable to upward adjustments in our preferential tax rates pursuant to the applicable policies.

Profit for the Year

As a result of the foregoing, the Group's net profit decreased by 44.4% from RMB491.5 million in 2022 to RMB273.3 million in 2023.

Management Discussion and Analysis

Adjusted Profit for the Year

To supplement our consolidated financial statements, which are presented in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), we also use the adjusted profit (Non-HKFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, HKFRSs. We believe that the presentation of non-HKFRS measure facilitates comparisons of operating performance from period to period and provides useful information to investors and others to understand and evaluate our consolidated results of operations in the same manner as our management by eliminating potential impacts of items. We also believe that the non-HKFRS measure are appropriate for evaluating our operating performance. The use of this non-HKFRS measure has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under HKFRS. In addition, this non-HKFRS measure may not be comparable to similar measures presented by other companies. We define the adjusted profit (Non-HKFRS measure) as the profit for the year, excluding share-based compensation and listing expenses. Share-based compensations are non-cash in nature and do not result in cash outflow, and the adjustment has been consistently made as in the Prospectus. In addition, we exclude listing expenses, as this item arises from activities relating to the Listing. In 2022 and 2023, we recorded adjusted profit (non-HKFRS measure) of RMB560.1 million and RMB542.0 million, respectively.

	For the year ended December 31,	
	2023	2022
	<i>(RMB'000)</i>	
Reconciliation of profit to adjusted profit (Non-HKFRS measure)		
Profit for the year	273,289	491,522
Add:		
Share-based compensation	219,368	42,883
Listing expenses	49,337	25,679
Adjusted profit (Non-HKFRS measure)	541,994	560,084

Trade Receivables

Trade receivables primarily consist of outstanding amounts payable by collaborating distribution channels under the joint-run model in the ordinary course of business. Our net trade receivables decreased by 27.2% from RMB426.8 million as of December 31, 2022 to RMB310.7 million as of December 31, 2023, primarily in line with the decrease in our revenue and as a result of our increased efforts for the settlement of certain trade receivables which were due.

Trade Payables

Trade payables primarily consist of (i) a portion of gross billing payable to the clients in connection with end-users' in-game purchases of the products developed by the clients for which the Group provides precision marketing, in-depth operation and brand development services; and (ii) payables to the suppliers, such as server custody service providers and suppliers for the consumer product business. The Group's trade payables decreased by 11.0% from RMB523.6 million as of December 31, 2022 to RMB466.1 million as of December 31, 2023, mainly due to (i) a decrease in gross billings from game products, which was in line with our revenue decline in 2023; and (ii) changes in our settlement methods with certain suppliers, resulting in a shorter settlement cycle of trade payables.

Management Discussion and Analysis

Bills Payable

Bills payable primarily consist of bank acceptance bills and letters of credit made in the ordinary course of our business, mainly attributable to payables to game developers and to collaborating media platforms for marketing and promotion activities. The Group's bills payable decreased by 50.2% from RMB5,640.2 million as of December 31, 2022 to RMB2,806.6 million as of December 31, 2023, which was in line with the decrease in our revenue.

Investments in Associates

We recorded investments in associates of RMB6.0 million as of December 31, 2022 and RMB178.2 million as of December 31, 2023, mainly due to our investment in Jiaxing Xukai Enterprise Management Partnership (Limited Partnership) (嘉興旭愷企業管理合夥企業(有限合夥)) (“**Jiaxing Xukai**”). With an aim to invest in companies with significant growth potential in the digital mobile game industry, in June 2023, we, together with two independent third parties, namely Shanghai Shengyi Network Technology Co., Ltd. (上海盛薏網絡科技有限公司) and Shanghai Jiale Network Technology Co., Ltd. (上海佳樂網絡科技有限公司), as limited partners and an independent third party, namely Shanghai Erta Network Technology Co., Ltd. (上海爾塔網絡科技有限公司), as general partner, established Jiaxing Xukai. We invested approximately RMB235.2 million for 42% limited partnership interest in Jiaxing Xukai. As of December 31, 2023, Jiaxing Xukai held approximately 1.07% of the total issued shares of Zhejiang Century Huatong Group Co., Ltd. (浙江世紀華通集團股份有限公司) (“**Century Huatong**”), a listed company on the Shenzhen Stock Exchange (SZSE: 002602).

Liquidity and Capital Resources

The Group monitored and maintained a level of cash and cash equivalents deemed adequate to finance its operations and mitigate the effects of fluctuations in cash flows. During the Reporting Period, the Group funded its cash requirements principally from cash generated from operating activities and net proceeds received from the Global Offering. As of December 31, 2023, the Group had cash and cash equivalents of RMB486.9 million, representing cash and bank balance, net of restricted cash. Cash and cash equivalents were held in RMB, HK dollars, US dollars and Japanese yen. Going forward, the Group believes that its liquidity requirements will be satisfied by using a combination of cash generated from operating activities, funds raised from the capital markets from time to time and the net proceeds received from the Global Offering. The Group currently does not have any other plans for material additional external financing.

Bank Borrowings

As of December 31, 2023, the Group had interest-bearing bank and other borrowings of RMB213.7 million. The Group's interest-bearing bank and other borrowings were discounted bills and bank loans provided by commercial banks to the Group, both of which were fully secured by pledges during the ordinary course of business. The interest-bearing bank and other borrowings were denominated in RMB and bore interests at rates ranging from 1.2% to 2.8% per annum.

Gearing Ratio

The Group monitored its capital sufficiency using gearing ratio. As of December 31, 2022 and 2023, the Group's gearing ratio (total debt, including interest-bearing bank borrowings and lease liabilities, as a percentage of total equity as of the end of the relevant reporting year) was 0.45 and 0.18, respectively.

Management Discussion and Analysis

Current Ratio

Our current ratio was lower than 1 throughout the Reporting Period as a result of our net current liabilities position, which was primarily because a significant portion of our pledged deposits used to secure our bills payables and interest-bearing bank borrowings were interest-bearing time deposits with a term exceeding one year and therefore recorded as non-current assets. To the extent our liquidity and working capital needs are met, we believe that time deposits, compared to demand deposits, can help us better utilize our idle cash by earning a higher interest.

Significant Investments

As of December 31, 2023, the Group held an aggregate of RMB412.8 million of listed equity investments at fair value in Century Huatong, representing 5.7% of the Group's total assets as of December 31, 2023. The Group held 80,000,000 shares in Century Huatong, representing approximately 1.07% of its total issued shares, and the investment cost was RMB585.9 million. Century Huatong is engaged in automobile components, internet game and artificial intelligence businesses. The Group's investment in Century Huatong is for strengthening strategical alliance with a major player in the digital entertainment industry chain to create synergies by complementing the Group's publishing of online game products. For the year ended December 31, 2023, the fair value loss from such investment amounted to RMB173.1 million. No dividend was received from such investment during the Reporting Period.

Save as disclosed above, there was no other significant investments held (including any investment in an investee company with a value of 5% or more of the Group's total assets) as of December 31, 2023.

Material Acquisitions and Disposals

In 2023, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures.

Future Plans for Material Investments and Capital Assets

As of December 31, 2023, the Group had no specific plan for material investments and acquisition or disposal of capital assets.

Capital Expenditure

In 2023, total capital expenditure amounted to approximately RMB23.0 million, which was used in the purchase of property and equipment and other intangible assets.

Contingent Liabilities

As of December 31, 2023, except for the below civil litigation which is still ongoing, the Company did not have any material contingent liabilities, guarantees of any litigations or claims of material importance, pending or threatened against any member of the Company. In March 2021, ChuanQi IP Co., Ltd., as the plaintiff, filed a lawsuit in the High People's Court of Fujian Province alleging that (i) the collaboration agreement and other ancillary documents allegedly entered into among one of our joint ventures and two other co-defendants to market and operate the PC version of The Legend of Mir II (熱血傳奇), a game developed by the plaintiff, infringe copyrights of the plaintiff; and (ii) the website allegedly co-established by one of our joint ventures, another co-defendant and us to promote the PC version of The Legend of Mir II (熱血傳奇) involves misleading information and commercial defamation of the plaintiff. The plaintiff sought (i) an injunction against the future operation of the relevant website; and (ii) RMB100.5 million in monetary damages from us and the other co-defendants. In December 2023, the trial was held with the High People's Court of Fujian Province and the ruling was pending as of the Latest Practicable Date. With respect to this lawsuit, the PRC litigation expert we engaged advises our Company that, (i) we are not a party to the collaboration agreement or any other ancillary documents at issue and the validity of collaboration agreement has been confirmed by ruling of the Supreme People's Court of the PRC; (ii) we are not involved in the establishment or operation of the relevant website at issue or other allegedly infringing conducts of our joint ventures at issue; and (iii) it is highly likely that the court will rule in our favor and we will not undertake monetary damages.

Management Discussion and Analysis

Foreign Exchange Risk and Hedging

The Group's financial statements were expressed in RMB, but the Group undertook certain transactions in foreign currencies, which exposed the Group to foreign currency risk. The Group currently does not hold any financial instruments for hedging purposes. The Group manages its currency risks by closely monitoring the movement of the foreign currency rates and considers hedging significant foreign currency exposure should the need arise.

Employee, Remuneration and Option Scheme

As of December 31, 2023, the Group had 1,305 employees, all of whom were based in China. The total remuneration cost incurred by the Group for the year ended December 31, 2023 was RMB501.7 million, as compared to RMB409.7 million for the year ended December 31, 2022.

The Company compensates its employees with salaries, allowances and benefits in kind, equity-settled share payment expenses and pension scheme contributions. The Company determines employees' compensation packages on the basis of work performance and the market standard of remuneration. The Company also makes sufficient provisions for the social insurance and housing provident fund contributions as required by the PRC laws and regulations.

The Company also has adopted a pre-IPO share option plan to provide incentives for eligible participants who contribute to the success of the Group's operations, including among others, employees of the Group. Please refer to the section headed "Statutory and General Information — D. Pre-IPO Share Option Plans" in Appendix IV to the Prospectus for further details.

For the year ended December 31, 2023, the Group did not experience any material labor disputes or strikes that may have a material and adverse effect on its business, financial condition or results of operations, or any difficulty in recruiting employees.

Charge on Assets

As of December 31, 2023, the Group had pledged time deposits of RMB4,183.4 million, which had been acting as a security for the discounted bills, bills payable and bank loans made available to the Group. As of the same date, 80,000,000 shares in Century Huatong held by the Group were also pledged for security for bank bills made available to the Group.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. WU Xubo (吳旭波), aged 38, is the co-founder, executive Director, chairman and chief executive officer. He has been a deputy to the 14th People's Congress of Jiangxi Province (江西省第十四屆人民代表大會代表) since 2023. Mr. WU has extensive experience of over 17 years in the internet technology industry. He was awarded or listed for several honors, including among others, Hurun China Under 40s 2023 (2023胡潤U40中國創業先鋒), 2023 Guangzhou Good Netizen Selection Activity — the Society Big Beloved Netizen (2023廣州好網民評選活動社會大愛好網民), Honour Award — 2023 “Outstanding Caring Entrepreneur” (奧納獎—2023年度“傑出愛心企業家”), “Excellent Entrepreneur of China Game Industry 2022” in the China Game Industry Annual Conference (中國遊戲行業年會“2022年中國遊戲行業優秀企業家”), “Philanthropist of the Year” (年度公益人物) of the 12th Philanthropy Festival (第十二屆公益節), Top 10 Entrepreneurs in Shangrao (上饒十大企業家), The 15th “Top Ten Outstanding Youths in Shangrao” (第十五屆“上饒十大傑出青年”) and 40 People and 40 Events in 40 Years of Reform and Opening Up in Shangrao (上饒改革開放40年40人40事).

Mr. WU has been the chairman and a director of Jiangxi Tanwan since he founded the Group in May 2015. Prior to that, Mr. WU worked in Guangzhou Weidong Network Technology Co., Ltd. (廣州維動網絡科技有限公司) (“**Guangzhou Weidong**”), a company focusing on web game operation and marketing, with his last position being the marketing director, from December 2008 to January 2015, responsible for overall marketing affairs, where he co-founded the 91wan Web Game Platform (91wan網頁遊戲平台).

Mr. WU obtained a college diploma of judicial police from Jiangxi Judicial Police Vocational College (江西司法警官職業學院) in the PRC in July 2006.

Ms. WU Xuan (吳璇), aged 39, is the co-founder, executive Director and chief operating officer. Ms. WU has extensive experience of over 16 years in the internet technology industry. Ms. WU was recognized as 2021 Industry Influencers (2021行業影響力人物) by the 10th China Finance Summit in July 2021 and recognized on 2020 China's New Growth Pioneers List (2020中國新增長先鋒人物榜) by Harvard Business Review in December 2020. Ms. WU has been a board member of Effie Performance Marketing Award (艾菲效果營銷獎) since September 2020 and served as a judge of the 2021 Effie Performance Marketing Award Finals (艾菲效果營銷獎終審).

Ms. WU has been a director of Jiangxi Tanwan since May 2015. Prior to that, Ms. WU worked in Guangzhou Weidong from December 2008 to March 2015 with her last position being a marketing director, where she co-founded the 91wan Web Game Platform (91wan網頁遊戲平台).

Ms. WU obtained a bachelor degree in human resource management from South China Normal University (華南師範大學) in the PRC through part-time study in January 2011.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. SONG Siyun (宋司筠), aged 36, was appointed as an independent non-executive Director on March 30, 2023.

Ms. SONG served as a partner of Golden Vision Capital from August 2020 to October 2021. Prior to that, Ms. SONG served as (i) a director in the investment banking department of GF Securities Co., Ltd., a public company listed on the Stock Exchange (stock code: 01776) and the Shenzhen Stock Exchange (stock code: 000776), where she was responsible for equity financing services including corporate initial public offerings and private placements, from August 2008 to May 2015; (ii) a managing director of Zhongrong International Trust Co., Ltd. (中融國際信託有限公司) from July 2016 to December 2017, where she was responsible for the equity investment and listed company business; and (iii) the general manager of Guangzhou Mintou Industry Investment Management Co., Ltd. (廣州民投產業投資管理有限公司) from December 2017 to December 2019, where she was responsible for equity investment in the healthcare industry.

Biographies of Directors and Senior Management

Ms. SONG obtained a bachelor degree in finance from Southwestern University of Finance and Economics (西南財經大學) in the PRC in June 2008. Winding-up Order against Guangdong Keywa Chemical Trading Center Co., Ltd. (廣東奇化化工交易中心股份有限公司) (“**Guangdong Keywa**”) of which Ms. SONG Siyun was one of the five directors.

Under Rule 13.51(2)(l) of the Listing Rules, a director must disclose his/her directorship in any company which has been dissolved or put into liquidation (otherwise than by a member’s voluntary winding-up when the company, in the case of a Hong Kong company, was solvent) or bankruptcy or been the subject of an analogous proceeding during the period when he/she was one of its directors.

Ms. SONG was appointed as a non-executive director of Guangdong Keywa on December 12, 2018. Guangdong Keywa was established in the PRC on December 18, 2013 and its principal activities were operating online platforms for investments in the chemical trading markets. Compulsory winding-up proceeding was initiated against Guangdong Keywa upon a petition filed by Guangzhou Pinzhong Tax Agent Office Co., Ltd (廣州品中稅務師事務所有限公司) (the “**Petitioner**”) to Guangzhou Intermediate People’s Court on October 13, 2021 seeking a court order to wind up Guangdong Keywa on the grounds that Guangdong Keywa was indebted to the Petitioner and that Guangdong Keywa was insolvent and unable to pay its debts (the “**Claim**”). The winding-up proceeding against Guangdong Keywa was on-going as of the Latest Practicable Date.

Ms. SONG confirmed that (i) she was merely a non-executive director of Guangdong Keywa and was not involved on any day-to-day management of Guangdong Keywa. Each board meeting Ms. SONG attended since her appointment was on corporate logistic matters such as change in corporate filing and registration; (ii) Ms. SONG and her associates were not related to any other director, shareholder, senior management of Guangdong Keywa or their respective associates; and (iii) since the Claim and up to the Latest Practicable Date, there was no outstanding liability or ongoing claim or litigation against Ms. SONG Siyun in her capacity as a director of Guangdong Keywa.

Mr. QIN Yongde (覃永德), aged 59, was appointed as an independent non-executive Director on March 30, 2023.

Mr. QIN obtained the PRC legal professional qualification in 1989 and has accumulated experiences of more than thirty years in legal practice. Mr. QIN has been a partner and lawyer of Guangdong Neo-ark Law Firm (廣東洛亞律師事務所) since July 2021. Prior to that, Mr. QIN served as (i) the director in Guangdong Neo-ark Law Firm from September 2011 to July 2021; (ii) an independent non-executive director of Guangxi Wuyi Pipe Industry Co., Ltd. (廣西五一管業股份有限公司) from October 2017 to May 2021; (iii) a partner and associate of Guangdong United Intellectus Law Firm (廣東智洋律師事務所) from July 2001 to August 2011; (iv) a partner and associate of Guangxi Sunward Law Firm (廣西欣和律師事務所) from May 1998 to December 2000; and (v) a lecturer at the Law School of Guangxi University (廣西大學) in the PRC from July 1991 to August 1993.

Mr. QIN obtained a bachelor degree of arts in English from Guangxi Normal University (廣西師範大學) in the PRC in July 1985 and a master degree of laws in international law from Sun Yat-sen University (中山大學) in the PRC in July 1990.

Ms. ZHENG Yi (鄭怡), aged 52, was appointed as an independent non-executive Director on March 30, 2023.

Ms. ZHENG is a certified public accountant in the PRC. She serves as a government procurement evaluation expert of Sichuan province since September 2022, and has been engaged as an off-campus graduate student tutor at the Accounting School of Southwestern University of Finance and Economics (西南財經大學) in December 2011. Ms. ZHENG also obtained the Board Secretary Qualification of Shanghai Stock Exchange in September 2004.

Biographies of Directors and Senior Management

Ms. ZHENG has been a certified public accountant of Sichuan Tongde Certified Public Accountants Firm Co., Ltd. (四川同德會計師事務所有限公司) since October 2017, focusing on audit and consultation services. Prior to that, Ms. ZHENG served as (i) several senior roles at Chengdu Peoples Department Store (Group) Co., Ltd. (成都人民商場(集團)股份有限公司) (subsequently known as Chengshang Group Co., Ltd. (成商集團股份有限公司) and currently known as Maoye Commercial Co., Ltd. (茂業商業股份有限公司) (“**Maoye Commercial**”), a public company listed on the Shanghai Stock Exchange (stock code: 600828)) from May 1997 to July 2017 with her last position being the financial controller of Maoye Commercial, where she was responsible for overall financial management and accounting matters; and (ii) the board secretary of Maoye Commercial from April 2009 to July 2017 where she was responsible for the information disclosure and maintaining the relationship with investors. Ms. ZHENG was also a director of Maoye Commercial from April 2009 to July 2017.

Ms. ZHENG obtained a bachelor degree in accounting from the Central Broadcast and Television University (中央廣播電視大學) (currently known as The Open University of China (國家開放大學)) and Beijing Technology and Business University (北京工商大學) in the PRC jointly through part-time study in July 2003.

SENIOR MANAGEMENT

In addition to the executive Directors, the senior management team of the Group also includes Mr. LUO Xihu (羅錫虎).

Mr. LUO Xihu (羅錫虎), aged 35, has been the head of operating of the Group since he joined the Group in June 2015. Prior to that, Mr. LUO served as a marketing director in Guangzhou Weidong from July 2010 to March 2015, where he was responsible for external marketing.

Mr. LUO obtained a bachelor degree in management from South China Agricultural University (華南農業大學) in the PRC in July 2010.

Save as disclosed above, none of the Directors and senior management held any directorship in any public companies whose securities were listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this annual report.

To the best of the Board’s knowledge, information and belief, save as disclosed in the annual report, the Directors and senior management do not have any relationship amongst them.

CHANGES TO DIRECTORS’ INFORMATION

During the year ended December 31, 2023, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

BOARD OF DIRECTORS

The Board currently comprises two executive Directors and three independent non-executive Directors.

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

Executive Directors:

Mr. WU Xubo (*Chairman, Chief Executive Officer*)

Ms. WU Xuan (*Chief Operating Officer*)

Independent Non-Executive Directors:

Ms. SONG Siyun

Mr. QIN Yongde

Ms. ZHENG Yi

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on March 18, 2021 as an exempted company with limited liability under the laws of the Cayman Islands. The Company's Shares were listed on the Main Board of the Stock Exchange on September 28, 2023.

PRINCIPAL ACTIVITIES

The Group is a publisher of online game products in China, devoted to marketing and operating online games (in particular mobile games) in China.

RESULTS

The results of the Group for the year ended December 31, 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 62 of this annual report.

BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance, including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business is set out in the sections headed "Letter to Shareholders" and "Management Discussion and Analysis" of this annual report. The discussion of the Company's key relationships with its employees, clients, suppliers and others that have a significant impact on the Company is set out in the section headed "Key Relationships with Stakeholders" in this annual report. All such discussions form part of this Directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties faced by the Group, some of which are beyond its control:

- the mobile game industry is highly competitive and the Company's business may be continually affected by newly-launched game products. If the Company is unable to compete effectively with existing or new competitors, its business, financial condition, results of operations and prospectus could be materially and adversely affected;
- the Company operates in a fast-evolving industry and cannot guarantee that it will continually innovate, adapt and respond timely to the rapid changes in end-user preferences. The Company cannot guarantee that it will generate sustainable revenues and profit;

Directors' Report

- the historical financial and operating results may not be indicative of the Company's future performance, and it may not be able to achieve and sustain the historical level of revenue and profitability;
- the Company may be subject to IP infringement claims, which may disrupt its business and operations and could be expensive to defend;
- a substantial portion of the revenue was generated from the Company's major clients for marketing and operating game products. If its game products fail to attract and retain users, its business, financial condition and results of operation may be materially and adversely affected;
- the Company is subject to risks associated with its collaborating business partners. Any delay or failure by such parties to successfully perform their obligations, provide reliable or satisfactory services, or operate their businesses could adversely affect the Company's business and results of operations;
- the Company relies on its Hetu (河圖) and Luoshu (洛書) systems to generate certain key operating metrics, and any malfunction or interruption of the technical infrastructure of its Hetu (河圖) and Luoshu (洛書) systems may affect the accuracy of the Company's data analytics;
- any failure to maintain or improve the Company's technology system could harm its business and prospects;
- the Group's business generates and processes a large amount of data, and the Company is required to comply with PRC and other applicable laws relating to privacy and cybersecurity. The improper use or disclosure of data could have a material and adverse effect on its business and prospects; and
- if the content contained within the game product is considered inappropriate, the Company's business, financial condition and results of operation may be materially and adversely affected.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

ENVIRONMENTAL POLICIES AND PERFORMANCE

It is the Company's corporate and social responsibility in promoting a sustainable environment, contributing to employee benefits and giving back to community. The Company strives to operate its workplace and data centers in a manner that protects the environment and the health and safety of its employees and communities. During the Reporting Period and up to the Latest Practicable Date, the Company was not subject to any fines or other penalties due to non-compliance with health, safety or environmental regulations.

The 2023 Environmental, Social and Governance Report of the Company is published on the websites of the Stock Exchange and the Company at the same date as the publication of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

EMPLOYEE AND REMUNERATION POLICIES

As of December 31, 2023, the Group had 1,305 employees, all of whom were based in China. The number of employees employed by the Group varies from time to time depending on need. The Company offers its employees competitive compensation packages and a collaborative working environment and, as a result, it has generally been able to attract and retain qualified personnel and maintain a stable, core management team. The Company compensates its employees with salaries, allowances and benefits in kind, equity-settled share payment expenses and pension scheme contributions.

In accordance with the laws and regulations in the PRC, the Group has arranged for its PRC employees to join defined contribution plans, including pension, medical, housing and other welfare benefits, organized by the PRC government. The Group contributes funds which are calculated on fixed percentage of the employees' 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. No forfeited contribution under this scheme is available to reduce the contribution payable in future years. The Group also provides social insurance, including pension insurance, unemployment insurance, work-related injury insurance and medical insurance for the employees of the Group as required by PRC laws and regulations. Particulars of the pension scheme of the Group are set out in note 6 to the consolidated financial statements.

