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

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 3798

2022
ANNUAL REPORT

家乡互动
HOMELAND INTERACTIVE

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. WU Chengze *(Chairman and Chief Executive Officer)*
Mr. JIANG Mingkuan
Mr. SU Bo
Mr. GUO Shunshun
Mr. DING Chunlong *(appointment effective from 30 March 2023)*
Mr. TANG Yinghao *(appointment effective from 30 March 2023)*

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Ms. CUI Wei
Ms. NG Ka Man *(ACG, HKACG)*

HONG KONG SHARE REGISTRAR

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

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

AUTHORIZED REPRESENTATIVES

Mr. SU Bo
Ms. NG Ka Man

AUDITOR

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

COMPANY’S WEBSITE

https://www.jiaxianghudong.com

STOCK CODE

3798

HEADQUARTERS IN THE PRC

7A Floor, Huijin Building
77 Tainan Road
Siming District
Xiamen
PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2451, Lee Garden One, 33 Hysan Avenue
Causeway Bay, Hong Kong
(with effect from 13 April 2023)

PRINCIPAL BANKS

Bank of China, Xiamen Taiwan Road Branch
Bank of China, Changchun Weifeng International Branch

Financial Highlights

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**1,562,940**	1,287,722	772,034	564,991	439,530
Gross profit	**1,020,619**	958,828	592,088	442,283	336,222
Profit for the year	**465,682**	500,276	390,027	206,788	216,533
Profit for the year attributable to owners of the Company	**465,274**	500,713	390,804	206,788	204,091
Non-IFRS adjusted net profit attributable to the owners of the Company	**528,609**	511,155	417,849	306,804	219,793

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**465,509**	275,768	227,603	79,035	17,257
Current assets	**1,609,796**	1,453,169	877,069	649,701	279,460
Current liabilities	**274,678**	241,863	148,219	102,185	83,982
Net current assets	**1,335,118**	1,211,306	728,850	547,516	195,478
Non-current liabilities	**36,614**	46,770	7,101	9,974	—
Total equity	**1,794,013**	1,440,304	949,352	616,577	212,735

Chairman's Statement

Dear shareholders and people who follow Homeland Interactive:

I am pleased to present the annual report of the Group and its subsidiaries for the year ended 31 December 2022 to our shareholders.

In 2022, after the Group disposed its room card business, its revenue and gross profit from continuing operations and adjust net profit increased by approximately 37%, 21.9% and 3.4% year-on-year, respectively. The DAUs, MAUs and paying users of our existing business also increased by 60%, 23.6% and 8.2% year-on-year, respectively.

While the Company faced increasingly complex market challenges in 2022, we still maintained stable growth and positive development amidst the general diminishing Chinese mobile gaming market and sluggish user growth.

In the previous year, the Company upheld its original vision with a core rationale of developing innovative and user experience-oriented products, while also insisted on its strategy to focus on operating leisure games with high loyalty and long lifespan. We are proud that the Group is one step closer to its advanced strategic goal of "establishing a global leisure and competitive gaming platform" in 2022.

In this highly fragmented market, we believe that the competitiveness of our products is the key for capturing market share. As a content company, our important mission in the long run is to focus on creating high-quality content and improving our internal development capability. In 2022, the research and development expenses of the entire Group increased by 82% year-on-year to RMB175 million, which was mainly used for continuous computing of card and board games playstyle and the development of diverse products. During the Reporting Period, we extensively explored traditional Chinese culture and launched brand new card and board games like "Eight Joy Card" (八喜牌) and "National Standard Bloodshed" (國標血流). A couple of new card and board games will also be launched in the near future. In terms of diverse products, the leisure game "Cat Keeper" (遇見喵克斯) and localized leisure games for players in the Southeast Asia and South America will soon be launched.

Long-term, strict restriction in the gaming industry has become the norm, but we still received more attention and support in the previous year. Pursuant to the article "People's Financial Commentary: Don't Miss the Opportunity to Extensively Exploit the Value of Video Gaming Industry" published on People's Daily Online, the cultural aspect of video game is put at the forefront. The article states that video game can become the carrier of Chinese culture and an online tool for communication and innovation, playing an important role in enhancing the popularity and influence of the Chinese civilization and better promoting Chinese culture to the world. On the other hand, with the guidance and authority granted by the Mahjong International Legue, the Hangzhou Branch of the China Chess Academy established the Mahjong Technique Grading Center equipped with a mahjong player registration and grading certification system and assigned "Weile Mahjong" (微樂麻將) to be the first online grading cooperation platform. From the change in the regulatory level to the players' perspective, these changes can facilitate the rebirth of mahjong tournament as a green and healthy game, establishing the "competitive" green mode of mahjong as a positive sport among the public.

As a leading green card and board games company, our mahjong game is a representative of Chinese culture and is more clearly established as a culture carrier. In 2023, we will proactively fulfill our social responsibility as a listed company to address the standardization of mahjong and its transition towards a sport, while also achieve diverse green game development under the brand "Weile Game". We will also approach more users with our platform to promote the green mahjong culture among the public, promoting mahjong, a quintessence of China, to a higher stage in cooperation with other parties.

We are very pleased that the Company can achieve stable profitability and improve its value, which at the same time share its profit with shareholders. Since the listing of the Company on 4 July 2019, despite the challenges posed by the pandemic, accumulated dividends has reached over HK$434.7 million. In the future, we will uphold a sound cash dividend policy and further improve the balance between the long-term development of the Company and the shareholders' demand for immediate benefit, repaying shareholders for their long-standing attention and trust to the Group through action.

Last but not least, on behalf of the Board, I would like to express my sincere gratitude to all of our staff, Shareholders and business partners for their continuous support and understanding. We will keep upholding our values of user-focus and look forward to a bright future with no fears of any difficulties.

Wu Chengze
Chairman and Executive Director

Hong Kong, 30 March 2023

Business Overview and Outlook

BUSINESS REVIEW

We are a well-established mobile game developer and operator in China, specialising in the development and operation of localised mahjong, poker and casual games. In addition to our long-running portfolio of card and board games, we have successfully launched a variety of casual games targeting both domestic and overseas players, including “Jixiang Arcade Fish Strike” (吉祥街機捕魚) and “Weile Fish Strike Thousand Cannon” (微樂捕魚千炮版), which have been launch to market in 2022. Adherence to the values of “fairness, professionalism, safety and innovation”, we have continued to sharpen our competitive edge through enduring and classic game offerings and execution of localised marketing strategies to match the ever changing needs of players of different demographics. Meanwhile, we also strive to transform from a leading localised classic card and board game operator in China to a global causal and competitive game platform through multi-dimensional business strategic layout, aiming to seek changes while maintaining steady growth.

In terms of financial performance, our Group’s revenue and gross profit from continuing operations for the year ended 31 December 2022 (the “**Reporting Period**”) were RMB1,562.9 million and RMB1,020.6 million, representing an increase of approximately 37.0% and 21.9%, respectively as compared with the revenue and gross profit for the corresponding period of last year. During the Reporting Period, our profit for the year attributable to owners of the Company was RMB465.3 million, representing a year-on-year decrease of 7.1%. Excluding the impacts of non-operating and non-recurring factors, including share-based payment expenses and withholding tax on undistributed profits of subsidiaries operating in the PRC, the non-IFRS adjusted net profit attributable to the owners of the Company was RMB528.6 million for the Reporting Period.

Such growth in our Group’s revenue during the Reporting Period was partly attributable to our constant innovations and introduction of new elements to our existing game portfolio with an aim to optimise our players’ gaming experience, as well as creating and maximizing our users’ values. Moreover, we have strategically selected and deepened our cooperation with various new media channels, such as Douyin and Tencent Video, to optimise user traffic and enhance our customer acquisition ability, which resulted in a significant increase in our Group’s DAUs and player stickiness. As at the end of the Reporting Period, in terms of our existing business, our Group’s DAUs increased to 13,956,188, representing a year-on-year growth of 60.0%; and our Group’s MAUs increased to 62,437,541, representing a year-on-year growth of 23.7%. We also recorded further growth in our paying players, reaching 16,644,819 by the end of the Reporting Period, representing a year-on-year growth of 8.2%. Leveraging our expanding player base, we strengthened our refined joint operations with a third-party research and development team during the Reporting Period, which resulted in significant growth in profit from our products, namely《全民學霸》and《美人傳》in particular, and contributed RMB183.9 million of joint operating income from third-party games to our Group in 2022, representing a year-on-year increase of 363.0%.

The cost of sales of our Group also increased correspondingly during the Reporting Period, of which the payment of commissions and fees charged by game distribution channels and platforms brought along with the increase in sales revenue increased to RMB542.3 million, representing a year-on-year increase of 78.7%. Meanwhile, we also increased our sales and marketing expenditure significantly to continuously strengthen our Group's localised marketing capabilities. Our sales and marketing expenditure increased by approximately 80.6% from RMB301.0 million as of 31 December 2021 to RMB543.7 million during the Reporting Period. A portion of our Group's rising marketing expenditure was attributable to the intensive advertising in our key expansion areas to maximise our brand exposure in those targeted regions. Another portion of the increase in marketing expenditure was due to our increased investment in new engaging media channels. In addition to constantly recruiting entertainment broadcasting hosts with personal characters, we also collaborate with contest broadcasting accounts with top user traffic including "麻將研究院" and "鬥地主研究院" to enrich contest-focused content output on new media channels and to expand our user acquisition channels.

During the Reporting Period, we significantly increased our investment in research and development to safeguard the steady growth in our key research and development projects. During the Reporting Period, we invested RMB175.3 million in aggregate to product research and development. On one hand, we have continued to iterate our game variations of card and board games and launched certain brand new game variations, namely《八喜牌》and《國標血流》. On the other hand, we have also been actively improving the artistic presentation of our card and board games, striving to bring an everlasting entertainment experience to players. In terms of products of diverse category, a number of game projects, including the casual game "Meet Meowkes" (遇見喵克斯), which has obtained a publication number, are expected to be launched in market in the near future. In addition, our Group is currently developing casual games localised to target players in Southeast Asia and South America, and certain social causal games targeting players in worldwide. Those games have completed multiple rounds of testing, and our Group expects to capture overseas income in the near future.

As a leading green card and board games enterprise, we have always been advocating green and healthy games, and strictly abided by the relevant laws and regulations. In 2022, Our Group has disposed of Jilin Yuke Network Technology Company Limited (吉林省宇柯網絡科技有限公司) and ceased its private game room cards business. Meanwhile, our Group has also ceased the related business carried out by Jilin Xinze Network Technology Company Limited (吉林省鑫澤網絡技術有限公司). Streamlining such businesses will optimise our investment portfolio and release additional funding for other projects. In the future, we will pay close attention to the development of relevant new policies and regulations in China; and assume corresponding social responsibilities and obligations for establishing a green and healthy network environment.

The Group has raised a total of approximately HK$363.8 million during the IPO, as of the end of the Reporting Period, the relevant amount of fund raised has been fully utilised for the Group's business operation. The Board proposed the distribution of 2022 annual dividends of approximately HK$179.7 million in total for the purpose of sharing our operating results with the Shareholders. Taking this dividend distribution into account, the Company has distributed dividends of approximately HK$434.7 million cumulatively since the Listing. In the future, the Company will strive to maintain the balance between the Shareholders' interest and the Group's development based on the current dividend policy, hoping to implement sustainable dividend returns and reward the Shareholders in action for their long term support and trust towards us.

BUSINESS OUTLOOK

In 2023, our Group will continue our efforts to further solidify our competitive advantages in the gaming industry by continuing the following strategies:

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

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

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

   In order to strengthen our Group's customer acquisition ability and increase the business presence, we will increase our capital investment in new media marketing to produce highly entertaining content and retain high-traffic sources.

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

   In 2023, our Group aims to increase our presence in 50 prefecture-level cities situated in various provinces including Zhejiang, Fujian, Anhui and Jiangsu. We plan to allocate resources to boost marketing efforts in the target expansion areas to attract and accumulate players up to a targeted level such that the user base will grow to a scale which is sufficient to continuously generate traction.

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

   In order to diversify the current game portfolio, in addition to classic games, our Group will deploy more research and development resources to introduce new game categories such as hardcore games and competitive games in 2023. We will continue to improve interactions among product teams and streamline our corporate structure to achieve business growth and sustainability. We will also apply our accumulative research and development capabilities in expanding into the overseas markets and capture overseas income.

5. Continue to explore potential business opportunities.

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

FINANCIAL REVIEW

Financial Review of Continuing Operations

Revenue

The Group's revenue for the year ended 31 December 2022 amounted to approximately RMB1,562.9 million, representing an increase of 37.0% from approximately RMB1,140.6 million recorded in 2021. The increase in revenue was partially attributable to the Group's continuous improvement and introduction of new elements into its existing mahjong and poker games, bringing players enhanced timeless gaming experience. Moreover, the Company has strategically selected and deepened the cooperation with various new media channels, such as Douyin, Kuaishou and Tencent Video, to optimize user traffic and expand its customer acquisition ability, which resulted in a significant increase in the Group's DAUs and player stickiness. Advertising revenue represents revenue generated from in-game advertisement slots the Group inserted in its mini-programs, typically measured by user clicks. For the year ended 31 December 2022, revenue generated from the Group's sale of virtual tokens, distribution of third-party mobile games and advertising accounted for approximately 80.9%, 11.8% and 7.3% of the Group's total revenue, respectively, as compared with approximately 85.4%, 3.5% and 11.1%, respectively, for the year ended 31 December 2021.

Cost of sales

The Group's cost of sales primarily includes (i) employee benefit expenses; (ii) commissions and fees charged by third-party game distribution channels and payment vendors; (iii) server-related and technical support fees; and (iv) depreciation and amortization. The Group's cost of sales increased by approximately 78.7% to approximately RMB542.3 million in 2022 from approximately RMB303.5 million in 2021, primarily due to (i) a RMB224.9 million increase in commissions and fees paid to third-party distribution channels and payment vendors; and (ii) a RMB11.1 million increase in server-related and technical support fees. As at 31 December 2022, the Group does not have any trade payables.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by 21.9% to approximately RMB1,020.6 million for the year ended 31 December 2022 from approximately RMB837.0 million in 2021, and the Group's gross profit margin decreased to 65.3% for the year ended 31 December 2022 from 73.4% in 2021.

Other income

Other income increased by approximately 77.2% from approximately RMB33.7 million for the year ended 31 December 2021 to approximately RMB59.7 million for the year ended 31 December 2022. The increase was primarily due to an increase in interest income of RMB10.8 million and government subsidies of RMB9.3 million during the year ended 31 December 2022.

Foreign exchange gains (losses), net

Foreign exchange gains of approximately RMB11.1 million was recorded for the year ended 31 December 2022 while foreign exchange losses of approximately RMB1.5 million was recorded for the year ended 31 December 2021, mainly due to the fluctuation of exchange rate of Renminbi (RMB) against US dollars.

Selling and marketing expenses

The Group's selling and marketing expenses increased by approximately 80.6% from approximately RMB301.0 million for the year ended 31 December 2021 to approximately RMB543.7 million in 2022. The increase was primarily due to an increase in advertising and marketing expenses for targeted advertising in the Group's key expansion areas including Sichuan, Jiangsu and Guangzhou to maximize its brand exposure in those regions, and also the Group's increased investment in engaging new media channels in order to attract high-traffic and distinctive broadcasting hosts to enrich its content output on new media channels.

Administrative and other expenses

The Group's administrative and other expenses increased by approximately 140.3% from approximately RMB91.6 million for the year ended 31 December 2021 to approximately RMB220.1 million in 2022. The increase was primarily due to (i) an increase of RMB67.2 million in staff costs mainly in connection with research and development activities; and (ii) an increase of RMB36.3 million in outsource technical fee related to research and development of new games.

Profit Before Income Tax

The Group's profit before income tax decreased by approximately 21.2% from approximately RMB477.4 million for the year ended 31 December 2021 to approximately RMB376.0 million in 2022. The Group's profit before income tax as a percentage of total revenue decreased from 41.9% for the year ended 31 December 2021 to 24.1% for the year ended 31 December 2022, primarily due to the increase of approximately 80.6% and 140.2% in the Group's selling and marketing expenses, and administrative and other expenses, respectively, during the year ended 31 December 2022 compared to the corresponding period in 2021.

Income Tax Expenses

Income tax expenses decreased by approximately 60.0% from RMB65.7 million for the year ended 31 December 2021 to RMB26.3 million in 2022. The Group's effective tax rates were 13.8% and 7.0% for the years ended 31 December 2021 and 2022, respectively. The decrease in the Group's income tax expense and effective tax rate was primarily due to a subsidiary of the Company was qualified as a "Double Soft Enterprise" under the Corporate Income Tax Law, which was exempted from corporate income tax for the year ended 31 December 2022. For further details, please refer to note 10 to the consolidated financial statements of the Company in this report.

Profit from Discontinued Operations

Profit from discontinued operations represented the profit generated from the private game room cards business of the Group. Profit from discontinued operations increased by approximately 31.1% from RMB88.5 million for the twelve months ended 31 December 2021 to RMB116.0 million in the corresponding period in 2022, primarily due to the gain on disposal of Jilin Yuke Network Technology Company Limited (吉林省宇柯網絡科技有限公司) amounting to RMB97.8 million and was offset by the decrease in profit of private game room cards operations amounting to RMB55.0 million. For further details, please refer to note 12 to the consolidated financial statements of the Company in this report.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company decreased by approximately 7.1% from approximately RMB500.7 million for the year ended 31 December 2021 to approximately RMB465.3 million in 2022.

Non-IFRS Measures — Adjusted Net Profit

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

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

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Profit for the year attributable to the owners of the Company	**465,274**	500,713
Add:		
Share-based payment expenses	**34,335**	10,442
Withholding tax on undistributed profits of subsidiaries operating in the PRC	**29,000**	—
Adjusted net profit attributable to the owners of the Company	**528,609**	511,155

The adjusted net profit attributable to the owners of the Company for the year ended 31 December 2022, adjusted by excluding the non-cash item of share-based payment expenses and withholding tax on undistributed profits of subsidiaries operating in the PRC, was approximately RMB528.6 million, increased by 3.4% as compared to approximately RMB511.2 million for the year ended 31 December 2021.

Liquidity and Capital Resources

For the year ended 31 December 2022, the Group financed its operations primarily through cash generated from the Group's operating activities. The Group intends to finance its expansion and business operations with internal resources and through organic and sustainable growth.

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

Cash and cash equivalents

The Group primarily operates its business in the PRC and its transactions and revenue were primarily denominated in Renminbi. The Group has certain cash and cash equivalents and trade receivables denominated mostly in HK dollars and US dollars, with the remaining portion denominated in Euros and Singapore dollars, and is exposed to foreign exchange risk arising from exchange rate fluctuation of RMB against HK dollars and US dollars. As at 31 December 2022, the Group had cash and cash equivalents of approximately RMB1,163.3 million (31 December 2021: approximately RMB1,125.2 million), which primarily consisted of cash at bank. Out of the RMB1,163.3 million, approximately RMB1,058.6 million is denominated in Renminbi, approximately RMB38.9 million is denominated in US dollars, approximately RMB64.5 million is denominated in HK dollars, approximately RMB0.9 million and RMB0.4 million is denominated in Euros and Singapore dollars, respectively. The Group currently does not hedge transactions undertaken in foreign currencies.

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

Indebtedness

During the year ended 31 December 2022, the Group did not have any short-term or long-term bank borrowings and had no outstanding bank and other borrowings and other indebtedness apart from lease liabilities for the relevant lease terms amounting to RMB17.8 million in aggregate (31 December 2021: RMB30.7 million).

Gearing Ratio

The gearing ratio was zero since there was no debt as at 31 December 2022.

Charge on Assets

As at 31 December 2022, the Group did not pledge any of its assets.

Capital Expenditures

For the year ended 31 December 2022, the Group's capital expenditure amounted to approximately RMB104.0 million (for the year ended 31 December 2021: approximately RMB29.6 million), which mainly comprised expenditures on the purchase of office furniture and equipment, motor vehicles, leasehold improvements, the purchase of the copyright of game software and computer software, the purchase of equity instruments at fair value through other comprehensive income and financial assets at fair value through profit or loss as well as investment in joint ventures and associates. The Group funded its capital expenditure by using the cash flow generated from its operations and proceeds from the global offering. The capital expenditure for the year ended 31 December 2022 was higher as the Company incurred increased expenditure with respect to the investment in financial assets at fair value through profit or loss, joint ventures and associates in 2021.

Contingent Liabilities and Guarantees

As at 31 December 2022, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against the Group.

Performance of Major Associate

On 3 November 2020, Jilin Xinze Network Technology Company Limited* (吉林省鑫澤網絡技術有限公司) ("**Jilin Xinze**") (a subsidiary of the Company), Jilin Xinbao Technology Partnership (Limited Partnership) ("**Xinbao Technology**") (40% equity shareholder of Jilin Xinyue), and Jilin Xinyue entered into the investment agreement (the "**Investment Agreement**") pursuant to which Xinbao Technology agreed to sell and Jilin Xinze agreed to acquire 40% of the equity interest in Jilin Xinyue, at cash consideration of RMB150,000,000. On 29 December 2020, Jilin Xinze, Xinbao Technology and Jilin Xinyue entered into a supplemental agreement to the Investment Agreement pursuant to which all the parties thereto agreed to supplement certain terms of the Investment Agreement (the "**Original Supplemental Agreement**") as follows:

(i) Xinbao Technology has undertaken to ensure that the audited net profit of Jilin Xinyue for the years ending 31 December 2021 and 2022 shall be no less than RMB70,000,000 and RMB80,000,000, respectively (the "**Guaranteed Net Profit**"), and the audited net profit of Jilin Xinyue for the years ending 31 December 2021 and 2022 shall be no less than RMB150,000,000 in aggregate.

* *for identification purpose only*

(ii) If the actual audited net profit of Jilin Xinyue below the Guaranteed Net Profit for any of the years ending 31 December 2021 or 2022, Xinbao Technology shall pay compensation (the "**Profit Compensation**") to Jilin Xinze in cash.

(iii) It is also agreed that the audited net profit of the Jilin Xinyue for the years ending 31 December 2021 and 2022 will be fully distributed to its shareholders (including Jilin Xinze) as dividends in proportion to their respective equity interest in the Jilin Xinyue (the "**Profit Sharing**"). The aggregate amount of dividends to be received by Jilin Xinze for the years ending 31 December 2021 and 2022 shall not exceed RMB60,000,000 (the "**Dividend Restriction Clause**").

On 22 February 2022, for the purpose of facilitating the business operation, the Group agreed with the other shareholders of Jilin Xinyue to setup Jilin Anrui Technology Company Limited* (吉林省安睿網路科技有限公司) ("**Jilin Anrui**") under the same shareholding structure as Jilin Xinyue. For the year ended 31 December 2022, the principal business activity of Jilin Anrui is to provide research and development service to Jilin Xinyue. The Guaranteed Net Profit arrangement in the Original Supplemental Agreement was also revised to include the profit from Jilin Anrui.

On 30 December 2022, Jilin Xinze, Mr. Luo Wei who was the controlling party of Jilin Xinbao, Jilin Xinyue and Jilin Anrui entered into a supplemental agreement to the Investment Agreement pursuant to which all parties thereto agreed to remove the Dividend Restriction Clause in the Original Supplemental Agreement but excluding those dividends already previously paid.

As of 31 December 2022, the carrying amount of the Group's interest in Jilin Xinyue was approximately RMB109.0 million, representing approximately 5.19% of the total assets of the Group. The vendor of Jilin Xinyue has undertaken that the audited net profit of Jilin Xinyue for the year ended 31 December 2022 shall not be less than RMB80.0 million. The unaudited net profit of Jilin Xinyue for the year ended 31 December 2022 was RMB91.3 million. Jilin Xinze received dividend of RMB28.0 million for the year ended 31 December 2022.

Further details on the Group's significant investment during the Reporting Period are contained in note 19 to the consolidated financial statements.

MATERIAL ACQUISITIONS, DISPOSALS AND FUTURE PLANS FOR MAJOR INVESTMENT

On 5 May 2022, (i) Jiaxiang Interactive (Xiamen) Network Technology Company Limited (家鄉互動(廈門)網絡科技有限公司) ("**Jiaxiang Interactive**") (an indirect wholly-owned subsidiary of the Company by virtue of the contractual arrangements), as the vendor; (ii) Jilin Xinyue Network Technology Limited* (吉林省心悦網絡科技有限公司) ("**Jilin Xinyue**"), as the purchaser; and (iii) the Jilin Yuke Network Technology Company Limited* (吉林省宇柯網絡科技有限公司) (the "**Target Company**") entered into an equity transfer agreement, pursuant to which Jiaxiang Interactive has agreed to sell the entire equity interest in the Target Company to Jilin Xinyue (a company owned as to 40% by Jilin Xinze Network Technology Company Limited* (吉林省鑫澤網絡技術有限公司), an indirect wholly-owned subsidiary of the Company by virtue of the contractual arrangements), at a total consideration of RMB124 million. Following the completion of the disposal as at 30 June 2022, (i) the Target Company ceased to be a subsidiary of the Company and its financial results are no longer consolidated into the consolidated financial statements of the Group; and (ii) the financial results of the Target Company are consolidated into the consolidated financial statements of Jilin Xinyue, which will continue to be classified as an investment in associated company in the Company's financial statements in accordance with the relevant accounting standards. For further details of the disposal, please refer to the announcement of the Company dated 5 May 2022.