The Group has also adopted the Pre-IPO Share Option Plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Please refer to the section headed "Pre-IPO Share Option Plan" in this annual report for further details.

The total remuneration cost incurred by the Group for the year ended December 31, 2023 was RMB501.7 million, as compared to RMB409.7 million for the year ended December 31, 2022.

For the year ended December 31, 2023, the Group did not experience any material labor disputes or strikes that may have a material and adverse effect on its business, financial condition or results of operations, or any difficulty in recruiting employees.

MAJOR CLIENTS

For the year ended December 31, 2023, the Company's major clients primarily consisted of developers of game products.

During the Reporting Period, the Company's revenue generated from its five largest clients accounted for 67.6% of its total revenue. During the Reporting Period, the Company's revenue generated from its largest client accounted for 29.0% of its total revenue.

None of the Directors, their respective close associates, or any Shareholder who, to the best of the Directors' knowledge, owns more than 5% of the Company's issued capital, had any interest in any of the five largest clients during the fiscal year ended December 31, 2023.

For the year ended December 31, 2023, the Company did not experience any significant disputes with its clients.

Directors' Report

MAJOR SUPPLIERS

For the year ended December 31, 2023, the Company's major suppliers primarily consisted of third-party advertising, marketing and channel distribution service agencies or providers.

During the Reporting Period, the Company's purchase amount from its five largest suppliers accounted for 47.5% of its total purchases. During the Reporting Period, the Company's purchase amount from its largest supplier accounted for 16.6% of its total purchases.

None of the Directors, their respective close associates, or any Shareholder who, to the best of the Directors' knowledge, owns more than 5% of the Company's issued capital, had any interest in any of the five largest suppliers during the fiscal year ended December 31, 2023.

For the year ended December 31, 2023, the Company did not experience any significant disputes with its suppliers.

KEY RELATIONSHIPS WITH STAKEHOLDERS

The Group recognizes that various stakeholders including suppliers, employees, Shareholders, and other business associates are key to Group's success. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationship with them.

Relationship with Employees

The Group embraces its employees as the most valuable assets of the Group. The objective of the Group's human resources management is to reward and recognize outstanding employees by providing competitive remuneration packages and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group by providing adequate training and opportunities.

Relationship with Clients

The Group maintained good and stable relationship with its existing clients, primarily consisting of developers of game products. As a game product publisher, the Group needs to source and obtain license of game products with great potential to become popular among users from game developers. The Company's operation department and marketing department will routinely monitor the game products newly launched by its major clients and reach out for potential cooperation opportunities from time to time.

Relationship with Suppliers

The Group maintained good and stable relationship with its existing suppliers, primarily consisting of third-party advertising, marketing and channel distribution service agencies or providers. The Group publishes and promotes game products through such major channels. The Company's new media department routinely monitors profit sharing ratio among different channels for benchmarking and cost control purposes.

Relationship with Shareholders

The Group recognizes the importance of protecting the interests of the Shareholders and of having effective communication with them. The Company believes communication with the Shareholders is a two-way process and has thrived to ensure the quality and effectiveness of information disclosure, maintain regular dialogue with the Shareholders and listen carefully to the views and feedback from the Shareholders. This has been done through general meetings, corporate communications, interim and annual reports and results announcements.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements, is set out on page 3 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 1 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment of the Group for the year ended December 31, 2023 are set out in Note 13 to the consolidated financial statements.

During the Reporting Period, the percentage ratios of the Company's properties held for development and/or sale or for investment purposes did not exceed 5%.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended December 31, 2023 and details of the Shares issued for the year ended December 31, 2023 are set out in Note 30 to the consolidated financial statements.

DONATION

For the year ended December 31, 2023, the Group made charitable donations of RMB12.9 million.

DEBENTURE ISSUED

The Group did not issue any debentures during the Reporting Period.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Pre-IPO Share Option Plan" in this annual report, no equity-linked agreement was entered into by the Group, or existed for the year ended December 31, 2023.

Directors' Report

DIVIDENDS

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2023.

PERMITTED INDEMNITY

Pursuant to Article 194 of the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities which they or any of them incurred or sustained, other than by reason of such Director's own dishonesty, willful default or fraud, in or about the conduct of the Company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his/her duties, powers, authorities or discretions. Such permitted indemnity provision for the benefit of the Directors has been in force during the Reporting Period. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

The Company may pay dividends out of the share premium account, retained earnings and any other reserves provided that immediately following the payment of such dividends, the Company will be in a position to pay off its debts as and when they fall due in ordinary course of business. As of December 31, 2023, the Company had distributable reserves amounting to RMB168.8 million.

Details of movements in the reserves of the Group during the year ended December 31, 2023 are set out in the consolidated statement of changes in equity on page 65 of this annual report.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as of December 31, 2023 are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 27 and Note 33 to the consolidated financial statements on page 136 of this annual report.

CONVERTIBLE BONDS

As of the Latest Practicable Date, the Company has not issued any convertible bonds.

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

As of the Latest Practicable Date, the Company has not entered into any loan agreement which contains covenants requiring specific performance of the Controlling Shareholders that is required to be disclosed under Rule 13.18 of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company on August 31, 2023. The initial term for their appointment shall be three years with effect from the date the appointment or until the third annual general meeting of the Company since the Listing Date, whichever is sooner (subject always to re-election as and when required under the Article of Association). Either party has the right to give not less than three months' written notice to terminate the agreement.

Each of the independent non-executive Directors has entered into an appointment letter with the Company on August 31, 2023, the initial term of which shall be three years with effect from the date of appointment until the third annual general meeting of the Company since the Listing Date, whichever is sooner (subject always to re-election as and when required under the 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 three months' prior notice in writing.

The above appointments are always subject to the provisions of retirement and rotation of Directors under the Articles of Association.

No Director proposed for re-election at the AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions—Contractual Arrangements" of Directors' Report in this annual report, none of the Directors or any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during the Reporting Period.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the section headed "Connected Transactions—Contractual Arrangements" of Directors' Report in this annual report, no contract of significance or contract of significance for the provision of services has been entered into among the Company or any of its subsidiaries or PRC Operating Entities and the Controlling Shareholders or any of their subsidiaries during the Reporting Period.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Each of the Director and Controlling Shareholder confirms that as of the Latest Practicable Date, he or she did not have any interest in any business which competes or is likely to compete, directly or indirectly, with the businesses of the Group, and requires disclosure under Rule 8.10 of the Listing Rules.

MANAGEMENT CONTRACTS

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

Directors' Report

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

As of December 31, 2023, the interests and short positions of the Directors or chief executives of the Company and their associates in any of the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

Interest in Shares and underlying Shares

Name of Director/chief executive	Nature of interest	Number of ordinary shares	Approximate percentage of shareholding in the total issued share capital of the Company
Mr. WU Xubo ⁽¹⁾⁽²⁾	Settlor of a discretionary trust; beneficiary of a trust; interest in controlled corporation ⁽¹⁾	264,263,000 (L)	49.45% (L)
	Beneficial interest ⁽²⁾	4,255,157 (L)	0.80% (L)
Ms. WU Xuan ⁽³⁾	Settlor of a discretionary trust; beneficiary of a trust; interest in controlled corporation ⁽³⁾	38,487,000 (L)	7.20% (L)

(L) denotes a long position

Notes:

- (1) Mr. WU Xubo holds his 264,263,000 Shares through WXB BVI 2, which is owned by WXB BVI 1 and WXB Holdco as to 50.0% and 50.0%, respectively. WxLand Trust was established by Mr. WU Xubo as the settlor and TMF (Cayman) Ltd. as the trustee. WxLand Trust is a discretionary trust and its beneficiaries are Mr. WU Xubo and WXB BVI 1. Mr. WU Xubo is also a director of each of WXB BVI 1 and WXB BVI 2.
- (2) Mr. WU Xubo was granted options under the Pre-IPO Share Option Plan on November 16, 2022, March 16, 2023, March 31, 2023, June 30, 2023, July 31, 2023 and September 7, 2023 to subscribe for 3,819,592 Shares, 61,855 Shares, 10,309 Shares, 167,525 Shares, 41,237 Shares and 154,639 Shares, respectively.
- (3) Ms. WU Xuan held her Shares through WxZela International Ltd, which is wholly-owned by Zela Holding Limited, and is in turn wholly-owned by WxZela Trust. WxZela Trust is a discretionary trust established by Ms. WU Xuan (as settlor) for the benefit of WxZela Holding Limited, a BVI company wholly-owned by Ms. WU Xuan, and is managed by Trident Trust Company (HK) Limited. Ms. WU Xuan is also a director of each of WxZela International Ltd and Zela Holding Limited.

Interest in associated corporation

Name of Director/chief executive	Nature of interest	Associated corporations	Number of ordinary shares (registered share capital (RMB))	Approximate percentage of shareholding in the associated corporation
Mr. WU Xubo	Interest in controlled corporation ⁽¹⁾	Jiangxi Tanwan	4,550,000 (L)	45.50% (L)
	Beneficial Owner ⁽¹⁾		635,260 (L)	6.35% (L)
Ms. WU Xuan	Interest in controlled corporation ⁽²⁾	Jiangxi Tanwan	1,164,740 (L)	11.65% (L)
	Beneficial Owner ⁽²⁾		300,000 (L)	3.00% (L)

(L) denotes a long position

Notes:

- (1) Mr. WU Xubo held approximately 6.35% equity interests in Jiangxi Tanwan directly. Shangrao Hongbang, the general partner of which is Mr. WU Xubo, held 45.50% equity interests in Jiangxi Tanwan.
- (2) Ms. WU Xuan held 3.00% equity interests in Jiangxi Tanwan directly. Shangrao Qichuang, the general partner of which is Ms. WU Xuan held approximately 11.65% equity interests in Jiangxi Tanwan.

As of December 31, 2023, save as disclosed above, so far as is known to any Director or the chief executive of the Company, none of the Directors nor the chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (b) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Report

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

As of December 31, 2023, so far as the Directors are aware, the persons who held interests and/or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO, are set out below:

Name of Shareholder	Nature of interest	Number of Ordinary Shares	Approximate percentage of shareholding in the total issued share capital
Mr. WU Xubo ⁽¹⁾⁽²⁾	Settlor of a discretionary trust; beneficiary of a trust; interest in a controlled corporation ⁽¹⁾	264,263,000 (L)	49.45% (L)
	Beneficial interest ⁽²⁾	4,255,157 (L)	0.80% (L)
WXB BVI 2 ⁽¹⁾	Beneficial interest	264,263,000 (L)	49.45% (L)
WXB BVI 1 ⁽¹⁾	Interest in a controlled corporation	264,263,000 (L)	49.45% (L)
WXB Holdco ⁽¹⁾	Interest in a controlled corporation	264,263,000 (L)	49.45% (L)
TMF (Cayman) Ltd. ⁽¹⁾	Trustee of a trust	264,263,000 (L)	49.45% (L)
Ms. WU Xuan ⁽³⁾	Settlor of a discretionary trust; beneficiary of a trust; interest in controlled corporation ⁽³⁾	38,487,000 (L)	7.20% (L)
WxWorld Holding Limited ⁽⁴⁾	Beneficial interest	28,000,000 (L)	5.24% (L)

(L) denotes a long position

Notes:

- (1) Mr. WU Xubo holds his 264,263,000 Shares through WXB BVI 2, which is owned by WXB BVI 1 and WXB Holdco as to 50.0% and 50.0%, respectively. WxLand Trust was established by Mr. WU Xubo as the settlor and TMF (Cayman) Ltd. As the trustee. WxLand Trust is a discretionary trust and its beneficiaries are Mr. WU Xubo and WXB BVI 1.
- (2) Mr. WU Xubo was granted options under the Pre-IPO Share Option Plan on November 16, 2022, March 16, 2023, March 31, 2023, June 30, 2023, July 31, 2023 and September 7, 2023 to subscribe for 3,819,592 Shares, 61,855 Shares, 10,309 Shares, 167,525 Shares, 41,237 Shares and 154,639 Shares, respectively.
- (3) Ms. WU Xuan held her Shares through WxZela International Ltd, which is wholly-owned by Zela Holding Limited, and is in turn wholly-owned by WxZela Trust. WxZela Trust is a discretionary trust established by Ms. WU Xuan (as settlor) for the benefit of WxZela Holding Limited, a BVI company wholly-owned by Ms. WU Xuan, and is managed by Trident Trust Company (HK) Limited.
- (4) WxWorld Holding Limited is controlled by Mr. CHEN Yang, an employee of the Company. Therefore, Mr. CHEN Yang is also deemed to be interested in 28,000,000 Shares held by WxWorld Holding Limited under the SFO.

As of December 31, 2023, save as disclosed above, the Directors and the chief executives of the Company are not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

PRE-IPO SHARE OPTION PLAN

The following is a summary of the principal terms of the Pre-IPO Share Option Plan of the Company as approved and adopted by the resolution of the Board dated November 4, 2022.

Purpose

The purpose of the Pre-IPO Share Option Plan is to enable the Company to grant options to eligible participants ("**Eligible Participants**", each an "**Eligible Participant**") as incentives or rewards for their contribution or potential contribution to the Group.

Eligible Participants

Eligible Participants mean any persons belonging to any of the following classes of persons:

- (i) any full-time employees of the Group or any of the company in which the Company or any subsidiary has any equity interest ("**Invested Entity**");
- (ii) any non-executive directors of the Group or any of the Invested Entities but excluding any independent non-executive directors;
- (iii) consultants and advisers, provided that such consultants and advisers render bona fide services and that such services are not in connection with the offer and sale of securities in a capital-raising transaction; and
- (iv) general partners.

The options under this Pre-IPO Share Option Plan can be granted to any company wholly-owned by one or more Eligible Participants, or any discretionary trust where any eligible participant is a discretionary object.

Total Number of Shares Available for Issue

A maximum of 17,463,918 Shares granted under the Pre-IPO Share Option Plan has been issued to the ESOP BVIs to hold on trust for the Pre-IPO Share Option Plan on November 22, 2022. As such, no Share is available for issue under the Pre-IPO Share Option.

As at December 31, 2023, the aggregate number of underlying Shares pursuant to the outstanding options granted under the Pre-IPO Share Option Plan is 17,180,414 Shares, representing approximately 3.2% of the total issued Shares as at December 31, 2023, and approximately 3.2% of the total issued Shares as of the Latest Practicable Date. Details of the Pre-IPO Share Option Plan are set out in Note 31 to the consolidated financial statements.

Maximum Entitlement of Eligible Participant

The Pre-IPO Share Option Plan did not contain any restriction on the maximum entitlement of each Eligible Participant.

Directors' Report

Period within Which the Option may be Exercised under the Pre-IPO Share Option Plan

The exercise period of the share options granted under the Pre-IPO Share Option Plan is ten (10) years commencing from the date upon which the share options are deemed to be granted and accepted pursuant to the terms of the Pre-IPO Share Option Plan.

Subject to the terms of the Pre-IPO Share Option Plan, an option shall be exercised in one board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof or such other number as agreed by the Board, by the grantee by giving notice in writing to the Company stating that the option is thereby exercised and the number of Share in respect of which it is exercised.

Vesting Period of Options Granted under the Pre-IPO Share Option Plan

If the Board determines to offer an option to an Eligible Participant in accordance with the Pre-IPO Share Option Plan, the Company shall deliver a written offer notice (the “**Offer Notice**”) to the relevant Eligible Participant in such form as the Company may deem appropriate. The Board may specify in the Offer Notice any conditions which must be satisfied before the Option may be exercised, including without limitation minimum periods for which an option must be held before it can be exercised during a certain period of time, as the Board may determine from time to time.

Acceptance of the Option

An option shall be deemed to have been granted to and accepted by the Grantee and to have taken effect when (a) the Offer Notice has been duly delivered to the Eligible Participant; and (b) the Option to which the Offer Notice related has been duly accepted by the Eligible Participant through the ESOP System. As such, no amount is payable on the acceptance of the option.

Basis of Determining the Exercise Price of Options

The exercise price in relation to each option offered to an Eligible Participant shall, subject to the adjustments in the event of any capital restructuring as stipulated in the Pre-IPO Share Option Plan, be a price that is set out in the Offer Notice representing not less than the par value of a Share, as determined by the Board at its sole discretion.

The Remaining Life of the Pre-IPO Share Option Plan

The Pre-IPO Share Option Plan is terminated on the Listing Date and therefore it has no remaining life. Any option granted under the Pre-IPO Share Option Plan shall become exercisable after the Listing Date after which no further options shall be granted under the Pre-IPO Share Option Plan but the provisions of the Pre-IPO Share Option Plan shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Plan and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Pre-IPO Share Option Plan.

Further details of the Pre-IPO Share Option Plan are set out in section headed “Statutory and General Information — D. Pre-IPO Share Option Plan” in Appendix IV to the Prospectus.

Movements of Options during the Reporting Period

Pursuant to Rule 17.12 of the Listing Rules, particulars and movements of share options under the Pre-IPO Share Option Plan during the Reporting Period were as follows:

Category of grantees	Date of grant	Exercise price per Share	Exercise period	Vesting period	Outstanding as at January 1, 2023	Granted during the Reporting Period ⁽¹⁾	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at December 31, 2023
Director										
Mr. WU Xubo (Executive Director, Chief Executive Officer)	November 16, 2022	USD0.00002 per Share	November 16, 2022 to November 15, 2032	Note (2)	3,819,592	—	—	—	—	3,819,592
	March 16, 2023	USD0.00002 per Share	March 16, 2023 to March 15, 2033	Note (2)	—	61,855	—	—	—	61,855
	March 31, 2023	USD0.00002 per Share	March 31, 2023 to March 30, 2033	Note (2)	—	10,309	—	—	—	10,309
	June 30, 2023	USD0.00002 per Share	June 30, 2023 to June 29, 2033	Note (2)	—	167,525	—	—	—	167,525
	July 31, 2023	USD0.00002 per Share	July 31, 2023 to July 30, 2033	Note (2)	—	41,237	—	—	—	41,237
	September 7, 2023	USD0.00002 per Share	September 7, 2023 to September 6, 2033	Note (2)	—	154,639	—	—	—	154,639
<i>Subtotal</i>					3,819,592	435,565 ⁽⁶⁾	—	—	—	4,255,157
Five Highest Paid Individuals⁽⁹⁾										
	November 16, 2022	USD0.00002 per Share	November 16, 2022 to November 15, 2032	Note (5)	2,000,000 ⁽⁴⁾	—	—	—	—	2,000,000
	November 16, 2022	USD0.00002 per Share	November 16, 2022 to November 15, 2032	Note (2)	1,677,834 ⁽⁴⁾	—	—	—	—	1,677,834
<i>Subtotal</i>					3,677,834 ⁽⁴⁾	—	—	—	—	3,677,834
Other grantees (save as Directors and the five highest paid individuals)										
	November 16, 2022	USD0.00002 per Share	November 16, 2022 to November 15, 2032	Note (2)	9,966,492	—	—	719,069 ⁽⁶⁾	—	9,247,423
Total					17,463,918	435,565	—	719,069	—	17,180,414

Directors' Report

Notes:

- (1) The details of fair value of options granted under the Pre-IPO Share Option Plan at the date of grant and the accounting standard and policy adopted are set out in Note 31 to the consolidated financial statements.
- (2) Twenty-five percent (25%) of the options granted to such grantee will vest on the day after the first three months of the Listing Date, and each twenty-five percent (25%) of the options granted to such grantee will vest half-yearly thereafter.
- (3) Five highest paid individuals of the Company during the Reporting Period exclude one executive Director, being Mr. WU Xubo.
- (4) Excluding number of options granted to Mr. WU Xubo.
- (5) All options granted to such grantee will vest on the day after the first half-year anniversary of the Listing Date.
- (6) During the Reporting Period, 435,565 Shares lapsed before the Listing Date, all of which were re-granted to Mr. WU Xubo pursuant to the Pre-IPO Share Option Plan, and 283,504 Shares lapsed after the Listing Date.

There is no performance target for the options granted under the Pre-IPO Share Option Plan.

All options under the Pre-IPO Share Option Plan have been granted prior to the Listing Date and all 17,463,918 shares under the Pre-IPO Share Option Plan have been issued to ESOP BVIs on November 22, 2022. There is no option available for issue under the Pre-IPO Share Option Plan.

The number of shares that may be issued in respect of options granted under the Pre-IPO Share Option Plan during the Reporting Period divided by the weighted average number of Shares in issue for the Reporting Period is not applicable as all underlying Shares under the Pre-IPO Share Option Plan had been issued to the ESOP BVIs on November 22, 2022.

Each of the ESOP BVIs is wholly owned by a same trustee, which will not exercise any voting rights attached to such Shares at the Company's general meetings.

DIRECTORS' RIGHTS TO ACQUIRE

Save as disclosed in this annual report, at no time during the Reporting Period was the Company or any of its subsidiaries, fellow subsidiaries, PRC Operating Entities or its holdings companies a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee.

Details of the remuneration of the Directors, senior management and the five highest paid individuals in the Group are set out in note 8 and 9, respectively to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

For the year ended December 31, 2023, The group paid a discretionary bonus of RMB1,908,500 to the Directors.

CONNECTED TRANSACTIONS

None of the related party transactions disclosed in Note 37 to the consolidated financial statements constitute connected transactions for the Company under Rule 14A.23 of the Listing Rules and are required to be disclosed in this annual report in accordance with Rule 14A.71 of the Listing Rules.

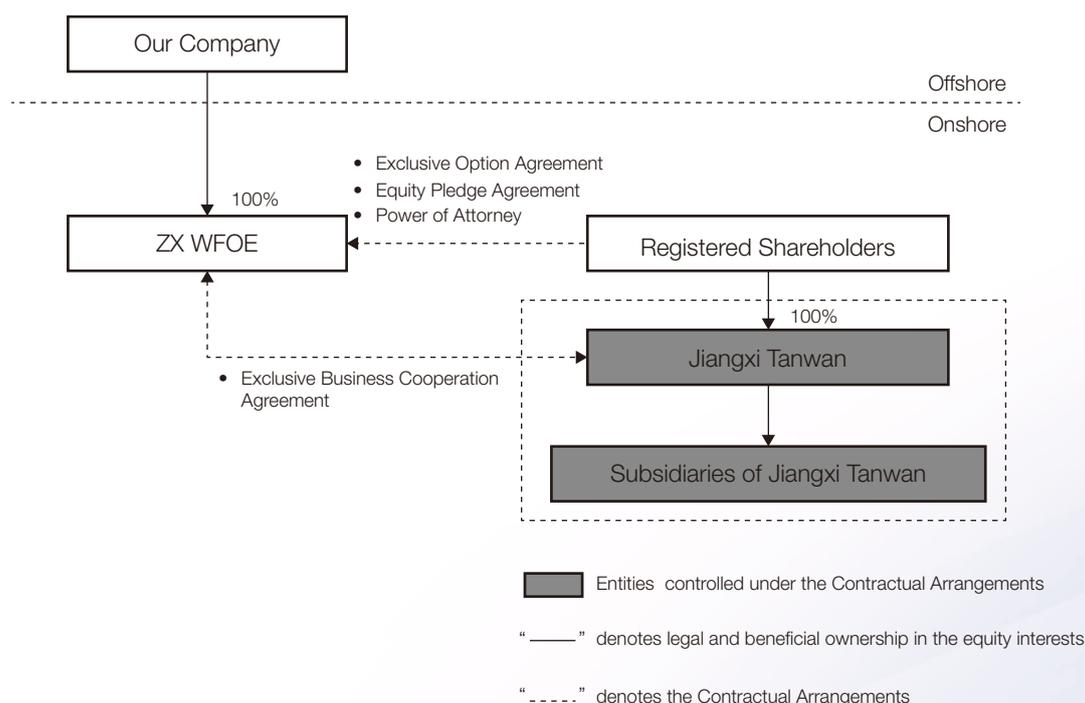
As of the Latest Practicable Date, the Company has entered into the following continuing connected transaction pursuant to the Chapter 14A of the Listing Rules.