On 31 October 2022, Jiaxiang Interactive (Xiamen) Network Technology Company Limited ("**Jiaxiang Interactive**") (an indirect wholly-owned subsidiary of the Company by virtue of the Contractual Arrangements), Xiamen Challenjers Aquarius Venture Capital Partnership (limited Partnership)* (廈門挑戰者水瓶號創業投資合夥企業(有限合夥)), Hefei High Quality Development Guidance Fund Co. Ltd.* (合肥市高質量發展引導基金有限公司), Hefei Luyang Science and Technology Innovation Group Co. Ltd. (合肥廬陽科技創新集團有限公司) (formerly known as Hefei Luyang Industrial Development Investment Holding Co. Ltd.* (合肥廬陽產業發展投資控股有限公司)), Shanghai Fenzhong Hongyi Information Technology Co.* (上海分眾鴻意信息技術有限公司), Beijing Juxinde Investment Management Center (Limited Partnership)* (北京聚信德投資管理中心 (有限合夥)) (formerly known as Beijing Jianxin Jude Investment Management Center (Limited Partnership)* (北京建信聚德投資管理中心(有限公司))), Sequoia Yuhui (Xiamen) Equity Investment Partnership (Limited Partnership)* (紅杉煜慧 (廈門) 股權投資合夥企業 (有限合夥)), Ms. Li Hanqiong and Mr. Zhu Bideng (each as a Limited Partner), Xiamen Challenjers Caomu Management Consulting Partnership (Limited Partnership)* (廈門挑戰者草木管理諮詢合夥企業 (有限合夥)) (as a Special Limited Partner), Xiamen Challenjers Yunteng Management Consulting Partnership (Limited Partnership)* (廈門挑戰者雲騰管理諮詢合夥企業 (有限合夥)) (as a General Partner) and Beijing Chuangxinyizhou Investment Management Co., Ltd.* (北京創新壹舟投資管理有限公司) (as a Fund Manager) entered into a partnership agreement (the "**Partnership Agreement**") for the formation of a limited partnership to be established pursuant to the terms of the Partnership Agreement under the proposed name of Hefei Challenjers Gemini Venture Capital Investment Partnership (Limited Partnership)* (合肥挑戰者雙子號創業投資合夥企業 (有限合夥)) (the "**Partnership**") to carry out equity and equity-related investment with a focus on the consumer industry, corporate services and entertainment sectors.

Pursuant to the Partnership Agreement, the target size of the Partnership shall be RMB2.5 billion, of which the initial capital contribution to the Partnership shall not be less than RMB1.0 billion, and Jiaxiang Interactive, as a Limited Partner, proposed to make capital contribution of RMB100 million. During the year ended 31 December 2022, Jiaxiang Interactive made a capital contribution of RMB30,000,000 to the Partnership. Subject to the applicable accounting standards, upon the establishment of the Partnership, the financial results of the Partnership will not be consolidated into the accounts of the Company. For further details of the Partnership, please refer to the announcement of the Company dated 31 October 2022.

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

EMPLOYEES AND STAFF COSTS

As at 31 December 2022, the Group had a total of 686 full time employees, mainly located in mainland China. In particular, 158 employees are responsible for the Group's research and development, 273 for game development, 31 for technical support, 40 for customer service, 103 for marketing and 81 for operations and general administration. The total staff cost incurred by the Group for the year ended 31 December 2022 was approximately RMB224.8 million compared to approximately RMB139.1 million in 2021. The increase was mainly due to (i) the increase in payment of salaries and other benefits in kind of approximately RMB60.2 million; (ii) the increase in payment of share-based compensation to key employees of approximately RMB21.0 million; and (iii) the significant increase in the number of R&D personnel.

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

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

DIRECTORS

Executive Directors

Mr. WU Chengze (吳承澤), aged 38, is a Founder, the Chairman and the Chief Executive Officer of the Group and an executive Director of the Company. Mr. Wu is primarily responsible for formulating and implementing the overall development strategies and business plans of the Group and overseeing the overall development and operations of our Group. He was appointed as a Director on 7 May 2018 and his position as Chairman and Chief Executive Officer took effect on 20 September 2018. He has held various other positions in the Group, including chief operating officer of the Group prior to 2014 and the general manager of Jiaxiang Interactive (Xiamen) Network Technology Company Limited (家鄉互動(廈門)網絡科技有限公司) ("**Jiaxiang Interactive**") since September 2015. Mr. Wu has over ten years of experience in the game industry. Prior to founding the Group, Mr. Wu worked at Changchun Anxin Power Technology Co., Ltd. (長春安信電力科技有限公司) as a programmer from August 2006 to September 2009.

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

Mr. JIANG Mingkuan (蔣明寬), aged 41, is a Founder and the Chief Operating Officer of the Group and an executive Director of the Company. Mr. Jiang is primarily responsible for overseeing and managing the operations of the Group. He was appointed as a Director on 7 May 2018 and his position as Chief Operating Officer took effect on 20 September 2018. He has held various other positions in the Group, including general manager of Jilin Xinze since November 2009, chief technology officer of the Group prior to 2014 and chief operating officer of the Group since 2014. Mr. Jiang has over eleven years of experience in the game industry. Prior to founding the Group, Mr. Jiang worked at Changchun Anxin Power Technology Co., Ltd. (長春安信電力科技有限公司) as a programmer from July 2007 to January 2009.

Mr. Jiang completed his bachelor's studies in computer software (through distance learning) from Jilin University (吉林大學) in the PRC in June 2008.

Mr. SU Bo (蘇波), aged 38, is a Founder and the Chief Investment Officer of the Group and an executive Director of the Company. Mr. Su is primarily responsible for overseeing and managing the strategic development and expansion plan of the Group. He was appointed as a Director on 7 May 2018 and his position as Chief Investment Officer took effect on 20 September 2018. He has held various other positions in the Group, including officer responsible for overseeing the financial, legal and administrative matters of the Group and chief investment officer of the Group since February 2018. Mr. Su has over ten years of experience in the game industry. Prior to founding the Group, Mr. Su worked at Changchun Anxin Power Technology Co., Ltd. (長春安信電力科技有限公司) as a programmer from July 2007 to November 2009. Since September 2017, Mr. Su has also been a mentor of post-graduate students at Changchun University of Technology (長春工業大學).

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

Mr. GUO Shunshun (郭順順), aged 34, is the Chief Product Officer of the Group and an executive Director of the Company. Mr. Guo is primarily responsible for overseeing the development and production of the Group's games. He joined the Group in December 2012 and has held various positions in the Group, including head of game design and development of Jilin Xinze since December 2012 and director of the board and card game business department of Jiaxiang Interactive since September 2015. He was appointed as a Director on 20 September 2018 and his position as Chief Product Officer took effect on the same date. Mr. Guo has over ten years of experience in the game industry. Prior to joining the Group, Mr. Guo worked at Jilin Reawin Technology Co., Ltd. (吉林省睿網科技股份有限公司) as a programmer from November 2009 to April 2010. Mr. Guo completed his senior secondary education in July 2007.

Mr. Ding Chunlong (丁春龍), aged 35, is an executive Director of the Company. Mr. Ding has over 6 years of experience in game operation and new media marketing and has served as a consultant of the Group. From March 2017 to June 2022, Mr. Ding worked with Jilin Yuke Network Technology Company Limited as a consultant, and was responsible for the company's overall operation. Since July 2022, Mr. Ding has been a consultant at Yutai (Shenzhen) Network Technology Co., Ltd.* (豫泰(深圳)網路科技有限公司), primarily responsible for the application and research of the Group's new media operation, live entertainment and infomercial short video production business. Mr. Ding obtained his certificate of specialization from Changchun University of Technology (長春理工大學) in the PRC.

Mr. Tang Yinghao (湯英浩), aged 36, is an executive Director of the Company. Mr. Tang served at the National Australian Bank Financial Planning as Head of Operations from 2011 to 2016 and worked with National Australian Bank Business as Asian Investment Lead from 2015 to 2018. He later joined Homeland Interactive Technology Ltd. as the financial director and has been appointed as the Chief Financial Officer on 28 September 2020. Mr. Tang assisted the Group to complete the listing on the Main Board of the Hong Kong Stock Exchange on 4 July 2019. Since then, the Board has successively appointed Mr. Tang as a director of two Hong Kong subsidiaries of the Group, namely Homeland Entertainment & Technology Limited (家鄉互娛有限公司) and Homeland Interactive Entertainment & Technology Limited (家鄉互動互娛有限公司). Mr. Tang obtained the Bachelor's degree in Commerce (Accounting and Finance) as well as Master's degrees in Business and Government and Commercial Law from the Australian National University in 2008, 2009 and 2010, respectively.

Independent non-executive Directors

Mr. ZHANG Yuguo (張玉國), aged 52, was appointed as an independent non-executive Director of the Company on 5 June 2019 for a fixed term of three years commencing from 4 July 2019, and is responsible for providing independent advice to the Board. Mr. Zhang has worked in Jilin University since March 1996 and currently serves an Associate Professor of the Northeast Asian Studies College of Jilin University (吉林大學東北亞研究院) in the PRC.

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

Mr. HU Yangyang (胡洋洋), aged 33, was appointed as an independent non-executive Director of the Company on 5 June 2019 for a fixed term of three years commencing from 4 July 2019, and is responsible for providing independent advice to the Board. Mr. Hu serves as an associate of the Investment Banking Division of Ping An Securities Co., Ltd. since July 2015, primarily advising on initial public offerings and other corporate finance related matters. Prior to joining Ping An Securities Co., Ltd., Mr. Hu worked at the Financial Services Organization of Ernst & Young Hua Ming LLP Shanghai Branch from October 2012 to March 2015 and was mainly responsible for conducting financial audits.

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

Ms. GUO Ying (郭瑩), aged 61, was appointed as an independent non-executive director of the Company on 29 December 2020 for a fixed term of three years commencing from 29 December 2020, and is responsible for providing independent advice to the Board. Ms. Guo worked as a project assistant in the engineering department at Jilin Cogeneration Plant from March 1983 to April 1999. She was a training manager of human resources department at Changchun Noble Hotel (currently known as Hainan Airline Hotel Noble Changchun) from May 1999 to October 2005. From November 2005 to December 2016, Ms. Guo served as the recruitment manager of human resources department at Jilin Electric Power Research Institute Co., Ltd.

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

SENIOR MANAGEMENT

Mr. WU Chengze (吳承澤) is the Chief Executive Officer of the Company. Please see the section headed "Directors" set out above for his biography.

Mr. LI Wei (李偉), aged 39, is the advisor to the Chief Executive Officer of the Group. He is responsible for assisting the Chief Executive Officer of the Group in executing the overall development strategies and business plans of our Group. Mr. Li joined the Group in August 2013 and has held various positions in the Group, including marketing director at Jilin Xinze. He has over 14 years of experience in sales management. Prior to joining the Group, Mr. Li served as sales manager at Beijing Yicai Internet Technology Co., Ltd. (北京易彩互聯科技有限公司) from May 2005 to December 2006. From January 2007 to March 2008, he was the sales development director of Asian Financial (Beijing) Investment Co. Ltd. (亞洲金控(北京)投資有限公司). From December 2010 to July 2013, Mr. Li worked at Netconcepts Internet Technology (Beijing) Co., Ltd. (耐特康賽網絡技術(北京)有限公司) as business development director.

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

JOINT COMPANY SECRETARIES

Ms. CUI Wei (崔瑋) is a joint company secretary of the Company and was appointed on 7 May 2021. Ms. Cui joined the Group in March 2021 as chief strategy officer, and is responsible for the Company's capital markets matters, innovative strategic planning and strategic investments and acquisitions. Ms. Cui has 16 years of work experience in the media and entertainment field, and has extensive experience in strategic investment, innovative business incubation, corporate financing, and corporate governance. Prior to joining the Group, Ms. Cui served as the senior vice president of Mango Investment* (EZY Capital) and was one of the core founders of Mango Fund* (芒果基金). She was responsible for the establishment of Mango Haitong (芒果海通), Mango Yingtong (芒果盈通), Mango Cultural and Creative (芒果文創) and Mango Content (芒果內容). She led many of Mango's strategic investment projects, and served as a board director or supervisors of many investee companies of Mango Fund* (芒果基金). From 2007 to 2014, she worked at Advertising Centre of Hunan Radio and Television Station as the planning director, and was primarily responsible for the formulation of advertising and marketing strategies.

Ms. Cui obtained her bachelor's degree in journalism from Communication University of China in 2004 and her master's degree in Communication from The Chinese University of Hong Kong in 2007. In 2016, she passed the qualification examination for fund practitioners organized by the China Securities Investment Fund Industry Association. In 2017, she participated in the training for senior management of listed companies on the Shenzhen Stock Exchange and obtained a certificate relating to the accreditation of the independent director qualification training issued by Shenzhen Stock Exchange.

Ms. Cui was awarded the National "40 Emerging Young Investors" in 2016. In 2018, she was named "Most Entertaining Pan-entertainment Investor" by Entertainment Capital (娛樂資本論), and in 2018, she was named "The Most Popular Elite VC Investor of the Year" by China Renaissance Capital (華興資本).

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

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2022. Other sections, reports or notes of this annual report mentioned below form part of this Report of Directors.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the development and operation of localized mobile card and board games in China with a special focus on localized mahjong and poker games. The Group also develops and operates casual games and beginning in August 2018, leveraging its large player base, the Group commenced the distribution of third-party mobile games. In 2017, the Group recognized the increasing need for socialising functions in mobile games and introduced private game room function to some of its mahjong and poker game products. In 2018, the Group broadened its income stream by inserting certain in-game advertisement slots in its mini-programs and shared the income, typically measured by user clicks, with those mini-program platform operators, mainly WeChat. A list of the Company's subsidiaries, together with their places of incorporation, principal activities and particulars of their issued shares/paid up capital, is set out in note 37 to the consolidated financial statements in this annual report.

BUSINESS REVIEW

Overview and Performance of the Year

A review of the business of the Group during the year ended 31 December 2022, a discussion and analysis on the Group's future business development and the key financial and operational performance indicators employed by the Directors in measuring the performance of the Group's business are set out in the section headed "Management Discussion and Analysis" on pages 11 to 18 of this annual report.

Environmental Policies and Performance

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

Compliance with Relevant Laws and Regulations

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

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group and has obtained all material licenses, approvals and permits from relevant regulatory authorities for the operations of the Group in the PRC. During the year ended 31 December 2022, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Key Relationship with Stakeholders

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

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

The Company's major suppliers include third-party game distribution channels, payment vendors, cloud service providers, internet data center providers and online and offline advertising partners. On average, the Company has 3.2 years of business dealings with its major suppliers. All of the Company's five largest suppliers are independent third parties.

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

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

During the year ended 31 December 2022, there were no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders.

Key Risks and Uncertainties and Risk Management

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

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

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

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

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

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

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

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

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

Events after Reporting Period

There has been no significant events that have an effect on the Group subsequent to the financial year ended 31 December 2022.

Outlook for 2023

In 2023, the Group will continue its efforts to further solidify its leading position in the localized mobile card and board game industry in China by continuing the growth strategies set out in page 10 of this annual report.

DIRECTORS

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

Executive Directors

Mr. WU Chengze *(Chairman and Chief Executive Officer)*
Mr. JIANG Mingkuan
Mr. SU Bo
Mr. GUO Shunshun
Mr. DING Chunlong *(appointment effective from 30 March 2023)*
Mr. TANG Yinghao *(appointment effective from 30 March 2023)*

Independent Non-Executive Directors

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

Biographies of the Directors and Senior Management

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

Service Contracts and Letters of Appointment of the Directors

Each of the Company's executive Directors has entered into a service contract with the Company on 5 June 2019, and the Company's independent non-executive Directors have signed letters of appointments with the Company. The service contracts with each of the executive Directors, other than Mr. Ding Chunlong and Mr. Tang Yinghao, and the letters of appointment with the independent non-executive directors, other than Ms. Guo Ying, are for an initial fixed term of three years commencing from 4 July 2019. The service agreements with Mr. Ding Chunlong and Mr. Tang Yinghao are each with a fixed term of three years commencing from 30 March 2023. The letter of appointment with Ms. Guo Ying is an initial fixed term of three years commencing from 29 December 2020. The service contracts and letters of appointment may be terminated in accordance with the respective terms thereof. The service contracts may be renewed in accordance with the Company's amended and restated memorandum and articles of association (the "**Articles of Association**") and the applicable Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

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

Remuneration of the Directors and Five Highest Paid Individuals

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

Independence of Independent Non-Executive Directors

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

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

There has been no change in the Directors' biographical details which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Employees and Remuneration Policies

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

SHARE INCENTIVE SCHEMES

Share Option Scheme

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

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

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

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

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

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

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

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date. Accordingly, as at 31 December 2022, the remaining life of the Share Option Scheme is approximately 6.5 years.

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

Up to 30 September 2021, out of the 62,360,000 Share Options granted on 14 November 2019, 1,600,000 options granted to two option grantees were lapsed due to the termination of their employment with the Company, and 60,760,000 Share Options remained outstanding ("**Outstanding Existing Options**"). As at 30 September 2021, none of the Share Options were exercised by the option grantees. The Board resolved to cancel the Outstanding Existing Options with effect from 30 September 2021. For the year ended 31 December 2022, no Share Options were granted under the Share Option Scheme. As at 1 January 2022 and 31 December 2022, 125,600,000 Share Options were available to be granted under the Share Option Scheme.

Please refer to note 35 to the financial statements for further information of the Share Option Scheme.

Share Award Scheme

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

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

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

The Board may from time to time while the Share Award Scheme is in force determine any vesting criteria or conditions for any Share Awards to be vested or credited. Such vesting criteria may be based on the passage of time after the grant of Share Awards, the satisfaction of specified performance criteria relating generally to the Company or particularly to a Selected Participant or the satisfaction of any other conditions as the Board may in its discretion determine for any Selected Participant and as set out in the relevant grant letter or agreement for and with the relevant Selected Participant.

Subject to any termination as may be determined by the Board pursuant to the Share Award Scheme Rules, the Share Award Scheme shall be valid and effective for a period of ten (10) years commencing on 6 June 2019. Accordingly, as at 31 December 2022, the remaining life of the Share Award Scheme is approximately 6.5 years.

Details of the Share Awards granted under the Share Award Scheme

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

Details of the Share Awards granted pursuant to the Share Award Scheme to the grantees are set out below:

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

Notes:

1. Please refer to note 35 to the financial statements for more details (including the vesting conditions, if any) of the above Share Awards, and please refer to note 3 to the financial statements for details of the accounting policy of share-based payments.

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

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

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

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

6. The source of share price data is Futu.

Save as disclosed above, there has been no options granted and outstanding under the Share Option Scheme or Share Awards granted under the Share Award Scheme during the year ended 31 December 2022.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Saved as disclosed in this annual report, as at 31 December 2022, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

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

CONTINUING CONNECTED TRANSACTIONS

As disclosed in the Prospectus, the following transactions of the Group constituted continuing connected transactions for the Group for the year ended 31 December 2022. All capitalized terms used in this section shall have the same meaning defined in the Prospectus, unless otherwise specified.

Non-Exempt Continuing Connected Transactions

Contractual Arrangements

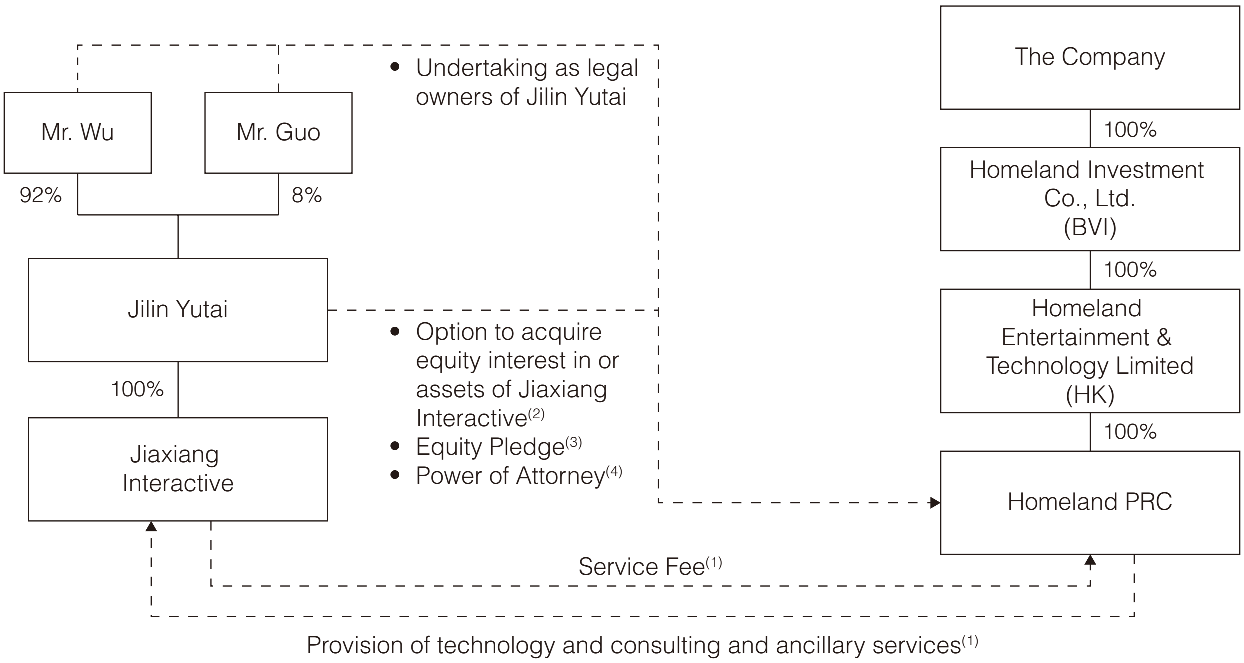
The Group is primarily engaged in the development and operation of localised mobile card and board games business (the "**Principal Business**") and is considered to be engaged in the provision of value-added telecommunications services (which includes information services provided via mobile network) and Internet cultural business (which includes the production or operation of mobile games operated through wireless telecommunication networks), sectors where foreign investment is subject to prohibitions and significant restrictions under the PRC laws and regulations.

Each of Jiaxiang Interactive, Jilin Xinze and Jilin Yuke Network Technology Company Limited (吉林省宇柯網絡科技有限公司) ("**Jilin Yuke**"), holds an ICP License and an Internet Cultural Business License required for the conduct of the Group's business.

The Group has, through its wholly-owned subsidiary, Beijing Kexin Network Technology Company Limited (北京柯鑫網絡科技有限公司) ("**Homeland PRC**"), entered into a series of contractual arrangements with Jiaxiang Interactive, Jilin Yutai Network Technology Company Limited (吉林省豫泰網絡科技有限公司) ("**Jilin Yutai**"), Mr. WU Chengze ("**Mr. Wu**") and Mr. GUO Shunshun ("**Mr. Guo**") to exercise effective control over the operations and enjoy substantially all of the economic benefits of Jiaxiang Interactive and its subsidiaries (the "**PRC Operating Entities**"). The agreements underlying such contractual arrangements with Jiaxiang Interactive and Jilin Yutai include: (i) Exclusive Business Cooperation Agreement, (ii) Exclusive Call Option Agreement and (iii) Equity Pledge Agreement (the "**Contractual Arrangements**"). Moreover, Jilin Yutai had also executed an irrevocable Power of Attorney appointing Homeland PRC as its proxy to exercise on its behalf of shareholder rights in Jiaxiang Interactive. The total revenue of the Group's PRC Operating Entities during the year ended 31 December 2022 was approximately RMB1,561 million, and the total assets of the Group's PRC Operating Entities as at 31 December 2022 was approximately RMB1,643 million.

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

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



Notes:

(1) Please refer to the section headed "Exclusive Business Cooperation Agreement" below.

(2) Please refer to the section headed "Exclusive Call Option Agreement" below.

(3) Please refer to the section headed "Equity Pledge Agreement" below.

(4) Please refer to the section headed "Power of Attorney" below.

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

(a) Exclusive Business Cooperation Agreement

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

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

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

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

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

The Directors consider that the above arrangement will ensure the economic benefits generated from the operations of Jiaxiang Interactive to flow to Homeland PRC and hence, the Group as a whole. As of 31 December 2022, Homeland PRC has deployed appropriate facilities and personnel to oversee the operation and management of Jiaxiang Interactive, drive the key business decision-making processes and provide overall business advice and consulting services as required to be provided to Jiaxiang Interactive and its subsidiaries pursuant to the Exclusive Business Cooperation Agreement, whilst Jiaxiang Interactive and its subsidiaries are mainly responsible for the operations of the integrated mobile game platform and to hold all operating assets for the purpose of operating the Principal Business to ensure compliance with relevant PRC laws and regulations with respect to the restriction on foreign investment in entity operating integrated mobile game platform and the conditions of the relevant ICP and operating licenses granted to Jiaxiang Interactive and its subsidiaries. The Company believes that such allocation of resources would allow a proper discharge of the respective responsibilities of Homeland PRC and Jiaxiang Interactive under the Contractual Arrangements and also ensure sound and effective operation of the Group in compliance with the Contractual Arrangements and applicable laws and regulations.