Contractual Arrangements

Overview

The Company, through ZX WFOE, has entered into the Contractual Arrangements with Jiangxi Tanwan and its Registered Shareholders, pursuant to which the Company has acquired effective control over the Relevant Business through the PRC Operating Entities, and become entitled to all the economic benefits derived from the PRC Operating Entities. Accordingly, the results of operations and assets and liabilities of the PRC Operating Entities can be consolidated into the Company's results of operations and assets and liabilities as if they are the subsidiaries of the Company. The total revenue of the PRC Operating Entities during the year ended December 31, 2023 was approximately RMB5,698.9 million representing approximately 87.5% of the total revenue of the Group during same year, and the total assets of the PRC Operating Entities as at December 31, 2023 was approximately RMB6,302.8 million representing approximately 86.7% of the total assets of the Group as at December 31, 2023.

The following simplified diagram illustrates the Contractual Arrangements:



Directors' Report

Summary of the Contractual Arrangements

A brief description of each of the specific agreements that comprises the Contractual Arrangements is set out below:

1) *Exclusive Business Cooperation Agreement*

On November 22, 2022, Jiangxi Tanwan entered into an exclusive business cooperation agreement with ZX WFOE which was amended and restated by an exclusive business cooperation agreement dated April 18, 2023 (the “**Exclusive Business Cooperation Agreement**”), pursuant to which ZX WFOE has agreed to be engaged as the exclusive provider to Jiangxi Tanwan of business support, technical and consulting services, in exchange for service fees which shall consist of 100% of the total consolidated profits of Jiangxi Tanwan after offsetting the prior-year loss (if any), operating costs, expenses, taxes and other statutory contributions. ZX WFOE has the right to at any time adjust the service fee to be charged and its payment schedule according to the quantity and content of the services it provides to Jiangxi Tanwan.

Pursuant to the Exclusive Business Cooperation Agreement, without the prior written consent from ZX WFOE, Jiangxi Tanwan shall not, during the term of the Exclusive Business Cooperation Agreement, accept the same or any similar services provided by any third party which are covered by the Exclusive Business Cooperation Agreement nor shall Jiangxi Tanwan establish cooperation relationships similar to those established by the Exclusive Business Cooperation Agreement with any third party. Besides, ZX WFOE has the exclusive and proprietary rights to all intellectual properties developed by Jiangxi Tanwan, given ZX WFOE provides consulting services to Jiangxi Tanwan. Jiangxi Tanwan is required under the Contractual Arrangements to obtain ZX WFOE's prior written consent before it transfers, assigns or disposes of any of its intellectual properties to any third party.

The Exclusive Business Cooperation Agreement shall remain effective unless (i) when Jiangxi Tanwan ceases to operate any business, becomes insolvency, bankruptcy or subject to liquidation or dissolution procedures; (ii) the entire equity interests held by the Registered Shareholders in Jiangxi Tanwan or the entire assets held by Jiangxi Tanwan have been transferred to ZX WFOE or its designee; (iii) terminated in writing by ZX WFOE thirty (30) days in advance; or (iv) when it is legally permissible for ZX WFOE to hold equity interests directly or indirectly in Jiangxi Tanwan and ZX WFOE or its appointee(s) is registered to be the shareholder of Jiangxi Tanwan. Jiangxi Tanwan is not contractually entitled to unilaterally terminate the Exclusive Business Cooperation Agreement with ZX WFOE.

2) *Exclusive Option Agreement*

On November 22, 2022, ZX WFOE, Jiangxi Tanwan and the Registered Shareholders entered into an exclusive option agreement which was amended and restated by an exclusive option agreement dated April 18, 2023 (the “**Exclusive Option Agreement**”), pursuant to which ZX WFOE (or its designee) has an irrevocable and exclusive right to purchase from the Registered Shareholders all or any part of their equity interests in Jiangxi Tanwan, and an irrevocable and exclusive right to purchase from Jiangxi Tanwan all or any part of its assets at a minimal price required by the relevant government authorities or PRC laws. To the extent permitted by applicable PRC laws and regulations, the Registered Shareholders and/or Jiangxi Tanwan shall return the amount of purchase price they have received in full to ZX WFOE. At ZX WFOE's request, the Registered Shareholders and/or Jiangxi Tanwan will promptly and unconditionally transfer their respective equity interests and/or assets to ZX WFOE (or its designee) after ZX WFOE exercises its option.

The Exclusive Option Agreement will not be terminated until the purchased equity interests and/or the acquired assets have been transferred to ZX WFOE (or its designee) in accordance with the Exclusive Option Agreement. However, ZX WFOE has the right to unilaterally and unconditionally terminate the Exclusive Option Agreement at any time in written notice. Subject to applicable PRC laws, Jiangxi Tanwan and the Registered Shareholders do not have the right to unilaterally terminate this agreement.

3) *Equity Pledge Agreement*

On November 22, 2022, Jiangxi Tanwan, the Registered Shareholders and ZX WFOE entered into an equity pledge agreement which was amended and restated by an equity pledge agreement dated April 18, 2023 (the “**Equity Pledge Agreement**”), pursuant to which the Registered Shareholders agreed to pledge all of their equity interests (including the dividends arising from such equity interests) in Jiangxi Tanwan to ZX WFOE as collateral security for all of its payments due to ZX WFOE and to secure performance of all obligations of Jiangxi Tanwan and the Registered Shareholders under the Contractual Arrangements.

The Equity Pledge Agreement will not terminate until (i) all obligations of Jiangxi Tanwan and the Registered Shareholders under the Contractual Arrangements are satisfied in full; (ii) ZX WFOE (or its designee) exercises its exclusive options to purchase the entire equity interests of the Registered Shareholders and/or the entire assets of Jiangxi Tanwan pursuant to the terms of the Exclusive Option Agreement when it is permitted to do so under the applicable PRC laws and ZX WFOE (or its designee) may conduct the business of Jiangxi Tanwan; (iii) ZX WFOE exercises its unilateral and unconditional right of termination; or (iv) the agreement is required to be terminated in accordance with applicable PRC laws and regulations.

The pledges under the Equity Pledge Agreement has been duly registered with the relevant PRC authority pursuant to PRC laws and regulations.

4) *Power of Attorney*

On November 22, 2022, an irrevocable power of attorney was entered into by and among the Registered Shareholders, ZX WFOE and Jiangxi Tanwan which was amended and restated by a power of attorney dated April 18, 2023 (the “**Power of Attorney**”), pursuant to which the Registered Shareholders appointed ZX WFOE or other person designated by it (excluding any person who may give rise to conflicts of interest), as its exclusive agent and attorney to act on its behalf to exercise all of its rights as registered shareholders of Jiangxi Tanwan. As a result of the Power of Attorney, the Company, through ZX WFOE, is able to exercise management control over the activities that most significantly impact the economic performance of Jiangxi Tanwan.

The Power of Attorney shall automatically terminate when (i) Jiangxi Tanwan ceases to operate any business, becomes insolvency, bankruptcy or subject to liquidation or dissolution procedures; (ii) when it is legally permissible for ZX WFOE to hold equity interests directly or indirectly in Jiangxi Tanwan and ZX WFOE or its appointee(s) is registered to be the shareholder of Jiangxi Tanwan; (iii) the entire equity interests held by the Registered Shareholders in Jiangxi Tanwan or the entire assets held by Jiangxi Tanwan have been transferred to ZX WFOE or its appointee(s); (iv) the shareholder structure of the Registered Shareholders changes and the Power of Attorney is replaced by a new power of attorney; or (v) terminated in writing by ZX WFOE thirty (30) days in advance.

5) *Spouse undertakings*

On November 22, 2022, the spouse of each of the individual Registered Shareholders (where applicable) executed an irrevocable undertaking which was amended and restated by an undertaking dated April 18, 2023, pursuant to which he/she expressly acknowledged and undertook that, among others, (i) he/she will not, on the basis of joint marital property rights, make any hindrance to any disposition the respective Registered Shareholder make under the Contractual Arrangements and make any claim against such disposition (including, without limitation, bringing an action or arbitration in any court or arbitral tribunal of competent jurisdiction under any applicable law); and (ii) he/she will not take any measures that are in conflict with the Contractual Arrangements.

Directors' Report

The spouse of each of the individual Registered Shareholders (where applicable) further undertook that should he/she by any reason hold any equity interests in Jiangxi Tanwan, they will be bound by, as amended from time to time, the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Equity Pledge Agreement and the Power of Attorney. He/she undertook to comply with the obligations of Jiangxi Tanwan's shareholders as set out in the aforementioned agreements, and for this purpose, to execute agreements on substantially similar terms as the aforementioned agreements upon ZX WFOE's request.

Principal business of PRC Operating Entities and the reasons for adopting the Contractual Arrangements

The business of the Company's PRC Operating Entities involves the operation of online games (the "**Relevant Business**"), which falls within the scope of internet cultural business and value-added telecommunication services ("**VATS**") business, and is subject to foreign ownership restrictions. Hence, it is not viable for the Company to conduct the Relevant Business directly through equity ownership. In line with common practice and in order to conduct business in the PRC, the Company, through ZX WFOE, entered into the Contractual Arrangements with Jiangxi Tanwan and its Registered Shareholders, pursuant to which the Company has acquired effective control over the Relevant Business through the PRC Operating Entities, and become entitled to all the economic benefits derived from the PRC Operating Entities.

Governing Framework

On March 15, 2019, the 2nd meeting of the 13th Standing Committee of the National People's Congress approved the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "**FIL**") and it became effective on January 1, 2020. The FIL replaced the law on Sino-Foreign Equity Joint Ventures (《中外合資經營企業法》), the law on Sino-Foreign Contractual Joint Ventures (《中外合作經營企業法》) and the law on Foreign Capital Enterprises (《外資企業法》) to become the legal foundation for foreign investment in the PRC. The FIL stipulates three forms of foreign investment, but does not explicitly stipulate the contractual arrangements as a form of foreign investment.

The FIL specifically stipulates three specific forms of foreign investment, namely, (1) establishment of a foreign invested enterprise in the PRC by a foreign investor, either individually or collectively with any other investor; (2) obtaining shares, equity interests, assets, interests or any other similar rights or interests of an enterprise in the PRC by a foreign investor; and (3) investment in any new construction project in the PRC by a foreign investor, either individually or collectively with any other investor.

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including the Group. The Group uses the Contractual Arrangements to establish control of its PRC Operating Entities, by ZX WFOE, through which the Group operates its business in the PRC. The FIL stipulates that foreign investment includes "foreign investors invest through any other methods under laws, administrative regulations or provisions prescribed by the State Council". Therefore, there remains uncertainty regarding whether future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of the PRC Operating Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. See "Risk Factors — Risks Relating to Our Contractual Arrangements". The Company will disclose, as soon as possible, updates of changes to the FIL that will materially and adversely affect the Company as and when occur.

Risks relating to the Contractual Arrangements and Actions Taken to Reduce Risks

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

- If the PRC government finds that the Contractual Arrangements that establish the structure for operating the Company's business in the PRC do not comply with applicable PRC laws and regulations, or if these laws or regulations or their interpretations change in the future, the Company could be subject to severe consequences, including the nullification of the Contractual Arrangements and being forced to relinquish its interests in those operations.
- The Company's current corporate structure and business operations may be affected by the Foreign Investment Law. If the Company's control over its PRC Operating Entities through Contractual Arrangements is deemed as foreign investment in the future, and any business of its PRC Operating Entities is restricted or prohibited from foreign investment, the Company may be deemed to be in violation of the Foreign Investment Law of the PRC, which may have a material and adverse effect on its business operations;
- The Contractual Arrangements may not be as effective in providing operational control as direct ownership;
- The Company may lose the ability to use and enjoy assets and licenses held by its PRC Operating Entities that are important to its business if it goes bankrupt or becomes subject to a dissolution or liquidation proceeding;
- The Registered Shareholders may have potential conflicts of interest with the Company, which may adversely affect its business;
- If the Company exercises the option to acquire equity ownership or assets of Jiangxi Tanwan, the ownership or asset transfer may subject it to certain limitations and substantial costs;
- The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities. A finding that the Company owes additional taxes could negatively affect its financial condition.

For further details of these risks, please refer to the section headed "Risk Factors — Risks Relating to Our Contractual Arrangements" on pages 113 to 117 of the Prospectus.

The Group has adopted the following measures to ensure the effective operation with the implementation and compliance of the Contractual Arrangements, including but not limited to:

- (i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory inquiries from government authorities will be submitted to the Board, if necessary, for review and discussion;
- (ii) the Board will review overall performance of and compliance with the Contractual Arrangements at least once a year;
- (iii) the Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports; and
- (iv) the Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of the PRC Operating Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Directors' Report

Listing Rules Implications and Waivers from the Stock Exchange

For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, the PRC Operating Entities and each of its subsidiaries will be treated as the Company’s subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the PRC Operating Entities, its subsidiaries and their associates will be treated as connected persons of the Company (excluding for this purpose, the PRC Operating Entities), and transactions between these connected persons and the Group (including for this purpose, the PRC Operating Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

The Directors, including the independent non-executive Directors, are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to the Group’s legal structure and business operation and it is justifiable and normal business practice for agreements under the Contractual Arrangements to have a term of longer than three years to ensure that (i) the financial and operational policies of the PRC Operating Entities can be effectively controlled by ZX WFOE; (ii) ZX WFOE can obtain the economic benefits derived from the PRC Operating Entities; and (iii) any possible leakage of assets and values of the PRC Operating Entities can be prevented on an uninterrupted basis. Such transactions have been entered into on normal commercial terms and are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Company and its Shareholders as a whole.

The Directors also believe that the Group’s structure, whereby the financial results of the PRC Operating Entities are consolidated into the Group’s financial statements as subsidiaries and the flow of economic benefits of their business to the Group, places the Group in a special position in relation to relevant rules concerning connected transactions under the Listing Rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between the PRC Operating Entities and any member of the Group (“**New Intergroup Agreements**”) technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, the Directors consider that it is unduly burdensome and impracticable, and would add unnecessary administrative costs to the Company if the Contractual Arrangements are subject to the requirements set out under Chapter 14A of the Listing Rules.

In relation to the Contractual Arrangements, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.102 of the Listing Rules from strict compliance with (i) the announcement, circular and independent Shareholders’ approval requirements under Rule 14A.105 of the Listing Rules, (ii) the annual cap requirement for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject certain conditions, the details of which are set out in the section headed “Connected Transactions” in the Prospectus.

In addition, the Company has also applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.102 of the Listing Rules from strict compliance with (i) the announcement, circular and independent shareholders’ approval requirements under Rule 14A.105 of the Listing Rules in respect of the transactions contemplated under any New Intergroup Agreement, (ii) the requirement of setting an annual cap for the fees payable by/to any member of the Group to/from the PRC Operating Entities under any New Intergroup Agreement under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of any New Intergroup Agreement to three years or less under Rule 14A.52 of the Listing Rules, for so long as Shares are listed on the Stock Exchange subject however to the condition that the Contractual Arrangements subsist and that the PRC Operating Entities will continue to be treated as the Company’s subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the PRC Operating Entities and their associates will be treated as connected persons of the Company (excluding for this purpose, the PRC Operating Entities), and transactions between these connected persons and the Group (including for this purpose, the PRC Operating Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

Annual Review by the Independent Non-executive Directors and the Auditors

The independent non-executive Directors, upon review of the overall performance of and compliance with the Contractual Arrangements during the Relevant Period, confirmed that:

- (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, and that the profit generated by the PRC Operating Entities has been substantially retained by ZX WFOE;
- (ii) no dividends or other distributions have been made by the PRC Operating Entities or any non-wholly owned subsidiary of the Group to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group;
- (iii) any new contracts entered into, renewed or reproduced on normal commercial terms between the Group and the PRC Operating Entities during the relevant financial period are fair and reasonable, or advantageous and in the ordinary and usual course of business of the Group, so far as the Group is concerned and in the interests of the Shareholders as a whole;

The Company's auditor has carried out review procedures on the transactions carried out pursuant to the Contractual Arrangements during the Reporting Period. Below was set out in the letter from the Company's auditor containing their findings and conclusions of the review in respect of the continuing connected transactions and confirmed that;

- (i) the transactions carried out pursuant to the Contractual Arrangements have received the approval of the Directors and have been entered into in accordance with the relevant Contractual Arrangements;
- (ii) the transactions that involve the provision of goods and services by the Group were, in all material respects, in accordance with the pricing policies of the Group; and
- (iii) no dividends or other distributions have been made by the PRC Operating Entities or any non-wholly-owned subsidiary of the Group to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group;

The PRC Operating Entities has undertaken that, for so long as the Shares are listed on the Stock Exchange, the PRC Operating Entities will provide the Group's management and the Company's auditor with full access to their relevant records, and (where applicable) relevant records of their subsidiaries, for the purpose of the Company's auditor's review of the connected transactions.

Directors' Report

The extent to which the Contractual Arrangements relate to requirements other than the foreign ownership restriction

All of the Contractual Arrangements are subject to the restrictions set out on pages 113 to 117 of the Prospectus.

Revenue and Assets subject to the Contractual Arrangements

For the year ended December 31, 2023, revenue of the Group subject to the Contractual Arrangements amounted to approximately RMB5,698.9 million (2022: RMB7,068.9 million). As at December 31, 2023, total assets of the Group subject to the Contractual Arrangements amounted to approximately RMB6,302.8 million (2022: RMB6,987.0 million).

Material Changes

Save as disclosed above, there were no other new contractual arrangements entered into, renewed and/or reproduced between the Group and the PRC Operating Entities during the Reporting Period. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the Reporting Period.

During the Reporting Period, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2023, the Company had not encountered interference or encumbrance from any PRC governing bodies in operating its businesses through its Consolidated Affiliated Entities under the Contractual Arrangements.

RELATED PARTY TRANSACTIONS

Details of the related party transactions carried out in the normal course of business are set out in note 37 to the consolidated financial statements.

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

Neither the Company nor any subsidiaries nor Consolidated Affiliate Entities of the Group have purchased, redeemed or sold any of the listed securities of the Company from the Listing Date to December 31, 2023.

MATERIAL LEGAL PROCEEDINGS

Save as disclosed in the section headed "Management Discussion and Analysis—Contingent Liabilities" in this annual report, the Group was not involved in any material litigation or arbitration for the year ended December 31, 2023 and the Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended December 31, 2023.

USE OF NET PROCEEDS FROM GLOBAL OFFERING

On September 28, 2023, the Shares of the Company were listed on the Main Board of the Stock Exchange. The net proceeds from the global offering, after deducting underwriting discounts and commissions, were approximately HKD135.8 million, which will be used in accordance with the intended use of net proceeds as disclosed in the Prospectus by the Company.

As of December 31, 2023, approximately HKD135.8 million of the net proceeds of the Global Offering had been utilized as follows:

	Allocation of net proceeds from the Global Offering in the proportion disclosed in the Prospectus		Proceeds from the Global Offering utilized from the Listing Date to December 31, 2023	Amounts not yet utilized as of December 31, 2023	Expected timeline of full utilization of the unutilized proceeds from the Global Offering
	HKD million	Percentage	HKD million	HKD million	
Enhancing and expanding online game publishing business and other marketing business and consumer product business	40.7	30.0%	0	40.7	By the end of 2027
Expanding and deepening the partnership with major market participants throughout the full lifecycle value chain	40.7	30.0%	0	40.7	By the end of 2027
Improving technology infrastructure and enhancing internal research and development capabilities	13.6	10.0%	0	13.6	By the end of 2027
Supporting overall strategies of expanding into select markets outside China and developing overseas operation	13.6	10.0%	0	13.6	By the end of 2027
Exploring potential strategic acquisition opportunities	13.6	10.0%	0	13.6	By the end of 2027
Working capital and general corporate purposes	13.6	10.0%	0	13.6	By the end of 2027
Total	135.8	100.0%	0	135.8	

As of December 31, 2023, all the unused net proceeds were held by the Company in short-term deposits with licensed banks or authorized financial institutions in Hong Kong and the PRC.

The unutilized amount is expected to be used in accordance with the Company's plan as disclosed in the Prospectus. The Company will continue to evaluate market conditions and adopt a prudent and flexible approach for utilizing the net proceeds and will ensure the net proceeds will be used effectively and efficiently for long-term benefit and development of the Group. The expected timeline of full utilization set out above is based on the Directors' best estimation barring unforeseen circumstances, and is subject to change in light of future development of market conditions.

Directors' Report

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed percentage of public float as required under the Listing Rules.

AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2023 have been audited by Ernst & Young. A resolution for the re-appointment of Ernst & Young as the auditor of the Company will be proposed at the Annual General Meeting. There was no change in the Company's auditor in any of the preceding three years as of December 31, 2023.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

No important events affecting the Company occurred since the Reporting Period and up to the Latest Practicable Date.

CLOSURE OF REGISTER OF MEMBERS

The registers of members of the Company will be closed from June 18, 2024 to June 21, 2024, both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at AGM to be held on June 21, 2024, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all properly completed transfers documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on June 17, 2024.

By order of the Board

Mr. WU Xubo

Chairman

Guangzhou, the PRC, March 28, 2024

CORPORATE GOVERNANCE PRACTICES

The Group is committed to implementing high standards of corporate governance to safeguard the interests of the Shareholders of the Company and enhance the corporate value as well as the responsibility commitments. The Company has adopted the Corporate Governance Code as its own code of corporate governance. Saved for the deviation as disclosed under the section headed “Chairman and Chief Executive Officer”, the Company has complied with all applicable code provisions of the Corporate Governance Code from Listing to December 31, 2023. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code.

CULTURE

The Board believes that corporate culture underpins the long-term business, economic success and sustainable growth of the Group. The Company is committed to developing its specific corporate culture, which is built upon its mission, vision and values.

During 2023, the Company continued to strengthen its cultural framework by focusing on the following:

- Mission: Create joy to end-users and empower our business partners in the digital era (在數位時代，為終端使用者創造快樂，為商業夥伴賦能前行)
- Vision: Provide one-stop services for a better life (為人們的美好生活提供一站式服務)
- Values: Dedication, modesty, practicality, quality, inheritance (專注、謙和、務實、品質、傳承)

The Board sets and promotes corporate culture and expects and requires all employees to reinforce. The Company has established a comprehensive system for employee training and development, covering leadership, general competencies, professional competencies, corporate culture, employee rights and responsibilities and others so that all employees may better understand its culture, structure and policies, learn relevant laws and regulations, and raise their cooperative and innovative awareness. The Company not only focuses on the improvement of employees’ professional development but has made efforts to incentivize its employees to have a “sense of goals” and “sense of fulfillment”.

The Board considers that the corporate culture and the mission, values and strategy of the Group are aligned.

BOARD OF DIRECTORS

Responsibilities

The Board takes the responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitor the performance of the senior management. All of the Directors have full and timely access to all relevant information as well as the advice and services of the joint company secretaries of the Company, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Board has established Board committees and has delegated to these Board committees’ various responsibilities as set out in their respective terms of reference which are published on the websites of the Stock Exchange and the Company.

All Directors have carried out their duties in good faith and in compliance with the standards of applicable laws and regulations, and have acted objectively in the best interests of the Company and its Shareholders.

The Board also delegates the day-to-day management, administration and operation of the Company to the Company’s senior management team. The senior management team reports to the Board on a regular basis and communicates with the Board whenever required.

Corporate Governance Report

Board Composition

Executive Directors:

Mr. WU Xubo (*Chairman, Chief Executive Officer*)

Ms. WU Xuan (*Chief Operating Officer*)

Independent Non-Executive Directors:

Ms. SONG Siyun

Mr. QIN Yongde

Ms. ZHENG Yi

The biographical details of the Directors are set out in the section headed “Biographies of Directors and Senior Management” on pages 18 to 20 of this annual report.

None of the members of the Board is related (including financial, business, family or other material/relevant relations) to one another.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision C.2.1 of the part 2 of the Corporate Governance Code stipulates that the roles of chairman of the Board and chief executive officer of the Company should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The roles of chairman of the Board and chief executive officer of the Company are currently performed by Mr. WU Xubo. In view of Mr. WU’s substantial contribution to the Group since its establishment and his extensive experience, the Company considers that having Mr. WU acting as both its chairman of the Board and chief executive officer will provide strong and consistent leadership to the Group and facilitate the efficient execution of its business strategies. The Board considers it appropriate and beneficial to the Company’s business development and therefore currently do not propose to separate the functions of chairman and chief executive officer. While this would constitute a deviation from code provision C.2.1 of Part 2 of the Corporate Governance Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by the Board requires approval by at least a majority of the Directors, and the Board comprises three independent non-executive Directors, which is in compliance with the requirement under the Listing Rules; (ii) Mr. WU and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and will make decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of the Group are made collectively after thorough discussion at both Board and senior management levels.

The Board will continue to review the effectiveness of the corporate governance structure in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

BOARD MEETINGS

Code provision C.5.1 of the part 2 of the Corporate Governance Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication.

Corporate Governance Report

As the Company was listed on September 28, 2023, two board meeting were held during the period from the Listing Date and up to December 31, 2023. The Company will convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision C.5.1 of the part 2 of the Corporate Governance Code going forward.

Attendance record of Directors

A summary of the attendance record of the Directors at Board meetings and committee meetings during the period from the Listing Date and up to December 31, 2023 is set out in the following table:

Name of Director	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors:					
Mr. WU Xubo	2/2	—	1/1	1/1	—
Ms. WU Xuan	2/2	—	—	—	—
Independent Non-executive Directors:					
Ms. SONG Siyun	2/2	1/1	1/1	1/1	—
Mr. QIN Yongde	2/2	1/1	—	—	—
Ms. ZHENG Yi	2/2	1/1	1/1	1/1	—

During the period from the Listing Date and up to December 31, 2023, the chairman of the Board also held one meeting with all independent non-executive Directors, without the presence of other Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a written annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent in accordance with the independence requirements set out in the Listing Rules. Independent non-executive Directors are required to inform the Company if there is any change that may affect his/her independence.

Following the Listing, the Board has at all times met the requirements of Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, identifying and recommending individuals suitably qualified to become Board members, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors.

Code Provision B.2 of the part 2 of the Corporate Governance Code stipulates that all directors should be subject to re-election at regular intervals. Code Provision B.2.2 of the part 2 of Corporate Governance Code further states that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Each of the Directors, including independent non-executive Directors, is appointed for a term of three years and is subject to retirement by rotation at least once every three years.

Corporate Governance Report

Pursuant to Article 108(a) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number 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.

Pursuant to Article 112 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as Director either to fill a casual vacancy or as an additional Director. Any Director so appointed shall hold office only until the first annual general meeting of the Company after their appointment and be subject to re-election at such meeting.

Accordingly, WU Xubo, WU Xuan, SONG Siyun, QIN Yongde and ZHENG Yi will retire from the Board by rotation at the AGM and, being eligible, offer themselves for re-election pursuant to the relevant provisions the Articles of Association.

INDUCTION AND CONTINUING DEVELOPMENT FOR DIRECTORS

Every newly appointed Director receives a formal, comprehensive and tailored induction on appointment, so as to ensure that he or she understands the business and operations of the Company and that he or she is fully aware of his or her responsibilities and obligations under the Listing Rules and other relevant regulatory requirements. The Company will continue to arrange regular seminars to provide the Directors with updates on the latest developments and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. 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 his duty.

Since the Listing Date till December 31, 2023, the Directors participated in continuing professional development programs and read relevant training materials which were distributed to them. The trainings covered topics which include, among others, directors' duties, the disclosure obligations under laws of Hong Kong and other applicable rules and regulations, the requirements of connected transactions under the Listing Rules.

The table below summarizes the participation of each of the Directors in continuous professional development since the Listing Date till December 31, 2023:

Name of Directors	Attending Training Courses	Reading Legal and Regulatory Updates and other Reference Materials
Executive Directors		
Mr. WU Xubo	✓	✓
Ms. WU Xuan	✓	✓
Independent Non-Executive Directors		
Ms. SONG Siyun	✓	✓
Mr. QIN Yongde	✓	✓
Ms. ZHENG Yi	✓	✓

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee, and the Nomination Committee for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference. The terms of reference of the Board committees are available for viewing on the websites of the Company and the Stock Exchange.

Audit Committee

The Company has established the Audit Committee and has formulated its written terms of reference, in compliance with Rule 3.21 of the Listing Rules and of the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, to monitor the implementation of the Group's risk management policies across the Company on an ongoing basis to ensure that its internal control system is effective in identifying, managing and mitigating risks involved in its business operations, and to review and approve connected transactions and provide advice and comments to the Board. The Audit Committee consists of three independent non-executive Directors, namely Ms. ZHENG Yi (chairlady), Ms. SONG Siyun and Mr. QIN Yongde. Ms. ZHENG Yi is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Company has also established an internal audit department which is responsible for reviewing the effectiveness of risk management policies and reporting to the Audit Committee on any issues identified. The internal audit department reports to the Audit Committee to ensure that any major issues identified thus are channeled to the committee on a timely basis. The Audit Committee then discusses the issues and reports to the Board if necessary.

Since the Listing Date till December 31, 2023, the Audit Committee reviewed the Group's unaudited interim results and financial statements for the six months ended June 30, 2023. The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Company and the Group and discussed matters in relation to internal control, risk management and financial reporting with the management.

The Audit Committee has reviewed the audited consolidated results of the Group for the year ended December 31, 2023 and considers that the annual financial results for the year ended December 31, 2023 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made. In addition, the consolidated financial statements of the Group have been audited by the independent auditor of the Company, Ernst & Young. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company. The Audit Committee had met with the auditor of the Company in the absence of management of the Company once in relation to the provision of audit service to the Company for the year ended December 31, 2023.

As the Company was listed on the Stock Exchange on September 28, 2023, the Audit Committee held one meeting from the Listing Date till December 31, 2023.

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration Committee are to review and make recommendations to our Board on the terms of remuneration packages, bonuses and other compensation payable to the Directors and other senior management. The Remuneration Committee consists of three Directors, namely, one executive Director, Mr. WU Xubo, and two independent non-executive Directors, Ms. SONG Siyun and Ms. ZHENG Yi. Ms. SONG Siyun is the chairlady of the Remuneration Committee.

The Remuneration Committee has reviewed the policy and structure for the remuneration of the Directors and senior management of the Company for the year ended December 31, 2023 and remuneration proposal of the Directors and senior management of the Company for the year ending December 31, 2024. No material matters relating to the Pre-IPO Share Option Plan were reviewed and/or approved by the Remuneration Committee from the Listing Date till December 31, 2023.

Corporate Governance Report

As the Company was listed on the Stock Exchange on September 28, 2023, one Remuneration Committee meeting was held from the Listing Date till December 31, 2023.

Details of the remuneration payable to each Director for the year ended December 31, 2023 are set out in note 8 to the consolidated financial statements on page 104 of this annual report. For the year ended December 31, 2023, the remuneration payable to the senior management of the Company (comprising the executive Directors), is shown in the following table by band:

Emolument bands (in HKD)	Number of individuals
HKD0–HKD5,000,000	2
HKD5,000,001–HKD10,000,000	0
higher than HKD10,000,001	1
Total	3

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of Board succession. The Nomination Committee consists of three Directors, namely, one executive Director, Mr. WU Xubo, and two independent non-executive Directors, Ms. SONG Siyun and Ms. ZHENG Yi. Mr. WU Xubo is the chairman of the Nomination Committee.

The Nomination Committee has assessed the independence of independent non-executive Directors, recommended the re-appointment of the Directors standing for re-election at the AGM and reviewed the board diversity policy and nomination policy of the Company.

As the Company was listed on the Stock Exchange on September 28, 2023, one Nomination Committee meeting was held during the Reporting Period.

The nomination policy (the “**Nomination Policy**”) was approved and adopted by the Board for evaluating and selecting any candidate for directorship. According to the Nomination Policy, the Nomination Committee would consider the following criteria, including, among other things, the business model and specific needs of the Company and the diversity in various aspects. The final appointment recommendation shall be made to the Board by the Nomination Committee based on merit and contribution that the selected candidates will bring to the Board after taking into account the relevant aspects mentioned above. The Nomination Committee shall identify, consider and recommend suitable individuals to the Board to consider and to make recommendations to the Shareholders for election of Directors at a general meeting either to fill a casual vacancy or as an addition to the Board.

DIVERSITY POLICY

Board Diversity

In order to enhance the effectiveness of the Board and to maintain the high standard of corporate governance, the Company has adopted the board diversity policy (the “**Board Diversity Policy**”) including the necessary balance of skills and experience appropriate for the requirements of the business development of the Company and for effective leadership. The Board Diversity Policy has been reviewed by the Board on an annual basis. A summary of the Board Diversity Policy is set out below:

Purpose

The Board Diversity Policy aims to set out the objective and approach to achieve and maintain diversity of the Board and enable the Board to comply with the Corporate Governance Code.

Board Diversity Policy Statement

The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company’s competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. The ultimate decision of the appointment will be based on merit and the contribution that the selected candidates will bring to the Board. Board diversity has been considered from a number of aspects, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity and length of service.

Measurable Objectives

Regarding the gender diversity on the Board, the Company recognizes the particular importance of gender diversity. The Company has taken and will continue to take steps to promote and enhance gender diversity at all levels of the Company, including but without limitation at the Board and senior management levels. The Company will also continue to ensure that there is gender diversity when recruiting staff at mid to senior level so that the Company will have a pipeline of female management and potential successors to the Board in due time to ensure gender diversity of the Board. The Group will continue to emphasize on the training of female talents and providing long-term development opportunities for its female staff.

The Board has a balanced mix of knowledge and skills, including in management, marketing, business development, investment management and corporate finance. They obtained degrees in various majors including business administration, management, finance, laws and human resources management. Currently, the Board has three female Directors, Ms. WU Xuan, an executive Director, and Ms. SONG Siyun and Ms. ZHENG Yi, two independent non-executive Directors.

The Nomination Committee is of the view that the diversity level of the Board is appropriate in terms of knowledge, experience and skills of the Directors. After evaluating various factors, given that the Board has three female Directors, representing 60% of the Board, which is higher than the industry average, the Nomination Committee considered that the gender diversity of the Board is achieved and will maintain the gender diversity at such level. The Nomination Committee is and will continue to be responsible for ensuring the diversity of the Board, and will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy from time to time to ensure its continued effectiveness.

Corporate Governance Report

Workforce Diversity

The Company has established rules and procedures of recruitment, job promotion, compensation, benefits, rest periods, dismissal, etc., to protect the employees' rights. During recruitment and job promotion, the Company follows the principle of "selection on merit", taking into account the performance, work experience and capability of the applicant or employee. The Company advocates a diverse and equal workforce culture by ensuring that applicants and employees are not discriminated against on the basis of gender, age, race, family status or physical disability, aiming to provide its employees with a fair work environment. As of December 31, 2023, the Group had 1,305 employees of which 824 (63.1%) were male and 481 (36.9%) were female. The Board is satisfied with the gender diversity of the Company's employees and is not aware of any factors or circumstances that would make it more challenging or less relevant for the Group to achieve gender diversity among its employees.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for determining corporate governance policy of the Company performing the functions set out in code provisions A.2.1 of the Corporate Governance Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Corporate Governance Code, the Company's code of conduct applicable to its employees and Directors, and disclosure in its Corporate Governance Report during the Reporting Period.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company Secretary of the Company may from time to time and as the circumstances required, provide updated written training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

BOARD INDEPENDENCE

The Board established mechanisms to ensure independent views and input are available to the Board, including, among others, (i) independent non-executive Directors are encouraged to actively participate in the Board meetings; (ii) the number of independent non-executive Directors must comply with the requirement under the Listing Rules; (iii) sufficient resources shall be provided to the Board if it thinks necessary to seek independent professional advice from independent third parties; and (iv) the independent non-executive Directors shall devote sufficient time to discharge their duties as a Director.

The Board will review the implementation and effectiveness of such mechanisms on an annual basis, which have been reviewed and considered effective by the Board for the year ended December 31, 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding directors' dealing in the Company's securities. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code from the Listing Date to December 31, 2023. The Company's relevant employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company's relevant employees was noted by the Company from the Listing Date to December 31, 2023.

The Company has also established a policy on inside information to comply with its obligations under the Securities and Futures Ordinance and the Listing Rules. In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2023. The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules and other regulatory requirements. The senior management of the Company has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company in order to put forward such information to the Board for approval. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement by the independent auditor of the Company, Ernst & Young, about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 58 to 61 of this annual report.

DIVIDEND POLICY

The Company is a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividends will also depend on the availability of dividends received from its subsidiaries. PRC laws require that dividends shall be paid only out of the profit for the year/period determined according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRSs. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends.

Any dividends declared in the past is not indicative of the Company's future dividend policy. The amount of dividend actually distributed to the Shareholders will depend upon its earnings and financial condition, operating requirements, capital requirements and any other conditions that its Directors may deem relevant and will be subject to approval of the shareholders. The Board has the absolute discretion to recommend any dividend. The Company does not have any pre-determined dividend pay-out ratio and dividend policy.

Pursuant to provisions of the Pre-IPO Share Option Plan, no dividends shall be payable in relation to the Shares that are the subject of options that have not been exercised, and thus no dividend will be payable to Shares held by ESOP BVIs. Save as disclosed above, the Board is not aware of any other arrangement under which a Shareholder has waived or agreed to waive any dividend.

WHISTLEBLOWING POLICY

The Board adopted a whistleblowing policy (the "**Whistleblowing Policy**"), the purpose of which is to (i) provide an avenue for the Group's employees, clients, suppliers and other stakeholders to voice concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matter relating to the Group, particularly in relation to fraud, controls or ethics, without fear of reprisals when whistleblowing in good faith; and (ii) ensure that robust arrangements are in place to facilitate independent investigation of the reported concern and for the appropriate follow up actions to be taken.

The nature, status and the results of the complaints received under the Whistleblowing Policy are reported to the Audit Committee. No incident of fraud or misconduct that have material effect on the Group's financial statements or overall operations for the year ended December 31, 2023 has been discovered. The Whistleblowing Policy is reviewed annually by the Audit Committee to ensure its effectiveness.

Corporate Governance Report

ANTI-CORRUPTION COMPLIANCE POLICY

The Board adopted an anti-corruption compliance policy (the “**Anti-corruption Policy**”). The Group is committed to achieving the highest standards of integrity and ethical behavior in conducting business. The Anti-corruption Policy forms an integral part of the Group’s corporate governance framework. The Anti-corruption Policy sets out the specific behavioral guidelines that the Group and its officers, directors, employees, shareholders, and agents must follow to combat corruption. It demonstrates the Group’s commitment to the practice of ethical business conduct and the compliance of the anti-corruption laws and regulations that apply to its local and foreign operations. In line with this commitment and to ensure transparency in the Group’s practices, this Anti-corruption Policy has been prepared as a guide to all Group employees and third parties dealing with the Group. The Anti-corruption Policy is reviewed and updated periodically to align with the applicable laws and regulations as well as the industry best practice.

AUDITOR’S RESPONSIBILITY AND REMUNERATION

The Company appointed Ernst & Young as the external auditor for the year ended December 31, 2023. A statement by Ernst & Young about their reporting responsibilities for the financial statements is included in the Independent Auditor’s Report on pages 58 to 61.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Ernst & Young for the year ended December 31, 2023 are set out in the table below:

Services rendered for the Company	Fees paid and payable (RMB’000)
Auditor’s remuneration	
Audit services	4,500
Interim review services	1,500
Total	6,000

RISK MANAGEMENT AND INTERNAL CONTROL

The Company recognizes that adequate and effective risk management and internal control are critical to achieve the Company’s strategic objectives. Risk management and internal control systems shall ensure the effective business operation, accuracy and reliability of financial reporting, and due compliance with applicable laws, regulations and policies. As such, the Board acknowledges that it is responsible for ensuring that the Company has established and maintained sound risk management and internal control systems within the Group and reviewing their effectiveness on an ongoing basis. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

Risk Management and Internal Control Systems

The Board (through the Audit Committee) is responsible for establishing the Company’s risk management and internal control systems. For the purposes of risk management and internal control, the Company has adopted various measures and procedures regarding business operations.

The Company has formulated risk management and internal control management policies to construct a fundamental environment for risk management and internal control. The Company provides periodic training on these measures and procedures to employees and regularly monitors their implementation in business operation. Business departments actively cooperate with internal control and internal audit functions, report to the Company's internal auditor department on any important business development and how policies and strategies established by the Company are implemented within the department, and timely identify, assess and manage major risks. Risk management report, covering identified risks, evaluation and proposed responding measures, is submitted to the senior management or the Board periodically to monitor the implementation of the risk management policies across the Group on an ongoing basis to ensure that the internal control system is effective in identifying, managing and mitigating risks involved in Company's operations.

In addition, the Company has set up an internal control framework, which relates to business processes such as procurement, sales, human resources and payroll, game development, marketing, tax, capital, information security and intellectual property rights, financial reporting and disclosure. The risk bank has also been put in place and risk assessment is conducted on a regular basis to ensure the effectiveness of risk management and internal control.

Significant Risks of the Company

Below is a summary of the significant risks of the Company along with the applicable response strategies. The summary is not intended to be exhaustive as the Company's risk profile may change.

Financial reporting risk management

The Company has implemented a set of accounting policies in connection with its financial reporting risk management, such as financial reporting management policies, budget management policies, financial statement preparation policies and finance department and staff management policies. The Company has various procedures in place to implement accounting policies and its finance department reviews the management accounts based on such procedures. The Company also provides regular training to finance department staff to ensure that they understand its financial management and accounting policies and implement them in its daily operations.

Investment policies and risk management

The Group has also established a set of investment policies and internal control measures to achieve reasonable returns on its investments while mitigating its exposure to investment risks.

Information system risk management

The Group has implemented relevant internal procedures and controls to ensure that its data is protected, and that leakage and loss of such data is avoided. During the Reporting Period, the Group did not experience any material information leakage or loss of user data.

Internal control risk management

The Group has designed and adopted internal control mechanisms and strict internal procedures to ensure the compliance of its business operations with the relevant rules and regulations.

Inside information risk management

The Group attaches utmost importance to the proper handling and dissemination of inside information. Internal policies are put in place to ensure that inside information is adequately controlled. To ensure the confidentiality and the timely disclosure of inside information, all employees are provided with learning materials and guidelines regarding the handling and dissemination of inside information on a yearly basis. Information technology system controls are implemented to ensure the access to sensitive data is restricted to authorized personnel only.

Corporate Governance Report

Intellectual property infringement risk management

The Group has formulated policies to regulate the management of intellectual property rights such as computer software copyrights and trademarks. The in-house legal department and the administration department are jointly responsible for intellectual property-related management and compliance.

Human resources risk management

The Group provides regular and specialized training tailored to (i) the needs of its employees in different departments, and (ii) its anti-bribery and anti-corruption policy. Through these training sessions, the Group ensures that its staff's skill sets and knowledge level of the Company's anti-bribery and anti-corruption policy remain up-to-date, enabling them to better comply with applicable laws and regulations in the course of exploring business.

Regulatory compliance and legal risk management

In order to manage its compliance and legal risk exposures effectively, the Company has designed and adopted strict internal procedures to ensure the compliance of its business operations with the relevant rules and regulations.

The Company continually improves its internal policies according to changes in laws, regulations and industry standards, and update internal templates for legal documents. The Company also undertakes compliance management over various aspects of its operations and employee activities, and has established an accountability system in respect of employees' violations of laws, regulations and internal policies.

Effectiveness of Risk Management and Internal Control

The Company has established its internal audit function, which is responsible for independently reviewing the adequacy and effectiveness of the Company's risk management and internal control system and reporting the results to the Audit Committee. The Audit Committee is responsible for conducting a review of the effectiveness of the Group's risk management and internal control systems, including all material controls (such as financial, operational and compliance controls), at least once every year.

The Audit Committee's process of reviewing the effectiveness of the risk management and internal control systems and resolving material internal control defects comprises of, among other things: (i) meetings with the business department, the internal audit department, the internal control department, legal team, and the external auditor; (ii) reviewing the relevant work reports and information of key performance indicators; (iii) the senior management's self-assessment on internal control and (iv) discussing the significant risks with the senior management.

The Board has conducted a review of the adequacy and effectiveness of the Group's risk management and internal control systems and considers that the Group's risk management and internal control systems are adequate and effective for the year ended December 31, 2023.

COMPANY SECRETARY

Ms. TSANG Wing Man, a manager of SWCS Corporate Services Group (Hong Kong) Limited (a company secretarial service provider), has been appointed as the Company Secretary. She is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, as well as the applicable laws, rules and regulations are followed. Her primary contact person at the Company is Mr. WU Xubo, the executive Director and the chief executive officer of the Company.

For the year ended December 31, 2023, Ms. TSANG Wing Man complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings

Pursuant to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per Share basis in the share capital of the Company. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 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 requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

There are no provisions under the Articles of Association regarding procedures for Shareholders to put forward proposals at the general meetings other than a proposal of a person for election as Director. However, Shareholders who wish to put forward proposals at general meetings may achieve so by means of convening an extraordinary general meeting following the procedures set out in paragraph above.

Putting Forward Enquiries to the Board and Contact Details

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Address: 40/F, Dah Sing Financial Centre
248 Queen's Road East
Wanchai, Hong Kong
(For the attention of the Board of Directors/Company Secretary)

Email: IR@ZX.COM

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

INVESTORS RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings of the Company to allow Shareholders to speak and as a platform for communication and interaction; the annual and interim reports, notices, announcements and circulars and the Company's website at (<https://www.zx.com/>) and the website of the Stock Exchange. The Board has reviewed the implementation and effectiveness of the shareholder communication policy and confirmed its effectiveness during the Reporting Period.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The Board has resolved to propose the adoption of the fourth amended and restated memorandum and articles of association. The proposed adoption is approved by the Shareholders by way of a special resolution dated August 31, 2023 and effective immediately upon the listing of the Company's Shares on the Main Board of the Stock Exchange. For details, please refer to the document released by Company dated September 27, 2023 published on the respective websites of the Stock Exchange and the Company.

Save as disclosed above, there is no other change in constitutional documents of the Company for the year ended December 31, 2023 and up to the date of this annual report.

Independent Auditor's Report



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Independent auditor's report To the shareholders of ZX Inc.

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of ZX Inc. (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 62 to 150, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (Continued)

Key audit matter

Recognition of revenue from game marketing and operation

The Group markets and operates online games which are either authorised by third-party game developers or are self-owned by the Group, under the free-to-play basis. During the year ended 31 December 2023, the Group's revenue from game marketing and operation amounted to RMB6,209,310,000, representing 95.3% of the Group's total revenues.

Proceeds from selling virtual items in the games are shared among the game developers, the payment channels, collaborated distribution platforms, and the Group. The Group evaluates the agreements in order to determine whether the Group acts as the principal or an agent with each party respectively, based on which to further determine if relevant revenues should be reported gross or net of the amount of the proceeds shared with the other parties. The evaluation involves significant judgements.

In addition, for self-owned games, revenue is recognised ratably over the estimated average paying period of the paying end-users ("**Player Relation Period**"). The estimation of the Player Relation Period involves the analysis of all available game player behavior information and any changes may result in revenues being recognised on a different basis.

Due to the significant judgement and estimation involved in the revenue recognition, as well as the high volume of transactions and complex game player behavior data, we identified the recognition of revenue from game marketing and operation as a key audit matter.

Relevant disclosures are included in note 2.4 Material accounting policies, note 3 Significant accounting judgements and estimates, note 4 Operating segment information, and note 5 Revenue, to the consolidated financial statements.

How our audit addressed the key audit matter

Our audit procedures to address this matter included the following:

- Obtained agreements with various parties and checked the rights and obligations of each party, revenue sharing arrangement, etc. to assess management's judgment on principal vs agent;
- Obtained an understanding of the process of revenue recognition from game marketing and operation and the related internal controls;
- Tested the key controls of the revenue recognition process of game marketing and operation, including relevant IT application controls, with the assistance of our internal IT specialists.
- Verified the transaction data extracted from the Group's IT system against the statements from the third-party payment channels or collaborated distribution platforms on a sampling basis, with the involvement of our internal IT specialists.
- Obtained confirmations from game developers, collaborated distribution platforms, on sampling basis, and reviewed the reconciliations if any material differences noted.
- Obtained statements from game developers for the year, performed re-calculation of revenue shared by the Group and amounts payable to the game developers, and agreed the amount to the Group's accounting records.
- With the assistance of our internal IT specialists, conducted game player behavior data analyses for the selected games.
- With the assistance of our internal IT specialists, performed re-calculation of the Player Relation Period based on the players behavior patterns of the self-owned game.
- Assessed the adequacy of the disclosure included in the notes to the consolidated financial statements.