(b) Exclusive Call Option Agreement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) *Equity Pledge Agreement*

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

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

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

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

(d) Power of Attorney

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

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

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

UNDERTAKING FROM THE ULTIMATE LEGAL OWNERS OF JILIN YUTAI

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

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

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

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

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

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

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

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

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

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

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

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

Risks Relating to the Contractual Arrangements

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

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

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

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

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

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

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

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

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

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

Mitigation actions taken by the Company

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

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

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

Waiver from the Stock Exchange

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

Confirmation of Independent Non-executive Directors

The independent non-executive Directors have reviewed the above continuing connected transactions of the Company and confirmed that (i) the transactions carried out during the year ended 31 December 2022 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the profit generated by Jiaxiang Interactive and its subsidiaries has been substantially retained by Homeland PRC; (ii) no dividends or other distributions have been made by Jiaxiang Interactive or any non-wholly owned subsidiary of the Group to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and (iii) no new transactions, contracts and agreements or renewal of existing agreements have been entered into between the Group and Jiaxiang Interactive during the year ended 31 December 2022.

Confirmation from the Company's Independent Auditors

Deloitte Touche Tohmatsu, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu has issued its unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in connection with Contractual Agreements for the year ended 31 December 2022 in accordance with Rule 14A.56 of the Listing Rules, with an emphasis in relation to the fact that the Company is not required to establish and announce an annual cap in respect of the continuing connected transactions in connection with the Contractual Agreements for the year ended 31 December 2022. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

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

Further details on related party transactions for the year ended 31 December 2022 are set out in note 34 to the consolidated financial statements.

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

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

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

As at 31 December 2022, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

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

Name of Director/ Chief Executive	Nature of interest	Number of underlying Shares	Approximate percentage of shareholding interest
Mr. WU Chengze ("**Mr. Wu**")(2)	Interest in controlled corporation	433,842,000	33.80%
Mr. JIANG Mingkuan ("**Mr. Jiang**")(3)	Interest in controlled corporation	110,553,000	8.61%
Mr. SU Bo ("**Mr. Su**")(4)	Interest in controlled corporation	119,885,000	9.34%
Mr. GUO Shunshun ("**Mr. Guo**")(5)	Interest in controlled corporation	31,043,000	2.42%

(1) All interests stated are long positions.

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

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

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

(5) Mr. Guo holds the entire share capital of Guo Shun Shun Network Limited, which in turn directly holds 31,043,000 Shares. Accordingly, Mr. Guo is deemed to be interested in the 31,043,000 Shares held by Guo Shun Shun Network Limited.

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

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

Note:

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

(iii) Interests in Other Members of the Group

So far as the Directors are aware, as of 31 December 2022, the following persons (excluding the Company) are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

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

Note:

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

Save as disclosed above, as at 31 December 2022, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2022, so far as is known to the Directors, the following persons, not being a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO:

Name	Nature of interest	Number of underlying Shares	Approximate percentage of shareholding interest
Me Geng Network Limited[2]	Beneficial owner	72,670,000	5.66%
One One Eleven Limited[2]	Interest in controlled corporation	72,670,000	5.66%
Futu Trustee (Singapore) Pte Ltd[2]	Trustee	72,670,000	5.66%
Mr. MEN Geng[2]	Founder of a discretionary trust who can influence how the trustee exercises his discretion	72,670,000	5.66%
Co-challengers Growth Limited[3]	Beneficial owner	70,840,000	5.52%
Mr. LI Bo[3]	Interest in controlled corporation	70,840,000	5.52%
Beijing Chuangxin Yizhou Investment Management Limited (北京創新壹舟投資管理有限公司) ("**Yizhou Investment Management**")[3]	Interest in controlled corporation	70,840,000	5.52%
Xiamen Yizhou Xingchen Investment Management Limited (廈門壹舟星辰投資管理有限公司) ("**Xingchen Investment Management**")[3]	Interest in controlled corporation	70,840,000	5.52%
Xiamen Challenger Venture Capital Partnership (Limited Partnership) (廈門挑戰者創業投資合夥企業(有限合夥)) ("**Xiamen Challenger**")[3]	Interest in controlled corporation	70,840,000	5.52%

Notes:

(1) All interests stated are long positions.

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

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

Save as disclosed above, as at 31 December 2022, the Directors were not aware of any other persons who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

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

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

The Company's ultimate customers are individual game players. Due to the Group's large customer base, its five highest paying players in aggregate contributed to substantially less than 30% of the total sales proceeds received during the year ended 31 December 2022.

Major Suppliers

For the year ended 31 December 2022, the Group's five largest suppliers accounted for approximately 64.15%, as compared to approximately 56.7% of the Group's total purchase amounts for the year ended 31 December 2021. The Group's single largest supplier accounted for approximately 29.95%, as compared to approximately 21.4% of the Group's total purchases for the year ended 31 December 2021.

During the year ended 31 December 2022, none of the Directors or any of their close associates or any Shareholders (which, to the knowledge of the Directors, own more than 5.0% of the number of issued shares of the Company) had any interest in the Group's five largest suppliers.

MANAGEMENT CONTRACTS

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

DIRECTORS' PERMITTED INDEMNITY PROVISION

Each Director or other officer of the Company shall be entitled to be indemnified out of the assets of Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of the duties of his/her office or trusts or otherwise in relation thereto in accordance with the Articles of Association. The Company has arranged appropriate directors' liability insurance coverage for the Directors of the Group during the year ended 31 December 2022.

RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on pages 102 to 103 of this annual report.

DIVIDENDS

The Board proposed the payment of a final dividend of HK$0.14 per share, in an aggregate amount of HK$179,676,490 (equivalent to RMB157,177,400), for the year ended 31 December 2022 (2021: nil), subject to the approval of the Shareholders at the 2022 Annual General Meeting to be held on 22 May 2023. The proposed dividends will be distributed on 16 June 2023 to Shareholders whose names appear on the register of members of the Company on 5 June 2023.

The annual general meeting (the "**Annual General Meeting**") is proposed to be held on Monday, 22 May 2023. A notice convening the Annual General Meeting will be published and despatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") in due course. The register of members of the Company will be closed from Wednesday, 17 May 2023 to Monday, 22 May 2023 (both days inclusive), for the purpose of determining the entitlement to attend and vote at the Annual General Meeting. In order to be eligible to attend and vote at the Annual General Meeting, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited, at Level 17, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Tuesday, 16 May 2023.

For determining the entitlement to the payment of final dividend, the register of members of the Company will be closed on Monday, 5 June 2023, during which no transfer of shares of the Company will be registered. The final dividend is payable to the Company's shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 5 June 2023. In order to qualify for the payment of final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar Tricor Investor Services Limited, at Level 17, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 pm on Friday, 2 June 2023.

SHARE CAPITAL

Details of movements in share capital of the Company during the Reporting Period are set out in note 31 to the consolidated financial statements in this annual report.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 December 2022 are set out in the consolidated statement of changes in equity and note 38 to the consolidated financial statements in this annual report. As at 31 December 2022, the Company's distributable reserves calculated under the Companies Law of the Cayman Islands comprise the share premium and other reserves totaling approximately RMB4.1 million (2021: approximately RMB75.0 million).

CHARITABLE DONATIONS

The Group made charitable donations of approximately RMB5 million during the Reporting Period.

PROPERTY, PLANT AND EQUIPMENT

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

USE OF PROCEEDS FROM LISTING

The shares of the Company were listed on the Stock Exchange on 4 July 2019. The net proceeds from the global offering was approximately HK$363.8 million.

During the year ended 31 December 2022, the Group has followed the plan and the timeline for the use of proceeds as set out in the Prospectus and the results announcement for the year ended 31 December 2021 published by the Company on 28 March 2022. As at 31 December 2022, all proceeds from the global offering has been utilized.

The table below sets forth the use of proceeds by the Group as of 31 December 2022:

Intended use of the net proceeds	Amount allocated for intended use of net proceeds	Amount that had been utilized as of 31 December 2022	The actual used amount for the year ended 31 December 2022	Remaining balance as of 31 December 2022
1. For further expanding and developing game portfolio:	**HK$89.1 million**	**HK$89.1 million**	**HK$6.6 million**	**HK$Nil**
• to develop additional mahjong game variations	HK$43.4 million	HK$43.4 million	HK$4.0 million	HK$Nil
• to develop new poker game variations	HK$20.9 million	HK$20.9 million	HK$1.8 million	HK$Nil
• to develop new casual games	HK$24.8 million	HK$24.8 million	HK$0.8 million	HK$Nil
2. For introducing and enhancing game features or functions and for improving technology infrastructure:	**HK$105.9 million**	**HK$105.9 million**	**HK$6.3 million**	**HK$Nil**
• to develop HTML5 versions and other potential mini-programs for most of the existing game products	HK$39.8 million	HK$39.8 million	HK$1.6 million	HK$Nil
• to improve user interface	HK$18.5 million	HK$18.5 million	HK$1.5 million	HK$Nil
• to improve backend system	HK$19.1 million	HK$19.1 million	HK$0.8 million	HK$Nil
• to develop new features of game products	HK$16.5 million	HK$16.5 million	HK$0.6 million	HK$Nil
• for cybersecurity needs	HK$12.0 million	HK$12.0 million	HK$1.8 million	HK$Nil
3. For enhancing marketing capabilities and improving brand image:	**HK$65.5 million**	**HK$65.5 million**	**HK$15.7 million**	**HK$Nil**
• offline promotion activities in respect of new game variations and offline promotion activities in respect of existing games	HK$30.7 million	HK$30.7 million	HK$11.8 million	HK$Nil
• advertising expenses	HK$30.6 million	HK$30.6 million	HK$0.4 million	HK$Nil
• to build a PR team to strengthen overall marketing capability	HK$4.2 million	HK$4.2 million	HK$3.5 million	HK$Nil
4. For external growth by strategically pursuing partnership and acquisition opportunities	**HK$38.6 million**	**HK$38.6 million**	**HK$4.7 million**	**HK$Nil**

Intended use of the net proceeds	Amount allocated for intended use of net proceeds	Amount that had been utilized as of 31 December 2022	The actual used amount for the year ended 31 December 2022	Remaining balance as of 31 December 2022
5. For international expansion	HK$28.4 million	HK$28.4 million	HK$8.1 million	HK$Nil
6. For providing funding for working capital and general corporate purposes	HK$36.3 million	HK$36.3 million	HK$2.8 million	HK$Nil
Total	HK$363.8 million	HK$363.8 million	HK$44.2 million	

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

EQUITY-LINKED AGREEMENTS

Details of the Share Option Scheme and Share Award Scheme are set out in the section headed "Share Incentive Schemes" above. Save as disclosed above, no equity-linked agreement will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company in 2022 or subsisted at the end of 2022.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 54 to 66 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

AUDITOR

The Company has appointed Deloitte as the auditor of the Company for the year ended 31 December 2022. A resolution will be proposed for approval by Shareholders at the forthcoming AGM to re-appoint Deloitte as the auditor of the Company.

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

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

Hong Kong, 30 March 2023

CORPORATE GOVERNANCE PRACTICES

The Board is committed to upholding high standards of corporate governance practices and business ethics in the firm belief that they are crucial to improving the efficiency and performance of the Group and to safeguarding the interests of the shareholders. The Board reviews the Company's corporate governance practices from time to time in order to meet the expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance. Set out below are the principles of corporate governance as adopted by the Company during the year ended 31 December 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the code provisions of the Corporate Governance Code on the Stock Exchange (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the Reporting Period, the Company has complied with the applicable code provisions as set forth in the CG Code, except for a deviation from the code provision C.2.1 of the CG Code that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Details of such deviation are summarized below in the subsection headed "Chairman and Chief Executive Officer".

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code for securities transactions by the Directors. Having made specific enquiry of all Directors, it is confirmed that all Directors have complied with the Model Code throughout the Reporting Period.

BOARD OF DIRECTORS

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

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

Board Composition

The Board currently comprises nine Directors. As at 31 December 2022 and up to the date of this annual report, the Company has six executive Directors and three independent non-executive Directors. The composition of the Board is as follows:

Executive Directors

Mr. WU Chengze *(Chairman and Chief Executive Officer)*
Mr. JIANG Mingkuan
Mr. SU Bo
Mr. GUO Shunshun
Mr. DING Chunlong *(appointment effective from 30 March 2023)*
Mr. TANG Yinghao *(appointment effective from 30 March 2023)*

Independent Non-executive Directors

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

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

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

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

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

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

Chairman and Chief Executive Officer

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

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

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

Appointment and Re-election of Directors

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

The Articles of Association provides that all Directors appointed to fill a casual vacancy or as an addition to the Board shall be subject to election by shareholders at the next following general meeting of the Company.

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

Responsibilities of the Directors

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

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

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

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

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

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

Mechanism to Ensure Independent Views to the Board

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

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

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

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

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

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

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

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that they remain informed and relevant for their contribution to the Board.

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

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

During 2022, the Company organized training sessions for all the Directors. Such training sessions cover a wide range of relevant topics including directors' duties and responsibilities, risk management and internal controls etc. In addition, relevant reading materials including legal and regulatory updates and seminar handouts have been provided to the Directors for their reference and studying.

The Directors as at 31 December 2022, being Mr. WU Chengze, Mr. JIANG Mingkuan, Mr. SU Bo, Mr. GUO Shunshun, Mr. ZHANG Yuguo, Mr. HU Yangyang and Ms. GUO Ying confirmed that they had complied with continuous professional development requirements for 2022.

Attendance Records of Directors and Committee Members

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

	Attendance/Number of Meetings					
Name of Directors	Board	Annual General Meeting	Extraordinary General Meeting	Audit Committee	Remuneration Committee	Nomination Committee
Mr. WU Chengze	10/10	1/1	0/0	—	—	1/1
Mr. JIANG Mingkuan	6/10	1/1	0/0	—	—	—
Mr. SU Bo	8/10	1/1	0/0	—	—	—
Mr. GUO Shunshun	9/10	1/1	0/0	—	—	—
Mr. ZHANG Yuguo	5/10	1/1	0/0	2/2	1/3	—
Mr. HU Yangyang	10/10	1/1	0/0	2/2	2/3	1/1
Ms. GUO Ying	6/10	1/1	0/0	2/2	1/3	1/1

Code provision C.5.1 of the CG Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication. During the Reporting Period, the Company held ten Board meetings in total. During the Reporting Period, the Company held an annual general meeting on 8 June 2022 ("**2022 AGM**"). All the directors of the Company attended the 2022 AGM.

The Audit Committee held two meetings during the Reporting Period to review and consider the annual financial results and reports for the year ended 31 December 2021, the interim financial results and reports for the six months ended 30 June 2022, as well as operational and compliance controls and the effectiveness of the risk management and internal control systems. The Audit Committee also met the external auditors twice during the Reporting Period without the presence of the executive Directors and the management.

The Remuneration Committee held three meetings and the Nomination Committee held one meeting during the Reporting Period.

BOARD COMMITTEES

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

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

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

Audit Committee

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

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

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

The Audit Committee held two meetings to review interim and annual financial results and reports in respect of the year ended 31 December 2022 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, connected transactions, the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

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

Remuneration Committee

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

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management.

For the year ended 31 December 2022, the Remuneration Committee held three meetings to review and make recommendation to the Board on the remuneration adjustment principle of all employees as a whole, the remuneration policy and structure of the Company, and the remuneration packages of the Directors and other related matters, and have approved the Share Awards granted on 31 March 2022 and 8 July 2022.

Pursuant to code provision E.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended 31 December 2022 is as follows:

	Number of employee(s)
Nil to HK$1,000,000	1

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

Nomination Committee

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

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

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

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

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

The Board also recognizes the importance of diversity at the workforce level. As of 31 December 2022, 61.95% of the Group's employees were male and 38.05% were female. The Group is committed to increasing the proportion of female Board members and workers as far as possible in the future, taking into account gender diversity in the recruitment process. The Company will continue to adopt measures to promote gender diversity at all levels, including but not limited to the Board and senior management, and to develop a pipeline of potential successors to the Board by developing a pipeline of female middle and senior management.

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

Review of Risk Management and Internal Controls

The Board acknowledges that it is responsible for maintaining sound and effective risk management and internal control systems and reviewing their effectiveness. The Company's risk management and internal control systems provide a comprehensive and organized structure with clearly defined scopes of responsibilities, authorities and procedures. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

The Board has received confirmation from the management that in respect of the year ended 31 December 2022:

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

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

Based on the framework for risk management and internal control systems established by the Group, the Board and the Audit Committee considered that, through the annual review of risk management and internal control systems of the Group, it can evaluate and improve their effectiveness and resolve material internal control defects. The Board, with the concurrence of the Audit Committee, considered that the Company's internal control systems, including financial, operational and compliance, were effective and adequate for the year ended 31 December 2022 based on the work performed and report prepared by the team as well as the confirmation letter received by the management. The Company will perform ongoing assessments to update all material risk factors on a regular basis. In any case, review of risk management and internal control systems by the Board will be conducted annually.

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2022.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 97 to 101 of this annual report.

DIVIDEND POLICY

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

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The remuneration paid/payable to the external auditor of the Company in respect of audit services for the year ended 31 December 2022 and non-audit services for the year ended 31 December 2022 (being the interim review of the Group's financial results for the six months ended 30 June 2022) amounted to RMB3.08 million and RMB0.7 million, respectively.

JOINT COMPANY SECRETARIES

Ms. Cui Wei was appointed as a joint company secretary of the Company with effect from 7 May 2021.

Ms. Ng Ka Man has been appointed as another joint company secretary of the Company with effect from 28 March 2022 to assist Ms. Cui to discharge her duties as a company secretary of the Company. Her primary contact person at the Company is Ms. Cui Wei, the other joint company secretary of the Company. For details, please refer to the announcement of the Company dated 28 March 2022.

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

SHAREHOLDERS' RIGHTS

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

Convening an Extraordinary General Meeting

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

Putting Forward Proposals at General Meetings

There are no provisions in the Articles of Association or the Cayman Islands Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. As regards proposing a person for election as a Director, please refer to the "Procedures for shareholders to propose a person for election as director" of the Company which is posted on the Company's website.

Putting Forward Enquiries to the Board

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

Contact Details

The contact details of the Company are set out in the Company's website (www.jiaxianghudong.com).

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

The Company has reviewed the implementation and effectiveness of its shareholder communication policy for the year ended 31 December 2022. Based on the current management policy and the investor relations website at www.jiaxianghudong.com, the Company believes that its shareholder communication policy has been effectively implemented.

Investor Relations Contacts

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

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

CONSTITUTIONAL DOCUMENTS

In preparation for the Listing, the Company has adopted the Articles of Association, which became effective on the Listing Date. Since then, the Company has not made any changes to its Articles of Association. An up-to-date version of the Articles of Association is available on the websites of the Company and of the Stock Exchange.

On 30 March 2023, the Board proposed amendments to the Articles of Association of the Company, which are subject to approval by the Shareholders of the Company at the Annual General Meeting.

ABOUT THIS REPORT

Reporting Scope and Period

Homeland Interactive Technology Ltd. (the "**Company**", together with its subsidiaries, collectively known as the "**Group**"), is publishing its fourth Environmental, Social and Governance Report ("**ESG Report**" or this "**Report**") of the Group from the period of 1 January 2022 to 31 December 2022 (the "**Reporting Period**"), showcasing its sustainability strategy, approach and performance to its valuable stakeholders. Unless otherwise stated, the reporting scope of this Report includes the Group's business operation in the People's Republic of China (the "**PRC**").

Reporting Standard

This Report is prepared according to the disclosure requirements of the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix 27 to the Rules Governing the Listing of Securities (the "**Listing Rules**") issued by the Stock Exchange of Hong Kong Limited (the "**HKEX**").

Reporting Principle

This Report is compiled in strict accordance with below four reporting principles set out in the ESG Reporting Guide:

Reporting Principle	Definition	Our Application
Materiality	Materiality is the threshold at which ESG issues become sufficiently important to investors and other stakeholders that they should be reported.	Materiality assessment has been conducted to identify issues that are of material to the Group and its stakeholders. Relevant information of these issues has been collected and disclosed in a targeted manner.
Quantitative	Key performance indicators ("**KPIs**") should be measurable. Targets can be set to reduce a particular impact. In this way the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative information should be accompanied by a narrative, explaining its purpose, impacts, and giving comparative data where appropriate.	Comparative and quantitative information has been disclosed in this Report.
Balance	The report should provide an unbiased picture of the issuer's performance. The report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.	This Report has disclosed both achievements and challenges of the Group in an objective way.

Reporting Principle	Definition	Our Application
Consistency	The issuer should use consistent methodologies to allow for meaningful comparisons of ESG data over time. The issuer should disclose in the ESG report any changes to the methods used or any other relevant factors affecting a meaningful comparison.	Consistent methodology has been used in this Report with necessary explanation on any changes to the methods used as compared to previous years. The approach of compilation of this Report is consistent with that of last year.

Data Collection Method

The information cited in this Report is sourced from the Group's official documents and statistical data. This Report has been approved by the Board of Directors ("**the Board**") in April 2023.

Access of this Report

As part of the Group's Annual Report, this Report has been prepared in both English and Chinese and is available on the Group's website at http://www.jiaxianghudong.com/and on HKEX website. In case of any discrepancy, the English version shall prevail.

Collecting Feedback

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

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Tel: +592–3325599
Email: ir@weile.com
Official website: http://www.jiaxianghudong.com/

ABOUT HOMELAND INTERACTIVE

Homeland Interactive Technology Ltd., is the leading localized card and board game developer and operator in the PRC with a special focus on localized Mahjong and poker games. Our mission is to become a globalized leisure competitive game platform, starting from the leading localized card and board game operator in the PRC. Most of our games are the recreation of classic games with a long history in the rea l world, The company's card and board games are ranked first in China based on the number of game varieties. In recent years, the company has achieved leapfrog growth in its user base and has successfully established a stable and healthy inflow of its own platform traffic. In addition to cultivating in the field of board and card, the group also develops casual games, and has launched a number of casual games. In the future, the company will continue to devote itself to provide safe and reliable gaming experience with rich content and beautiful graphics.

Mission

To provide the most native online games

Vision

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

Core Values

Fair, Professional, Safe, Innovative

Our Approach To Sustainability

As a leading player in the industry, the Group has consistently adhered to the principle of fulfilling our corporate social responsibility through our daily operations. To demonstrate our dedication, we have implemented comprehensive policies to oversee our performance in environmental protection, labor practices, supply chain management, product responsibility, business ethics, and integrity. Our aim is to establish a sustainable life cycle for entertainment that benefits our employees, players, suppliers, business partners, shareholders, investors and other stakeholders. We regularly monitor our policies and management practices in various environmental, social, and governance domains to improve our sustainability performance, with the ultimate goal of bringing positive impacts to the wider community.

Sustainability Governance and Board's Oversight

The Board (the "**Board**") holds ultimate accountability for the Group's ESG strategy and reporting. It oversees the Group's ESG matters, focusing on the Group's long-term growth and positioning. To carry out the Group's ESG-related initiatives during the Reporting Period, our senior management is authorized by the Board for planning and execution. Senior management is responsible for supervising the ESG management approach, reports to the Board and provides annual guidance on issues such as the following:

- development and review of the sustainability strategies, management approach and targets of the Group;
- identification, review and management of material ESG-related risks and opportunities (including but not limited to climate-related risks and ESG risks along supply chain);
- ESG-related training on the ESG trends, updates, and ESG risk management approach for enhancing the ESG risk management mechanism;
- reviewing and monitoring the implementation of ESG-related policies and practices to ensure compliance with laws and regulations;
- monitoring and reviewing the Group's ESG performance and progress against any targets and goals;
- reviewing and monitoring the Group's stakeholder engagement channels to ensure effective communication with key stakeholders; and
- preparing an annual ESG report on its activities for Board's approval.

ESG Risk Management

The Board holds ultimate responsibility for overseeing the Group's risk management activities and monitoring ESG risks that have a material impact on the Group. The Group regards risk management as an integral part of daily operations and sound corporate governance. The risk management mechanism enables the Group to evaluate and mitigate risks that may impede or endanger the attainment of its business objectives in a dynamic business environment where economic, industry, regulatory, and operational conditions are subject to change.

With the assistance of an independent professional third party, we have identified and assessed the ESG risks that significantly affect our business operations, including but not limited to climate change, product quality, and innovation. To prioritize ESG risks, including climate-related risks, we have assessed the likelihood and potential impact on the Group and determined risk levels accordingly. We have identified the ESG risks that may significantly impact the Group and should therefore be addressed in our operations.

To manage ESG risks in conjunction with sound internal controls, we have devised appropriate risk mitigation measures for each of the identified ESG risks and delegated the relevant business departments to implement the measures to minimize the risks of disrupting our business operations. More information on our risk management approach can be found in the Corporate Governance Report section of the Annual Report.