Independent Auditor's Report

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

(Continued)

- 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 TJEN Michael.

Ernst & Young

Certified Public Accountants

Hong Kong

28 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	6,514,585	8,817,221
Cost of sales		(1,941,267)	(2,407,531)
Gross profit		4,573,318	6,409,690
Other income and gains	5	468,122	292,600
Selling and distribution expenses		(3,880,221)	(5,622,406)
Administrative expenses		(265,343)	(175,696)
Research and development costs		(171,245)	(157,738)
Impairment losses on financial assets, net		(1,780)	(2,219)
Other expenses		(208,271)	(8,330)
Finance costs	7	(94,335)	(107,878)
Share of profits and losses of:			
Joint ventures		6,430	7,430
Associates		(13,284)	(33,878)
PROFIT BEFORE TAX	6	413,391	601,575
Income tax expense	10	(140,102)	(110,053)
PROFIT FOR THE YEAR		273,289	491,522
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that will not be reclassified to profit or loss in subsequent years:			
Share of other comprehensive loss of associate		(60,950)	—
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		(60,950)	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		212,339	491,522
Profit attributable to:			
Owners of the parent		235,487	514,067
Non-controlling interests		37,802	(22,545)
Total comprehensive income attributable to:			
Owners of the parent		174,537	514,067
Non-controlling interests		37,802	(22,545)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	12	0.47	9.65
Diluted (RMB)	12	0.46	9.60

Consolidated Statement of Financial Position

31 December 2023

		31 December 2023	31 December 2022
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property and equipment	13	98,567	79,169
Investment properties	14	81,541	—
Right-of-use assets	15	347,846	180,229
Goodwill	16	27,917	42,499
Other intangible assets	17	15,253	43,734
Investments in joint ventures	18	273,418	267,188
Investments in associates	19	178,239	5,992
Financial assets at fair value through profit or loss	22	15,000	—
Deferred tax assets	29	109,312	47,857
Prepayments, other receivables and other assets	21	11,633	119,183
Pledged deposits	23	2,045,506	3,395,558
		<hr/>	<hr/>
Total non-current assets		3,204,232	4,181,409
CURRENT ASSETS			
Inventories		2,905	4,424
Trade receivables	24	310,696	426,817
Prepayments, other receivables and other assets	21	683,872	667,323
Amounts due from a related party	37	23,981	16,981
Financial assets at fair value through profit or loss	22	412,800	1,271,335
Pledged deposits	23	2,137,907	3,006,801
Restricted cash	23	4,931	10,394
Cash and cash equivalents	23	486,886	213,422
		<hr/>	<hr/>
Total current assets		4,063,978	5,617,497
CURRENT LIABILITIES			
Trade payables	24	466,069	523,649
Bills payable	25	2,806,551	5,640,211
Other payables and accruals	26	893,941	901,219
Interest-bearing bank borrowings	27	213,743	555,844
Lease liabilities	15	39,616	21,247
Tax payable		416,277	247,796
		<hr/>	<hr/>
Total current liabilities		4,836,197	7,889,966
NET CURRENT LIABILITIES		(772,219)	(2,272,469)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,432,013	1,908,940
		<hr/>	<hr/>

Consolidated Statement of Financial Position

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	15	153,178	190,754
Provision	28	3,050	9,150
Total non-current liabilities		156,228	199,904
Net assets		2,275,785	1,709,036
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	77	74
Treasury shares	30	(3)	(3)
Reserves	32	2,286,450	1,731,686
		2,286,524	1,731,757
Non-controlling interests		(10,739)	(22,721)
Total equity		2,275,785	1,709,036

Mr. WU Xubo
Director

Ms. WU Xuan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Attributable to owners of the parent						Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 30)	Treasury shares RMB'000 (Note 30)	Capital reserve RMB'000 (Note 32)	Statutory surplus reserve RMB'000 (Note 32)	Share incentive reserve RMB'000 (Note 32)	Accumulated losses RMB'000			
At 1 January 2022	—	—	9,620	5,000	2,101,526	(938,433)	1,177,713	(3,482)	1,174,231
Profit for the year	—	—	—	—	—	514,067	514,067	(22,545)	491,522
Total comprehensive income for the year	—	—	—	—	—	514,067	514,067	(22,545)	491,522
Issue of ordinary shares	74	(3)	—	—	—	—	71	—	71
Equity-settled share option arrangements	—	—	—	—	42,883	—	42,883	—	42,883
Changes in non-controlling interests without loss of control	—	—	(233)	—	—	—	(233)	562	329
Capital injection in non-wholly owned subsidiaries	—	—	(2,744)	—	—	—	(2,744)	2,744	—
At 31 December 2022	74	(3)	6,643	5,000	2,144,409	(424,366)	1,731,757	(22,721)	1,709,036

	Attributable to owners of the parent						Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000	
	Share capital RMB'000 (Note 30)	Treasury shares RMB'000 (Note 30)	Capital reserve RMB'000 (Note 32)	Statutory surplus reserve RMB'000 (Note 32)	Share incentive reserve RMB'000 (Note 32)	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000 (Note 32)				Accumulated losses RMB'000
At 1 January 2023	74	(3)	6,643	5,000	2,144,409	—	(424,366)	1,731,757	(22,721)	1,709,036
Profit for the year	—	—	—	—	—	—	235,487	235,487	37,802	273,289
Other comprehensive loss for the year	—	—	—	—	—	—	—	—	—	—
Proportionate interest in the investee arising from changes in the investee's other comprehensive income, net of tax	—	—	—	—	—	(60,950)	—	(60,950)	—	(60,950)
Total comprehensive income for the year	—	—	—	—	—	(60,950)	235,487	174,537	37,802	212,339
Issue of ordinary shares	3	—	243,778	—	—	—	—	243,781	—	243,781
Share issue expenses	—	—	(33,402)	—	—	—	—	(33,402)	—	(33,402)
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	(26,337)	(26,337)
Special dividends declared	—	—	—	—	—	—	(50,000)	(50,000)	—	(50,000)
Equity-settled share option arrangements	—	—	—	—	219,368	—	—	219,368	—	219,368
Changes in non-controlling interests without loss of control	—	—	510	—	—	—	—	510	490	1,000
Capital injection in non-wholly owned subsidiaries	—	—	(27)	—	—	—	—	(27)	27	—
At 31 December 2023	77	(3)	217,502*	5,000*	2,363,777*	(60,950)*	(238,879)*	2,286,524	(10,739)	2,275,785

* These reserve accounts comprise the consolidated reserves of RMB2,286,450,000 (2022: RMB1,731,686,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		413,391	601,575
Adjustments for:			
Finance costs	7	94,335	107,878
Foreign exchange loss/(gain), net	6	3,639	(1,224)
Bank interest income	5	(188,567)	(189,125)
Share of profits and losses of joint ventures and associates		6,854	26,448
Gain on disposal of a subsidiary	6	—	(621)
Gain on disposal of financial assets at fair value through profit or loss	6	(248,705)	(29,796)
Fair value loss/(gain) on financial assets at fair value through profit or loss	6	173,120	(12,467)
Equity-settled share-based expenses	6	219,368	42,883
Impairment of trade receivables, net	6	923	615
Impairment of financial assets included in other receivables	6	856	1,604
Loss on disposal of items of property and equipment	6	2,944	4
Gain on lease modification	6	(4,049)	(2,708)
Depreciation of property and equipment	13	16,880	14,364
Depreciation of investment properties	14	841	—
Depreciation of right-of-use assets	6	32,932	31,065
Amortisation of other intangible assets	17	35,372	50,777
Impairment of property and equipment	6	—	5,479
Impairment of goodwill	16	14,582	—
Decrease/(increase) in inventories		1,519	(3,404)
Decrease/(increase) in trade and bills receivable		115,198	(156,346)
Increase in prepayments, other receivables and other assets		(49,754)	(235,054)
Increase in amounts due from related parties		—	(16,981)
Decrease in trade payables		(57,580)	(36,386)
(Decrease)/increase in bills payable		(2,833,660)	2,218,071
Decrease in other payables and accruals		(809)	(41,988)
Decrease in amounts due to related parties		—	(64)
Decrease in restricted cash		5,940	9,100
Cash (used in)/from operations		(2,244,430)	2,383,699
Interest received		8,107	6,065
Interest paid		(80,002)	(89,893)
Income tax paid		(33,076)	(17,350)
Net cash flows (used in)/from operating activities		(2,349,401)	2,282,521

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		180,460	183,060
Dividends received from a joint venture		200	—
Purchases of items of property and equipment		(16,144)	(124,132)
Proceeds from disposal of items of property and equipment		3,916	338
Additions to other intangible assets		(6,891)	(45,684)
Prepayment for right-of-use assets		(200,956)	—
Purchases of investments in associates		(246,481)	(35,000)
Disposal of an investment in a joint venture		10,000	—
Purchase of financial assets at fair value through profit or loss		(600,920)	(7,053,071)
Disposal of financial assets at fair value through profit or loss		1,520,040	6,913,968
Advance of loans to associates		(7,000)	—
Repayment of loans from associates		—	95,000
Decrease/(increase) in pledged time deposits		2,218,946	(3,140,313)
Net cash flows from/(used in) investing activities		2,855,170	(3,205,834)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	30	243,781	74
Share issue expenses paid		(26,011)	(4,773)
New bank loans		223,443	856,070
Repayment of bank loans		(566,809)	(385,568)
Interest paid		(3,998)	(12,577)
Principal portion of lease payments	15	(14,005)	(16,507)
Interest portion of lease payments	15	(9,070)	(10,016)
Capital injection from non-controlling interests		1,000	—
Dividends paid to then shareholders	11	(50,000)	—
Dividends paid to non-controlling shareholders		(26,337)	—
(Increase)/decrease in restricted cash		(477)	16,369
(Increase)/decrease in rental deposit		(3,822)	55
Net cash flows (used in)/from financing activities		(232,305)	443,127
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		273,464	(480,186)
Cash and cash equivalents at beginning of year		213,422	693,608
CASH AND CASH EQUIVALENTS AT END OF YEAR		486,886	213,422
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Unrestricted cash and bank balances		283,231	213,422
Time deposits with original maturity of less than three months		203,655	—
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows	23	486,886	213,422

Notes to Consolidated Financial Information

31 December 2023

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 18 March 2021 as an exempted company with limited liability under the Companies Law, Chapter 22 of the Cayman Islands. The registered address of the office of the Company is 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

During the year, the Group was principally engaged in providing product marketing and operation services for online games in the People's Republic of China (hereafter, the "PRC").

Information about subsidiaries

Particulars of the Company's principal subsidiaries as of 31 December 2023 are as follows:

Name	Date and place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jiangxi Tanwan Information Technology Co., Ltd. ("江西貪玩信息技術有限公司") ("Jiangxi Tanwan")	21 May 2015 PRC/Mainland China	RMB10,000,000	—	100	Game marketing and operation
Hong Kong Tanwan Information Technology Co., Limited. ("香港貪玩信息技術有限公司") ("HK Tanwan")	24 May 2016 Hong Kong	HKD1,000,000	100	—	Game marketing and operation
Poyang Weiru Information Technology Co., Ltd. ("鄱陽縣偉如信息技術有限公司") ("Poyng Weiru")	13 March 2017 PRC/Mainland China	RMB1,000,000	—	70	Game marketing and operation
Guangzhou Tanwan Information Technology Co., Ltd. ("廣州貪玩信息技術有限公司") ("Guangzhou Tanwan")	28 July 2017 PRC/Mainland China	RMB1,000,000	—	99	Game marketing and operation
Poyang Tanwan Information Technology Co., Ltd. ("鄱陽縣貪玩網絡科技有限公司") ("Poyang Tanwan")	1 December 2017 PRC/Mainland China	RMB5,050,505	—	100	Game marketing and operation
Guangzhou Bajiyuou Network Technology Co., Ltd. ("廣州八九遊網絡科技有限公司") ("Guangzhou Bajiyuou")	5 December 2017 PRC/Mainland China	RMB10,000,000	—	51	Game marketing and operation

Notes to Consolidated Financial Information

31 December 2023

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Date and place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangzhou Chichi Network Technology Co., Ltd. ("廣州吃吃網絡科技有限公司") ("Guangzhou Chichi")	19 June 2018 PRC/Mainland China	RMB2,000,000	—	100	Sales of products
Hainan Zhangwan Network Technology Co., Ltd. ("海南掌玩網絡科技有限公司") ("Hainan Zhangwan")	14 April 2020 PRC/Mainland China	RMB2,040,816	—	51	Game marketing and operation
Guangzhou Feifan Information Technology Co., Ltd. ("廣州非凡信息科技有限公司") ("Guangzhou Feifan")	9 June 2020 PRC/Mainland China	RMB20,408,163	—	51	Game marketing and operation
Guangzhou Zhongxu Digital Information Technology Co., Ltd. ("廣州中旭數科信息科技有限公司") ("Guangzhou Zhongxu")	27 September 2020 PRC/Mainland China	RMB10,000,000	—	100	Game marketing and operation
Hainan Tanwan Information Technology Co., Ltd. ("海南貪玩信息技術有限公司") ("Hainan Tanwan")	4 November 2020 PRC/Mainland China	RMB1,000,000	—	100	Game marketing and operation
Shanghai Tanwan Legend Information Technology Co., Ltd. ("上海貪玩傳奇信息技術有限公司") ("Shanghai Tanwan Legend")	1 December 2020 PRC/Mainland China	RMB10,000,000	—	100	Game marketing and operation
Shangrao Guangfeng Tanwan Network Technology Co., Ltd. ("上饒市廣豐區貪玩網絡科技有限公司") ("Shangrao Tanwan")	29 January 2021 PRC/Mainland China	RMB10,000,000	—	100	Game marketing and operation
Hong Kong 9 Ring Network Co., Limited ("香港九環網絡有限公司") ("HK 9 Ring")	9 February 2021 Hong Kong	HKD20,000,000	51	—	Game marketing and operation

Notes to Consolidated Financial Information

31 December 2023

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Date and place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
ZX Interactive Limited ("ZX BVI")	30 March 2021 British Virgin Islands	USD1	100	—	Game marketing and operation
ZX Data Limited ("中旭數據有限公司") ("ZX HK")	16 April 2021 Hong Kong	HKD1	100	—	Game marketing and operation
Guangzhou Zhongxu Future Technology Co., Ltd. ("廣州中旭未來科技有限公司") ("ZX WFOE")	26 May 2021 PRC/Mainland China	RMB10,000,000	100	—	Other marketing services
Guangzhou Zhongxu BroKooLi Culture and Entertainment Co., Ltd. ("廣州中旭西蘭花文化娛樂有限公司") ("ZX Entertainment")	28 September 2021 PRC/Mainland China	RMB1,000,000	—	100	Sales of products
Guangzhou Happy Time Digital Technology Co., Ltd. ("廣州歡樂時光數字科技有限公司") ("Guangzhou Huanle")	12 November 2021 PRC/Mainland China	RMB10,000,000	—	51	Game marketing and operation
Guangzhou Hehe Information Technology Co., Ltd. ("廣州喝喝信息技術有限公司") ("Guangzhou Hehe")	6 January 2022 PRC/Mainland China	RMB2,000,000	—	100	Sales of products
Guangzhou Tanwan Mobile Game Network Technology Co., Ltd. ("廣州貪玩手遊網絡科技有限公司") ("Guangzhou Tanwan Mobile Game")	8 March 2022 PRC/Mainland China	RMB10,000,000	—	51	Game marketing and operation
Guangzhou Future Industry Service Co., Ltd. ("廣州未來產業服務有限公司") ("Guangzhou Future Industry")	26 April 2022 PRC/Mainland China	RMB70,000,000	—	100	Real estate
Guangzhou Zhongxu Industry Service Co., Ltd. ("廣州中旭產業服務有限公司") ("ZX Industry")	26 April 2022 PRC/Mainland China	RMB55,000,000	—	100	Real estate

Notes to Consolidated Financial Information

31 December 2023

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Date and place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hong Kong Happy Time Interactive Limited ("香港歡樂時光互娛有限公司") ("Hong Kong Happy Time")	30 May 2022 Hong Kong	HKD100,000	100	—	Game marketing and operation
Hong Kong 5 Ring Network Co., Limited ("香港五環網絡有限公司") ("HK 5 Ring")	23 June 2022 Hong Kong	HKD500,000	51	—	Game marketing and operation
Guangzhou Tanwan Information Technology Co., Ltd. ("廣州貪碗信息技術有限公司") ("Guangzhou Tan Bowl")	15 September 2022 PRC/Mainland China	RMB2,000,000	—	100	Sales of products
Guangzhou Tongchuang Future Information Technology Co., Ltd. ("廣州同創未來信息技術有限公司") ("Guangzhou Tongchuang")	8 March 2023 PRC/Mainland China	RMB900,000,000	—	100	Other marketing services
Guizhou Zuchao Network Technology Co., Ltd. ("貴州足超網絡科技有限公司") ("Guizhou Zuchao")	23 October 2023 PRC/Mainland China	RMB1,000,000	—	51	Game marketing and operation
Guangzhou Daluo Information Technology Co., Ltd. ("廣州大羅信息技術有限公司") ("Guangzhou Daluo")	14 December 2023 PRC/Mainland China	RMB1,000,000	—	100	Game marketing and operation
ZE COOL ENTERTAINMENT PTE. LTD. ("Ze Cool")	5 March 2019 Singapore	SGD2,000,000	—	100	Game marketing and operation
Guizhou Cunchao Network Technology Co., Ltd. ("貴州村超網絡科技有限公司") ("Guizhou Cunchao")	28 August 2023 PRC/Mainland China	RMB1,000,000	—	51	Game marketing and operation

All our subsidiaries established in the PRC are limited liability companies.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, affected the results for the year or formed a substantial portion of the net assets of the Group.

Notes to Consolidated Financial Information

31 December 2023

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for wealth management products and equity investments which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

The Group recorded net current liabilities of RMB772,219,000 as at 31 December 2023, which was primarily due to certain of the Group’s interest-bearing bank borrowings and bills payables being secured by long term fixed deposits of RMB2,045,506,000 that can be used to settle the Group’s current liabilities before maturity. The directors of the Group have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Taking into account the long term fixed deposits available to the Group and the internally generated funds from operations, the directors believe that the Group has sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due. Therefore, the consolidated financial information has been prepared on a going concern basis.

Basis of consolidation

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

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2. ACCOUNTING POLICIES (Continued)

2.1 Basis of Preparation (Continued)

Basis of consolidation (Continued)

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules*

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

- (a) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect.

The Group has not yet applied the temporary exception during the current year because the entities comprising the Group are operating in jurisdictions in which the Pillar Two tax law has not yet been enacted or substantively enacted. The Group will disclose known or reasonably estimable information related to its exposure to Pillar Two income taxes in the consolidated financial statements by the time when the Pillar Two tax law has been enacted or substantively enacted and will disclose separately the current tax expense or income related to Pillar Two income taxes when it is in effect.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ¹
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i> ^{1, 3}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i> ^{1, 3}
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i> ¹
Amendments to HKAS 21	<i>Lack of Exchangeability</i> ²

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

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

³ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

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2. ACCOUNTING POLICIES *(Continued)*

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards *(Continued)*

The Group is in the process of making an assessment of the impact of these revised HKFRSs upon initial application. So far, the Group expects that these standards will not have a significant effect on the Group's financial performance and financial position.

2.4 Material Accounting Policies

Investments in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material Accounting Policies *(Continued)*

Business combinations and goodwill *(Continued)*

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

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2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than contract assets, deferred tax assets, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Impairment of non-financial assets (Continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.99%
Electronic devices	32%
Furniture and fixtures	19%
Motor vehicles	24%
Leasehold improvements	Shorter of estimated useful lives or remaining lease terms

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 Material Accounting Policies *(Continued)*

Investment properties

Investment properties are interests in properties held to earn rental income and/or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is provided using the straight-line method to write off the cost of the investment properties over the estimated useful lives. Where the carrying amount of an investment property is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Copyright

Copyright, hereby, refers to the legal right of game software belonging to the Group. The copyright is amortised on a straight-line basis over the life cycle of the specific game, which lasts for at least 2 years.

Game operation agreements

Game operation agreements are stated at cost less any impairment loss and are amortised on a straight-line basis over the expected economic lives of 1 to 3 years.

Computer software

Acquired computer software is stated at historical cost less amortisation. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software, and is amortised on a straight-line basis over the useful lives of 2 to 3 years.

Domain names

Domain names are initially recognised and measured at costs incurred to acquire and bring to use them. The costs are amortised on a straight-line basis over the domain names' estimated useful lives of not exceeding 10 years, which is determined by the shorter of the registered license years and expected usage period.

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2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises	2 to 15 years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

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2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Financial assets

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

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

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“**ECLs**”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Impairment of financial assets (Continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition as loans and borrowings or payables as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payable, and other payables and accruals, lease liabilities, and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Notes to Consolidated Financial Information

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

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

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Income tax (Continued)

Deferred tax is provided, using the liability method, on all temporary differences at the end of the year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the reporting periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Notes to Consolidated Financial Information

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Income tax (Continued)

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when or as the control of the goods or services is transferred to customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Game marketing and operation

Most of the online games that the Group markets or operates are under a free-to-play basis whereby the players can play the games free of charge and are charged for the purchase of virtual items in the game. Such payments are generally non-refundable and non-cancellable. The game products are either i) authorised by third-party game developers or publishers ("**Authorised Games**") or ii) self-owned ("**Self-owned Game**").

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Game marketing and operation (Continued)

i) Authorised Games

When the Group markets and operates an online game product pursuant to a business arrangement under which a third-party game developer authorises the Group to conduct precision marketing, publishing and payment channel operation and/or brand development services, the Group considers the game developer as the customer and regards itself as the agent of the game developer in dealing with the end-users of the game product because (i) the game developer is responsible for providing game products, and embracing the right to authorise the Group to provide services; (ii) the game developer is responsible for the development, upgrade, update and maintenance of the game; (iii) the game developer independently sets the prices of virtual items in the game, and is responsible for the generation, transfer, operation and destruction of virtual items; and (iv) the game developer is responsible for hosting and maintaining the game server.

Pursuant to the service agreement between the Group and the third-party game developer, the Group charges the game developer a service fee based on a certain percentage of the gross amounts that the end players pay for the purchase of the virtual items in the game. The Group recognises the service revenue on a net basis which equals to the gross amounts collected from the end players less the amounts shared by the game developer when the end-users pay for the purchase of the in-game virtual items and when such amounts are determinable.

In certain agreements where the Group provides marketing and operation support services to third party publishers who have obtained the game authorisation from game developers, the publishers are responsible for precision marketing, publishing and payment channel operation and/or brand incubation services and the Group only charges the publishers a service fee based on a certain percentage of the gross amounts that the end players pay for the purchase of the virtual items in the games. The Group considers the publishers as the customers and regards itself as the agent of the publishers in providing marketing and operation services to the game developers. The Group recognises revenue on a net basis which equals to the amount charged to the publishers.

In certain agreements with the third-party game developer, the Group is entitled to additional bonus based on the actual marketing performance. Revenue from such additional bonus is recognised when the amount is determined and confirmed by the customers.

Notes to Consolidated Financial Information

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Game marketing and operation (Continued)

ii) Self-owned Game

Starting from January 2022, the Group markets and operates self-owned game product. Under such circumstance, as the Group is solely responsible for the game product development, maintenance, price setting and game server, the Group considers itself the principal of the game product and the end players as the customers. The Group has determined that it is obligated to provide on-going services to the end-users who make payments to gain an enhanced game playing experience over the playing period, and accordingly the Group recognised the revenue ratably over the estimated average playing period of these paying end-users (“**Player Relation Period**”), starting from the point in time when the purchase of in-game virtual items is made, and all the other revenue recognition criteria are met. The Group estimates the Player Relation Period of a game based on historical data statistics of the paying players and re-assesses such period semi-annually.

The Group may market or operate the online game products (including both Authorised Games and Self-owned game) through the self-run model and joint-run model.

Under the self-run model, the Group conducts marketing, publishing and payment channel operation and/or brand incubation services on its own. The Group is responsible for identifying, contracting with the payment channels (primarily Wechat pay, Alipay and Apple pay) and the media platforms. Commissions paid to the payment channels are included in cost of sales and the marketing costs paid to the media platforms are included in selling expenses except for the marketing fees calculated based on pay-to-sale which are included in cost of sales.

Under the joint-run model, the Group involves collaborated distribution platforms to serve as both an end-user acquisition channel and a strategic partner with the Group to joint-run the authorised game products, a portion of the gross amounts paid by the end-users is withheld directly by the collaborating distribution platforms (primarily mobile application stores) pursuant to the business arrangement with such collaborating distribution platforms. The Group records the amount withheld by the collaborating distribution platforms under the joint-run model as part of cost of sales.

Other marketing services

Other marketing services are provided primarily for the developer of non-gaming applications (mainly literature products). Therefore, the Group considers the third-party literature content providers as its customer and itself as an agent in its arrangement with both the third-party content creators and the online literature readers. The Group recognises the service revenue on a net basis which equals to the gross amounts collected from the online literature readers less the amounts shared by the literature content providers when the readers subscribe pay-to-read services and when such amounts are determinable.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Sales of products

The Group sells consumer products, which mainly contain rice noodle products and other fast consumer foods under the self-own brand “Zha Zha Hui”, to the end customers over third-party online retail platforms such as Douyin (“抖音”) and to the distributors.

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on the receipt and acceptance of products.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income

Dividend income is recognised when the shareholders’ right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Costs incurred to obtain a contract that are not incremental costs are required to be expensed as incurred, unless they are explicitly chargeable to the customer (regardless of whether the contract is obtained). Any capitalised contract costs are amortised, with the expense recognised on a systematic basis that is consistent with the entity’s transfer control of the related goods or services to the customer.

Share-based payments

The Group operates a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (“**equity-settled transactions**”).

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a discounted cash flow method and a binomial model, further details of which are given in note 31 to the consolidated financial statements.

Notes to Consolidated Financial Information

31 December 2023

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Share-based payments (Continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

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

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

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Other employee benefits

Pension scheme

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

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Housing fund — Mainland China

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

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

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

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

Notes to Consolidated Financial Information

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

Principal versus agent considerations

The Group determines whether it is a principal or an agent in providing marketing and operating services by evaluating the nature of its promise to the customer. The Group is a principal and therefore records revenue on a gross basis if it controls promised services before transferring the services to the customer. Otherwise, the Group is an agent and records as revenue the net amount that it retains profits agency services if its role is to arrange to provide the services. To assess whether the Group controls the services before they are transferred to the customer, the Group has considered various factors, including but not limited to whether the Group (i) is the primary obligor in the arrangement, (ii) has general inventory risk, (iii) has discretion in establishing the selling price.

Contingent liabilities on pending litigations

The Group has several pending litigations with regards to game products operated by the Group in the PRC. The Group recognised a provision for the estimated amounts to settle the obligations based on all the available information and the advices from legal counsels. If the final outcomes of these pending litigations are different with management's estimation, there will be adjustments to the amounts provided.

Withholding tax arising from the distribution of dividends

The Group's determination, as to whether to accrue deferred tax liabilities in respect of withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends. Withholding tax is provided for the profits of the subsidiaries which the Group considers it probable to be distributed in the foreseeable future. Further details are included in note 29 to the consolidated financial statements.

Contractual Arrangements

Jiangxi Tanwan and its subsidiaries (collectively the "**PRC Operating Entities**") are mainly engaged in the provision of product marketing and operation services to online games in the PRC, which falls in the scope of "Catalogue of Restricted Foreign Investment Industries" that foreign investors are prohibited to invest.

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

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

Judgements *(Continued)*

Contractual Arrangements *(Continued)*

The Group considers that it controls the PRC Operating Entities, notwithstanding the fact that it does not hold direct equity interests in the PRC Operating Entities, as it has power over the PRC Operating Entities, has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities through the Contractual Arrangements. Accordingly, the PRC Operating Entities have been accounted for as subsidiaries during the year. The Group has consolidated the financial position and results of the PRC Operating Entities in the consolidated financial statements.

Property lease classification — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimate of the Player Relation Period for revenue from self-owned game operation

As described in note 2.4 to the consolidated financial statements, revenue from self-owned game is recognised over the Player Relation Period. The Group estimates the Player Relation Period of a game based on historical data statistics of the paying players and re-assesses such period semi-annually. While the Group believes its estimates to be reasonable, it may revise such estimate in the future as there are any important changes in game player behaviour patterns, games' operation periods and other aspects.

Notes to Consolidated Financial Information

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

Estimation uncertainty *(Continued)*

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2023 was RMB27,917,000 (2022: RMB42,499,000). Further details are given in note 16.

Provision for expected credit losses on trade and other receivables

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and other receivables are disclosed in note 20 and note 21 to the Consolidated financial statement.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

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

Estimation uncertainty *(Continued)*

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations is undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of investments in joint ventures and associates

The Group determined whether there are indicators of impairment for investments in joint ventures and associates at the end of each reporting period. Indicators of impairment included, but not limited to serious deterioration of financial condition of the joint ventures and associates, significant drop in share prices, adverse changes in the industry market environment and other circumstances indicated that joint ventures and associates are unable to generate economic benefits for the Group. When such an indicator exists, the Group tested its investments in joint ventures and associates for impairment by comparing the estimated recoverable amounts with the carrying amounts. An impairment exists when the carrying value of investments in joint ventures and associates exceeds its recoverable amount.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2023 was RMB35,972,000 (2022: RMB19,912,000). Further details are contained in note 29 to the consolidated financial statement.

Fair value of share-based payments

The equity-settled share-based payments were estimated based on fair value of the awards as at the date of grant using valuation model depending on the terms and conditions of the grant. This requires the Group to determine the most appropriate inputs to the valuation model and make assumptions about them. Further details are included in note 31 to the consolidated financial statement.

Fair value of equity investments

Fair value of financial assets, in the absence of an active market, is estimated by using appropriate valuation techniques including the recent transaction approach. Management of the Group determines their fair value at the end of each reporting period by taking reference to those recent transaction prices. Further details are included in note 39.

Useful lives of intangible assets

Amortisation is calculated on the straight-line basis to write off the cost of each item of intangible assets to its residual value over its estimated useful life. The estimated useful lives and dates that the Group places the items of assets into productive use reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's intangible assets.

Notes to Consolidated Financial Information

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4. OPERATING SEGMENT INFORMATION

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance, does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

(a) Revenue from external customers

	2023 RMB'000	2022 RMB'000
Mainland China	6,084,255	8,638,210
Hong Kong	430,330	179,011
Total revenue	6,514,585	8,817,221

(b) Non-current assets

As at 31 December 2023 and 2022, substantially all of the non-current assets of the Group were located in the PRC.

Information about major customers

Revenue from customers which amounted to more than 10% of the Group's revenue during the year ended 31 December 2023 and 2022 is set out below:

	2023 RMB'000	2022 RMB'000
Customer A	1,887,087	2,373,776
Customer B	986,184	2,796,320
Customer C	751,758	1,572,252

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5. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

(a) Disaggregated revenue information

	2023 RMB'000	2022 RMB'000
Types of goods or services		
Game marketing and operation — Self-run model*	4,264,462	6,179,622
Game marketing and operation — Joint-run model	1,944,848	2,383,819
Other marketing services	91,618	38,022
Sales of products	213,657	215,758
	<hr/>	<hr/>
Total revenue from contracts with customers	6,514,585	8,817,221
	<hr/>	<hr/>
Timing of revenue recognition		
Services transferred over time	854,385	1,145,595
Services transferred at a point in time	5,446,543	7,455,868
Goods transferred at a point in time	213,657	215,758
	<hr/>	<hr/>
Total revenue from contracts with customers	6,514,585	8,817,221
	<hr/>	<hr/>
Geographical markets		
Mainland China	6,084,255	8,638,210
Hong Kong	430,330	179,011
	<hr/>	<hr/>
Total revenue from contracts with customers	6,514,585	8,817,221
	<hr/>	<hr/>

* Included the revenue of marketing and operation support services provided to third party publishers amounting to RMB58,818,000 (2022: RMB85,586,000) for the year.

Notes to Consolidated Financial Information

31 December 2023

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(b) Performance obligations

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

Authorised game marketing and operation

The performance obligation is satisfied upon the payment for the purchase of in-game virtual items by game players as the Group has no further obligation to game developers or publishers in order to earn the service fees upon the completion of the corresponding payment. Under the self-run model, the payment is due immediately when the game players make the payment for in-game purchases. Under joint-run model, the payment is due when the statement is received and confirmed with the collaborating distribution platforms. The Group settles the payment with game developers or publishers within 180 days from the date of billing.

Self-owned game marketing and operation

The performance obligation is satisfied over the estimated Player Relation Period. Under the self-run model, the payment is due immediately when the game players make the payment for in-game purchases. Under the joint-run model, the payment is due when the statement is received and confirmed with the collaborating distribution platforms.

Other marketing services

The performance obligation is satisfied upon the subscription of pay-to-read services by online literature readers. The payment is due immediately when the readers make the subscription. The Group settles the payment with the literature content providers on a monthly basis.

Sales of products

The performance obligation is satisfied at the point in time when the products are delivered and accepted by customers. The payment is due immediately for direct sales to the end customers on online retail platforms. The payment from the distributors is generally due within 15 days from delivery.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023 and 2022 are as follows:

	2023	2022
	RMB'000	RMB'000
Amounts expected to be recognised as revenue:		
Within one year	85,395	117,712

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue within one year relate to self-owned game marketing and operation. The amounts disclosed above do not include variable consideration which is constrained.

Notes to Consolidated Financial Information

31 December 2023

5. REVENUE, OTHER INCOME AND GAINS (Continued)

An analysis of other income and gains is as follows:

	Notes	2023 RMB'000	2022 RMB'000
Other income			
Bank interest income		188,567	189,125
Investment income from financial assets at fair value through profit or loss		248,705	29,796
VAT additional deduction and refunds		21,971	52,294
Government grants — related to income*		3,100	2,759
Investment property rental income	15	794	—
Others		936	1,606
		464,073	275,580
Gains			
Foreign exchange gains		—	1,224
Fair value gain on financial assets at fair value through profit or loss		—	12,467
Gain on disposal of subsidiaries		—	621
Gain on lease modification	15	4,049	2,708
		4,049	17,020
		468,122	292,600

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

Notes to Consolidated Financial Information

31 December 2023

6. PROFIT BEFORE TAX

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

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
Costs of services charged by the collaborating distribution platforms under the joint-run model		1,417,200	1,937,855
Cost of products sold		142,952	124,804
Promotion expenses		3,685,013	5,440,279
Employee benefit expense: (including directors' and chief executive's remuneration)			
Wages and salaries		269,610	330,469
Equity-settled-based payment expenses		219,368	42,883
Pension scheme contributions*(defined contribution scheme)		12,720	36,345
		501,698	409,697
Listing expenses		49,337	25,679
Auditor's remuneration		6,000	341
Depreciation of property and equipment	13	16,880	14,364
Depreciation of right-of-use assets	15	32,932	31,065
Depreciation of investment properties	14	841	—
Amortisation of other intangible assets**	17	35,372	50,777
Lease payments not included in the measurement of lease liabilities	15	235	30
Gain on lease modification	15	(4,049)	(2,708)
Foreign exchange differences, net		3,639	(1,224)
Impairment of trade receivables, net	20	923	615
Impairment of financial assets included in other receivables	21	856	1,604
Impairment of property and equipment***	13	—	5,479
Impairment of goodwill***	16	14,582	—
Fair value (gain)/loss on financial assets at fair value through profit or loss		173,120	(12,467)
Gain on disposal of financial assets at fair value through profit or loss		(248,705)	(29,796)
Gain on disposal of subsidiaries		—	(621)
Loss on disposal of items of property and equipment, net		2,944	4

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

** The amortisation of other intangible assets is included in costs of sales and administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

*** The impairment of property and equipment and goodwill are included in other expenses in the consolidated statement of profit or loss and other comprehensive income.

Notes to Consolidated Financial Information

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7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023	2022
	RMB'000	RMB'000
Finance costs on bills payable*	80,002	89,893
Interest on bank borrowings	5,263	7,969
Interest on lease liabilities (note 15)	9,070	10,016
	94,335	107,878

* It represented the finance costs charged by the banks to extend the maturity date of bills payable.

8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023	2022
	RMB'000	RMB'000
Fees	564	—
Other emoluments:		
Salaries, allowances and benefits in kind	1,796	1,534
Discretionary bonuses	1,909	6,000
Equity-settled share option expense	50,015	9,093
Pension scheme contributions	42	29
Subtotal	53,762	16,656
	54,326	16,656

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 31 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

Notes to Consolidated Financial Information

31 December 2023

8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION (Continued)

(a) Independent non-executive directors

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

	2023 RMB'000	2022 RMB'000
Ms. SONG Siyun (宋司筠)	34	—
Mr. QIN Yongde (覃永德)	34	—
Ms. ZHENG Yi (鄭怡)	46	—
	<hr/>	
Total	114	—

Ms. SONG Siyun (宋司筠), Mr. QIN Yongde (覃永德), and Ms. ZHENG Yi (鄭怡) were appointed as independent non-executive directors of the Company and such appointment has become effective on 30 March 2023. There were emoluments payable of RMB114,000 to the independent non-executive directors during the year (2022: Nil).

(b) Executive director and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2023						
Executive director:						
Ms. Wu Xuan (吳璇)	200	811	159	—	13	1,183
Chief executive:						
Mr. Wu Xubo (吳旭波)	250	985	1,750	50,015	29	53,029
	<hr/>					
	450	1,796	1,909	50,015	42	54,212
	<hr/>					
2022						
Executive director:						
Ms. Wu Xuan (吳璇)	—	677	—	—	14	691
Chief executive:						
Mr. Wu Xubo (吳旭波)	—	857	6,000	9,093	15	15,965
	<hr/>					
	—	1,534	6,000	9,093	29	16,656
	<hr/>					

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

During the year, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to Consolidated Financial Information

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2022: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2022: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023	2022
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	1,850	1,931
Discretionary bonuses	474	2,548
Equity-settled share option expense	51,430	10,064
Pension scheme contributions	54	56
	53,808	14,599

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

	Number of employees	
	2023	2022
HKD2,500,001 to HKD3,000,000	—	2
HKD3,000,001 to HKD3,500,000	—	1
HKD8,000,001 to HKD8,500,000	—	1
HKD9,500,001 to HKD10,000,000	1	—
HKD10,500,001 to HKD11,000,000	1	—
HKD12,000,001 to HKD12,500,000	1	—
HKD26,500,000 to HKD27,000,000	1	—
	4	4

During the year and in prior years, share options were granted to four non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 31 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

During the year, no remuneration was paid by the Group to the non-director and non-chief executive highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to Consolidated Financial Information

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10. INCOME TAX

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

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and its subsidiaries are not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

Jiangxi Tanwan was accredited as a high and new technology enterprise (“**HNTE**”) in 2021, and the certificate is valid for three years. The HNTE certificate needs to be renewed every three years so as to enable Jiangxi Tanwan to enjoy the reduced tax rate of 15%. Although Jiangxi Tanwan has re-applied for and obtained the certificate of HNTE on 3 November 2021, it failed to enjoy the preferential tax rate of 15% in 2022 and 2023 because of its business indicators not meeting the stipulation of HNTE, but applied the statutory rate of 25%.

ZX WFOE was accredited as a “software enterprise” in 2021 under relevant PRC laws and regulations. Accordingly, ZX WFOE is exempt from Corporate Income Tax (“**CIT**”) for 2021 and 2022, followed by a 50% reduction in the applicable tax rates from 2023 to 2025.

The following table sets forth a breakdown of the income tax expense for the year indicated:

	2023	2022
	RMB'000	RMB'000
Current — Mainland China	201,557	116,993
Deferred (note 29)	(61,455)	(6,940)
Total	140,102	110,053

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10. INCOME TAX (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate of Mainland China (i.e., 25%) where the main operating entities are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2023		2022	
	RMB'000	%	RMB'000	%
Profit before tax	413,391		601,575	
Tax at the statutory tax rate	103,348	25	150,394	25
Lower tax rate(s) for specific provinces or enacted by local authority	(6,049)	(1)	(55,544)	(9)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	7,000	2	—	—
Profits and losses attributable to joint ventures and associates	3	—	3,110	1
Super deduction for research and development expenses	(26,322)	(6)	(10,843)	(2)
Expenses not deductible for tax purposes	67,470	16	24,397	4
Tax losses not recognised	540	—	2,637	—
Utilisation of previously unrecognised tax losses	(5,888)	(1)	(1,041)	—
Adjustments of deferred tax due to changes in tax rates	—	—	(3,057)	(1)
Tax charge at the Group's effective rate	140,102	34	110,053	18

The share of tax attributable to associates and joint ventures amounting to RMB2,224,000 (2022: RMB1,560,000), respectively, is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss and other comprehensive income.

11. DIVIDENDS

On 15 August 2023, the Company declared a special dividend in the amount of RMB50,000,000, the payment of which was fully settled in the same month by cash using internal resources.

The Board does not recommend the payment of a final dividend to the ordinary equity holders of the Company for the year ended 31 December 2023 (2022: nil).

Notes to Consolidated Financial Information

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 502,938,959 (2022: 53,255,479) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2023	2022
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation (RMB'000)	235,487	514,067
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	502,938,959	53,255,479
Effect of dilution — weighted average number of ordinary shares	9,725,162	266,204
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	512,664,121	53,521,683

Notes to Consolidated Financial Information

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13. PROPERTY, PLANT AND EQUIPMENT

	Electronic devices RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Buildings* RMB'000	Construction in progress** RMB'000	Total RMB'000
31 December 2023							
At 1 January 2023:							
Cost	27,747	3,444	15,531	39,254	39,367	–	125,343
Accumulated depreciation and impairment	(19,169)	(1,502)	(6,238)	(12,854)	(6,411)	–	(46,174)
Net carrying amount	8,578	1,942	9,293	26,400	32,956	–	79,169
At 1 January 2023, net of accumulated depreciation and impairment							
	8,578	1,942	9,293	26,400	32,956	–	79,169
Additions	5,407	–	10,633	1,093	–	108,387	125,520
Disposals	(1,721)	(328)	(189)	(4,622)	–	–	(6,860)
Depreciation provided during the year (note 6)	(7,634)	(603)	(4,279)	(2,961)	(1,403)	–	(16,880)
Transfers to buildings	–	–	–	–	24,440	(24,440)	–
Transfers to investment properties (note 14)	–	–	–	–	–	(82,382)	(82,382)
At 31 December 2023, net of accumulated depreciation and impairment							
	4,630	1,011	15,458	19,910	55,993	1,565	98,567
At 31 December 2023:							
Cost	24,326	3,065	23,922	31,791	63,808	1,565	148,477
Accumulated depreciation and impairment	(19,696)	(2,054)	(8,464)	(11,881)	(7,815)	–	(49,910)
Net carrying amount	4,630	1,011	15,458	19,910	55,993	1,565	98,567

Notes to Consolidated Financial Information

31 December 2023

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Electronic devices RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Buildings* RMB'000	Total RMB'000
31 December 2022						
At 1 January 2022:						
Cost	23,729	3,074	9,478	35,281	—	71,562
Accumulated depreciation	(14,620)	(899)	(3,526)	(7,286)	—	(26,331)
Net carrying amount	9,109	2,175	5,952	27,995	—	45,231
At 1 January 2022, net of accumulated depreciation	9,109	2,175	5,952	27,995	—	45,231
Additions	4,355	375	6,053	3,973	39,367	54,123
Disposals	(337)	(5)	—	—	—	(342)
Impairment provided during the year (note 6)	—	—	—	—	(5,479)	(5,479)
Depreciation provided during the year (note 6)	(4,549)	(603)	(2,712)	(5,568)	(932)	(14,364)
At 31 December 2022, net of accumulated depreciation and impairment	8,578	1,942	9,293	26,400	32,956	79,169
At 31 December 2022:	—					
Cost	27,747	3,444	15,531	39,254	39,367	125,343
Accumulated depreciation and impairment	(19,169)	(1,502)	(6,238)	(12,854)	(6,411)	(46,174)
Net carrying amount	8,578	1,942	9,293	26,400	32,956	79,169

* As at 31 December 2023, the Group's buildings with a net carrying value of RMB31,939,000 (2022: RMB32,956,000) were located in Guangzhou, the PRC, and the Group is in the process of obtaining the real estate certificates. An impairment of RMB5,479,000 was provided in 2022 by reference to the estimated fair value of the buildings and no further impairment was made this year. A depreciation charge of RMB1,016,000 (2022: RMB932,000) was recognised in profit or loss for the year ended 31 December 2023.

** As at 31 December 2023, the Group's construction in progress with a net carrying value of RMB1,565,000 (2022: Nil) relates to the decoration of the buildings which are located in Guangzhou, the PRC.

Notes to Consolidated Financial Information

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14. INVESTMENT PROPERTIES

	2023	2022
	RMB'000	RMB'000
Carrying amount at 1 January	—	—
Transfers from construction in progress (note 13)	82,382	—
Depreciation provided during the year	(841)	—
	<hr/>	<hr/>
Carrying amount at 31 December	81,541	—

The Group's investment properties are measured using a cost model and depreciated to write off their costs net of estimated residual values over their estimated useful lives on a straight-line basis.

The commercial buildings with a net carrying value of RMB44,028,000 are located in Guangzhou, the PRC, with a land use right period from 2023 to 2053. The office buildings with a net carrying value of RMB37,513,000 are located in Guangzhou, the PRC, with a land use right period from 2023 to 2063.

These fair values of the Group's investment properties were approximately RMB44,200,000 for the commercial buildings as at 31 December 2023 (2022: Nil) and approximately RMB37,700,000 for the office buildings as at 31 December 2023 (2022: Nil). These fair values are determined based on the valuation conducted by APA Valuation Advisory Ltd, an independent valuer. Under the valuation models, a market-based approach has been adopted.

The market approach is based on the average market selling price of comparable properties in the same business type and currently being sold, with appropriate amendments.

Notes to Consolidated Financial Information

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14. INVESTMENT PROPERTIES (Continued)

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the financial statements.

The fair value of the investment properties is categorised into Level 3 valuations, i.e., fair value measured using significant unobservable inputs, as defined in HKFRS 13 *Fair Value Measurement*.

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of offices used in its operations. Leases of offices generally have lease terms between 2 and 15 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

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

Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There is no lease contract that includes extension and termination options and variable lease payments.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Properties RMB'000
As at 1 January 2022	189,404
Additions	45,579
Depreciation charge	(31,065)
Remeasurement due to lease modification	(23,689)
	<hr/>
As at 31 December 2022 and 1 January 2023	180,229
Additions	259,752
Depreciation charge	(32,932)
Remeasurement due to lease modification	(59,203)
	<hr/>
As at 31 December 2023	347,846

Notes to Consolidated Financial Information

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15. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

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

	2023	2022
	RMB'000	RMB'000
Carrying amount at 1 January	212,001	210,301
New leases	58,796	45,579
Accretion of interest recognised during the year	9,070	10,016
Payments	(23,075)	(26,523)
Remeasurement due to lease modification	(63,998)	(27,372)
	<hr/>	<hr/>
Carrying amount at 31 December	192,794	212,001
Analysed into:		
Current portion	39,616	21,247
Non-current portion	153,178	190,754
	<hr/>	<hr/>

The maturity analysis of lease liabilities is disclosed in note 40 to the financial statements.

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

	2023	2022
	RMB'000	RMB'000
Interest on lease liabilities	9,070	10,016
Depreciation charge of right-of-use assets	32,932	31,065
Expense relating to short-term leases (included in cost of sales)	235	30
Gain on lease modification	(4,049)	(2,708)
	<hr/>	<hr/>
Total amount recognised in profit or loss	38,188	38,403

(d) The total cash outflow for leases is disclosed in note 33(c), to the financial statements.