Stakeholder Engagement

The Group views feedback from our stakeholders as a chance to enhance our approach in business development and sustainability. We have recognized directors and employees as our internal stakeholders, while shareholders/investors, suppliers/customers, distributors, government, and community/academic institutions are our primary external stakeholders. We utilize a variety of formal and informal communication channels to maintain a close and mutual dialogue with stakeholders, with the aim of gathering their perspectives on the Group's internal control system, corporate governance, and policies to facilitate continuous improvement. The table below highlights the types of stakeholders, their key issues of their concern, and the primary communication channels we deploy:

	Types of stakeholders	Key issues	Major communication channel
Internal Stakeholders	Directors	Risk management	Consultation via phone calls and emails Direct communication Company conferences Suggestion box
	Employees	Vocational training and development Salaries and benefits Health and safety	Consultation via phone calls and emails Direct communication Company conferences Suggestion box

	Types of stakeholders	Key issues	Major communication channel
External Stakeholders	Shareholders/ investors	Stable return on investment Transparency of information disclosure	Annual general meeting Consultation via phone calls and emails
	Suppliers/ customers	Performance of contract Standardized supply chain management system and procurement process Establishment of complaint system	Annual report Meetings
	Distributors	Well-established information exchange system Steady and stable supply of products	After-sales opinion box Consultation via phone calls and emails Meetings
	Government	Business operation in compliance with relevant laws and regulations	Annual report Meetings

Materiality Assessment

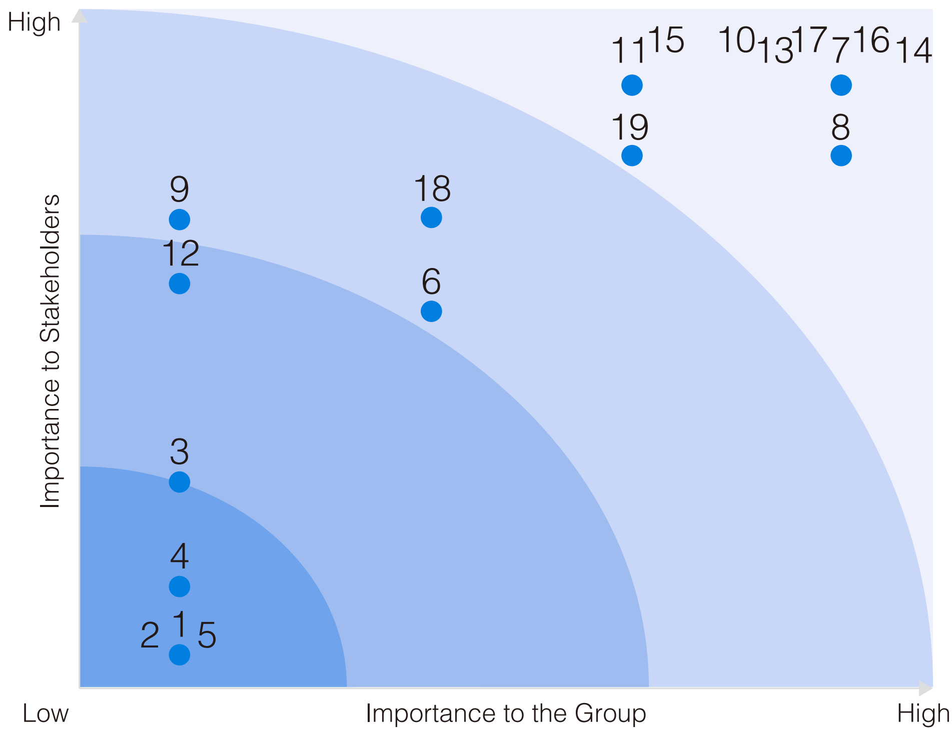
In addition to the abovementioned ongoing communications channels, we also carried out a materiality assessment in the Reporting Period with the help of an independent consultant. We invited key stakeholders to participate in a survey to rank the significance of various ESG issues based on their materiality to the Group. The following outlines the procedures of the materiality assessment:

1. Based on past and existing stakeholder communication results, listing rules requirements and the latest sustainability trends, we identified 19 ESG issues that are relevant and material to the Group.
2. Key stakeholders were invited to conduct a survey by way of questionnaire to rate identified issues.
3. We prioritized 19 issues for analysis based on comprehensive rating made by stakeholders and the management through the online survey.

Materiality Matrix

Below materiality matrix shows the results of the materiality assessment. The 10 issues in the top right hand corner indicate issues that are material to the Group, and will be disclosed in a focused manner in this Report.

Materiality Matrix



1.	Air emissions	6.	Green procurement	11.	Labor compliance	16.	Advertising and promotion
2.	Waste	7.	Labor benefits	12.	Environmental and social risks of supply chain	17.	Anti-gambling
3.	Carbon emission and energy	8.	Equal opportunities, diversity, anti-corruption	13.	Customer service	18.	Anti-corruption
4.	Water resources	9.	Occupational health and safety	14.	Internet safety	19.	Community investment
5.	Climate change risks	10.	Staff development and training	15.	Intellectual property rights management		

ENVIRONMENT

As a digital entertainment platform that develops and distributes games through mobile applications and websites, our business operations do not have a significant negative impact on the environment. However, the Group is dedicating itself to upholding the principle of environmental protection in our daily operations. We are highly attentive to our emissions and resource usage and endeavor to incorporate environmentally-friendly practices into our operations wherever possible. We strive to comply with relevant environmental laws and regulations, including but not limited to the *Environmental Protection Law of the PRC, the Law on the Prevention and Control of Atmospheric Pollution, the Law on the Prevention and Control of Water Pollution, the Law on the Prevention and Control of Solid Waste Pollution, and the Regulations on the Administration of Hazardous Waste Transfers*.

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

Climate Change

Climate change has become a pressing issue globally, with rising sea levels, increased temperatures, and more frequent extreme weather events. The Group is dedicated to combating climate change by rigorously managing our environmental performance, and stringently identifying and overseeing climate-related risks, including physical and transitional climate risks, as well as climate opportunities. We have implemented appropriate measures to address the identified risks. We have conducted an ESG risk assessment to identify potential climate risks that could threaten our business. Additionally, we regularly evaluate the effectiveness of our existing mitigation measures and continuously seek areas for improvement, thereby strengthening our business resilience towards climate change.

Key Climate-related Risk and Actions

Type	Climate-related Risk	Potential Impacts	Our Actions
Transitional Risks	**Policy and legal risk**		
	Policy and regulatory updates relating to climate change	• Increase in compliance cost	• We keep track of policy and market updates by conducting regular reviews
Physical Risks	**Acute risk**		
	Increase of severity of extreme weather events, including wildfires, typhoons, hurricanes, and flooding	• Damage to our operating locations • Increase in maintenance and repair costs	• We have implemented a group level business continuity plan which provides a set of procedures to carry out disaster recovery process.
	Chronic risk		
	Long term changes in weather patterns and the climate, such as the sustained high temperatures and droughts	• Disruption to business operation • Increase in energy cost for our offices and data centers	• Our 7/24 hardware operation team will be on standby to minimize disruption. • We will work with property management office for temperature cooling in case of high temperature.

In an effort to combat climate change, the Group has set below environmental targets. During the Reporting Period, we have recorded a positive progress:

	Our Green Targets	The Group's progress during the Reporting Period
GHG Emissions	To reduce our greenhouse gas emissions by improving energy efficiency and incorporating energy-saving measures.	In progress
Waste	To minimise our waste generation by applying 4R principles, avoiding unnecessary consumption.	In progress
Energy	To reduce our energy consumption by implementing energy conservation measures.	In progress
Water	To improve water efficiency by implementing water conservation measures.	In progress

Air, Greenhouse Gas Emissions and Energy Management

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

- Encouraging our employees to participate in carpooling
- Encouraging the use of public transportation whenever possible
- Utilizing video conferencing as an alternative to business travel
- Enhancing energy efficiency by installing time controllers into air conditioning systems and other electronic devices
- Automatically turning off devices during non-working hours to avoid unnecessary electricity consumption
- Prioritizing the purchase of energy-saving electronic devices with energy efficient labels
- Conducting regular inspections to ensure that air-conditioners are turned off during non-working hours

Waste Reduction

The Group generates non-hazardous waste which is mainly general office refuse from daily operations. To ensure proper waste management, we have contracted a qualified third party to collect and handle such waste in an appropriate manner. We have also introduced below initiatives to minimize the negative environmental impact of waste, including:

- Promoting the principle of "Reuse, Recycle, Reduce" to increase employees' awareness of waste minimization at the source
- Encouraging a paperless office through the use of electronic communication and data storage methods
- Using double-sided printing and reusing paper when possible
- Deploying waste recycling service to recycle electronic waste

Due to our business nature, the Group is not aware of material generation of hazardous waste, and is not involved in the consumption of packaging materials.

Water Conservation

The Group sources its domestic water supply from local municipal water suppliers and has not encountered any issues in this regard. While the Group's water consumption is relatively small, we recognize the scarcity of water resources and are committed to conserving water wherever possible. To this end, we have implemented below measures to ensure water efficiency:

- Installing automatic sensors in faucets to prevent water wastage
- Placing signs and posters next to water taps to remind our employees on water conservation

Environment and Natural Resources

Being an office-based enterprise, the Group was not aware that we have imposed significant impact on the surrounding environment. However, we are still stringently monitoring our emissions and resource consumption and are active in identifying and implementing suitable environmentally-friendly measures. We will arrange relevant trainings from time to time to educate our employees to raise their awareness and sense of responsibility towards environmental protection.

Environmental Performance Data

Emissions	Unit	2022	2021
Air Emissions			
Nitrogen Oxides (NO_x)	Tonnes	**2.99**	2.58
Sulphur Oxides (SO_x)	Tonnes	**2.19**	1.91
Particulate Matter (PM)	Tonnes	**0.22**	0.19
Greenhouse Gas (“GHG”) Emissions			
Total GHG Emissions (Scope 1 and 2)	Tonnes CO_2e	**206.51**	200.32
Scope 1 Direct Emissions	Tonnes CO_2e	**16.46**	13.76
Scope 2 Indirect Emissions	Tonnes CO_2e	**178.24**	186.56
Scope 1 Direct Emissions Intensity	Tonnes CO_2e/employee	**0.02**	0.02
Scope 2 Indirect Emissions Intensity	Tonnes CO_2e/employee	**0.26**	0.35
Waste			
Total Non-hazardous Waste	Tonnes	**62.26**	40.43
Total Non-hazardous Waste Intensity	Tonnes/employee	**0.09**	0.08

Use of Resources	Unit	2022	2021
Total Energy Consumption	MWh	**402.14**	352.10[1]
Total Energy Consumption Intensity	MWh/employee	**0.59**	0.65[1]
Purchased Electricity	MWh	**350.28**	305.80
Gasoline	MWh	**51.86**	46.30
Total Water Consumption	Tonnes	**2,268.13**	1,782.1
Total Water Consumption Intensity	Tonnes/employee	**3.31**	3.24

Reference for Calculation of KPIs and Emission Factors

- Unless otherwise stated, the calculation of KPIs and emission factors in the ESG Report refers to How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs published by Hong Kong Stock Exchange.
- The intensities of emissions and of use of resources are measured in number of employees of the year.
- Employee turnover rate is calculated by dividing the number of departed employees in the category by the average number of employees in the category (average of the number at the beginning and the number at the end of the year) during the Reporting Period.
- Employee training ratio is calculated based on the number of employees trained by the specific group divided by the total number of employees trained during the Reporting Period, for a more accurate reflection of the ratio of employees trained by gender and function.
- The average training hour is calculated based on total trained hours of the specific group divided by the number of employees and dismissed employees in that specific group, for a more accurate reflection of the training resources invested by the Group.

[1] Due to adjustment of calculation methodology, the total energy consumption and intensity in 2021 have been restated to better reflect the Group’s energy consumption performance.

SOCIETY

Employment

The Group aims to be a preferred employer. As such, it upholds the "people-oriented" principle, and is dedicated to promoting an open and inclusive working culture to safeguard the rights of our employees. We have developed a sophisticated human resources management mechanism which covers areas on talent attraction, remuneration and performance, promotion and development and staff benefit system etc., while we are in strict compliance with relevant laws and regulations. Throughout the Reporting Period, we were not aware of any material non-compliance issues related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare in terms of relevant laws and regulations, including but not limited to *the Labor Law of the PRC, the Labor Contract Law of the PRC, the Social Insurance Law of the PRC, the Regulation on Work-Related Injury Insurance, the Employment Promotion Law of the PRC and the Labor Dispute Mediation and Arbitration Law of the PRC*.

Our human resources management strategy covers the following four aspects:

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

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

Our talent attraction process promotes equality, diversity, and anti-discrimination. We consider candidates' education background, work experience, personality, and other relevant factors, regardless of their nationality, age, ethnicity, race, religion, gender, marital status, pregnancy, sexual orientation, or political stance. During the Reporting Period, the proportion of female employees have significantly increased as compared to that of last year, showcasing our commitment in promoting gender diversity. To ensure the protection of the rights of both employers and employees during dismissal and resignation, we have established the "Dismissal Management System," which clearly outlines the responsibilities and terms of both parties.

Human Resource Overview

As of 31 December 2022, the Group had a total of 686 employees, of which all are full time employees in the PRC. Below shows the distribution of employees by gender, age group and employee category as well as turnover rate:

	Number of employees	Employee turnover rate
Total number of staff	686	47.35%
By gender		
Male	425	45.14%
Female	261	40.07%
By Age Group		
Age 21–30	318	47.92%
Age 31–40	353	41.69%
Age 41–50	15	35.20%
By employment type		
Senior management	10	5.31%
Middle-level management	58	8.76%
General employees	618	44.27%

Health and Safety

As a responsible employer, we strive to uphold the safety and health of every employee. We comply with all relevant and applicable laws and regulations, including the Labor Law of the PRC, the Fire Prevention Law of the PRC, and the Prevention and Control of Occupational Diseases of the PRC, and have established stringent policies and measures to ensure high standard of occupational health and safety is upheld within the Group. Measures we adopt include:

- Introducing 24-hour security management system with access control monitoring, requiring external visitors to be received by designated personnel or guided by the front office
- Assigning designate personnel to manage access control to senior management areas
- Providing employees with medical insurance
- Conducting fire drills and inspections on fire equipment

Over the past three years, the Group has recorded 0 work injuries or work-related fatalities in our offices. The number of lost day due to work injury during the Reporting Period was 0.

Development and Training

Once a new employee joins the Group, we will arrange on-board orientation, allowing the new joiner to learn about the department responsibilities, corporate cultures, vacation policies and communication channels. We also acknowledge that continuous training and development of our employees are essential to our business growth and success. To this end, the Group regularly arranges a wide range of internal and external training sessions, allowing our employees to keep abreast with latest market trend and be equipped with professional knowledge. Such trainings are arranged in the forms of lectures, meetings, seminars, exchange meetings etc. In addition, we also advocate our senior staff to be lecturers so that they can share their knowledge and experience to junior staff, thus promoting continuous learning and personal development.

During the Reporting Period, we have arranged over 50 hours of training in terms of art design and program development etc. Below outlines the total training hours and training ratio by gender and employment type:

Training Overview

	Percentage of employees trained (%) 2022	Average training hours (hours/ employees) 2022
Training		
By employment category		
Senior Management	1.93%	1.56
Middle Management	4.59%	1.49
General	93.48%	2.03
By gender		
Male	82.34%	2.04
Female	17.66%	1.23

Labor Standards

The Group has a strict policy against the employment of child and forced labor. During the recruitment process, our Human Resources Department verifies the identity documents of candidates to ensure that their ages meet legal requirements. We also state the terms of the work position, remuneration package, employment date, and other relevant information in the employment letter. If any instances of child or forced labor are spotted within the Group, we will take immediate action to remove relevant individuals from the workplace, terminate the labor relationship, review our labor practices to identify any loopholes, and take corresponding remedial actions to prevent reoccurrence. Throughout the Reporting Period, the Group did not identify any cases of child or forced labor in the workplace.

Supply Chain Management

The Group primarily works with payment vendors, cloud service providers, internet data center providers, and online and offline advertising partners as major suppliers. We place great value on our long-term relationships with them and have established a comprehensive supply chain management system to properly manage the procurement process and safeguard the rights of the Group and our suppliers.

When selecting new suppliers, we assess candidate suppliers based on factors such as quality, pricing, payment terms, and after-sales services. For our existing suppliers, we conduct semi-annual assessments of their pricing, quality, and after-sales services etc. If any suppliers are identified for not fulfilling our requirements, we will list them as "watch-listed suppliers", requiring them to take remedial action in a timely manner, followed by follow-up checks to determine whether or not to continue our partnership.

At the Group, we are dedicated to making a positive impact on the entire supply chain, and we recognize that managing the environmental and social risks associated with our suppliers is crucial in achieving this goal. To ensure that our suppliers are upholding our values and meeting our expectations, we have established a comprehensive supply chain management system and the "Code of Conduct" that outlines our expectations towards our suppliers. The "Code of Conduct" covers our requirements against suppliers in terms of business ethics and integrity, occupational health and safety, anti-discrimination, environmental protection, and anti-corruption. All suppliers should sign back to pledge to abide by these terms.

In addition to upholding ethical standards, we also prioritize environmentally-friendly products and services during the supplier selection process. For example, when purchasing electronic equipment, we prioritize equipment with energy-saving labels.

To further ensure that we are managing environmental, social, and governance risks associated with our suppliers, we have carried out an ESG risk assessment. The Board and senior management closely monitor these risks and review the effectiveness of control measures on a regular basis. We also seek areas for improvement to continually strengthen our supplier management approach. During the Reporting Period, we did not identify any "high risk" suppliers.

As of December 31, 2021, we have engaged a total of 73 qualified suppliers and 50 backup suppliers. All suppliers are located in the PRC.

Product Responsibility

Managing Business Operations

A strict and standardized approach to business operations is at the heart of our success. It represents a crucial means of strengthening our corporate governance and internal controls, mitigating operational risks, and ensuring that our daily business operations are consistent and efficient. We have made significant strides in enhancing our compliance framework, streamlining our office management practices, and continually refining our internal operational management. Through these efforts, we are working to ensure that our organization is well-positioned for sustained success over the long term.

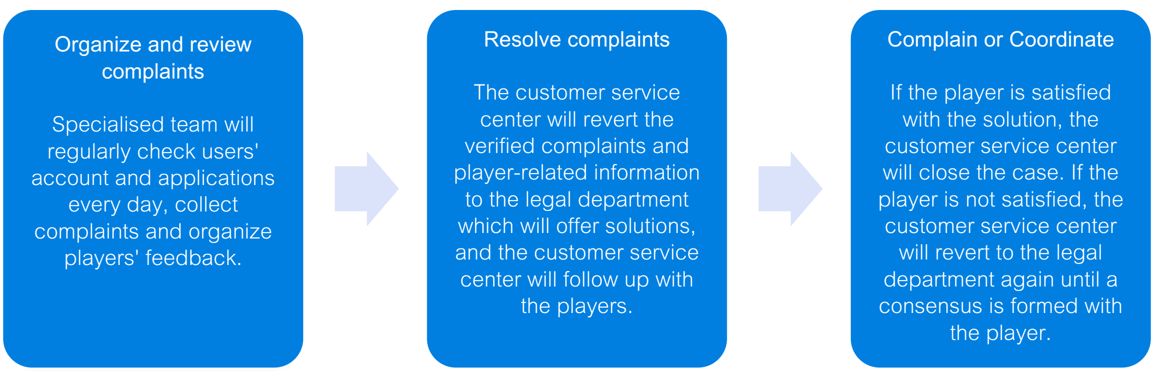
Commitment in Game Development

The Group is dedicated to maintaining high standards in all areas of our business operations, and we adhere to all relevant national and industry laws and regulations to safeguard the rights of our customers. This includes but not limited to the Cybersecurity Law of the PRC, the Regulation on Internet Information Service of the PRC, the Interim administrative Provisions on Internet Culture, the Telecommunication Regulation of the PRC, the Provisions on the Administration of Online Publishing Services, and the Interim Measures for the Administration of Online Games. As part of our commitment to regulatory compliance, we have obtained approval from the State Administration of Press, Publication, Radio, Film and Television for the registration of our games. We have also acquired ICP Licenses for the provision of value-added telecommunications services and Internet Cultural Business Licenses for the operation of our mobile game products. These measures ensure that our business operations are fully compliant with all relevant laws and regulations. During the Reporting Period, we were not aware of any material breach of relevant laws and regulations regarding health and safety, advertising, and privacy matters relating to our gaming products and services.

To develop high-quality mobile game products that meet the needs of our players, we have introduced a series of policies and mechanisms to monitor our game development business, from project commencement, market research, on-site research, coding, internal testing, adjustment, to publication, support by a team of game development professionals. We conduct comprehensive testing before a game is published on our own platform or external channels. Our internal team identifies any bugs or areas for improvement, allowing the game development team to address any issues promptly. We closely monitor the performance of our games after publication and collect and analyze player behaviors and feedback to identify bugs and improve game features as necessary.

Complaint Handling

At our Group, we place significant importance on the feedback and opinions of our players, as we believe that these represent an opportunity for ongoing improvement. To ensure player satisfaction, we have formulated the "Customer Service Center Management System" to standardize the process and standards for the customer service team to handle player inquiries and complaints. The procedures of handling complaint include:



We arrange adequate training including orientation and on-the-job training to our customer service personnel to enhance service quality. Training topics cover:

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

During the reporting period, our Group received 1,009 complaints from our players. All complaints have been addressed and solved.

Players' Health and Safety and Protection of Minor

The Group recognizes its responsibility to safeguard the physical and mental health of our players, particularly children and teenagers. To this end, we have implemented a robust mechanism with multiple measures to prevent any negative impacts on our players:

- Requiring players to complete real-name registration procedures by providing their names and identification numbers, prior to purchasing our virtual products. Games that are linked with social media platforms also require real-name registration procedures.
- Avoiding addiction to our games through setting restrictions on playing time. If a player has been playing our games for more than three hours, a notification window will appear, and their winning gains will be deducted by 50% if they continue. If a player has been playing for ten hours a day, his/her account will be suspended for the rest of the day

We are committed to protecting minors from the negative effects of online gaming on their physical and mental wellbeing. We strictly adhere to the *Notice by the National Press and Publication Administration of Further Imposing Strict Administrative Measures to Prevent Minors from Becoming Addicted to Online Games*. As such, we advocate the principle of "Green Game, Healthy Game" by preventing under-aged players from becoming addicted to online games through a series of measures, including limiting their playing time, requiring real-name registration procedures, refraining from providing game services to accounts without real-name registration in any form, as well as ensuring that all our chess, card, and fishing games are only open to players aged 18 or above. We have also ensured that all our published products are included in the "Anti-addition real name registration System" of the National Press and Publication Administration.

By doing the above measures, we are promoting a healthy and balanced gaming experience for all our players, particularly minors.

Anti-gambling

In view of the type of game products we offer, we consider it as our foremost responsibility to prohibit any forms of gambling. All of our games are green chess and card games, which replicate the characteristics of playing these games offline. Therefore, our games are completely devoid of any gambling features and do not exhibit any specific features that may be associated with gambling.

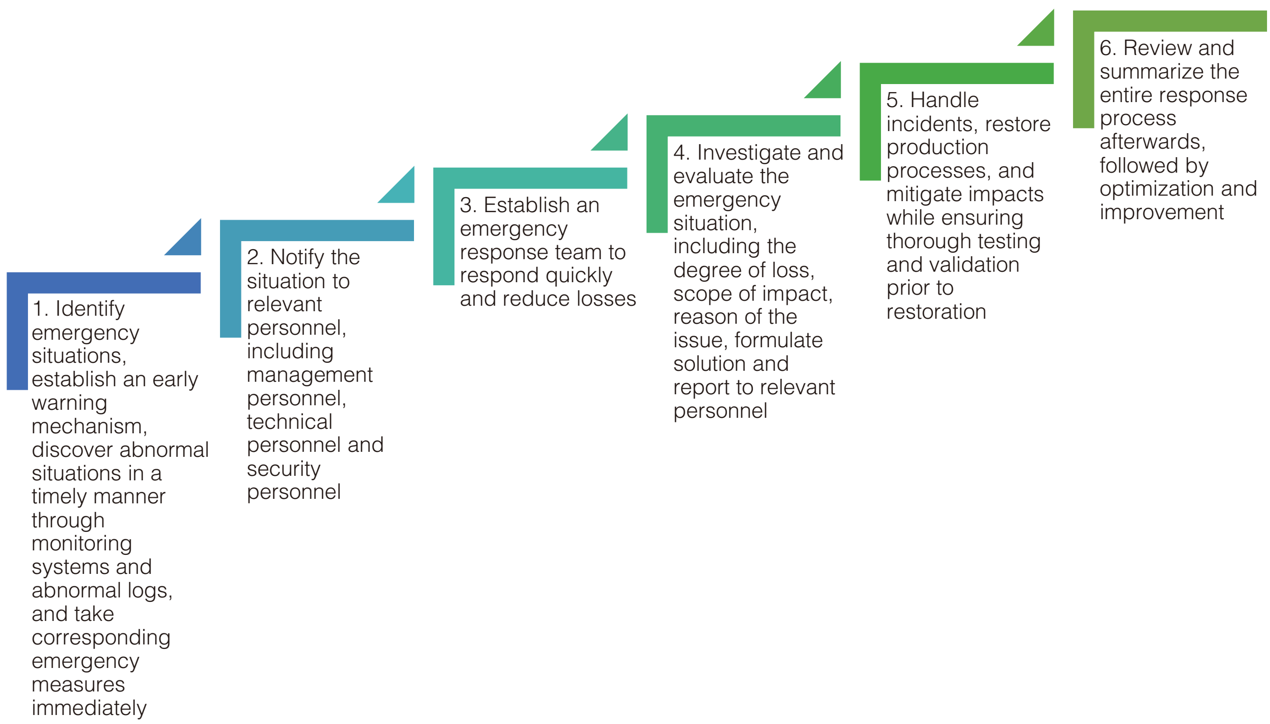
Our Group has established a thorough "Anti-gambling Management System" that prevents illegal or gambling activities through:

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

Data Security and Internet Safety

Due to our business nature, we acknowledge the importance of ensuring data and internet safety. As such, we have established a comprehensive system to mitigate the risk of internet attacks. We have been certified with the ISO27001 Information Security Management System certification and have established the "IT Safety Policy," "Data Security Policy," and "Data Security Emergency Handling Procedures" to ensure that our anti-attack system and data security measures are properly managed to safeguard players' personal information and other important information. In order to protect the personal data of players, we have adopted Jumpserver springboard machine management and bastion machine system. The data is first logged into the springboard machine, and then into the actual system. Such that, we can ensure the data in the production line can be protected. Jumpserver can also restrict access to specific personnel to prevent third-party attack. In addition, we also adopt Rundeck, an automated operation platform which can coordinate with Jumpserver to execute commands in the production environment and perform automated operations to protect the security and stability of business systems and ensure data and network security. We have also set up firewalls and conduct routine monitoring of server operations to identify any anomalies. Additionally, we have backup procedures in place to prevent data loss.