Notes to Consolidated Financial Information

31 December 2023

15. LEASES (Continued)

The Group as a lessor

The Group leases its investment properties (note 14) consisting of commercial buildings and office buildings in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB794,000 (2022: Nil), details of which are included in note 5 to the financial statements.

At 31 December 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023	2022
	RMB'000	RMB'000
Within one year	2,106	—
After one year but within two years	2,106	—
After two years but within three years	2,106	—
After three years but within four years	2,106	—
After four years but within five years	1,312	—
	9,736	—

16. GOODWILL

	RMB'000
At 1 January 2022:	
Cost	42,499
Accumulated impairment	—
Net carrying amount	42,499
At 31 December 2022:	
Cost	42,499
Accumulated impairment	—
Net carrying amount	42,499
Cost at 1 January 2023, net of accumulated impairment	42,499
Impairment during the year	(14,582)
Cost and net carrying amount at 31 December 2023	27,917
At 31 December 2023:	
Cost	42,499
Accumulated impairment	(14,582)
Net carrying amount	27,917

16. GOODWILL (Continued)

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to cash-generating unit, namely the Guangzhou Chichi cash-generating unit and namely the Hainan Zhangwan cash-generating unit (collectively, the “CGUs”) for impairment testing.

Guangzhou Chichi CGU:

The recoverable amounts of the Guangzhou Chichi cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The pre-tax discount rate applied to the cash flow projections, the revenue growth rate, EBIT margin and the terminal growth rate used to extrapolate the cash flows of the cash-generating unit beyond the five-year period.

The recoverable amount of the Guangzhou Chichi cash-generating unit to which goodwill was allocated exceeded its carrying amount by RMB4,430,000 (2022: RMB37,939,000).

The pre-tax discount rates applied to the cash flow projections, the compound revenue growth rate and EBIT margin used to extrapolate cash flow of the cash-generating unit and terminal growth rates are as follows:

	2023	2022
Compound revenue growth rate	5%	30.38%
EBIT margin	3%~5%	(1%)~4%
Pre-tax discount rate	32.79%	30.83%
Terminal growth rate	2.2%	3%

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

Revenue growth rate — the rate is based on the average growth achieved in the past years and the synergies from new acquisitions.

EBIT margin — EBIT margin is based on the average EBIT margin achieved in the year immediately before the budget year and is increased over the budget period for anticipated efficiency improvements.

Pre-tax discount rate — the rate reflects management’s estimate of the risks specific to the unit.

Terminal growth rate — the rate is based on published industry research.

The values assigned to the key assumptions on gross profit margin, discount rates and growth rates are consistent with management’s past experience and external information sources.

Hainan Zhangwan CGU:

During the year ended 31 December 2023, the management of the Group has provided an impairment loss on goodwill of RMB14,582,000 (2022: Nil) allocated to the Hainan Zhangwan cash-generating unit to write down its recoverable amount to nil due to the closure of its businesses under the Group’s latest strategy.

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17. OTHER INTANGIBLE ASSETS

	Computer software RMB'000	Domain names RMB'000	Game operation agreements RMB'000	Copyright RMB'000	Total RMB'000
31 December 2023					
Cost at 1 January 2023, net of accumulated amortisation	897	12,003	834	30,000	43,734
Additions	6,891	—	—	—	6,891
Amortisation provided during the year	(3,005)	(1,533)	(834)	(30,000)	(35,372)
At 31 December 2023	4,783	10,470	—	—	15,253
At 31 December 2023:					
Cost	7,943	15,330	12,000	60,000	95,273
Accumulated amortisation	(3,160)	(4,860)	(12,000)	(60,000)	(80,020)
Net carrying amount	4,783	10,470	—	—	15,253
31 December 2022					
At 1 January 2022:					
Cost	1,736	15,330	47,000	—	64,066
Accumulated amortisation	(1,112)	(1,794)	(27,333)	—	(30,239)
Net carrying amount	624	13,536	19,667	—	33,827
Cost at 1 January 2022, net of accumulated amortisation	624	13,536	19,667	—	33,827
Additions	684	—	—	60,000	60,684
Amortisation provided during the year	(411)	(1,533)	(18,833)	(30,000)	(50,777)
At 31 December 2022	897	12,003	834	30,000	43,734
At 31 December 2022 and at 1 January 2023:					
Cost	2,420	15,330	47,000	60,000	124,750
Accumulated amortisation	(1,523)	(3,327)	(46,166)	(30,000)	(81,016)
Net carrying amount	897	12,003	834	30,000	43,734

Notes to Consolidated Financial Information

31 December 2023

18. INVESTMENTS IN JOINT VENTURES

	2023	2022
	RMB'000	RMB'000
Share of net assets	268,955	262,725
Goodwill on acquisition	7,000	7,000
Subtotal	275,955	269,725
Provision for impairment	(2,537)	(2,537)
Total	273,418	267,188

Particulars of the Group's material joint ventures are as follows:

Name	Particulars of registered capital held	Date and place of registration and business	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
Zhejiang Xuwan Technology Co., Ltd. (浙江旭玩科技有限公司)*	RMB500,000,000 as registered capital	5 July 2018 PRC/Mainland China	40%	40%	48.78%	Technical services and development
Guangzhou Zeda New Culture and Creative Industry Development Co., Ltd. (廣州市澤達新文創產業發展有限公司)*	RMB200,000,000 as registered capital	7 April 2020 PRC/Mainland China	26%	26%	26%	Real estate development, management and interactive entertainment product marketing business

The above investments are held through a consolidated affiliate entity of the Company. They are joint ventures of the Group as the decisions about the relevant activities of the entities require the unanimous consent of the shareholders.

* The Group invested in Zhejiang Xuwan Technology Co., Ltd. and Guangzhou Zeda New Culture and Creative Industry Development Co., Ltd. ("**Zeda**") in 2020.

* As at 31 December 2023, the Group's investment in Zeda was pledged to the Agricultural Bank of China to guarantee the bank borrowings of Zeda with the maximum guarantee amount of RMB405,000,000 (note 37).

Notes to Consolidated Financial Information

31 December 2023

18. INVESTMENTS IN JOINT VENTURES (Continued)

Zeda acquired a land use right in 2020 for a period of 50 years and started the construction of properties in 2022. As at 31 December 2023, Zeda had a bank borrowing amount of RMB48,339,000 from the Agricultural Bank of China for the purpose of construction (2022: Nil).

During the year, there was no impairment provided for the investment in Zeda by taking into account the fair value of the land (2022: Nil).

Zhejiang Xuwan Technology Co., Ltd., which is considered a material joint venture of the Group, is accounted for using the equity method.

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

	2023	2022
	RMB'000	RMB'000
Current assets	149,262	171,813
Non-current assets	343,591	324,631
Current liabilities	(39,688)	(57,495)
	<hr/>	<hr/>
Net assets	453,165	438,949
	<hr/>	<hr/>
Reconciliation to the Group's interest in the joint venture:		
Group's share of net assets of the joint venture	221,054	214,120
	<hr/>	<hr/>
Goodwill on acquisition (less cumulative impairment)	—	—
Carrying amount of the investment	221,054	214,120
	<hr/>	<hr/>
	2023	2022
	RMB'000	RMB'000
Revenue	142,663	99,644
Profit for the year	14,215	14,379
Total comprehensive income for the year	14,215	14,379

Notes to Consolidated Financial Information

31 December 2023

18. INVESTMENTS IN JOINT VENTURES (Continued)

Guangzhou Zeda New Culture and Creative Industry Development Co., Ltd., which is considered a material joint venture of the Group, is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Guangzhou Zeda New Culture and Creative Industry Development Co., Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2023	2022
	RMB'000	RMB'000
Current assets	4,966	9,231
Non-current assets	262,974	222,451
Current liabilities	(42,568)	(52,472)
Non-current liabilities	(48,339)	—
	<hr/>	<hr/>
Net assets	177,033	179,210
	<hr/>	<hr/>
Reconciliation to the Group's interest in the joint venture:		
Group's share of net assets of the joint venture	46,029	46,595
	<hr/>	<hr/>
Goodwill on acquisition (less cumulative impairment)	—	—
Carrying amount of the investment	46,029	46,595
	<hr/>	<hr/>

	2023	2022
	RMB'000	RMB'000
Loss for the year	(2,177)	(7,012)
Total comprehensive loss for the year	(2,177)	(7,012)

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

	2023	2022
	RMB'000	RMB'000
Share of the joint ventures' profit for the year	62	330
Aggregate carrying amount of the Group's investments in the joint ventures	6,335	6,473
	<hr/>	<hr/>

Notes to Consolidated Financial Information

31 December 2023

19. INVESTMENTS IN ASSOCIATES

	2023	2022
	RMB'000	RMB'000
Share of net assets	178,214	5,992
Goodwill on acquisition	25	—
	<hr/>	<hr/>
Total	178,239	5,992

Particulars of the material associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Jiaxing Xukai Enterprise Management Partnership (Limited partnership) (嘉興旭愷企業管理合夥企業 (有限合夥))("Jiaxing Xukai") *	RMB559,920,000 as registered capital	10 May 2023 PRC/Mainland China	42%	Technical services and development

The above investment is held through a consolidated affiliate entity of the Company.

* In October 2023, the Group invested RMB235,166,400 in Jiaxing Xukai which accounted for 42% of the total equity interests.

Notes to Consolidated Financial Information

31 December 2023

19. INVESTMENTS IN ASSOCIATES (Continued)

Jiaxing Xukai Enterprise Management Partnership (Limited partnership), which is considered a material associate of the Group, is accounted for using the equity method.

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

	2023	2022
	RMB'000	RMB'000
Current assets	1,045	—
Non-current assets	412,800	—
Net assets	413,845	—
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	42%	—
Group's share of net assets of the associate, excluding goodwill	173,815	—
Carrying amount of the investment	173,815	—
Loss for the year	(955)	—
Other comprehensive loss	(145,120)	—
Total comprehensive loss for the year	(146,075)	—

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

	2023	2022
	RMB'000	RMB'000
Share of the associates' loss for the year	(12,883)	(33,878)
Aggregate carrying amount of the Group's investments in the associates	4,424	5,992

Notes to Consolidated Financial Information

31 December 2023

20. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	315,011	430,209
Impairment	(4,315)	(3,392)
	<hr/>	<hr/>
Net carrying amount	310,696	426,817

The Group's trade receivables mainly represent amounts receivable from third-party collaborated distribution platforms and online retail platforms. The credit period for collaborated distribution platforms is generally 30 to 180 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by the Group's management. In view of the aforementioned and the fact that the Group's trade receivables principally relate to diversified application distribution platforms, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

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

	2023 RMB'000	2022 RMB'000
Within 1 year	307,204	424,403
1 to 2 years	3,218	2,222
Over 2 years	274	192
	<hr/>	<hr/>
	310,696	426,817

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

	2023 RMB'000	2022 RMB'000
At beginning of year	3,392	2,777
Impairment losses, net (note 6)	923	615
	<hr/>	<hr/>
At end of year	4,315	3,392

Notes to Consolidated Financial Information

31 December 2023

20. TRADE RECEIVABLES (Continued)

The Group applies the simplified approach to provide for expected credit losses under HKFRS 9, and the provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The Group used a calculation which reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Trade receivables for which the counterparties failed to make the demanded repayments are defaulted receivables. The Group has provided for 100% of the defaulted receivables during the years ended 31 December 2022 and 2023.

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

As at 31 December 2023

	Amount RMB'000	Expected loss rate %	Impairment RMB'000
Defaulted receivables	1,925	100%	1,925
Other trade receivables aged:			
Current	292,616	—*	379
Past due for 6 months to 1.5 years	16,728	3%	558
Past due for 1.5 years to 2.5 years	2,966	23%	677
Past due for over 2.5 years	776	100%	776
	315,011		4,315

As at 31 December 2022

	Amount RMB'000	Expected loss rate %	Impairment RMB'000
Defaulted receivables	1,925	100%	1,925
Other trade receivables aged:			
Current	392,225	—*	249
Past due for 6 months to 1.5 years	35,026	1%	449
Past due for 1.5 years to 2.5 years	375	30%	111
Past due for over 2.5 years	658	100%	658
	430,209		3,392

* Less than 1%

Notes to Consolidated Financial Information

31 December 2023

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 RMB '000	2022 RMB '000
Non-current		
Loans to employees	—	1,996
Prepayments for property and equipment	—	109,376
Deposits and other receivables	11,633	7,811
	11,633	119,183
Less: allowance for impairment	—	—
	11,633	119,183
Current		
Prepayment for marketing and promotion services	88,975	109,282
Deposits and other receivables	72,577	187,560
Prepayments to game developers	350,699	148,171
Undrawn deposits on third party payment channels	33,128	39,733
Deductible input VAT	112,813	83,418
Prepaid expenses	5,963	1,785
Time deposits with original maturity of over three months but less than one year	7,099	48,093
Contract costs for self-owned games	30,955	61,686
Deferred listing expenses	—	6,386
Loans to employees	1,310	—
	703,519	686,114
Less: allowance for impairment	(19,647)	(18,791)
	683,872	667,323

The loans to employees provided by the Group bear interest at a rate of 4.75% p.a. and will be due for repayment in 2024.

An impairment analysis was performed at the end of the year. The Group has applied the general approach to provide for expected credit losses for non-trade other receivables under HKFRS 9. The Group considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate. The defaulted non-trade other receivables as at 31 December 2023 were RMB19,647,000 (2022: RMB18,791,000).

Notes to Consolidated Financial Information

31 December 2023

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	RMB'000	RMB'000
Non-current portion		
Unlisted equity investments, at fair value	15,000	—
Current portion		
Wealth management products, at fair value	—	471,530
Listed equity investments, at fair value	412,800	799,805
	412,800	1,271,335
	427,800	1,271,335

The above unlisted equity investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

The above wealth management products were issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. As at 31 December 2022, the carrying amounts of wealth management products of RMB471,530,000 were pledged for discounted bills and bills payable. As at 31 December 2023, the carrying amounts of wealth management products was nil as all of them had expired.

The above listed equity investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

As at 31 December 2023, the Group's listed equity investments amounting to RMB412,800,000 (2022: Nil) were pledged for bills payable of the Group (note 25).

Notes to Consolidated Financial Information

31 December 2023

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2023	2022
	RMB'000	RMB'000
Cash and bank balances	4,682,329	6,674,268
Less: Current restricted cash	(4,931)	(10,394)
Non-current pledged time deposits	(2,045,506)	(3,395,558)
Current pledged time deposits	(2,137,907)	(3,006,801)
Non-pledged time deposits with original maturity of over three months and less than one year (note 21)	(7,099)	(48,093)
	<hr/>	<hr/>
Cash and cash equivalents	486,886	213,422
	<hr/>	<hr/>
Denominated in:		
RMB	239,691	177,360
USD	128,580	3,446
HKD	118,613	32,616
JPY	2	—

As at 31 December 2023, restricted cash amounting to RMB4,060,000 (2022: RMB10,000,000), represented deposits held in designated bank accounts for pending litigations. As at 31 December 2023, restricted cash amounting to RMB871,000 (2022: RMB394,000), represented bank deposits designated for securing bills payable.

As at 31 December 2023, pledged time deposits amounting to RMB4,183,413,000 (2022: RMB6,402,359,000) were restricted and pledged for discounted bills, bills payable and bank loans of the Group (note 25 and note 27).

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Notes to Consolidated Financial Information

31 December 2023

24. TRADE PAYABLES

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

	2023 RMB'000	2022 RMB'000
Within 1 year	454,835	521,280
1 to 2 years	9,624	1,464
2 to 3 years	324	134
Over 3 years	1,286	771
	466,069	523,649

The trade payables are non-interest-bearing and are normally settled on 1-year terms.

Included in the trade payable amounts of RMB450,906,000 (2022: RMB488,394,000) were payables to game developers as at 31 December 2023.

25. BILLS PAYABLE

	2023 RMB'000	2022 RMB'000
Bills payable	2,806,551	5,640,211
	2,806,551	5,640,211

The bills payable are due for payment within 1 year and the Group bears finance costs at rates of 1.48% to 2.7% p.a. for the extended maturity date of 6 months.

Included in bills payable amounts of RMB727,430,000 and RMB1,464,893,000 were payables to game developers as at 31 December 2023 and 31 December 2022.

Included in bills payable amounts of RMB2,079,121,000 and RMB4,145,444,000 were payables for marketing and promotion services as at 31 December 2023 and 31 December 2022.

The time deposits and financial assets at fair value through profit or loss in total of RMB4,371,004,000 (2022: RMB6,314,746,000) were pledged for bills payable as at 31 December 2023. Details are set out in note 22 and note 23 to the consolidated financial statements.

Notes to Consolidated Financial Information

31 December 2023

26. OTHER PAYABLES AND ACCRUALS

	2023	2022
	RMB'000	RMB'000
Marketing and promotion services payables	560,782	472,498
Salaries and benefits payables	132,804	140,940
Other tax payables	48,998	49,362
Contract liabilities*	85,395	117,712
Prepayments from suppliers	—	13,319
Dividends	10,538	—
Other payables**	55,424	107,388
	893,941	901,219

Details of contract liabilities are as follows:

	2023	2022
	RMB'000	RMB'000
Advances received from the players of the self-owned games	85,395	117,712
	85,395	117,712

* Contract liabilities include advances received from the players of the self-owned games operated by the Group in 2023 and 2022.

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

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2023	2022
	RMB'000	RMB'000
Discounted bills	181,743	555,844
Bank loans — secured	32,000	—
	213,743	555,844

The discounted bills bear interest at rates of 1.23% to 2.8% p.a. and repayable within 6 months. The bank loans bear interest at a rate of 2.81% p.a. and are repayable within 1 year.

The pledged deposits and financial assets at fair value through profit or loss in total of RMB182,209,000 were pledged for discounted bills as at 31 December 2023 (2022: RMB559,143,000). Details are set out in note 22 and note 23 to the financial statements.

The pledged deposits of RMB43,000,000 were pledged for bank loans as at 31 December 2023 (2022: Nil). Details are set out in note 23 to the financial statements.

Notes to Consolidated Financial Information

31 December 2023

28. PROVISION

	Litigation
At 1 January 2023	9,150
Additional provision	—
Amounts utilised during the year	(6,100)
	<hr/>
At 31 December 2023	3,050
	<hr/>

The provision mainly related to pending litigations with regards to game products operated by the Group in the PRC. The Group accrued provision according to the verdict of the first instance.

29. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Right-of-use assets RMB'000	Investments measured at FVTPL RMB'000	2023 Fair value adjustments arising from acquisition of subsidiaries RMB'000	Contract costs for self- owned games RMB'000	Total RMB'000
At 31 December 2022	44,775	3,117	208	15,421	63,521
At 1 January 2023	44,775	3,117	208	15,421	63,521
Deferred tax charged/(credited) to profit or loss during the year (note 10)	17,031	(3,117)	(208)	(7,682)	6,024
Gross deferred tax liabilities at 31 December 2023	61,806	—	—	7,739	69,545

Notes to Consolidated Financial Information

31 December 2023

29. DEFERRED TAX (Continued)

Deferred tax assets

	2023						
	Lease liabilities RMB'000	Impairment of assets RMB'000	Accrued liabilities RMB'000	Tax losses RMB'000	Investments measured at FVTPL RMB'000	Contract liabilities RMB'000	Total RMB'000
At 31 December 2022	52,201	7,550	2,288	19,912	—	29,427	111,378
At 1 January 2023	52,201	7,550	2,288	19,912	—	29,427	111,378
Deferred tax credited/(charged) to profit or loss during the year (note 10)	17,298	444	(1,525)	16,060	43,280	(8,078)	67,479
Gross deferred tax assets at 31 December 2023	69,499	7,994	763	35,972	43,280	21,349	178,857

Deferred tax liabilities

	2022					Total RMB'000
	Right-of-use assets RMB'000	Investments measured at FVTPL RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Contract costs for self-owned games RMB'000		
At 31 December 2021	45,720	330	4,917	—		50,967
At 1 January 2022	45,720	330	4,917	—		50,967
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	(945)	2,787	(4,709)	15,421		12,554
Gross deferred tax liabilities at 31 December 2022	44,775	3,117	208	15,421		63,521

Notes to Consolidated Financial Information

31 December 2023

29. DEFERRED TAX (Continued)

Deferred tax assets

	2022						
	Lease liabilities RMB'000	Impairment of assets RMB'000	Accrued liabilities RMB'000	Tax losses RMB'000	Investments measured at FVTPL RMB'000	Contract liabilities RMB'000	Total RMB'000
At 31 December 2021	50,740	3,855	1,756	35,358	175	—	91,884
At 1 January 2022	50,740	3,855	1,756	35,358	175	—	91,884
Deferred tax credited/(charged) to the profit or loss during the year (note 10)	1,461	3,695	532	(15,446)	(175)	29,427	19,494
Gross deferred tax assets at 31 December 2022	52,201	7,550	2,288	19,912	—	29,427	111,378

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2023 RMB'000	2022 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	109,312	47,857

Deferred tax assets have not been recognised in respect of the following item:

	2023 RMB'000	2022 RMB'000
Tax losses	7,656	44,702

All of the above tax losses arose in Mainland China and will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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31 December 2023

29. DEFERRED TAX (Continued)

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% withholding tax (“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% in certain circumstances. For the Group, the applicable rate is 10%.

Since the Group intends to permanently reinvest the earnings to further expand its businesses in the PRC after the Reorganisation, it does not intend to declare dividends to its immediate foreign holding entities in the foreseeable future. Accordingly, no deferred income tax liability on WHT was accrued as at 31 December 2023.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. SHARE CAPITAL AND TREASURY SHARES

Shares

	2023 RMB'000	2022 RMB'000
Issued and fully paid:		
534,439,918 (2022: 515,463,918) ordinary shares*	77	74

* As at 31 December 2023 and 2022, the total number of issued ordinary shares included 17,463,918 shares held for the share option scheme, with a par value of RMB3,000.

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2022	50,000	—*
Shares issued (a)	515,413,918	74
At 31 December 2022 and 1 January 2023	515,463,918	74
Shares issued (b)	18,976,000	3
At 31 December 2023	534,439,918	77

* Less than RMB1,000.

(a) On 22 November 2022, the Company issued and allotted an aggregate of 515,413,918 shares with a par value of USD0.00002 to the equity holders of Jiangxi Tanwan and the shareholding platforms of the Pre-IPO share scheme.

(b) On 28 September 2023, the Company issued 18,976,000 new shares with a par value of USD0.00002 at HKD14.00 per share upon its listing on the Hong Kong Stock Exchange.