In the event of an emergency, including system failure, we will respond in an orderly and timely manner in accordance with the emergency response plan.



Furthermore, to ensure the confidentiality of our players' information, we require all employees to sign a confidentiality agreement either upon or within one month of commencing work. This agreement prohibits employees from disclosing any confidential information, including customer information and personal data to any third party without the user's consent under normal circumstances. Any employee who violates this agreement will be subject to disciplinary action, including discharge if necessary.

Intellectual Property Protection

Our Group adheres to all relevant laws and regulations pertaining to intellectual property, *including the Patent Law of the PRC, the Trademark Law of the PRC, the Copyright Law of the PRC, the Administrative Measures on China Internet Domain Name, the Measures Concerning Software Products Administration and the Anti-Unfair competition Law of the PRC*. To manage the handling and use of data related to intellectual property, we have established the "Intellectual Property Management Procedures" and formulated relevant terms in the confidentiality agreement that employees are required to sign to safeguard the Group's intellectual property.

We encourage our employees to report any suspected infringement of intellectual property to the management. In the event of such a report, we will conduct thorough and timely investigations and take appropriate follow-up actions.

Advertising

According to the Advertising Law of the PRC and the Interim Measures for Administration of Internet Advertising, we have formulated the "Advertising Management System" and verify all advertising contents strictly in accordance with the above laws and regulations to ensure the legality of the advertising content prior to publishing, so as to ensure rights of consumers.

Anti-corruption

The Group puts great emphasis of upholding business ethics and integrity which are seen as the cornerstone of an enterprise. As such, we are in stringent compliance with the Criminal Law of the PRC and the Anti-Money Laundering Law of the PRC etc. to avoid any forms of bribery, extortion, fraud, money laundering, and other illegal acts within the Group. To this end, we have established terms of integrity and self-regulation in our employment contracts, thus requiring our employees to uphold these values. Employees are not allowed to offer or receive money, gifts, loans, or other benefits that may influence business decisions or independent judgment. Our employees are also prohibited from offering or receiving kickbacks, remuneration, or secret commissions when conducting business for the Group, and from bribing government officials or conducting insider dealings.

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

We will arrange relevant trainings to the Board and applicable employees from time to time to enhance their awareness in upholding business ethics and integrity. During the Reporting Period, we have arranged 12 hours of relevant training to the Board and the senior management.

During the Reporting Period, the Group was not aware of any material cases of violations of laws and regulations related to bribery, extortion, fraud, or money laundering.

Community Investment & Social Contribution

We believe that our Group can play a meaningful role in promoting social harmony. As such, we are keen on seeking out opportunities to contribute to programs and initiatives that benefit the community by joining hands with our employees as active volunteers. We have put our resources focusing on alleviating the spread of pandemic during the Reporting Period.

In March 2022, the Group has donated RMB10 million dollars to various charity organizations including Jilin City Red Cross Society, Changchun Charity Association and Changchun Erdao District Red Cross Society to help combat spread of pandemic in Jilin County. The Group actively participated in the anti-epidemic work. Before the donation during the Reporting Period, the Group had already donated a total of RMB5 million dollars for the prevention and control of the pandemic, showcasing our effort in taking up our social responsibility.

HKEX ESG GUIDE CONTENT INDEX

Subject areas, aspects, general disclosure and key performance indicators ("KPIs")		Section/ Declaration	Page Number
A. Environmental			
Aspect A1: Emissions			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		Air, Greenhouse Gas Emissions and Energy Management Waste Reduction	P. 76–77
KPI A1.1	The types of emissions and respective emission data.	Environmental Performance Data	P. 78
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Waste Reduction	P. 77
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.		

Subject areas, aspects, general disclosure and key performance indicators ("KPIs")		Section/ Declaration	Page Number
Aspect A2: Use of Resources			
General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. *Note:* Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.		Air, Greenhouse Gas Emissions and Energy Management Water Conservation	P. 76–77
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Performance Data	P. 78
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).		
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Air, Greenhouse Gas Emissions and Energy Management Water Conservation	P. 76–77
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.		
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable to the Group's business	N/A
Aspect A3: Environmental and Natural Resources			
General Disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources.		Environmental and Natural Resources	P. 77
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.		
Aspect A4: Climate Change			
General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer		Climate Change	P. 74–75
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.		

<table>
<tr><th colspan="2">Subject areas, aspects, general disclosure and key performance indicators (“KPIs”)</th><th>Section/ Declaration</th><th>Page Number</th></tr>
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Subject areas, aspects, general disclosure and key performance indicators ("KPIs")		Section/ Declaration	Page Number
Aspect B3: Development and Training			
General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		Development and Training	P. 83
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).		
KPI B3.2	The average training hours completed per employee by gender and employee category.		
Aspect B4: Labour Standards			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		Labour Standards	P. 83
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.		
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Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure Policies on managing environmental and social risks of the supply chain.		Supply Chain Management	P. 84
KPI B5.1	Number of suppliers by geographical region.		
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.		
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.		
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.		

Subject areas, aspects, general disclosure and key performance indicators ("KPIs")		Section/ Declaration	Page Number
Aspect B6: Product Responsibility			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		Product Responsibility	P. 84-89
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable to the Group's business	N/A
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Product Responsibility	P. 84–89
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility	P. 84–89
KPI B6.4	Description of quality assurance process and recall procedures.	Not applicable to the Group's business	N/A
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility	P. 84–89
Aspect B7: Anti-Corruption			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		Anti-corruption	P. 89–90
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.		
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.		
KPI B7.3	Description of anti-corruption training provided to directors and staff.		

Subject areas, aspects, general disclosure and key performance indicators ("KPIs")		Section/ Declaration	Page Number
Community			
Aspect B8: Community Investment			
General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		Community Investment	P. 90
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).		
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.		

Deloitte. 德勤

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

Opinion

We have audited the consolidated financial statements of Homeland Interactive Technology Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 102 to 194, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue Recognition	
We identified the revenue recognition as a key audit matter due to the fact that the revenue from self-developed mobile games is significant to Group's consolidated financial statements and the management of the Group made a significant estimate on the calculation of unit value of unutilized virtual tokens at the year end, which has a significant impact to the revenue recognized during the year. During the year ended 31 December 2022, the Group recognized revenue from virtual tokens on their self-developed mobile games, total amounting RMB1,264,307,000, which represented approximately 81% of total revenue of the Group, as set out in Note 5 to the consolidated financial statements.	Our procedures in relation to revenue recognition included: • Assessing the appropriateness of the methodologies adopted by the management of the Group to determine the unit value of unutilized virtual tokens and deferred revenue at the year end through understanding the operating model of self-developed mobile games and challenging management's basis and judgement. • Involving our information technology ("**IT**") specialists to assess the accuracy and completeness on the quantity of virtual tokens, purchased by customers, given out for free, utilized during the year and unutilized at the year end from operation platform, through: (i) testing the general IT controls and automated controls of the operation platforms related to the self-developed mobile games; and (ii) performing recalculation on the quantity of the unutilized virtual tokens at the year end by using transaction data from the operation platforms, such as purchase and consumption quantity, and reconciled to the unutilized quantity in the operation platforms to verify the accuracy.

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

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Sy, Sunnie.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000 (restated)
Continuing operations			
Revenue	5	**1,562,940**	1,140,563
Cost of sales	6	**(542,321)**	(303,516)
Gross profit		**1,020,619**	837,047
Other income	7	**59,716**	33,700
Other gains and losses	8	**14,231**	(25,648)
Foreign exchange gains (losses), net		**11,050**	(1,469)
Selling and marketing expenses		**(543,718)**	(301,042)
Administrative and other expenses		**(220,075)**	(91,630)
Impairment losses under expected credit loss model	9	**(5,386)**	—
Share of results of associates	19	**40,974**	27,320
Share of results of joint ventures	20	**(7)**	—
Interest on lease liabilities		**(1,428)**	(849)
Profit before income tax		**375,976**	477,429
Income tax expense	10	**(26,326)**	(65,672)
Profit for the year from continuing operations	11	**349,650**	411,757
Discontinued operations			
Profit for the year from discontinued operations	12	**116,032**	88,519
Profit for the year		**465,682**	500,276
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Fair value loss on investment in equity instruments at fair value through other comprehensive income, net of income tax		**(8,870)**	(3,574)
Other comprehensive expense for the year, net of income tax		**(8,870)**	(3,574)
Total comprehensive income for the year		**456,812**	496,702

	NOTE	2022 RMB'000	2021 RMB'000 (restated)
Profit for the year attributable to owners of the Company:			
— from continuing operations		349,242	412,194
— from discontinued operations		116,032	88,519
		465,274	500,713
Profit (loss) for the year attributable to:			
Owners of the Company		465,274	500,713
Non-controlling interests		408	(437)
		465,682	500,276
Total comprehensive income for the year attributable to owners of the Company			
— from continuing operations		340,372	408,620
— from discontinued operations		116,032	88,519
		456,404	497,139
Total comprehensive income (expense) attributable to:			
Owners of the Company		456,404	497,139
Non-controlling interests		408	(437)
		456,812	496,702
Earnings per share (in RMB cents)	15		
From continuing and discontinued operations			
— Basic		37.23	39.77
— Diluted		36.73	38.93
From continuing operations			
— Basic		27.94	32.74
— Diluted		27.57	32.05

Consolidated Statement of Financial Position

As at 31 December 2022

	NOTE	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	16	52,858	51,557
Intangible assets	17	1,077	1,412
Right-of-use assets	18	15,985	29,758
Investments in associates	19	186,545	153,498
Investments in joint ventures	20	25,021	—
Financial assets at fair value through profit or loss	25	30,000	—
Loans to employees	21	17,407	13,788
Rental and other deposits		7,001	5,637
Equity instruments at fair value through other comprehensive income	22	5,808	10,146
Deferred tax assets	23	57,223	9,972
Receivables for disposal of subsidiaries	12	96,584	—
		495,509	275,768
Current assets			
Trade receivables	24	192,949	194,736
Financial assets at fair value through profit or loss	25	61,243	—
Prepayments and other receivables	26	192,288	133,271
Cash and cash equivalents	27	1,163,316	1,125,162
		1,609,796	1,453,169
Current liabilities			
Other payables	28	93,569	92,221
Lease liabilities	29	10,191	11,241
Deferred revenue	30	127,057	82,492
Tax payable		43,861	55,909
		274,678	241,863
Net current assets		1,335,118	1,211,306
Total assets less current liabilities		1,830,627	1,487,074

	NOTE	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Lease liabilities	29	7,614	19,466
Deferred tax liabilities	23	29,000	1,934
Derivative financial liabilities	19	—	25,370
		36,614	46,770
Net assets		1,794,013	1,440,304
Capital and reserves			
Share capital	31	42	42
Reserves		1,794,377	1,441,076
Equity attributable to owners of the Company		1,794,419	1,441,118
Non-controlling interests		(406)	(814)
Total equity		1,794,013	1,440,304

The consolidated financial statements on pages 102 to 194 were approved by the Board of Directors on 30 March 2023 and were signed on its behalf:

WU Chengze
DIRECTOR

GUO Shunshun
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company										
	Share capital RMB'000	Shares held for Share Award Scheme RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserve RMB'000 (note i)	Share-based payments reserve RMB'000	Fair value through other comprehensive reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2021	41	–	113,551	15,027	19,717	27,509	(1,275)	775,559	950,129	(777)	949,352
Profit (loss) for the year	–	–	–	–	–	–	–	500,713	500,713	(437)	500,276
Other comprehensive expense for the year	–	–	–	–	–	–	(3,574)	–	(3,574)	–	(3,574)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(3,574)	500,713	497,139	(437)	496,702
Issue of shares held for the Compensation Grant and the 2021 Share Award Scheme *(defined in Note 35)*	1	(1)	–	–	1	–	–	–	1	–	1
Recognition of share-based payment expenses under the Share Option Scheme and the incremental fair value under the Compensation Grant *(defined in Note 35)*	–	–	–	–	–	10,172	–	–	10,172	–	10,172
Recognition of share based payment expenses under the 2021 Share Award Scheme *(defined in Note 35)*	–	–	–	–	–	270	–	–	270	–	270
Share-based payment expenses related to the share options forfeited after the vesting date	–	–	–	–	–	(324)	–	324	–	–	–
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	–	400	400
Repurchase of shares	–	(16,593)	–	–	–	–	–	–	(16,593)	–	(16,593)
As at 31 December 2021	42	(16,594)	113,551	15,027	19,718	37,627	(4,849)	1,276,596	1,441,118	(814)	1,440,304
Profit (loss) for the year	–	–	–	–	–	–	–	465,274	465,274	408	465,682
Other comprehensive expense for the year	–	–	–	–	–	–	(8,870)	–	(8,870)	–	(8,870)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(8,870)	465,274	456,404	408	456,812
Recognition of share-based payment expenses under the Share Option Scheme and the incremental fair value under the Compensation Grant *(defined in Note 35)*	–	–	–	–	–	7,683	–	–	7,683	–	7,683
Recognition of share-based payment expenses under the 2021 Share Award Scheme *(defined in Note 35)*	–	–	–	–	–	591	–	–	591	–	591
Recognition of share-based payment expenses under the 2022 Share Award Scheme *(defined in Note 35)*	–	–	–	–	–	26,061	–	–	26,061	–	26,061
Vesting of award shares under the Compensation Grant, the 2021 Share Award Scheme and the 2022 Share Award Scheme	–	30,754	10,516	–	–	(41,270)	–	–	–	–	–
Share-based payment expenses related to the share options forfeited after the vesting date	–	–	–	–	–	(5,223)	–	5,223	–	–	–
Repurchase of shares *(note ii)*	–	(44,581)	–	–	–	–	–	–	(44,581)	–	(44,581)
Dividend recognized as distribution *(Note 13)*	–	–	(92,857)	–	–	–	–	–	(92,857)	–	(92,857)
Transferred the losses to retained earnings as the disposal of investments in equity instruments at fair value through other comprehensive income	–	–	–	–	–	–	5,934	(5,934)	–	–	–
As at 31 December 2022	42	(30,421)	31,210	15,027	19,718	25,469	(7,785)	1,741,159	1,794,419	(406)	1,794,013

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

Note ii: During the year ended 31 December 2022, the Company repurchased 30,320,000 (2021: 11,942,000) of shares with total consideration of RMB44,581,000 (HK$50,824,000) (2021: RMB16,593,000 (HK$20,140,000)) on the open market at a price of HK$1.295 to HK$1.875 (2021: HK$1.48 to HK$1.93) through Futu Securities International (Hong Kong) Limited ("**Futu Securities**"), was appointed as an independent trustee for the share award schemes of the Company, as treasury shares for the purpose of future share award schemes. Details are as follows:

Month of repurchase	**No of ordinary shares**	**Price per share**		**Aggregate consideration paid**
		Highest	**Lowest**	
		HK$	*HK$*	*HK$'000*
January	8,058,000	1.875	1.819	14,963
March	186,000	1.397	1.397	260
April	258,000	1.390	1.295	346
May	122,000	1.383	1.383	169
June	854,000	1.400	1.382	1,186
July	3,448,000	1.589	1.390	5,036
August	422,000	1.461	1.411	615
September	4,378,000	1.654	1.546	7,048
October	5,752,000	1.677	1.465	9,076
November	6,842,000	1.800	1.574	12,125
Total	30,320,000			50,824

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	NOTE	2022 RMB'000	2021 RMB'000
Operating activities			
Profit for the year		**465,682**	500,276
Adjustments for:			
Income tax expense		**46,988**	76,960
Depreciation of property, plant and equipment		**9,250**	5,420
Amortization of intangible assets		**452**	536
Depreciation of right-of-use assets		**11,776**	6,359
Impairment losses under expected credit loss model		**5,386**	—
Interest income		**(30,069)**	(22,770)
Gain from changes in fair value of financial assets at fair value through profit or loss		**(86)**	—
(Gain) loss on fair value changes of derivatives		**(14,342)**	25,370
Gain on disposal of subsidiaries		**(97,803)**	—
Loss on disposal of property, plant and equipment		**51**	278
Loss (gain) on early termination of a lease		**146**	(244)
Share-based payment expenses	*35*	**34,335**	10,442
Interest on lease liabilities		**1,550**	1,060
Share of results of associates		**(40,974)**	(27,006)
Share of results of joint ventures		**7**	—
Staff cost due to loans to employees		**398**	1,305
Foreign exchange (gains) losses, net		**(6,082)**	1,103
Operating cash flows before movements in working capital		**386,665**	579,089
Decrease (increase) in trade receivables		**1,276**	(106,263)
Increase in other deposits, prepayments and other receivables		**(74,428)**	(73,373)
Increase in other payables		**5,619**	37,415
Increase in deferred revenue		**57,882**	42,604
Increase in financial assets at fair value through profit or loss held for trading		**(61,157)**	—
Cash from operating activities		**315,857**	479,472
Income tax paid		**(75,604)**	(78,290)
Net cash from operating activities		**240,253**	401,182

	NOTE	2022 RMB'000	2021 RMB'000
Investing activities			
Purchase of property, plant and equipment		**(11,427)**	(13,839)
Purchase of intangible assets		**(197)**	(338)
Acquisition of investments in associates		**(30,700)**	(15,000)
Acquisition of investments in joint ventures		**(25,028)**	—
Purchases of financial assets at fair value through profit or loss		**(30,000)**	—
Purchases of equity instruments at fair value through other comprehensive income		**(6,665)**	(400)
Dividend received from associates		**34,323**	31,860
Proceeds from disposal of equity instruments at fair value through other comprehensive income		**857**	—
Net cash outflow on disposal of subsidiaries	12	**(1,014)**	—
Interest received		**26,415**	22,770
Loans to employees		**(3,400)**	(6,719)
Loan to third party		**(10,772)**	—
Payments for rental deposits		**(1,364)**	(2,716)
Net cash (used in) from investing activities		**(58,972)**	15,618
Financing activities			
Issue of new shares		**—**	1
Capital injection by non-controlling interests		**—**	400
Repayments for lease liabilities		**(10,220)**	(6,007)
Interest paid on lease liabilities		**(1,550)**	(1,060)
Dividends paid		**(92,857)**	—
Payment on repurchase of shares		**(44,581)**	(16,593)
Net cash used in financing activities		**(149,208)**	(23,259)
Net increase in cash and cash equivalents		**32,073**	393,541
Cash and cash equivalents at the beginning of the year		**1,125,162**	732,724
Effect of foreign exchange rate changes		**6,081**	(1,103)
Cash and cash equivalents at the end of the year	27	**1,163,316**	1,125,162

1. GENERAL INFORMATION

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

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

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020

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

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after a date to be determined.
[3] Effective for annual periods beginning on or 1 January 2024.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation of consolidated financial statements (Continued)

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 “Share-based Payment”, leasing transactions that are accounted for in accordance with IFRS 16 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 “Inventories” or value in use in IAS 36 “Impairment of Assets”.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Basis of consolidation *(Continued)*

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Changes in the Group's interests in existing subsidiaries

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

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

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

Investments in associates and joint ventures

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

***Investments in associates and joint ventures** (Continued)*

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Revenue from contracts with customers

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

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

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

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

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

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

Principal versus agent

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

***Revenue from contracts with customers** (Continued)*

Principal versus agent (Continued)

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

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

Self-developed mobile games

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

***Revenue from contracts with customers** (Continued)*

Third-party mobile games

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

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

Advertising revenue

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

Other income

Service income is recognized over time during the service periods.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Property, plant and equipment

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

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

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

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization for intangible assets with finite lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Intangible assets *(Continued)*

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

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

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Cash and cash equivalents

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

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

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Leases *(Continued)*

The Group as a lessee (Continued)

Short-term leases

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

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

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

Refundable rental deposits

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Leases *(Continued)*

The Group as a lessee (Continued)

Lease liabilities

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

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

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

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

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Foreign currencies

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

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

Borrowing costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred as the Group does not have any qualifying asset.

Government grants

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

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

Financial instruments

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Financial instruments *(Continued)*

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

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Financial instruments *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

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

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

(i) Amortized cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

***Financial instruments** (Continued)*

Classification and subsequent measurement of financial assets (Continued)

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets subject to impairment assessment under IFRS 9

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

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

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

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

(i) Significant increase in credit risk

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

***Financial instruments** (Continued)*

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

(i) Significant increase in credit risk (Continued)

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

***Financial instruments** (Continued)*

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

(ii) Definition of default

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

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

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

(iii) Credit-impaired financial assets

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Financial instruments *(Continued)*

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information as described above. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

***Financial instruments** (Continued)*

Derecognition of financial assets

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

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

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

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Treasury shares

The cost of the Company's own equity instruments that it has acquired is deducted from equity. Gain or loss is not recognized on the purchase, sale, issue, or cancellation of treasury shares.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Financial instruments *(Continued)*

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortized cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Share-based payments

Equity-settled share-based payment transactions

Shares/Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For shares/share options that vest immediately at the date of grant, the fair value of the shares/share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognized in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payments reserve will be transferred to retained earnings.

When shares granted are vested, the amount previously recognized in share-based payments reserve will be transferred to share premium.

Modification to the terms and conditions of the share-based payment arrangements

When the terms and conditions of an equity-settled share-based payment arrangement are modified, the Group recognises, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if the Group modifies the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the Group takes the modified vesting conditions into consideration over the remaining vesting period.

The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as at the date of modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Share-based payments *(Continued)*

Modification occurs during vesting period

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period.

Modification occurs after vesting period

If the modification occurs after vesting period, the incremental fair value granted is recognised immediately, or over the vesting period if additional period of service is required before the modified equity instruments are vested.

If the modification reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, the Group continues to account for the original equity instruments granted as if that modification had not occurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, i.e. state-managed retirement benefit scheme, are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS require or permit the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before income tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

***Taxation** (Continued)*

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that has been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

Taxation *(Continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

Contractual arrangements

The Group conducts all of the business through Jiaxiang Interactive and its subsidiaries (collectively known as the "**PRC Operating Entities**"). The Group does not have any equity interest in the PRC Operating Entities. The directors of the Company assessed whether or not the Group has control over the PRC Operating Entities based on whether the Group has the power over the PRC Operating Entities, has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities. After assessment, the directors of the Company concluded that the Group has control over the PRC Operating Entities as a result of the Contractual Arrangements and other measures and accordingly, the Group has consolidated the financial statements of the PRC Operating Entities in the consolidated financial statements.

Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the PRC Operating Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the PRC Operating Entities. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among the PRC Operating Entities and their legal equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgments in applying accounting policies (Continued)

Contractual arrangements *(Continued)*

For the year ended 31 December 2022 and as at 31 December 2022, 100% and 96% (2021: 100% and 98%) of the Group's revenue and total assets came from the PRC Operating Entities.

Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Estimation of value of unutilized virtual tokens

As described in Note 3, the Group recognizes revenue based on the consumption of virtual tokens in self-developed mobile games, which is estimated with reference to the quantity of unutilized tokens at the year end and the estimation on how much the unutilized tokens worth.

The estimated unit value of the unutilized tokens was calculated, on a periodic basis, based on the quantity and value of tokens sold, as well as the quantity of tokens given out for free during the year. The determination of the estimated unit value of unutilized virtual tokens is based on the Group's best estimate that has taken into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a semi-annual basis. Any adjustments as a result of new information will be accounted for prospectively as a change in accounting estimate. When the management of the Group prepared the revenue recognition calculation, they relied on the transaction data, in particular the sales and consumption data, from the operation platforms to form their basis of calculations. During the year ended 31 December 2022, the Group recognized revenue from tokens on their self-developed mobile games, total amounting RMB1,264,307,000 (2021: RMB974,194,000).

5. REVENUE AND SEGMENT INFORMATION

Revenue represents (1) income from sales of virtual tokens on the Group's self-developed mobile games; (2) income from third-party mobile games, and; (3) advertising revenue. As private game room cards business is classified as discontinued operations which are described in more detail in Note 12, the revenue from private game room cards is excluded from this note. The Group's operating activities are attributable to a single operating segment focusing on development and operation of mobile games in the PRC. This operating segment has been identified on the basis of internal management reports, prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC which materially conform with IFRSs, that are regularly reviewed by the chief operating decision maker ("**CODM**"), Mr. Wu, the chief executive officer of the Group, for the purpose of allocating resources and assessing its performance. The CODM reviews the financial results of the Group as a whole for performance assessments. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue from self-developed mobile games and third-party mobile games is recognized at a point in time when the customers obtain control of the services, being at the point the customers consume the virtual tokens in self-developed mobile games and the customers purchase the virtual tokens of respective games or convert the virtual tokens in the platform to the virtual tokens in the relevant third-party mobile games.

Advertising revenue is recognized at a point in time when the advertisements placed by third-party platforms are displayed in the game interface.

	2022 ***RMB'000***	2021 *RMB'000* (restated)
Continuing operations		
Revenue from:		
— Self-developed mobile games	**1,264,307**	974,194
— Third-party mobile games	**183,892**	39,716
	1,448,199	1,013,910
Advertising revenue	**114,741**	126,653
	1,562,940	1,140,563

The Group has a large number of customers, and no revenue from any individual customer exceeded 10% or more of the Group's revenue for both years.

Geographical information

The Group operated within one geographical segment in both years because all of its revenue was generated in the PRC and all of its non-current assets were located in the PRC. Accordingly, no geographical segment information is presented.

6. COST OF SALES

Cost of sales is analyzed as follows:

	2022 *RMB'000*	2021 *RMB'000* (restated)
Continuing operations		
Employee benefit expenses	74,009	71,677
Commissions and fees charged by distribution channels and payment vendors	422,620	197,677
Server-related and technical support fees	43,643	32,538
Depreciation and amortization	1,521	1,141
Others	528	483
	542,321	303,516

7. OTHER INCOME

	2022 *RMB'000*	2021 *RMB'000* (restated)
Continuing operations		
Service income *(note i)*	10,020	7,972
Interest income		
— bank deposits	23,621	15,774
— loans to employees	617	750
— receivables for disposal of subsidiaries	3,037	—
Government subsidies *(note ii)*	17,575	8,314
Sundry income	4,846	890
Total	59,716	33,700

Notes:

(i) Service income mainly represents the amounts received from contracted clients for offline and online promotion marketing activities as well as providing game development and technical support services and is recognized over time when the related services are performed.

(ii) Government subsidies mainly represent various industry-specific subsidies granted by the government authorities to subsidize the research and development costs already incurred by the Group during the course of its business, as well as government incentives to reward the Group's effort for technological innovation and support to the local economy with no future related costs to be incurred. There are no unfulfilled conditions relating to such government subsidies recognized.

8. OTHER GAINS AND LOSSES

	2022 *RMB'000*	2021 *RMB'000*
Continuing operations		
Gain (loss) on fair value changes of derivatives	**14,342**	(25,370)
Gain from changes in fair value of financial assets at FVTPL	**86**	—
Loss on disposal of property, plant and equipment	**(51)**	(278)
Loss on early termination of right-of-use assets	**(146)**	—
	14,231	(25,648)

9. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	2022 *RMB'000*	2021 *RMB'000*
Continuing operations		
Impairment losses recognized on:		
— loans receivables	**(5,386)**	—

Details of impairment assessment are set out in Note 39.

10. INCOME TAX EXPENSE

The income tax expense of the Group is analyzed as follows:

	2022	2021
	RMB'000	*RMB'000*
		(restated)
Continuing operations		
PRC Corporate Income Tax ("**CIT**")		
Current year	**40,625**	70,424
Under provision in prior years	**5,010**	2,431
	45,635	72,855
Deferred tax		
Current year *(Note 23)*	**(19,309)**	(7,183)
	26,326	65,672

The Company and a subsidiary incorporated in the BVI is not subject to income tax in the Cayman Islands or the BVI.

No provision for Hong Kong Profits Tax has been made since the entity operating in Hong Kong had no assessable profits for the both years.

PRC CIT

The income tax provision of the subsidiaries operating in the PRC has been calculated at the tax rate of 25% on the taxable income for the reporting period, based on the existing legislation, interpretations and practices in respect thereof.

During the year ended 31 December 2021, Jiaxiang Interactive became qualified as "High and New Technology Enterprises" ("**HNTE**") under the Corporate Income Tax Law. According to the CIT law, it became entitled to a preferential income tax rate at 15% for three years starting from the year ended 31 December 2021. As a result, Jiaxiang Interactive is entitled to a preferential income tax rate at 15% for both years.

Jilin Xinze Network Technology Company Limited ("**Jilin Xinze**") qualified as HNTE under the Corporate Income Tax Law since 2017 and such qualification was renewed during the year 2020 with a valid period of three years. According to the CIT law, Jilin Xinze is entitled to a preferential income tax rate at 15% for both years.

10. INCOME TAX EXPENSE (Continued)

PRC CIT (Continued)

For the year ended 31 December 2022, Yaotang (Xiamen) Network Technology Co., Ltd (Yaotang Xiamen) qualified as a "Double Soft Enterprise" ("**DSE**") under the Corporate Income Tax Law. According to relevant tax regulations, Yaotang Xiamen is exempted from CIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years if the criteria of DSE are met each year, commencing from 2022, the first year of profitable operation. Therefore, Yaotang Xiamen was exempted from CIT for the year ended 31 December 2022.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2018 onwards, enterprises engage in research and development activities are entitled to claim 175% of the research and development expenses incurred in a year as tax deductible expenses in determining the taxable income for that year ("**Super Deduction**"). Jiaxiang Interactive and Jilin Xinze have claimed such Super Deduction in ascertaining its tax assessable profits for both years.

The income tax expense for the year can be reconciled to the profit before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 ***RMB'000***	2021 *RMB'000* (restated)
Continuing operations		
Profit before income tax	**375,976**	477,429
Tax at income tax rate of 25%	**93,995**	119,357
Tax effect of tax losses not recognized	**1,391**	3,390
Utilisation of tax losses previously not recognised	**(2,686)**	—
Tax effect of expenses not deductible for tax purpose	**7,990**	2,740
Tax effect of share of results of associates and joint ventures	**(10,242)**	(6,830)
Effect of Super Deduction	**(21,708)**	(14,333)
Effect of preferential tax rate	**(76,424)**	(41,083)
Withholding tax on undistributed profits of subsidiaries operating in the PRC	**29,000**	—
Under provision in prior years	**5,010**	2,431
Income tax expense	**26,326**	65,672

10. INCOME TAX EXPENSE (Continued)

PRC CIT (Continued)

Under the CIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Withholding tax amounted to RMB29,000,000, which was calculated by the expected amount of future dividends and the withholding tax rate of 10%, has been provided in the current year. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB1,512,787,000 as at 31 December 2022 (2021: RMB1,339,695,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

11. PROFIT FOR THE YEAR — CONTINUING OPERATIONS

Profit for the year from continuing operation has been arrived at after charging:

	2022	2021
	RMB'000	*RMB'000* (restated)
Lease expenses in respect of short-term leases on buildings	**—**	518
Depreciation of right-of-use assets	**10,738**	4,783
Depreciation of property, plant and equipment	**7,812**	4,748
Amortization of intangible assets	**445**	521
Auditors' remuneration	**3,780**	3,528
Directors' emoluments *(Note 14)*	**4,998**	3,821
Other staff costs:		
Salaries and other benefits in kind	**183,069**	122,902
Contributions to retirement benefit scheme	**6,251**	2,953
Share-based payment expenses	**30,482**	9,441
Total staff costs	**224,800**	139,117

12. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS

During the current year, in order to streamlining its business and discontinuing its private game room cards business, the Group entered into a sale agreement with Jilin Xinyue Network Technology Limited ("**Jilin Xinyue**") to dispose of its 100% equity interest in Jilin Yuke that carried out majority of the Group's private game room cards operations. Beijing Kexin Interactive Entertainment Technology Ltd. ("**Beijing Kexin**"), which was established in the PRC and wholly-owned by Jilin Yuke, was disposed of together with Jilin Yuke. The disposal was completed on 30 June 2022, on which date the Group lost control of Jilin Yuke. On the other hand, the Group also ceased the Group's remaining operations of private game room cards carried out by Jilin Xinze during the current year.

12. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS (Continued)

The profit for the year from the discontinued private game room cards operations is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the private game room cards operations as discontinued operations.

	2022 RMB'000	2021 RMB'000
Profit of private game room cards operations for the year	**33,492**	88,519
Gain on disposal of Jilin Yuke	**97,803**	—
Income tax expense on gain on disposal	**(15,263)**	—
	116,032	88,519

The results of the private game room cards operations for the period from 1 January 2022 to 30 June 2022 and preceding year, which has been included in the consolidated statement of profit or loss and other comprehensive income were as follows:

	2022 RMB'000	2021 RMB'000
Revenue	**60,207**	147,159
Cost of sales	**(12,747)**	(25,378)
Gross profit	**47,460**	121,781
Other income	**4,380**	8,778
Selling and marketing expenses	**(1,716)**	(16,264)
Administrative expenses	**(8,112)**	(12,379)
Other expenses	**(3,000)**	(1,584)
Share of results of associates	**—**	(314)
Interest on lease liabilities	**(121)**	(211)
Profit before income tax	**38,891**	99,807
Income tax expense *(Note)*	**(5,399)**	(11,288)
Profit for the year	**33,492**	88,519

Note:

Jilin Yuke was qualified as a DSE under the Enterprise Income Tax Law in 2019. Therefore, according to relevant tax regulations, Jilin Yuke is exempted from Enterprise Income Tax for two years, followed by a 50% reduction in the applicable tax rates for the next three years if the criteria of DSE are met each year, commencing from 2017, the first year of profitable operation. On the other hand, Jilin Yuke is qualified as HNTE under the Enterprise Income Tax Law from 2022 and the valid period is three years. Therefore, the actual income tax rate for Jilin Yuke is 15% for the current year and 12.5% for the preceding year. On the other hand, Jilin Yuke has claimed Super Deduction in ascertaining its tax assessable profits for both years.

12. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS (Continued)

Cash flows from the discontinued operations:

	2022 *RMB'000*	2021 *RMB'000*
Net cash flows from operating activities	**42,921**	82,913
Net cash flows used in investing activities	**(36)**	(14,148)
Net cash flows used in financing activities	**(637)**	(1,362)
Net cash flows	**42,248**	67,403

Consideration received:

	RMB'000
Cash	12,400
Deferred cash consideration *(Note)*	93,547
Total consideration	105,947

Analysis of assets and liabilities over which control was lost:

	30/06/2022 *RMB'000*
Property, plant and equipment	825
Intangible assets	80
Right-of-use assets	3,443
Trade receivables	510
Prepayments and other receivables	24,474
Cash and cash equivalents	13,414
Other payables	(14,270)
Tax payable	(2,741)
Lease liabilities	(4,274)
Deferred revenue	(13,317)
Net assets disposed of	8,144

12. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS (Continued)

Gain on disposal of a subsidiary:

	RMB'000
Total consideration	105,947
Net assets disposed of	8,144
Gain on disposal	97,803

Net cash outflow arising on disposal:

	RMB'000
Total cash consideration received	12,400
Bank balances and cash disposed of	(13,414)
	(1,014)

Note: Deferred consideration amounted to RMB93,547,000 will be settled on 28 April 2025. The fair value of the deferred consideration is determined by discounting the consideration of RMB111,600,000 using the discount rate of 6.44% per annum. An interest income of RMB3,037,000 was recognized in the current year and the receivables for disposal of subsidiaries was amounted to RMB96,584,000 and presented under non-current assets on the consolidated statement of financial position as at 31 December 2022.

13. DIVIDENDS

The Group announced a special dividend of Hong Kong Dollar ("**HK$**") 0.08 (equivalent to RMB0.07) per share on 22 September 2022 and paid the dividends on 26 October 2022 with a total amount of RMB92,857,000 (for the year ended 31 December 2021: nil).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of HK$0.14 (equivalent to RMB0.12) per ordinary share, in an aggregate amount of HK$179,676,490 (equivalent to RMB157,177,400), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

(a) Executive directors' emoluments

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

Name of director	Fees *RMB'000*	Salaries and other benefits in kind *RMB'000*	Contributions to retirement benefit scheme *RMB'000*	Total *RMB'000*
Executive directors:				
Mr. Wu *(note i)*	—	1,904	23	1,927
Mr. Jiang *(note ii)*	—	720	37	757
Mr. Su *(note iii)*	—	702	4	706
Mr. Guo Shunshun ("**Mr. Guo**") *(note iv)*	—	684	10	694
Mr. Men Geng ("**Mr. Men**") *(note v)*	—	300	29	329
Total	—	4,310	103	4,413

The remuneration of each executive director for the year ended 31 December 2021 is set out as follows:

Name of director	Fees *RMB'000*	Salaries and other benefits in kind *RMB'000*	Contributions to retirement benefit scheme *RMB'000*	Total *RMB'000*
Executive directors:				
Mr. Wu *(note i)*	—	738	7	745
Mr. Jiang *(note ii)*	—	556	33	589
Mr. Su *(note iii)*	—	458	33	491
Mr. Guo *(note iv)*	—	585	7	592
Mr. Men *(note v)*	—	651	53	704
Total	—	2,988	133	3,121

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Executive directors' emoluments (Continued)

Notes:

(i) Mr. Wu is also the chairman and the chief executive officer of the Group and his emoluments disclosed above included those services rendered by him as the chief executive officer.

(ii) Mr. Jiang is also the chief operating officer of the Group and his emoluments disclosed above included those services rendered by him as the chief operating officer.

(iii) Mr. Su is also the chief investment officer of the Group and his emoluments disclosed above included those services rendered by him as the chief investment officer.

(iv) Mr. Guo is also the chief product officer of the Group and his emoluments disclosed above included those services rendered by him as the chief product officer.

(v) Mr. Men was a general manager of Homeland PRC and his emoluments disclosed above included those services rendered by him as the general manager. Mr. Men resigned during current year as the Group ceased the operations of private game room cards business.

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

(b) Independent non-executive directors' emoluments

The remuneration of each independent non-executive director for the year ended 31 December 2022 is set out as follows:

Name of director	Fees RMB'000	Salaries and other benefits in kind RMB'000	Contributions to retirement benefit scheme RMB'000	Total RMB'000
Independent non-executive directors:				
Mr. Yu Ronald Patrick Lup Man *(note i)*	110	—	—	110
Mr. Hu Yangyang *(note i)*	175	—	—	175
Mr. Zhang Yuguo	150	—	—	150
Ms. Guo Ying	150	—	—	150
Total	585	—	—	585

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Independent non-executive directors' emoluments (Continued)

The remuneration of each independent non-executive director for the year ended 31 December 2021 is set out as follows:

Name of director	Fees *RMB'000*	Salaries and other benefits in kind *RMB'000*	Contributions to retirement benefit scheme *RMB'000*	Total *RMB'000*
Independent non-executive directors:				
Mr. Yu Ronald Patrick Lup Man *(note i)*	250	—	—	250
Mr. Hu Yangyang *(note i)*	150	—	—	150
Mr. Zhang Yuguo	150	—	—	150
Ms. Guo Ying	150	—	—	150
Total	700	—	—	700

Note:

(i) Mr. Yu Ronald Patrick Lup Man left off his position as chairman of audit committee and Mr. Hu Yangyang was elected as the chairman of audit committee during the current year.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

(c) Five highest paid individuals

The five highest paid employees of the Group during the year included two (2021: nil) directors, details of whose remuneration are set out in Note 14 (a) above. Details of the remuneration for the year of the remaining three (2021: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Salaries and other benefits in kind	**2,896**	4,316
Contributions to retirement benefit scheme	**37**	76
Share-based payment expenses	**20,004**	2,216
Total	**22,937**	6,608

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(c) Five highest paid individuals (Continued)

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands (presented in HK$) is as follows:

	2022 No. of employees	2021 No. of employees
Non-directors:		
HK$1,000,001 to HK$1,500,000	**—**	3
HK$1,500,001 to HK$2,000,000	**—**	2
HK$2,000,001 to HK$2,500,000	**1**	—
HK$2,500,001 to HK$3,000,000	**1**	—
HK$20,500,001 to HK$21,000,000	**1**	—
Total	**3**	5

No emoluments have been paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of them has waived or agreed to waive any emoluments for both years.

15. EARNINGS PER SHARE

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to owners of the Company is based on the following data:

	2022 RMB'000	2021 RMB'000
Earnings		
— Profit for the year attributable to owners of the Company	**465,274**	500,713
Less:		
Profit for the year from discontinued operations	**116,032**	88,519
Earnings for the purpose of basic and diluted earnings per share from continuing operations	**349,242**	412,194

15. EARNINGS PER SHARE (Continued)

From continuing operations (Continued)

	Number of shares 2022	2021
Number of shares		
Weighted average number of ordinary shares in issue less shares held for future share award scheme for the purpose of basic earnings per share	**1,249,793,413**	1,258,870,628
Effect of dilutive potential ordinary shares in respect of		
— Share Option Scheme	**—**	24,274,037
— The Compensation Grant	**16,728,259**	2,907,315
— The 2021 Share Award Scheme	**251,168**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,266,772,840**	1,286,051,980

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	2022 RMB'000	2021 RMB'000
Earnings		
Earnings for the purpose of basic and diluted per share		
Profit for the year	**465,274**	500,713

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic earnings per share for the discontinued operations is RMB9.28 cents per share (2021: RMB7.03 cents per share) and diluted earnings per share for the discontinued operations is RMB9.16 cents per share (2021: RMB6.88 cents per share), based on the profit for the year from the discontinued operations of approximately RMB116,032,000 (2021: RMB88,519,000) and the denominators detailed above for both basic and diluted earnings per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Owned properties RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Total RMB'000
Cost					
As at 1 January 2021	36,736	5,970	5,738	5,264	53,708
Additions	2,792	7,445	—	3,602	13,839
Disposal	—	(399)	—	—	(399)
As at 31 December 2021	**39,528**	**13,016**	**5,738**	**8,866**	**67,148**
Additions	**—**	**7,428**	**—**	**3,999**	**11,427**
Disposal of subsidiaries	**—**	**(841)**	**(2,332)**	**(584)**	**(3,757)**
Disposal	**—**	**(1,101)**	**—**	**—**	**(1,101)**
As at 31 December 2022	**39,528**	**18,502**	**3,406**	**12,281**	**73,717**
Depreciation					
As at 1 January 2021	2,517	3,987	2,045	1,743	10,292
Provided for the year	1,865	1,576	938	1,041	5,420
Disposal	—	(121)	—	—	(121)
As at 31 December 2021	**4,382**	**5,442**	**2,983**	**2,784**	**15,591**
Provided for the year	**2,162**	**3,009**	**1,900**	**2,179**	**9,250**
Disposal of subsidiaries	**—**	**(407)**	**(2,216)**	**(309)**	**(2,932)**
Disposal	**—**	**(1,050)**	**—**	**—**	**(1,050)**
As at 31 December 2022	**6,544**	**6,994**	**2,667**	**4,654**	**20,859**
Carrying values					
As at 31 December 2021	35,146	7,574	2,755	6,082	51,557
As at 31 December 2022	**32,984**	**11,508**	**739**	**7,627**	**52,858**

The estimated residual value rates and useful lives of each class of property, plant and equipment held by the Group are as follows:

Classes	Estimated residual value rates	Useful lives
Owned properties	5%	20 years
Furniture and equipment	0%–5%	3–5 years
Motor vehicles	5%	4–10 years
Leasehold improvement	0%	Over the shorter of the term of the lease and 5 years

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The carrying amount of owned properties situated in the PRC includes both the leasehold land and buildings elements, as in the opinion of the directors of the Company, allocation of the carrying amount between the leasehold land and buildings elements cannot be made reliably.

17. INTANGIBLE ASSETS

	Trademark	Computer software	Copyright of game software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
As at 1 January 2021	1,250	521	8,019	9,790
Additions	—	238	100	338
As at 31 December 2021	**1,250**	**759**	**8,119**	**10,128**
Additions	**—**	**197**	**—**	**197**
Disposal of subsidiaries	**—**	**—**	**(158)**	**(158)**
As at 31 December 2022	**1,250**	**956**	**7,961**	**10,167**
Amortization				
As at 1 January 2021	208	392	7,580	8,180
Charge for the year	125	107	304	536
As at 31 December 2021	**333**	**499**	**7,884**	**8,716**
Charge for the year	**125**	**234**	**93**	**452**
Disposal of subsidiaries	**—**	**—**	**(78)**	**(78)**
As at 31 December 2022	**458**	**733**	**7,899**	**9,090**
Carrying values				
As at 31 December 2021	917	260	235	1,412
As at 31 December 2022	**792**	**223**	**62**	**1,077**

The above intangible assets have finite useful lives. Such intangible assets are amortized on a straight-line basis over the following periods:

Trademark	10 years
Computer software	2–4 years
Copyright of game software	2–3 years

18. RIGHT-OF-USE ASSETS

	Office properties *RMB'000*
As at 31 December 2022	
Carrying amount	**15,985**
As at 31 December 2021	
Carrying amount	29,758

	Year ended 31/12/2022 ***RMB'000***	Year ended 31/12/2021 *RMB'000*
Depreciation charge	**11,776**	6,359
Expense relating to short-term leases	**—**	518
Total cash outflow for leases	**11,770**	7,585
Additions to right-of-use assets	**4,380**	26,966
Early termination of a lease	**2,934**	578
Disposed on disposal of subsidiaries	**3,443**	—

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

For both years, the Group leases office properties for its operations. Lease contracts are entered into for fixed term of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, lease liabilities of RMB17,805,000 are recognized with related right-of-use assets of RMB15,985,000 as at 31 December 2022 (2021: lease liabilities of RMB30,707,000 and related right-of-use assets of RMB29,758,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The Group did not enter into short-term leases for office properties for the current year. As a result, the expense relating to short-term leases is nil. As at 31 December 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses disclosed in the above and in Note 11.

19. INVESTMENTS IN ASSOCIATES

	2022	2021
	RMB'000	*RMB'000*
Cost of investment in associates	**196,100**	168,000
Share of post-acquisition profits and other comprehensive income, net of dividends received	**(9,555)**	(14,502)
Total	**186,545**	153,498

Details of the Group's associates are as follows:

Name of entity	Place of establishment	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2022	2021	**2022**	2021	
Jilin Xinyue *(note i)*	China mainland	China mainland	**40%**	40%	**40%**	40%	Development and operation of card and board games
Jilin Anrui Network Technology Co., Ltd ("**Jilin Anrui** ") *(note i)*	China mainland	China mainland	**40%**	N/A	**40%**	N/A	Research and development of online games
Guangzhou Leiyun Interactive Technology Limited ("**Guangzhou Leiyun**") *(note ii)*	China mainland	China mainland	**N/A**	40%	**N/A**	40%	Research and development of online games
Siwen Technology (Tianjin) Limited ("**Siwen Technology**")	China mainland	China mainland	**25.9%**	25.9%	**25.9%**	25.9%	Research and development of online games
Chuangke Future (Jilin) Network Technology Co., Ltd ("**Chuangke Future**")	China mainland	China mainland	**40%**	40%	**40%**	40%	Customer service of online games
Shanghai Lanxing Network Technology Co., Ltd. ("**Shanghai Lanxing**") *(note iii)*	China mainland	China mainland	**20%**	N/A	**20%**	N/A	Research and development of online games
Shanghai Huanzhen Information Technology Co., Ltd. ("**Shanghai Huanzhen**") *(note iii)*	China mainland	China mainland	**25%**	N/A	**25%**	N/A	Research and development of online games

19. INVESTMENTS IN ASSOCIATES (Continued)

Name of entity	Place of establishment	Principal place of business	Proportion of ownership interest held by the Group 2022	2021	Proportion of voting rights held by the Group 2022	2021	Principal activity
Shenzhen Yaozuo Technology Co., Ltd ("**Shenzhen Yaozuo**") (note iii) *(note iv)*	China mainland	China mainland	**15%**	N/A	**15%**	N/A	Operation of online games
Chengdu Cangmo Information Technology Co., Ltd ("**Chengdu Cangmo**") *(note v)*	China mainland	China mainland	**40%**	N/A	**40%**	N/A	Research and development of online games
Chengdu Weiying Interactive Culture Media Co., Ltd ("**Chengdu Weiying**") *(note vi)*	China mainland	China mainland	**40%**	N/A	**40%**	N/A	Game operation on short video and live streaming platforms

Notes:

(i) On 3 November 2020, Jilin Xinze (a subsidiary of the Company), Jilin Xinbao Technology Partnership (Limited Partnership) ("**Xinbao Technology**") (40% equity shareholder of Jilin Xinyue), and Jilin Xinyue entered into the investment agreement ("**Investment Agreement**") pursuant to which Xinbao Technology agreed to sell and Jilin Xinze agreed to acquire 40% of the equity interest in Jilin Xinyue, at cash consideration of RMB150,000,000. On 29 December 2020, Jilin Xinze, Xinbao Technology and Jilin Xinyue entered into a supplemental agreement to the Investment Agreement pursuant to which all the parties thereto agreed to supplement certain terms of the Investment Agreement ("**Original Supplemental Agreement**") as follows:

- Xinbao Technology has undertaken to ensure that the audited net profit of Jilin Xinyue for the years ending 31 December 2021 and 2022 shall be no less than RMB70,000,000 and RMB80,000,000, respectively (the "**Guaranteed Net Profit**"), and the audited net profit of Jilin Xinyue for the years ending 31 December 2021 and 2022 shall be no less than RMB150,000,000 in aggregate.