31. SHARE OPTION SCHEME

The Company adopted the Pre-IPO Share Option Scheme (the “**Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the Company’s directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company’s shareholders, and any non-controlling shareholder in the Company’s subsidiaries. The Scheme became effective on 4 November 2022 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares issuable under share options to service providers in the Scheme is limited to 3.39% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of grant) in excess of HKD5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The exercise period of the share options granted is ten years commencing from the date upon which the share options are deemed to be granted and accepted pursuant to the terms of the Pre-IPO Share Option Plan.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company’s shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company’s shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

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

	2023		2022	
	Weighted average exercise price USD	Number of options	Weighted average exercise price USD	Number of options
At 1 January	0.00002	17,463,918	—	—
Granted during the year	0.00002	435,565	0.00002	17,463,918
Forfeited during the year	0.00002	(719,069)	—	—
Exercised during the year	—	—	—	—
Expired during the year	—	—	—	—
At 31 December	0.00002	17,180,414	0.00002	17,463,918

Notes to Consolidated Financial Information

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31. SHARE OPTION SCHEME (Continued)

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

2023

Number of options	Exercise price* USD per share	Exercise period
3,686,212	0.00002	28/12/2023 to 15/11/2032
3,686,212	0.00002	28/06/2024 to 15/11/2032
3,686,212	0.00002	28/12/2024 to 15/11/2032
3,686,213	0.00002	28/06/2025 to 15/11/2032
2,000,000	0.00002	28/03/2024 to 15/11/2032
15,464	0.00002	28/12/2023 to 15/03/2033
15,464	0.00002	28/06/2024 to 15/03/2033
15,464	0.00002	28/12/2024 to 15/03/2033
15,463	0.00002	28/06/2025 to 15/03/2033
2,577	0.00002	28/12/2023 to 30/03/2033
2,577	0.00002	28/06/2024 to 30/03/2033
2,577	0.00002	28/12/2024 to 30/03/2033
2,578	0.00002	28/06/2025 to 30/03/2033
41,881	0.00002	28/12/2023 to 30/06/2033
41,881	0.00002	28/06/2024 to 30/06/2033
41,881	0.00002	28/12/2024 to 30/06/2033
41,882	0.00002	28/06/2025 to 30/06/2033
10,309	0.00002	28/12/2023 to 31/07/2033
10,309	0.00002	28/06/2024 to 31/07/2033
10,309	0.00002	28/12/2024 to 31/07/2033
10,310	0.00002	28/06/2025 to 31/07/2033
38,660	0.00002	28/12/2023 to 06/09/2033
38,660	0.00002	28/06/2024 to 06/09/2033
38,660	0.00002	28/12/2024 to 06/09/2033
38,659	0.00002	28/06/2025 to 06/09/2033
17,180,414		

2022

Number of options	Exercise price* USD per share	Exercise period
3,865,980	0.00002	28/12/2023 to 15/11/2032
3,865,980	0.00002	28/06/2024 to 15/11/2032
3,865,980	0.00002	28/12/2024 to 15/11/2032
3,865,978	0.00002	28/06/2025 to 15/11/2032
2,000,000	0.00002	28/03/2024 to 15/11/2032
17,463,918		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

Notes to Consolidated Financial Information

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31. SHARE OPTION SCHEME (Continued)

The fair value of the share options granted during the year was RMB9,401,746 (RMB21.59 each) (2022: RMB399,300,000, RMB22.86 each), of which the Group recognised a share option expense of RMB219,368,000 (2022: RMB42,883,000) during the year ended 31 December 2023.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2023	2022
Exercise price (USD per share)	0.00002	0.00002
Risk-free interest rate (%)	3.20~3.80%	3.67%
Expected life of options (years)	10	10
Expected volatility (%)	50.05~53.75%	51.15%
Expected dividend yield (%)	0%	0%

The expected life of the share options is the contractual life to maturity of the share options, and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

At 31 December 2023, the Company had 17,180,414 share options outstanding under the Scheme, representing approximately 3.2% of the total issued Shares. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 17,180,414 additional ordinary shares of the Company and additional share capital of RMB3,000 (before issue expenses).

32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 64 to 65 of the financial statements.

(i) Capital reserve

The capital reserve of the Group represents 1) the difference between the par value of the shares issued and the consideration received; 2) the paid-up capital of the companies comprising the Group; and 3) the reserves resulting from transactions with non-controlling interests.

(ii) Statutory surplus reserve

In accordance with the Company Law of the PRC and the respective articles of association of the group companies, each of the companies that is domiciled in the PRC is required to allocate 10% of its profit after tax, as determined in accordance with PRC GAAP, to the statutory surplus reserve until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

The statutory surplus reserve is non-distributable except that in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, it can be used to offset accumulated losses or be capitalised as paid-up capital.

Notes to Consolidated Financial Information

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32. RESERVES (Continued)

(iii) Share incentive reserve

The share incentive reserve comprises the reserve arising from equity-settled share awards granted, as further explained in note 31 to the financial statements.

(iv) Fair value reserve of financial assets at fair value through other comprehensive income

The fair value reserve of financial assets at fair value through other comprehensive income comprises the proportionate interest in the investee arising from changes in the investee's other comprehensive income.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB259,752,000 (2022: RMB45,579,000) and RMB58,796,000 (2022: RMB45,579,000), respectively, in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

2023

	Lease liabilities RMB'000	Bank loans RMB'000	Total RMB'000
At 1 January 2023	212,001	555,844	767,845
Proceeds from loans and borrowings	—	223,443	223,443
Repayment of loans and borrowings	—	(566,809)	(566,809)
Repayment of interest expenses	—	(3,998)	(3,998)
Additions to lease liabilities	58,796	—	58,796
Remeasurement due to lease modification	(63,998)	—	(63,998)
Accretion of interest expenses	9,070	5,263	14,333
Interest portion of lease payments	(9,070)	—	(9,070)
Principal portion of lease payments	(14,005)	—	(14,005)
At 31 December 2023	192,794	213,743	406,537

Notes to Consolidated Financial Information

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

(b) Changes in liabilities arising from financing activities (Continued)

2022

	Lease liabilities RMB'000	Bank loans RMB'000	Total RMB'000
At 1 January 2022	210,301	89,950	300,251
Proceeds from loans and borrowings	—	856,070	856,070
Repayment of loans and borrowings	—	(385,568)	(385,568)
Repayment of interest expenses	—	(12,577)	(12,577)
Additions to lease liabilities	45,579	—	45,579
Remeasurement due to lease modification	(27,372)	—	(27,372)
Accretion of interest expenses	10,016	7,969	17,985
Interest portion of lease payments	(10,016)	—	(10,016)
Principal portion of lease payments	(16,507)	—	(16,507)
At 31 December 2022	212,001	555,844	767,845

(c) Total cash outflow for leases

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

	2023 RMB'000	2022 RMB'000
Within operating activities	235	30
Within investing activities	200,956	—
Within financing activities	26,897	26,468
	228,088	26,498

34. CONTINGENT LIABILITIES

In March 2021, ChuanQi IP Co., Ltd. filed a civil litigation before Fujian Provincial High People's Court, indicted a total of five defendants including the Group, that have infringed the computer software copyright of the game "Legend of Mir II", and put forward a lawsuit requesting the five defendants to immediately stop infringing the plaintiff's copyright and using any licencing activities related to the game "Legend of Mir II" and closing down the website of www.xuw.com, and to jointly and severally compensate RMB100.5 million. After Fujian Provincial High People's Court accepted the case in April 2021, all defendants raised objections to the jurisdiction. In February 2023, the Fujian Provincial High People's Court rejected the defendants' objection to the jurisdiction in the case. In March 2023, the Group filed an appeal against the above ruling. In July 2023, the Supreme People's Court ruled to reject the appeal and maintain the original ruling, and the case continues to be heard by the Fujian Provincial High People's Court. The directors of the Company, based on the advice from the Company's legal counsel and the progress of the case, believe that the ultimate outcome of this litigation cannot be reliably estimated.

Notes to Consolidated Financial Information

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35. PLEDGE OF ASSETS

Details of the Group's assets pledged for interest-bearing bank loans and other borrowings are included in note 22 and note 23 to the financial statements.

36. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	2023 RMB'000	2022 RMB'000
Contracted, but not provided for:		
Leasehold improvements	16,743	—
Capital contributions payable to investees	18,200	29,000
	<hr/> 34,943	<hr/> 29,000

37. RELATED PARTY TRANSACTIONS

Name of related parties

Guangzhou Zeda New Culture and Creative Industry Development Co., Ltd. ("**Guangzhou Zeda**")
Kairui (Hangzhou) Information Technology Co., Ltd. ("**Kairui**")*
Fuzhou Zizai Entertainment Internet Technology Co., Ltd. ("**Fuzhou Zizai**")
Mr. WU Xubo
Ms. WU Xuan
Mr. LUO Xihu

Relationship with the Group

Joint venture
Subsidiary of a joint venture before 15 July 2022
Associate
Key management personnel
Key management personnel
Key management personnel

* Kairui was disposed of by the joint venture on 15 July 2022, after that it has not been a related party of the Group.

Notes to Consolidated Financial Information

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37. RELATED PARTY TRANSACTIONS (Continued)

(a) The Group had the following transactions with related parties during the year:

	Notes	2023 RMB'000	2022 RMB'000
Marketing and operation services provided to Kairui	(i)	—	1,642
		—	1,642

Notes:

(i) The services provided to the related party were made according to the prices and terms agreed between the parties.

(b) Other transactions with related parties:

As at 31 December 2023, the Group's investment in Zeda was pledged to the Agricultural Bank of China to guarantee the bank borrowings of Zeda with the maximum guarantee amount of RMB405,000,000 (2022: Nil).

Notes to Consolidated Financial Information

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37. RELATED PARTY TRANSACTIONS (Continued)

(c) Outstanding balances with related parties:

	2023 RMB'000	2022 RMB'000
Amounts due from a related party:		
Fuzhou Zizai*	23,981	16,981
	23,981	16,981

* The amounts due from Fuzhou Zizai included prepayment which amounted to RMB16,981,000 (2022: RMB16,981,000) are trade in nature, and loans which amounted to RMB7,000,000 (2022: Nil) are non-trade in nature, unsecured, interest-free and repayable within one year.

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

	2023 RMB'000	2022 RMB'000
Fees	450	—
Other emoluments:		
Salaries, allowances and benefits in kind	2,410	2,074
Discretionary bonuses	2,053	6,000
Share-based payments	50,015	9,093
Pension scheme contributions	56	44
Subtotal	54,534	17,211
	54,984	17,211

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

Notes to Consolidated Financial Information

31 December 2023

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	2023	2022
	RMB'000	RMB'000
Financial assets at fair value through profit or loss	427,800	1,271,335
At amortised cost:		
Financial assets included in prepayments, other receivables and other assets	106,100	266,402
Cash and cash equivalents	486,886	213,422
Trade receivables	310,696	426,817
Loans to associates	7,000	—
Pledged deposits	4,183,413	6,402,359
Restricted cash	4,931	10,394
	5,526,826	8,590,729

Financial liabilities at amortised cost

	2023	2022
	RMB'000	RMB'000
Interest-bearing bank and other borrowings	213,743	555,844
Trade payables	466,069	523,649
Bills payable	2,806,551	5,640,211
Financial liabilities included in other payables and accruals	623,910	579,886
Lease liabilities	192,794	212,001
	4,303,067	7,511,591

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39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2023, the fair values of the Group's financial assets and liabilities approximated to their respective carrying amounts.

Management has assessed that the carrying amounts of cash and cash equivalents, restricted cash, pledged deposits, amounts due from related parties, financial assets included in prepayments, other receivables and other assets, trade receivables, trade payables, bills payable, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, lease liabilities, and lease liabilities reasonably approximate to their fair values because these financial instruments are mostly short term in nature.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of lease liabilities, non-current portion of pledged deposits and non-current portion of financial assets included in prepayments, deposits and other receivables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for lease liabilities as at 31 December 2023 were assessed to be insignificant.

The fair values of the equity investments in unlisted companies have been estimated using the recent transaction method.

The Group has unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair values of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of listed equity investments are based on quoted market prices.

Notes to Consolidated Financial Information

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant	
			unobservable	
			inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	412,800	—	15,000	427,800

As at 31 December 2022

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant	
			unobservable	
			inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	799,805	471,530	—	1,271,335

The management of the Group determines the fair value of the unlisted equity investments at the end of the year by taking reference to the recent transaction price.

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2023 (2022: Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2022: Nil).

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

Fair value hierarchy (Continued)

Assets for which fair values are disclosed:

As at 31 December 2023

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Pledged deposits, non-current portion	—	2,045,506	—	2,045,506

As at 31 December 2022

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Pledged deposits, non-current portion	—	3,395,558	—	3,395,558

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise discounted bills, other interest-bearing loans, and cash and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has many other financial assets and liabilities such as trade receivables and trade and bills payable, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

As at 31 December 2023	12-month ECLs		Lifetime ECLs		Simplified approach RMB'000	Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000			
Trade receivables*	—	—	—		315,011	315,011
Financial assets included in prepayments, other receivables and other assets						
— Normal**	106,100	—	—		—	106,100
— Doubtful**	—	—	19,647		—	19,647
Pledged deposits	4,183,413	—	—		—	4,183,413
Restricted cash						
— Not yet past due	4,931	—	—		—	4,931
Cash and cash equivalents						
— Not yet past due	486,886	—	—		—	486,886
Amounts due from related parties	7,000	—	—		—	7,000
	4,788,330	—	19,647		315,011	5,122,988
As at 31 December 2022						
		12-month ECLs		Lifetime ECLs	Simplified approach	Total
		Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	RMB'000	RMB'000
Trade receivables*	—	—	—	—	430,209	430,209
Financial assets included in prepayments, other receivables and other assets						
— Normal**	266,402	—	—	—	—	266,402
— Doubtful**	—	—	18,791	—	—	18,791
Pledged deposits	6,402,359	—	—	—	—	6,402,359
Restricted cash						
— Not yet past due	10,394	—	—	—	—	10,394
Cash and cash equivalents						
— Not yet past due	213,422	—	—	—	—	213,422
	6,892,577	—	18,791		430,209	7,341,577

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Notes to Consolidated Financial Information

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by analysis by customer/counterparty, geographical region and by industry sector. The Group had certain concentrations of credit risk. As at 31 December 2023, 18.2% (2022: 25.0%) of the Group's trade receivables were due from the Group's largest debtor and 55.3% (2022: 60.8%) of the Group's trade receivables were due from the Group's five largest debtors.

Liquidity risk

In the management of liquidity risk, the Group aims to maintain sufficient cash and cash equivalents.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of lease liabilities, interest-bearing bank and other borrowings, trade and bills payable and other payables.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2023	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	—	7,767	39,415	102,590	82,839	232,611
Interest-bearing bank and other borrowings	—	158,391	55,818	—	—	214,209
Trade payables	11,234	66,190	388,645	—	—	466,069
Bills payable	—	1,344,421	1,473,159	—	—	2,817,580
Other payables (excluding salaries and benefits payable, and other tax payables)	—	571,319	52,591	—	—	623,910
	11,234	2,148,088	2,009,628	102,590	82,839	4,354,379
31 December 2022	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	—	10,644	25,391	124,564	98,584	259,183
Interest-bearing bank and other borrowings	—	204,594	354,549	—	—	559,143
Trade payables	2,369	27,871	493,409	—	—	523,649
Bills payable	—	1,037,882	4,642,922	—	—	5,680,804
Other payables (excluding salaries and benefits payable, and other tax payables)	—	472,498	107,388	—	—	579,886
	2,369	1,753,489	5,623,659	124,564	98,584	7,602,665

Notes to Consolidated Financial Information

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments included in financial assets at fair value through profit or loss (note 22).

The Group's listed investments are listed on the Stock Exchange of Hong Kong and the Shenzhen Stock Exchange, and are valued at quoted market prices at the end of the year.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2023	High/low 2023
Shenzhen — A Share Index	9,525	12,246/9,106
	31 December 2022	High/low 2022
Hong Kong — Hang Seng Index	19,781	25,051/14,597
Shenzhen — A Share Index	11,016	14,941/10,088

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments RMB'000	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
As at 31 December 2023/ Year ended 31 December 2023 Investments listed in:			
Shenzhen	412,800	20,640	15,480

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Equity price risk (Continued)

	Carrying amount of equity investments RMB'000	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
As at 31 December 2022/ Year ended 31 December 2022			
Investments listed in:			
Hong Kong	437,857	21,893	16,420
Shenzhen	361,948	18,097	13,573
	<u>799,805</u>	<u>39,990</u>	<u>29,993</u>

Capital management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain the future development of business.

The directors of the Company review the asset-liability ratio, which is total assets divided by total liabilities, on a continuous basis, taking into account the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the raising of new debts as well as the redemption of the existing debts and manage the asset-liability ratio. The Group's overall strategy remained unchanged during the reporting period.

The asset-liability ratio as at the end of each reporting period is as follows:

	2023 RMB'000	2022 RMB'000
Total assets	<u>7,268,210</u>	9,798,906
Total liabilities	<u>4,992,425</u>	8,089,870
Asset-liability ratio	<u>69%</u>	83%

Notes to Consolidated Financial Information

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41. EVENTS AFTER THE REPORTING PERIOD

As at the date of approval of the consolidated financial statement, there are no significant events after the reporting period.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	262,251	42,883
Total non-current assets	262,251	42,883
CURRENT ASSETS		
Prepayments	301	6,386
Due from subsidiaries	46,944	5
Cash and cash equivalents	204,923	180
Total current assets	252,168	6,571
CURRENT LIABILITIES		
Other payables and accruals	1,005	45,463
Due to subsidiaries	82,248	1,966
Total current liabilities	83,253	47,429
NET CURRENT LIABILITIES	168,915	(40,858)
TOTAL ASSETS LESS CURRENT LIABILITIES	431,166	2,025
Net assets	431,166	2,025
EQUITY		
Share capital	77	74
Treasury shares	(3)	(3)
Reserves	431,092	1,954
Total equity	431,166	2,025

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31 December 2023

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

A summary of the Company's reserves is as follows:

	Share capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Share incentive reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2022	—	—	—	—	(11,147)	(11,147)
Total comprehensive loss for the year	—	—	—	—	(29,782)	(29,782)
Issue of ordinary shares	74	(3)	—	—	—	71
Equity-settled share option arrangements	—	—	—	42,883	—	42,883
At 31 December 2022 and 1 January 2023	74	(3)	—	42,883	(40,929)	2,025
Total comprehensive income for the year	—	—	—	—	49,394	49,394
Issue of ordinary shares	3	—	243,778	—	—	243,781
Share issue expenses	—	—	(33,402)	—	—	(33,402)
Special dividends declared	—	—	—	—	(50,000)	(50,000)
Equity-settled share option arrangements	—	—	—	219,368	—	219,368
At 31 December 2023	77	(3)	210,376	262,251	(41,535)	431,166

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to share capital when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2024.

Definitions

“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“ARPPU”	average revenue per paying user
“Articles” or “Articles of Association”	the fourth amended and restated articles of association of the Company conditionally adopted by a special resolution passed on August 31, 2023 with effect from the Listing Date, and as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors of the Company
“Century Huatong”	Zhejiang Century Huatong Group Co., Ltd. (浙江世紀華通集團股份有限公司), a joint stock company established in the PRC and listed on the Shenzhen Stock Exchange (SZSE: 002602), the Pre-IPO Investor of the Company (as defined in the Prospectus)
“China” or “the PRC”	the People’s Republic of China, and for the purposes of this annual report only, except where the context requires otherwise, references to China or the PRC exclude Taiwan and the special administrative regions of Hong Kong and Macau
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “the Company”	ZX Inc. (中旭未來), an exempted limited liability company incorporated in the Cayman Islands on March 18, 2021
“Company Secretary”	Ms. TSANG Wing Man (曾穎雯) (a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute), with appointment effective from August 29, 2023
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Contractual Arrangements”	the series of contractual arrangements entered into by Guangzhou Zhongxu Future Technology Co., Ltd. (廣州中旭未來科技有限公司), an indirect wholly-owned subsidiary of the Company, Jiangxi Tanwan, and the registered shareholders of Jiangxi Tanwan, details of which have been set forth under the section headed “Contractual Arrangements” in the Prospectus

Definitions

“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and unless the context otherwise requires, refers to Mr. WU Xubo, WXB BVI 1, WXB BVI 2 and WXB Holdco
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Director(s)”	director(s) of the Company
“ESOP BVIs”	collectively, GLORIOUS TYCOON LIMITED, WxScarlett Ventures Limited and WxDR Ventures Limited, which hold the relevant issued Shares on trust for the Pre-IPO Share Option Plan
“Global Offering”	the offer for subscription of the shares as described in the Prospectus
“Group” or “the Group”	the Company, its subsidiaries and the PRC Operating Entities from time to time, and where the context requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
“HKFRSs”	Hong Kong Financial Reporting Standards
“Hong Kong dollars” or “HK dollars” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jiangxi Tanwan”	Jiangxi Tanwan Information Technology Co., Ltd. (江西貪玩信息技術有限公司), a limited liability company established in the PRC on May 21, 2015, one of the PRC Operating Entities controlled by the Company through the Contractual Arrangements
“Latest Practicable Date”	April 18, 2023, being the latest practicable date prior to the printing of this purpose of ascertaining the information contained herein
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	September 28, 2023, being the date on which dealings in the Shares first commence on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“MAU”	monthly active user, which refers to the number of active user in the relevant calendar month; average MAUs for a particular period is the average of the MAUs in each month during that period
“MMORPG”	massively multiplayer online role-playing games

“MPU”	monthly payment user
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“Nomination Committee”	the nomination committee of the Board
“PRC Operating Entities”	the entities controlled by the Group through the Contractual Arrangements, namely Jiangxi Tanwan and its subsidiaries
“Pre-IPO Share Option Plan”	the pre-IPO share option plan of the Company as adopted on November 4, 2022, a summary of its principal terms is set out in the section headed “Statutory and General Information — D. Pre-IPO Share Option Plan” in Appendix IV to the Prospectus
“Prospectus”	the prospectus issued by the Company on September 18, 2023
“Registered Shareholders”	the equity owners of Jiangxi Tanwan, namely Mr. WU Xubo, Ms. WU Xuan, Mr. ZHANG Tong, Mr. LUO Xihu, Ms. CHEN Wei, Mr. QU Jiajia, Shangrao Hongbang, Shangrao Hezhong, Shangrao Qichuang, Shangrao Hechuang and Shanghai Tianyou
“Remuneration Committee”	the remuneration committee of the Board
“Renminbi” or “RMB”	Renminbi yuan, the lawful currency of the PRC
“Reporting Period”	For the year ended December 31, 2023
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shanghai Tianyou”	Shanghai Tianyou Software Co., Ltd. (上海天遊軟件有限公司), a wholly-owned subsidiary of Century Huatong and a registered shareholder of Jiangxi Tanwan
“Shangrao Hechuang”	Shangrao Hechuang Enterprise Management Center (Limited Partnership) (上饒市合創企業管理中心(有限合夥)), a limited partnership established in the PRC on December 17, 2020, which is a registered shareholder of Jiangxi Tanwan with its general partner being Mr. LUO Xihu (羅錫虎) and its limited partners being certain key employees of Jiangxi Tanwan
“Shangrao Hezhong”	Shangrao Hezhong Enterprise Management Center (Limited Partnership) (上饒縣和眾企業管理中心(有限合夥)), a limited partnership established in the PRC on June 30, 2017, which is a registered shareholder of Jiangxi Tanwan with its general partner being Mr. CHEN Yang (陳養), a key employee of the Group and its limited partners being certain other key employees of Jiangxi Tanwan
“Shangrao Hongbang”	Shangrao Hongbang Enterprise Management Center (Limited Partnership) (上饒縣宏邦企業管理中心(有限合夥)), a limited partnership established in the PRC on June 27, 2017, which is a registered shareholder of Jiangxi Tanwan with its general partner being Mr. WU Xubo and its limited partner being Ms. WU Xuan

Definitions

“Shangrao Qichuang”	Shangrao Qichuang Enterprise Management Center (Limited Partnership) (上饒市齊創企業管理中心(有限合夥)), a limited partnership established in the PRC on December 17, 2020, which is a registered shareholder of Jiangxi Tanwan with its general partner being Ms. WU Xuan and its limited partner being certain key employees of Jiangxi Tanwan
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of USD0.00002 each
“Shareholder(s)”	shareholder(s) of the Company
“SLG”	simulation games, a genre of games that allows players to control characters and attempt to emulate various activities from real life in the game format
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“US dollars”, “USD” or “USD”	United States dollars, the lawful currency of the United States
“WXB BVI 1”	WxLand Holding Limited, a business company incorporated in the BVI with limited liability on March 8, 2021, a wholly-owned subsidiary of Mr. WU Xubo, and one of the Controlling Shareholders
“WXB BVI 2”	WxLand International Ltd, a business company incorporated in the BVI with limited liability on January 4, 2022, a company owned by WXB BVI 1 as to 50.0%, and WXB Holdco as to 50.0%, and one of the Controlling Shareholders
“WXB Holdco”	WxLand Limited, a business company incorporated in the BVI with limited liability on September 26, 2022, which is wholly-owned by WxLand Trust, a discretionary trust established by Mr. WU Xubo as the settlor on September 22, 2022, and one of the Controlling Shareholders
“ZX BVI”	ZX Interactive Limited, a business company incorporated in the BVI with limited liability on March 30, 2021, a wholly-owned subsidiary of the Company
“ZX HK”	ZX Data Limited (中旭數據有限公司), a limited company incorporated in Hong Kong on April 16, 2021, an indirect wholly-owned subsidiary of the Company
“ZX WFOE”	Guangzhou Zhongxu Future Technology Co., Ltd. (廣州中旭未來科技有限公司), a limited liability company established in the PRC on May 26, 2021, an indirect wholly-owned subsidiary of the Company
“%”	percentage