- If the actual audited net profit of Jilin Xinyue below the Guaranteed Net Profit for any of the years ending 31 December 2021 or 2022, Xinbao Technology shall pay compensation (the "**Profit Compensation**") to Jilin Xinze in cash. The amount of Profit Compensation payable by Xinbao Technology shall be determined in accordance with the following formula:

  Profit Compensation = ((A – B)/RMB150,000,000)* C * 40% *(note)* – D

  where:

  A = the cumulative Guaranteed Net Profit determined as at the end of the period;

  B = the cumulative actual audited net profit of the Jilin Xinyue determined as at the end of the period;

  C = the agreed appraised assets value of the Jilin Xinyue, being RMB375,000,000; and

  D = the amount of any Profit Compensation which has already been paid by Xinbao Technology to Jilin Xinze.

  note: it represents the percentage of equity interest in the Jilin Xinyue owned by Jilin Xinze

- It is also agreed that the audited net profit of the Jilin Xinyue for the years ending 31 December 2021 and 2022 will be fully distributed to its shareholders (including Jilin Xinze) as dividends in proportion to their respective equity interest in the Jilin Xinyue (the "**Profit Sharing**"). The aggregate amount of dividends to be received by Jilin Xinze for the years ending 31 December 2021 and 2022 shall not exceed RMB60,000,000 (the "**Dividend Restriction Clause**")

19. INVESTMENTS IN ASSOCIATES (Continued)

Notes: (Continued)

(i) (Continued)

The equity investment in Jilin Xinyue is accounted for using equity method in accordance with IAS 28 and the derivative financial instrument arising from supplementary agreement is measured at fair value through profit and loss in accordance with IFRS 9.

For the year ended 31 December 2021, the Group engaged third party qualified valuers to perform valuation on the derivative financial instrument and a fair value loss of RMB25,370,000 was recognized in other gain and losses.

On 22 February 2022, for the purpose of facilitating the business operation, the Group agreed with the other shareholders of Jilin Xinyue to setup Jilin Anrui under the same shareholding structure as Jilin Xinyue. For the year ended 31 December 2022, the principal business activity of Jilin Anrui is to provide research and development service to Jilin Xinyue. The Guaranteed Net Profit arrangement in the Original Supplemental Agreement was also revised to include the profit from Jilin Anrui.

On 30 December 2022, Jilin Xinze, Mr. Luo Wei who was the controlling party of Jilin Xinbao, Jilin Xinyue and Jilin Anrui entered into a supplemental agreement to the Investment Agreement pursuant to which all parties thereto agreed to remove the Dividend Restriction Clause in the Original Supplemental Agreement but excluding those dividends already previously paid. During the year ended 31 December 2022, Jinlin Xinue met the Guaranteed Net Profit as set out in the Original Supplemental Agreement, and as a result, a fair value gain on derivative financial liabilities amounting to RMB14,342,000 was recognized in other gain and losses and the remaining RMB11,028,000, which represented dividend not received by Jilin Xinze under the Dividend Restriction Clause, was settled and paid directly to the other shareholders by Jilin Xinyue.

(ii) On 31 May 2022, the Group disposed the investment in 40% of equity interest in Guangzhou Leiyun whose carrying amount was minimal to the other shareholder at a consideration of nil.

(iii) On 26 January 2022, the Group subscribed for 20% of equity interest in Shanghai Lanxing and 25% of equity interest in Shanghai Huanzhen respectively at a total consideration of RMB5,700,000.

(iv) On 22 July 2022, the Group subscribed for 15% of equity interest in Shenzhen Yaozuo which was previously owned by two original shareholders ("**Original shareholders**") at a consideration of RMB6,000,000. The Group has power to participate in the financial and operating policy decisions of Shenzhen Yaozuo, as a result, the investment was classified as investments in associates. On the other hand, the Original Shareholders has undertaken to ensure that the audited revenue of Shenzhen Yaozuo for the period from 1 January 2023 to 31 December 2025 shall be no less than RMB40,000,000 ("**Guarantee Revenue**"). If the actual audited revenue below the Guaranteed Revenue for the period, the Original Shareholders shall pay compensation to the Group by cash, repurchasing the Group's shares with the cost plus 10% interest or transferring their shares to the Group. On 31 December 2022, the Group believed the Guarantee Revenue could be reached. As a result, the fair value in relation to the Guarantee Revenue was minimal.

(v) On 30 September 2022, the Group subscribed for 40% of equity interest in Chengdu Cangmo at a consideration of RMB4,000,000.

(vi) On 29 November 2022, the Group subscribed for 40% of equity interest in Chengdu Weiying which was newly set up with capital contribution of RMB15,000,000.

19. INVESTMENTS IN ASSOCIATES (Continued)

Summarized financial information of material associates

Summarized financial information in respect of the material associates is set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs.

Jilin Xinyue

	31/12/2022 *RMB'000*	31/12/2021 *RMB'000*
Current assets	126,162	75,351
Non-current assets	293,110	229,531
Current liabilities	95,959	40,896
Non-current liabilities	153,780	27,133

	2022 *RMB'000*	2021 *RMB'000*
Revenue	277,294	209,474
Profit and total comprehensive income for the year	30,248	68,621
Dividends received from the associate for the year	28,000	38,183

Reconciliation of the above summarized financial information to the carrying amount of Jilin Xinyue recognized in the consolidated financial statements:

	31/12/2022 *RMB'000*	31/12/2021 *RMB'000*
Net assets of Jilin Xinyue	169,533	236,853
Proportion of the Group's ownership interest in Jilin Xinyue	40%	40%
The Group's share of net assets of Jilin Xinyue	67,813	94,741
Goodwill	41,353	41,353
Carrying amount of the Group's interest in Jilin Xinyue	109,166	136,094

19. INVESTMENTS IN ASSOCIATES (Continued)

Summarized financial information of material associates (Continued)

Jilin Anrui

	31/12/2022 *RMB'000*
Current assets	93,881
Non-current assets	57
Current liabilities	7,774
Non-current liabilities	—

	From 22/02/2022 to 31/12/2022 *RMB'000*
Revenue	95,791
Profit and total comprehensive income for the year	86,164

Reconciliation of the above summarized financial information to the carrying amount of Jilin Anrui recognized in the consolidated financial statements:

	31/12/2022 *RMB'000*
Net assets of Jilin Anrui	86,164
Proportion of the Group's ownership interest in Jilin Anrui	40%
The Group's share of net assets of Jilin Anrui	34,466
Carrying amount of the Group's interest in Jilin Anrui	34,466

19. INVESTMENTS IN ASSOCIATES (Continued)

Information of investments in associates that are not individually material

	2022 RMB'000	2021 RMB'000
The Group's share of loss and total comprehensive expense	(5,591)	(442)
Aggregate carrying amount of the Group's interests in these associates	42,913	17,404

20. INVESTMENTS IN JOINT VENTURES

	2022 RMB'000	2021 RMB'000
Cost of investment in joint ventures	25,028	—
Share of post-acquisition losses and other comprehensive expense	(7)	—
Total	25,021	—

Details of each of the Group's joint ventures are as follows:

Name of entity	Place of establishment	Principal place of business	Proportion of ownership interest held by the Group 2022	Proportion of ownership interest held by the Group 2021	Proportion of voting rights held by the Group 2022	Proportion of voting rights held by the Group 2021	Principal activity
Shanghai Heibulin Digital Technology Co., Ltd ("**Shanghai Heibulin**") *(note i)*	China mainland	China mainland	50%	N/A	50%	N/A	Research and development of online games
Beijing Zijingshu Technology Co., Ltd ("**Beijing Zijingshu**") *(note ii)*	China mainland	China mainland	29.79%	N/A	29.79%	N/A	Game promotion on short video and live streaming platform

Notes:

(i) On 30 September 2022, the Group acquired 50% of the equity interest in Shanghai Heibulin with a consideration of RMB200,000.

(ii) On 23 December 2022, the Group acquired 29.79% of the equity interest in Beijing Zijingshu with a consideration of RMB24,828,000. According to the articles of Beijing Zijingshu, decisions about the relevant activities requires unanimous consent of the Group and the other shareholder of Beijing Zijingshu. As a result, the Group has joint control over Beijing Zijingshu and the investment was classified as investment in a joint venture.

20. INVESTMENTS IN JOINT VENTURES (Continued)

There was no investments in joint ventures that are individually material. Aggregate information of the joint ventures that are not individually material:

	2022 RMB'000	2021 RMB'000
The Group's share of loss and total comprehensive expense	(7)	—
Aggregate carrying amount of the Group's interests	25,021	—

21. LOANS TO EMPLOYEES

The loans to employees represents the housing loans advanced to employees. The loans are unsecured, interest-free and repayable on 21 January 2024, 31 December 2024, 5 January 2025 and 21 July 2025 (31 December 2021: unsecured, interest-free and repayable on 12 May 2023, 21 January 2024 and 25 December 2024).

	2022 RMB'000	2021 RMB'000
Non-current loans to employees	17,407	13,788
Total	17,407	13,788

The housing loans advanced to employees are measured initially at fair value and subsequently at amortized cost, using the effective interest method. RMB398,000 (2021: RMB1,305,000) being the difference between the principal amount and fair value at initial recognition, was recognized as staff costs during the current year.

Details of impairment assessment of loans to employees are set out in Note 39.

22. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 *RMB'000*	2021 *RMB'000*
Unlisted investments		
— Equity securities *(note)*	**5,808**	10,146

Note: The above unlisted equity investments represent the Group's equity interests ranging from 2% to 30% in four private entities established in the PRC as at 31 December 2022 (31 December 2021: ranging from 19% to 40% in four private entities). These investments are not considered to be associates or joint ventures of the Group because the Group has no right to appoint any director of the investees to participate in the financial and operating policy decision or decision about the relevant activities of the investees. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run. As at 31 December 2022, two of the investments are with minimal carrying value and details of the fair value measurement of the remaining investments are set out in Note 40.

23. DEFERRED TAX ASSETS/LIABILITIES

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

	2022 *RMB'000*	2021 *RMB'000*
Deferred tax assets	**57,223**	9,972
Deferred tax liabilities	**(29,000)**	(1,934)
	28,223	8,038

23. DEFERRED TAX ASSETS/LIABILITIES (Continued)

The following is the major deferred tax asset (liabilities) recognized and movements thereon during the current year:

	Fair value change of equity investment at FVTOCI RMB'000	Undistributed profit of subsidiaries RMB'000	Fair value change of financial assets at FVTPL RMB'000	Tax losses RMB'000	Fair value change of derivatives RMB'000	Timing difference of costs and expenses RMB'000	Excess advertising expenses RMB'000	Impairment losses under expected credit loss model RMB'000	Total RMB'000
As at 1 January 2021	225	–	–	–	–	–	–	–	225
Credit (charge) to profit or loss	–	–	–	–	3,806	(3,867)	7,244	–	7,183
Credit to other comprehensive income	630	–	–	–	–	–	–	–	630
As at 31 December 2021	855	–	–	–	3,806	(3,867)	7,244	–	8,038
(Charge) credit to profit or loss	–	(29,000)	4	9,466	(3,806)	3,699	37,975	971	19,309
Credit to other comprehensive income	876	–	–	–	–	–	–	–	876
As at 31 December 2022	1,731	(29,000)	4	9,466	–	(168)	45,219	971	28,223

At the end of the reporting period, the Group has unused tax losses of approximately RMB59,782,000 (2021: RMB17,634,000) available for offset against future profits. A deferred tax asset has been recognized in respect of approximately RMB47,329,000 (2021: nil) of such losses. No deferred tax asset has been recognized in respect of the remaining approximately RMB12,453,000 (2021: RMB17,634,000) due to the unpredictability of future profit streams. The unrecognized tax losses are losses with expiry dates as disclosed in the following table.

	2022 RMB'000	2021 RMB'000
2024	—	1,392
2025	—	2,684
2026	6,888	13,558
2027	5,565	—
	12,453	17,634

24. TRADE RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**192,949**	194,736
Less: impairment provision	**—**	—
Total	**192,949**	194,736

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB88,473,000.

Trade receivables comprise receivables from distribution channels, payment vendors and advertisement agents. The credit terms of trade receivables granted to the distribution channels, payment vendors and advertisement agents are usually 0 to 60 days. Ageing analysis of trade receivables presented based on date of invoices is as follows:

	2022	2021
	RMB'000	*RMB'000*
0–30 days	**149,477**	135,400
31–60 days	**33,198**	50,805
61–90 days	**1,777**	6,663
91–180 days	**1,066**	355
Over 180 days	**7,431**	1,513
Total	**192,949**	194,736

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB13,281,000 (2021: RMB7,791,000) which are past due. Out of the past due balances, RMB746,000 (2021: RMB2,701,000) has been past due 90 days or more and is not considered as in default due to the history of cooperation and the sound collection history of the debtors.

Details of impairment assessment of trade receivables are set out in Note 39.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Non-current unlisted securities		
— Investment in partnership *(note i)*	**30,000**	—
	30,000	—
Current listed securities held for trading		
— Equity securities listed in Shanghai Stock Exchange (the "**SSE**") *(note ii)*	**29,463**	—
Current unlisted securities held for trading		
— Private funds	**31,780**	—
	61,243	—

Notes:

(i) On 31 October 2022, Jiaxiang Interactive, along with other investors (each as a limited partner), Challenjers Management Team (as a special limited partner), Challenjers Yunteng (as a general partner) and Chuangxinyizhou (as a fund manager) entered into the partnership agreement for the formation of a partnership to carry out equity and equity-related investment with a focus on the consumer industry, corporate services and entertainment sectors. Jiaxiang Interactive, as a limited partner, committed to make capital contribution of RMB100,000,000, which account for 10% interest in the partnership. During the year ended 31 December 2022, Jiaxiang Interactive made a capital contribution of RMB30,000,000 to the partnership. As the partnership still not commence investment as at 31 December 2022, the Group treated cost as the fair value as at 31 December 2022.

(ii) The listed equity investments represent ordinary shares of entities listed on SSE. The investment is held for trading and its fair value is based on the quoted market price.

Further details of the fair value measurements of the above investments are set out in Note 40.

26. PREPAYMENTS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Prepayment for advertisement and promotion fees	140,773	74,692
Prepayment for research and development	14,800	26,623
Receivables of service income	—	5,373
Dividends receivable from associates *(note i)*	10,000	6,323
Prepayment for server-related fees	4,532	5,612
Advances to employees	2,639	2,058
Loans receivables	10,772	—
Others	14,158	12,590
	197,674	133,271
Less: Allowance for credit losses *(note ii)*	(5,386)	—
Total	192,288	133,271

Notes:

(i) The dividends receivable from associates as at 31 December 2022 represents the dividend receivable from Jilin Yuke and the dividend distribution was occurred before the disposal of the entire interest in Jilin Yuke by the Group to Jilin Xinyue, an associate of the Group, as detailed in Note 12.

(ii) The credit losses is related to loans receivables. Details of impairment assessment of loans receivables are set out in Note 39.

27. CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000
Cash at bank and in hand	1,163,316	1,125,162

All cash and cash equivalents are denominated in RMB, except for RMB38,895,000 denominated in US$ (2021: RMB43,780,000), RMB64,547,000 denominated in HK$ (2021: RMB15,252,000), RMB891,000 denominated in EUR$ (2021: RMB866,000) and RMB350,000 (2021: RMB192,000) denominated in SG$ as at 31 December 2022.

Bank balances carry interest at market rates which range from 0.01 % to 3.10% (2021: 0.01% to 3.10%) per annum.

For the year ended 31 December 2022, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

28. OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Salaries and staff welfare payables	**47,542**	47,005
Payable for acquisition of an associate *(note i)*	**14,686**	—
Payable to game developers *(note ii)*	**12,170**	3,486
Payable for customer service and technical support fee	**2,061**	—
Other taxes payable	**8,008**	12,215
Payable for advertisement expenses	**—**	10,682
Payable for research and development	**499**	—
Selling and marketing expenses accruals	**255**	9,721
Deposit for advertising and game operation	**396**	1,351
Administrative expenses accruals	**1,796**	1,700
Others	**6,156**	6,061
Total	**93,569**	92,221

Notes:

(i) The balance represents RMB14,686,000 payable to Jilin Yuke for acquisition of Siwen Technology which was an associate of Jilin Yuke before the disposal as detailed in Note 12. These balances are unsecured, interest-free and payable within one year from the reporting date.

(ii) As at 31 December 2022 and 2021, the balance represents sale proceeds received from players of games for which the Group acts as a distributor to be reimbursed to game developers, after deducting the commission income entitled by the Group calculated at a pre-determined rate, and refundable deposits received from game developers.

29. LEASE LIABILITIES

	2022 RMB'000	2021 RMB'000
Lease liabilities payable:		
Within one year	**10,191**	11,241
More than one year but not more than two years	**7,614**	10,858
More than two years but not more than five years	**—**	8,608
	17,805	30,707
Less: Amount due for settlement within 12 months shown under current liabilities	**(10,191)**	(11,241)
Amount due for settlement after 12 months shown under non-current liabilities	**7,614**	19,466

The weighted average incremental borrowing rates applied to lease liabilities is 6.65% per annum for both years.

30. DEFERRED REVENUE

Deferred revenue represented service fees prepaid by the customers for the Group's self-developed mobile games and third-party mobile games in the forms of prepaid virtual tokens and private game room cards, for which the related services had not been rendered at the end of the reporting period. As the unsatisfied performance obligations will be recognized as revenue within one year, therefore, the deferred revenue is recognized as current liabilities.

	Virtual tokens *RMB'000*	Private game room cards *RMB'000*	Total *RMB'000*
As at 1 January 2021	19,332	20,556	39,888
Sales proceeds, net of tax	1,064,313	139,360	1,203,673
Revenue recognized during the year	(1,013,910)	(147,159)	(1,161,069)
As at 31 December 2021	**69,735**	**12,757**	**82,492**
Sales proceeds, net of tax	**1,505,521**	**64,229**	**1,569,750**
Revenue recognized during the year	**(1,448,199)**	**(60,207)**	**(1,508,406)**
Disposal of subsidiaries	**—**	**(13,317)**	**(13,317)**
Transfer to other payables due to discontinued operation	**—**	**(3,462)**	**(3,462)**
As at 31 December 2022	**127,057**	**—**	**127,057**

There was no expected breakage amount recognized as revenue during the year ended 31 December 2022 (during the year ended 31 December 2021: RMB10,534,000).

Deferred revenue amounted to RMB127,057,000 as at 31 December 2022 (31 December 2021: RMB82,492,000) is expected to be recognized as revenue within one year.

31. SHARE CAPITAL

	Par value *US$*	Number of shares	Nominal amount *US$*	Shown in the consolidated financial statements *RMB'000*
Authorized				
As at 1 January 2021, 31 December 2021 and 31 December 2022	0.000005	10,000,000,000	50,000	
Issued and fully paid				
As at 1 January 2021	0.000005	1,256,000,000	6,280	41
Issue of shares *(Note 35(c))*	0.000005	27,403,500	137	1
As at 31 December 2021 and 31 December 2022	0.000005	1,283,403,500	6,417	42

32. RETIREMENT BENEFIT SCHEME

The employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

During the year, the retirement benefit scheme contributions amounted to RMB7,491,000 (2021: RMB4,868,000). No forfeited contributions have been used to reduce the level of contributions during the reporting period.

33. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into new lease agreements for the use of leased properties for 2 years. On the lease commencement, the Group recognized right-of-use assets and lease liabilities of RMB4,380,000 and RMB4,380,000 respectively (2021: RMB26,966,000 and RMB26,966,000 respectively).

During the year, the derivative financial liabilities of RMB11,028,000 was settled by the associate, as detailed in Note 19.

34. RELATED PARTY TRANSACTIONS

The following transactions were carried out between the Group and its related parties which are all associates of the Group during the reporting period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Provision of technical support services

	2022 RMB'000	2021 RMB'000
Jilin Xinyue	—	5,936
Siwen Technology	—	99
Total	—	6,035

(b) Services received from related parties

	2022 RMB'000	2021 RMB'000
Research and development service		
Jilin Xinyue	16,226	—
Siwen Technology	8,884	—
Customer service		
Chuangke Future	11,230	—
Advertising and promotion service		
Chengdu Weiying	4,967	—
Total	41,307	—

(c) Amounts due from associates

	31/12/2022 RMB'000	31/12/2021 RMB'000
Receivables from disposal of subsidiaries	96,584	—
Prepayment for research and development	14,800	25,000
Dividends receivable	10,000	6,323
Prepayment for advertisement and promotion fees	11,940	—
Receivables of service income	—	5,376
Total	133,324	36,699

34. RELATED PARTY TRANSACTIONS (Continued)

(d) Amounts due to associates

	31/12/2022 RMB'000	31/12/2021 RMB'000
Payable for acquisition of an associates	**14,686**	—
Payable for customer service fee	**1,431**	—
Total	**16,117**	—

(e) Key management personnel compensations

The compensations paid or payable to key management personnel (including directors, chief executive officer and other senior executives) for employee services are shown below:

	2022 RMB'000	2021 RMB'000
Salaries and other benefits in kind	**7,550**	18,107
Contributions to retirement benefit scheme	**251**	518
Share-based payment expense	**22,324**	5,148
Total	**30,125**	23,773

(f) The Compensating Share Awards to key management personnel

Out of the 21,941,949 shares of the 2022 Share Award Scheme (defined in Note 35), 18,514,833.00 Share Awards were granted to four key management personnel of the Group (including directors, chief executive officer and other senior executives) during the year ended 31 December 2022 with share-based payment expenses amounting to RMB22,017,000 (included in note (e) above).

Out of the 26,803,500 of Compensating Share Awards (defined in Note 35), 6,000,000 Share Awards were granted to six key management personnel of the Group during the year ended 31 December 2021 with incremental share-based payment expenses amounting to RMB1,431,000 (included in note (e) above).

35. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share Option Scheme

A share option scheme was approved and adopted by the Company on 5 June 2019 (the "**Share Option Scheme**"). The Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of shares as the Board may determine to an employee (whether full time or part-time) or a director of a member of the Group or associated companies of the Company ("**Eligible Persons**").

The purpose of the Share Option Scheme is to incentivize and reward the Eligible Persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue as at the Listing Date, being 125,600,000 shares, or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

No options shall be granted to any Eligible Person under the Share Option Scheme and any other share option schemes of the Company which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the shares in issue at such date or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion.

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme.

35. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share Option Scheme (Continued)

No dividends (including distributions made upon the liquidation of the Company) will be payable and no voting rights will be exercisable in relation to an option that has not been exercised. The shares allotted and issued on the exercise of an option will rank equally in all respects with the shares in issue on the date of allotment. They will not rank for any rights attaching to shares by reference to a record date preceding the date of allotment.

If an option-holder ceases to be an Eligible Person by reason of (i) his employer terminating his contract of employment in accordance with its terms or any right conferred on his employer by law, or (ii) his contract of employment, being a contract for a fixed term, expiring and not being renewed, or (iii) his employer terminating his contract for serious or gross misconduct, then any outstanding offer of an option and all options, vested or unvested, will lapse on the date the option-holder ceases to be an Eligible Person.

On 14 November 2019, the Company granted share options (the "**Share Options**") under the Share Option Scheme to 58 eligible employees to subscribe for a total of 62,360,000 ordinary shares of US$0.000005 each in the Company. The estimated fair value of the Share Options granted was HK$47,452,000 (equivalent to RMB42,508,000). The vesting terms of the Share Options for each grantee is as below:

(1) 30% of the total number of Share Options shall be vested on 14 November 2020;

(2) 40% of the total number of Share Options shall be vested on 14 November 2021;

(3) 30% of the total number of Share Options shall be vested on 14 November 2022.

The exercise price is determined by the directors of the Company, and will not be less than the highest of: (i) the closing price of HK$2.07 per share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of the Share Options, i.e. 14 November 2019, (ii) the average closing price of HK$2.09 per share as stated in the daily quotation sheets issued by the Stock Exchange for the five 5 business days immediately preceding the date of grant of the Share Options; and (iii) the nominal value of US$0.000005 per share.

Up to 30 September 2021, 1,600,000 Share Options granted to two option grantees were lapsed due to the termination of their employment with the Company and 60,760,000 Share Options remained outstanding (the "**Outstanding Existing Options**"). None of the Share Options were exercised by the option grantees as at 30 September 2021. The Board resolved to cancel the Outstanding Existing Options with effect from 30 September 2021 and details are disclosed in Note 35(b).

35. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share Option Scheme (Continued)

Details of specific categories and movements of Share Options are as follows:

	Outstanding at 1/1/2021	Lapsed during the year	Cancelled during the year	Outstanding at 31/12/2021
Employees *(note i)*	18,708,000	480,000	18,228,000	—
Employees *(note ii)*	24,944,000	640,000	24,304,000	—
Employees *(note iii)*	18,708,000	480,000	18,228,000	—
	62,360,000	1,600,000	60,760,000	—
Exercisable at the end of the year				—

(b) Compensating Share Awards

The Board resolved to cancel the Outstanding Existing Options with effect from 30 September 2021 in accordance with the terms of the Share Option Scheme with respect to cancellation of options granted but not exercised, at the request of the Option Grantees other than the two grantees whose share options have lapsed (the "**Remaining Option Grantees**"). The Company obtained consent and mutually agreed with each of the Remaining Option Grantees with respect to the arrangement and compensation for the cancellation of the Outstanding Existing Options.

As compensation for the cancellation of the Outstanding Existing Options and in accordance with the mutual agreement with each of the individual Remaining Option Grantees, the Board resolved to compensate the Remaining Option Grantees with the grant of Share Awards (the "**Compensating Share Awards**") calculated based on the number of Outstanding Existing Options held by individual Remaining Option Grantees. Each Outstanding Existing Option held by individual Remaining Option Grantees can be compensated with 0.35, 0.50 or 0.8333 Compensating Share Awards depending on the department or product unit in which the Remaining Option Grantee serves, his seniority and his past contribution to the Group, as follow:

- 26,510,000 Outstanding Existing Options held by 26 Remaining Option Grantees were compensated by the grant of 9,278,500 Compensating Share Awards representing the same number of underlying Shares at the compensation ratio of one Outstanding Existing Option to 0.35 Compensating Share Award;

- 33,050,000 Outstanding Existing Options held by 29 Remaining Option Grantees were compensated by the grant of 16,525,000 Compensating Share Awards representing the same number of underlying Shares at the compensation ratio of one Outstanding Existing Option to 0.5 Compensating Share Award, and;

35. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Compensating Share Awards (Continued)

- 1,200,000 Outstanding Existing Options held by one Remaining Option Grantee were compensated by the grant of 1,000,000 Compensating Share Awards representing the same number of underlying Shares at the compensation ratio of one Outstanding Existing Option to approximately 0.8333 Compensating Share Award.

As a result, a total of 26,803,500 Compensating Share Awards representing the same number of underlying Shares were granted as compensation for the cancellation of the Outstanding Existing Options (the "**Compensation Grant**").

The vesting date of the Compensation Grant for each grantee:

(1) 40% of the total number of Share Awards shall be vested on 30 April 2022;

(2) 30% of the total number of Share Awards shall be vested on 30 April 2023; and

(3) 30% of the total number of Share Awards shall be vested on 30 April 2024.

Other vesting conditions of the Share Award Scheme are as follows:

(1) In respect of the vesting on 30 April 2022, (a) the Company's consolidated revenue for the year ending 31 December 2021 shall increase by 10% or more as compared with the consolidated revenue for the year ended 31 December 2020; (b) the Company's operating profit for the year ending 31 December 2021 shall account for not less than 75% of the Company's total profit for the same year; and (c) the individual grantee shall pass the annual personal performance appraisal for the year ending 31 December 2021;

(2) In respect of the vesting on 30 April 2023, (a) the Company's consolidated revenue for the year ending 31 December 2022 shall increase by 15% or more as compared with the consolidated revenue for the year ended 31 December 2020; (b) the Company's operating profit for the year ending 31 December 2022 shall account for not less than 75% of the Company's total profit for the same year; and (c) the individual grantee shall pass the annual personal performance appraisal for the year ending 31 December 2022; and

(3) In respect of the vesting on 30 April 2024, (a) the Company's consolidated revenue for the year ending 31 December 2023 shall increase by 20% or more as compared with the consolidated revenue for the year ended 31 December 2020; (b) the Company's operating profit for the year ending 31 December 2023 shall account for not less than 75% of the Company's total profit for the same year; and (c) the individual grantee shall pass the annual personal performance appraisal for the year ending 31 December 2023.

35. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Compensating Share Awards (Continued)

Details of specific vesting date and movements of the Compensation Grant are as follows:

	Outstanding at 30/9/2021, 31/12/2021 and 1/1/2022	Lapsed during the year	Vested during the year	Outstanding at 31/12/2022
Shares vested on 30 April 2022	10,721,400	756,000	9,965,400	—
Shares vested on 30 April 2023	8,041,050	1,702,050	—	6,339,000
Shares vested on 30 April 2024	8,041,050	1,702,050	—	6,339,000
	26,803,500	4,160,100	9,965,400	12,678,000

As the management considered the Compensating Grant as replacement to the Share Option Scheme, the Company accounted for the Compensating Grant as a modification of the Share Option Scheme. The incremental fair value granted is the difference between the fair value of Compensating Share Awards and the fair value of the Outstanding Existing Options as at 30 September 2021. The Company adopted the market price of HK$2.15 per share to measure the fair value of Compensating Share Awards as at 30 September 2021 and used the Binomial Option-Pricing Model to calculate the fair value of Outstanding Existing Options as at 30 September 2021. The inputs used for measuring the fair value of Outstanding Existing Options as at 30 September 2021 were as follows:

The share price on 30 September 2021	HK$2.15 per share
Exercise price	HK$2.09 per share
Expected volatility	63.73%
Option life	3.10 years
Risk-free rate	0.44%
Dividend yield	0.00%
Exit rate	0%
Early Exercise Multiple	2.20

The resulting incremental fair value, amounting HK$7,710,000, was expensed or will be expensed over the respective modified vesting period between 30 September 2021 and the three vesting dates, i.e. 30 April 2022, 30 April 2023 and 30 April 2024, of Compensating Share Awards in the proportion of 40%, 30% and 30% respectively, in addition to the amount based on the grant date fair value of the original Share Option Scheme, which is recognized over the remainder of the original vesting period. During the year ended 31 December 2022, the Group recognized the share-based payment expense of RMB4,682,000 (2021: RMB8,575,000) in relation to the original Share Option Scheme and RMB3,001,000 (2021: RMB1,597,000) in relation to the incremental fair value.

The number of the Share Options and Compensating Share Awards granted expected to vest is based on the directors' best estimate on the expected percentage of the 56 eligible employees that will remain in employment with the Group at the end of the vesting period and the probability of meeting the performance conditions.

35. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(c) 2021 Share Award Scheme

On 30 September 2021, the Board resolved to grant a total of 600,000 share awards to two grantees pursuant to the Share Award Scheme (the "**2021 Share Award Scheme**") to recognize their contributions to the growth of the Group and to incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group.

The vesting date of the 2021 Share Award Scheme for each grantee:

- 40% of the total number of Share Awards shall be vested on 30 April 2022;
- 30% of the total number of Share Awards shall be vested on 30 April 2023; and
- 30% of the total number of Share Awards shall be vested on 30 April 2024.

Other vesting conditions of the 2021 Share Award Scheme are as follows:

(1) In respect of the vesting on 30 April 2022, (a) the Company's consolidated revenue for the year ending 31 December 2021 shall increase by 10% or more as compared with the consolidated revenue for the year ended 31 December 2020; (b) the Company's operating profit for the year ending 31 December 2021 shall account for not less than 75% of the Company's total profit for the same year; and (c) the individual grantee shall pass the annual personal performance appraisal for the year ending 31 December 2021;

(2) In respect of the vesting on 30 April 2023, (a) the Company's consolidated revenue for the year ending 31 December 2022 shall increase by 15% or more as compared with the consolidated revenue for the year ended 31 December 2020; (b) the Company's operating profit for the year ending 31 December 2022 shall account for not less than 75% of the Company's total profit for the same year; and (c) the individual grantee shall pass the annual personal performance appraisal for the year ending 31 December 2022; and

(3) In respect of the vesting on 30 April 2024, (a) the Company's consolidated revenue for the year ending 31 December 2023 shall increase by 20% or more as compared with the consolidated revenue for the year ended 31 December 2020; (b) the Company's operating profit for the year ending 31 December 2023 shall account for not less than 75% of the Company's total profit for the same year; and (c) the individual grantee shall pass the annual personal performance appraisal for the year ending 31 December 2023.

35. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(c) 2021 Share Award Scheme (Continued)

Details of specific vesting date and movements of 2021 Share Award Scheme are as follows:

	Outstanding at 30/9/2021, 31/12/2021 and 1/1/2022	Vested during the year	Outstanding at 31/12/2022
Shares vested on 30 April 2022	**240,000**	**240,000**	**—**
Shares vested on 30 April 2023	**180,000**	**—**	**180,000**
Shares vested on 30 April 2024	**180,000**	**—**	**180,000**
	600,000	**240,000**	**360,000**

The directors of the Company estimated the fair values of the above shares on the grant date. The fair value of the shares held for the 2021 Share Award Scheme was determined using the market price of HKD2.15 per share as at 30 September 2021, the aggregate fair value of the shares held for the 2021 Share Award Scheme was assessed to be HK$1,290,000 (equivalent to RMB1,075,000). During the year ended 31 December 2022, the Group recognized the share-based payment expenses of RMB591,000 in relation to the 2022 Share Award Scheme (2021: RMB270,000).

On 16 November 2021, the Company allotted and issued 27,403,500 new shares (note 31) to Futu Trustee, which was appointed as an independent trustee of the share award scheme of the Company, at par value of US$0.000005 each with the consideration amounting to RMB1,000 being funded by shareholders for the Compensation Grant and the 2021 Share Award Scheme. The shares were regarded as treasury shares before vesting and had been deducted from shareholders' equity, the costs of these shares totaling RMB1,000 were credited to "other reserve" as deemed contribution from shareholders. During the year ended 31 December 2022, 9,965,400 shares (2021: nil) relating to Compensating Share Awards and 240,000 shares (2021: nil) relating to 2021 Share Award Scheme vested were transferred to the grantees and the remaining treasury shares was 17,198,100 shares (2021: 27,403,500 shares) as at 31 December 2022.

35. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(d) 2022 Share Award Scheme

The Board resolved to grant a total of 9,941,949 share awards to 14 grantees and a total of 12,000,000 share awards to 1 grantee on 31 March 2022 and 8 July 2022 respectively, pursuant to the Share Award Scheme (the "**2022 Share Award Scheme**") to recognize their past contributions to the growth of the Group and to incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group. These awarded shares were vested on 1 April 2022 and 8 July 2022 respectively. The fair value of the shares held for the 2022 Share Award Scheme was determined using the market price of HKD1.42 per share and HKD1.39 per share as at the respective grant date, the aggregate fair value of the shares held for the 2022 Share Award Scheme was HK$14,118,000 (equivalent to RMB11,731,000) and HK$16,680,000 (equivalent to RMB14,330,000) and was recognized as the share-based payment expenses in current year.

The above 21,941,949 awarded shares in total relating to 2022 Share Award Scheme granted during the current year was settled by the shares repurchased by the Company on the open market through Futu Securities (as detailed in note ii to the consolidated statement of changes in equity). As at 31 December 2022, 20,320,051 shares (2021: 42,262,000 shares) was held by Futu Securities as treasury shares.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities *RMB'000*	**Total** *RMB'000*
As at 1 January 2021	10,570	10,570
Financing cash flows	(7,067)	(7,067)
New leases entered	26,966	26,966
Interest on lease liabilities	1,060	1,060
Early termination of a lease	(822)	(822)
As at 31 December 2021	**30,707**	**30,707**
Financing cash flows	**(11,770)**	**(11,770)**
New leases entered	**4,380**	**4,380**
Interest on lease liabilities	**1,550**	**1,550**
Early termination of a lease	**(2,788)**	**(2,788)**
Disposal of subsidiaries	**(4,274)**	**(4,274)**
As at 31 December 2022	**17,805**	**17,805**

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Names of subsidiaries	Place and date of incorporation/ operation	Paid up issued/ registered capital	Equity interest attributable to the Group as at 31 December 2022	2021	Principal activities
Directly held:					
Homeland Investment Co., Ltd.	British Virgin Islands 7 May 2018	US$0.1	**100%**	100%	Investment holding
Indirectly held:					
Homeland Entertainment & Technology Limited	Hong Kong 4 June 2018	HK$100	**100%**	100%	Investment holding
Homeland PRC *(note)*	PRC, 7 August 2018	US$1,000,000	**100%**	100%	Software development
Yaotang Xiamen *(note)*	PRC, 23 December 2021	RMB10,000,000	**100%**	100%	Software development and technical services
Controlled through contractual arrangement:					
Jiaxiang Interactive *(note)*	PRC, 31 August 2015	RMB10,000,000	**100%**	100%	Development, publication and operation of mobile games
Jilin Xinze *(note)*	PRC, 13 November 2009	RMB10,000,000	**100%**	100%	Development, publication and operation of mobile games
Jilin Yuke *(note)*	PRC, 10 March 2017	RMB10,000,000	**–**	100%	Development, publication and operation of mobile games

Note:

The entity is PRC limited liability company.

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

All subsidiaries now comprising the Group are limited liability companies and have adopted 31 December as their financial year end date.

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during the reporting period.

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2022 RMB'000	2021 RMB'000
Non-current asset		
Investments in subsidiaries	**154,032**	119,697
Current assets		
Financial assets at fair value through profit or loss	**16,827**	—
Prepayments and other receivables	**14,840**	3,967
Amounts due from subsidiaries	**1,323**	13,732
Cash and cash equivalents	**91,559**	43,800
	124,549	61,499
Current liabilities		
Other payables	**735**	490
Amounts due to subsidiaries	**278,644**	84,611
	279,379	85,101
Net current liabilities	**(154,830)**	(23,602)
	(798)	96,095
Capital and reserves		
Share capital	**42**	42
Reserves	**(840)**	96,053
	(798)	96,095

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Details of the movement in the Company's reserves are set out below:

	Share premium *RMB'000*	Share held for Share Award Scheme *RMB'000*	Other reserve *RMB'000*	Share-based payments reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
As at 1 January 2021	113,551		3	27,509	(31,340)	109,723
Loss and total comprehensive expense for the year	–	–	–	–	(7,519)	(7,519)
Issue of shares held for the Compensation Grant and the 2021 Share Award Scheme *(defined in Note 35)*		(1)	1	–	–	–
Recognition of share-based payment expenses under the Share Option Scheme and the incremental fair value under the Compensation Grant *(defined in Note 35)*	–	–	–	10,172	–	10,172
Recognition of share-based payment expenses under the 2021 Share Award Scheme *(defined in Note 35)*	–	–	–	270	–	270
Share-based payment expenses related to the share options forfeited after the vesting date	–	–	–	(324)	324	–
Repurchase of shares	–	(16,593)	–	–	–	(16,593)
As at 31 December 2021	**113,551**	**(16,594)**	**4**	**37,627**	**(38,535)**	**96,053**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**6,210**	**6,210**
Recognition of share-based payment expenses under the Share Option Scheme and the incremental fair value under the Compensation Grant *(defined in Note 35)*	**–**	**–**	**–**	**7,683**	**–**	**7,683**
Recognition of share-based payment expenses under the 2021 Share Award Scheme	**–**	**–**	**–**	**591**	**–**	**591**
Recognition of share-based payment expenses under the 2022 Share Award Scheme *(defined in Note 35)*	**–**	**–**	**–**	**26,061**	**–**	**26,061**
Share-based payment expenses related to the share options forfeited after the vesting date	**–**	**–**	**–**	**(5,223)**	**5,223**	**–**
Vesting of award shares under the Compensation Grant, the 2021 Share Award Scheme and the 2022 Share Award Scheme	**10,516**	**30,754**	**–**	**(41,270)**	**–**	**–**
Dividends recognized as distribution	**(92,857)**	**–**	**–**	**–**	**–**	**(92,857)**
Repurchase of shares	**–**	**(44,581)**	**–**	**–**	**–**	**(44,581)**
As at 31 December 2022	**31,210**	**(30,421)**	**4**	**25,469**	**(27,102)**	**(840)**

39. CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital risk management

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

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group's capital risk is low.

Financial risk management

Categories of financial instruments

	2022 *RMB'000*	2021 *RMB'000*
Financial assets		
Financial assets measured at amortized cost	**1,504,728**	1,361,507
Financial assets at FVTPL	**91,243**	—
Equity instruments at FVTOCI	**5,808**	10,146
Financial liabilities		
Financial liabilities measured at amortized cost	**35,967**	21,580
Derivative financial liabilities measured at fair value	**—**	25,370

The Group's major financial instruments include rental and other deposits, equity instruments at FVTOCI, trade receivables, financial assets at FVTPL, other receivables, cash and cash equivalents, other payables, derivative financial liabilities and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign exchange risk and interest rate risk, other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below.

The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

39. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management (Continued)

Market risk

Foreign exchange risk

The Group has certain cash and cash equivalents denominated in HK$, US$, EUR$ and SG$ (2021: HK$, US$, EUR$ and SG$), and is exposed to foreign exchange risk arising from foreign currency exchange rate fluctuation, primarily with respect to HK$, US$, EUR$ and SG$. The Group currently does not hedge transactions undertaken in foreign currencies but manages its exposure through constant monitoring to limit as much as possible the amount of its foreign currency exposure. Foreign exchange risk arises when future commercial transactions and recognized assets are denominated in a currency that is not the entity's functional currency. The Group's finance department is responsible for monitoring and managing the net position in each foreign currency.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	2022	2021
	RMB'000	*RMB'000*
US$	**38,895**	43,780
HK$	**64,547**	15,252
EUR$	**891**	866
SG$	**350**	192

The following table details the Group's sensitivity to a 5% (2021: 5%) increase and decrease in RMB against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2021: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB weaken 5% (2021: 5%) against the relevant currency. For a 5% (2021: 5%) strengthening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and the amounts below would be negative.

	Impact	
	2022	2021
	RMB'000	*RMB'000*
Profit	**5,234**	3,005

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

39. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management (Continued)

***Market risk** (Continued)*

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group cash flow interest rate is mainly concentrated on the fluctuation of interest rates on bank balances. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management considers that the exposure of fair value interest rate risk in relation to lease liabilities and cash flow interest rate risk arising from variable-rate bank balances is insignificant. No sensitivity analysis is presented accordingly.

Other price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTOCI and FVTPL. The Group invested in certain unquoted equity securities for investees operating in mobile game development and operation industry sector for long term strategic purposes which had been designated as FVTOCI. The Group invested in listed and unlisted securities which are classified as FVTPL in order to increase the return on investments. Each investment is managed by senior management on a case by case basis.

The sensitivity analysis has been determined based on the exposure to equity price risk at the reporting date. If the fair value of the listed equity investments had been 5% higher/lower, the profit for the year ended 31 December 2022 would increase/decrease by RMB1,252,000 (2021: Nil) as a result of the changes in the market quoted price. If the fair value of the remaining unlisted investments had been 5% higher/lower, the profit and the other comprehensive income for the year ended 31 December 2022 would increase/decrease by RMB2,729,000 (2021: Nil) and RMB247,000 (2021: RMB431,000) as a result of the changes in fair value of investments at FVTPL and FVTOCI respectively.

Credit risk

The Group is mainly exposed to credit risk in relation to its trade receivables, other receivables, loans to employees, rental and other deposits as well as bank balances.

The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

39. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management (Continued)

Credit risk *(Continued)*

Trade receivables

The Group performs impairment assessment under ECL model on trade balances individually. Trade receivables with gross carrying amount of RMB192,949,000 (2021: RMB194,736,000) as at 31 December 2022 were due from the third-party games distribution channels, third-party payment vendors and advertisement agents in cooperation with the Group. If the co-operative relationships with the distribution channels, third-party payment vendors and advertisement agents are deteriorated or terminated; or if the distribution channels, third-party payment vendors and advertisement agents alter the co-operative arrangements; or if they experience financial difficulties in paying the Group, the Group's trade receivables might be adversely affected in terms of recoverability. To manage this risk, the Group maintains frequent communications with the distribution channels, third-party payment vendors and advertisement agents to ensure the effective credit control are in place. In view of the history of cooperation with the distribution channels, third-party payment vendors and advertisement agents and the sound collection history of receivables due from them, the directors of the Company believe that the credit risk inherent in the Group's outstanding trade receivable balances due from the distribution channels, third-party payment vendors and advertisement agents is low, accordingly, no impairment is made during the reporting period.

Other receivables, loans to employees and rental and other deposits

For other receivables and rental and other deposits from third parties with an aggregate gross carrying amount of RMB120,284,000 (2021: RMB27,821,000), management makes individual assessment on the recoverability of other receivables and rental and other deposits based on historical settlement records and past experience. For loans receivables with gross carrying amount of RMB10,772,000 (2021: nil), management also make individual assessment on the recoverability by considering the profit and cash flow forecast of the debtor and determined that lifetime credit losses amounted to RMB5,386,000 was recognized in the current year (2021: nil). For loans to employees with an aggregate gross carrying amount of RMB17,407,000 (2021: RMB13,788,000), management makes individual assessment on the recoverability based on the salaries, bonus, other benefits in kind and exercisable share awards. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balances, of other receivables, loans to employees and rental and other deposits.

The Group considers the probability of default upon initial recognition of financial assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period regarding to the other receivables, loans to employees and rental and other deposits from third parties. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available. Forward-looking information considered includes debtor's credit rating and its business, financial or economic conditions which are expected to cause a significant decrease in debtor's ability to meet its obligation. The management has assessed that there has been no significant increase in credit risk since initial recognition and credit risk of default is insignificant, and therefore, no impairment has been recognized during the reporting period.

39. CAPITAL AND FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management (Continued)

Credit risk *(Continued)*

Bank balances

Credit risk on bank balances with gross carrying amount of RMB1,163,316,000 (2021: RMB1,125,005,000) is limited because the counterparties are reputable state-owned and local banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant.

Liquidity risk

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

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

	Weighted average interest rate %	On demand or less than 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As of 31 December 2022						
Other payables	—	35,967	—	—	35,967	35,967
Lease liabilities	6.65	11,765	7,818	—	19,583	17,805
Total		47,732	7,818	—	55,550	53,772

	Weighted average interest rate %	On demand or less than 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As of 31 December 2021						
Other payables	—	21,580	—	—	21,580	21,580
Lease liabilities	6.65	12,808	12,815	8,854	34,477	30,707
Total		34,388	12,815	8,854	56,057	52,287
Derivatives						
Derivative financial liabilities	7.00	—	27,610	—	27,610	25,370

40. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and liabilities are determined (in particular, the valuation technique(s) and inputs used).

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

Fair value hierarchy as at 31/12/2022	**Level 1** *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Equity instruments at FVTOCI	**—**	**—**	**5,808**	**5,808**
Financial assets at FVTPL	**29,463**	**61,780**	**—**	**91,243**

Fair value hierarchy as at 31/12/2021	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Equity instruments at FVTOCI	—	—	10,146	10,146
Derivative financial liabilities	—	—	25,370	25,370

40. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets/ Financial liabilities	Fair value as at 31/12/2022	Fair value as at 31/12/2021	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable input
Derivative financial liabilities	N/A	Derivative financial liabilities generated from the Investment Agreement between Jilin Xinze, Xinbao Technology and Jilin Xinyue — RMB25,370,000	N/A (31/12/2021: Level 3)	N/A. (31/12/2021: Probability-weighted discounted cash flow method)	N/A (31/12/2021: discount rate: 7 percent)
Financial assets at FVTPL	Equity securities listed in SSE — RMB29,463,000	N/A	Level 1 (31/12/2021: N/A)	Quoted market price (31/12/2021: N/A)	N/A (31/12/2021: N/A)
	Private fund — RMB31,780,000	N/A	Level 2 (31/12/2021: N/A)	Recent transaction approach (31/12/2021: N/A)	N/A (31/12/2021: N/A)
	10 percent interest in a partnership engaged in investments on the consumer industry, corporate services and entertainment sectors — RMB30,000,000	N/A		Recent transaction approach. (31/12/2021: N/A)	N/A (31/12/2021: N/A)

40. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets/ Financial liabilities	Fair value as at 31/12/2022	Fair value as at 31/12/2021	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable input
Equity Instruments at FVTOCI	19 percent equity interest in Shanghai Wenting Network Technology Ltd. engaged in research and development of online games — RMB0	19 percent equity interest in Shanghai Wenting Network Technology Ltd. engaged in research and development of online games — RMB8,661,000	Level 3 (31/12/2021: Level 3)	Asset-based approach (31/12/2021: Asset-based approach except for the intangible asset and income approach for the intangible asset)	Value of the net assets (31/12/2021: Average monthly revenue growth rate: 8.07 percent, discount rate: 15.90 percent)
	N/A	40 percent equity interest in Shenzhen Shangshou Technology Ltd. engaged in research and development of online games — RMB635,000	N/A (31/12/2021: Level 3)	N/A (31/12/2021: Asset-based approach)	N/A (31/12/2021: Value of the net assets)
	N/A	30 percent equity interest in Xiamen Blackjack Entertainment & Technology Ltd. engaged in research and development of online games — RMB450,000		N/A (31/12/2021: Asset-based approach)	N/A (31/12/2021: Value of the net assets)
	N/A	40 percent equity interest in Chuangke Future engaged in marketing of online game — RMB400,000		N/A (31/12/2021: Asset-based approach)	N/A (31/12/2021: Value of the net assets)
	1.79 percent equity interest in West Bull Securities Limited engaged in security investment — RMB5,808,000	N/A	Level 3 (31/12/2021: N/A)	Revenue multiples approach (31/12/2021: N/A)	Revenue multiples on comparable companies: 13.9; discounts for lack of marketability: 7% (31/12/2021: N/A)

40. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

(ii) Reconciliation of Level 3 fair value measurements

	Equity instruments at FVTOCI	
	2022	2021
	RMB'000	*RMB'000*
At 1 January	**10,146**	13,950
Purchase	**6,665**	400
Disposal	**(857)**	—
Transfer to investments in associates	**(400)**	—
Total losses:		
— in other comprehensive expense	**(9,746)**	(4,204)
At 31 December	**5,808**	10,146

	Derivative financial liabilities	
	2022	2021
	RMB'000	*RMB'000*
At 1 January	**(25,370)**	—
Total gains (losses):		
— in other gains and losses	**14,342**	(25,370)
Settlement of the Dividend Restriction Clause *(Note 19)*	**11,028**	—
At 31 December	**—**	(25,370)

Of the total gains or losses for the year included in profit or loss, nil gain (2021: RMB25,370,000 loss) relates to derivative financial liabilities at the end of the current reporting period. Fair value gains or losses on derivative financial liabilities are included in 'other gains and losses'.

Included in other comprehensive income is an amount of RMB9,517,000 loss (2021: RMB4,204,000 loss) relating to unlisted equity securities classified as equity instruments at FVTOCI held at the end of the current reporting period and is reported as fair value through other comprehensive reserve.

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis.

The directors of the Company consider that the carrying amounts of the Group's financial assets and liabilities measured at amortized cost approximate their fair values.

41. CAPITAL COMMITMENT

	Year ended 31/12/2022 *RMB'000*	Year ended 31/12/2021 *RMB'000*
Commitments to contribute funds to financial assets at FVTPL	**70,000**	—