



# 望塵科技控股有限公司

## Gala Technology Holding Limited

(incorporated in the Cayman Islands with limited liability)

Stock code: 2458

**2022**  
ANNUAL REPORT



# CATALOG

## CONTENTS

---

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	6
Directors and Senior Management	18
Report of the Directors	24
Corporate Governance Report	40
Environmental, Social and Governance Report	52
Independent Auditor's Report	82
Consolidated Statement of Comprehensive Income	87
Consolidated Statement of Financial Position	88
Consolidated Statement of Changes in Equity	90
Consolidated Statement of Cash Flows	91
Notes to the Consolidated Financial Statements	92
Financial Summary	154

## 2 CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Director

Mr. Jia Xiaodong (*Chairman of the Board and Chief Executive Officer*)

Mr. Huang Xiang  
Mr. Li Xin

#### Independent Non-executive Directors

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

### COMPANY SECRETARY

Mr. Chu Kai Chi (*CPA of HKICPA*)

### AUTHORIZED REPRESENTATIVES

Mr. Li Xin  
Mr. Chu Kai Chi (*CPA of HKICPA*)

### AUDIT COMMITTEE

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

### REMUNERATION COMMITTEE

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

### NOMINATION COMMITTEE

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

### AUDITOR

PricewaterhouseCoopers  
Certified Public Accountants  
Registered Public Interest Entity Auditor

### PRINCIPAL BANKS

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

### LEGAL ADVISERS

*As to Hong Kong Law*  
Sidley Austin

### COMPLIANCE ADVISOR

UOB Kay Hian (Hong Kong) Limited

### REGISTERED OFFICE

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

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit E708, 7/F  
Ka Ming Court  
No. 688–690 Castle Peak Road  
Kowloon  
Hong Kong

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

4203–4204, Qianhai Shimao Finance Centre II  
No. 3040, Aohai Avenue, Nanshan Street  
Qianhai Shenzhen-Hong Kong Cooperation Zone  
Shenzhen  
PRC

### COMPANY'S WEBSITE ADDRESS

[www.galasports.com](http://www.galasports.com)

### SHARE REGISTRARS

#### Principal Share Registrar and Transfer Office

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

#### Hong Kong Branch Share Registrar and Transfer Office

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

### STOCK CODE

02458

On behalf of the board (the “**Board**”) of the directors (the “**Directors**”) of Gala Technology Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”), I would like to present the annual report of the Group for the year ended 31 December 2022.

2022 was a challenging year. The prolonged impact of the COVID-19 pandemic, sluggish global economic recovery, and uncertain business environment have resulted in a decline in the growth of both revenue and user base within the Chinese mobile gaming market, placing various operational pressures on gaming companies throughout China.

As an Internet game enterprise closely associated with sports events, the Company's business was impacted to a certain extent due to the impact on sports events caused by pandemic control measures and international circumstances.

2022 was also an extraordinary year for the Company. Our shares were listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 January 2023 (the “**Listing Date**”), which has brought us a good reputation in the capital market as the leading sports game developer and operator in the People's Republic of China (the “**PRC**”). Our games have been launched and operated in major global markets, receiving outstanding market response and solid word-of-mouth among players. By the end of 2022, the Company had in total four game products in operation, covering football and basketball, the two major commercial sports in the world. The two long-running games, *Football Master* (足球大師) and *NBA Basketball Master* (NBA籃球大師) continued to generate substantial revenue, while *Football Champion* (最佳11人) successfully opened up new overseas markets and performed well in mainland China, recording exponential growth in revenue and generating the highest proportion of annual revenue among the Company's game products of the year. In the second half of 2022, the company launched *Total Football* (最佳球會), which was the Group's first action-based football game product successfully launched in China. In its first month of release, it achieved the top spot in the sports game download rankings of the mainland China Apple Store and ranked sixth in the free rankings. After preliminary entry into overseas markets, it also achieved first place in the sports game download rankings of the Google Play and Apple Store in Southeast Asia, Latin America, Europe, and North America. The revenue of this game is still steadily increasing as of the date of the report.

Our total revenue increased by approximately 38.7% from RMB459.9 million for the year ended 31 December 2021 to RMB637.9 million for the year ended 31 December 2022. The revenue from overseas markets reached RMB154.4 million, representing an increase of 42.8%. Due to the increase in our market share in overseas markets, we have benefited from the low commission advantages of these markets. The gross profit increased by approximately 50.4% from RMB221.5 million for the year ended 31 December 2021 to RMB333.1 million for the year ended 31 December 2022, and the comprehensive gross profit margin increased by 4 percentage points to 52.2%.

Despite significant growth in revenue and gross profit, the Company proactively increased its research and development expenses and selling and marketing expenses to accelerate the development of new mobile sports games in the pipeline, solidify its technical advantages in sports games, address the complex demands of different domestic and foreign markets, and enhance the promotion of games in various markets.

After years of technology and experience accumulation, the Company's research and development capabilities have made significant progress. Coupled with sufficient funds, the Company advanced simultaneous development of multiple major games in the pipeline. In 2022, we have four ongoing projects in progress: MLB Clutch Hit Baseball (MLB棒球大師), action-based basketball game, action-based American football game, and fishing game. At the same time, the Company has increased its input in the research and development of general technology, including accelerating the improvement of AI algorithm, graphics rendering technology, data, middleware platform, etc. This part of technology accumulation will contribute to further improvement in quality and competitiveness of the Company's current and future products and widen the lead over other market competitors. The Company's research and development expenses increased by approximately 38.8% from RMB62.7 million for the year ended 31 December 2021 to RMB87.0 million for the year ended 31 December 2022.

Meanwhile, due to the launch of new games and increased marketing efforts in overseas markets, the Company recorded a significant increase in selling and marketing expenses in 2022. Our selling and marketing expenses increased by approximately 102.3% from RMB85.6 million for the year ended 31 December 2021 to RMB173.2 million for the year ended 31 December 2022. Similar to research and development expenses, the payoff of selling and marketing expenses often lags behind its input, resulting in a considerable impact on the Company's earnings performance in 2022.

## 4 CHAIRMAN'S STATEMENT

Nevertheless, based on our experience, historical data, and reasonable expectation for the return cycle of action-based new products, we are confident in the returns on this input.

Indeed, our new product Total Football (最佳球會), a game launched in the second half of 2022 that focuses on action-based competition, requires additional input in its initial phase to develop a solid in-game ecosystem. As the number of active players increases, it will gradually release player purchases to establish a healthier and more sustainable income. The performance of Total Football (最佳球會) since its release bore testimony to our confidence. Total Football (最佳球會) is the fastest growing game in terms of acquisition of users and game income among the Group's released games. The growth of revenue during the first six months since its release has exceeded the level achieved by Football Champion (最佳11人), currently being the Company's top-grossing product, during the first six months since its release.

Overall, the Company has made significant progress in 2022, releasing new game that applied core technologies, achieving remarkable results in overseas market expansion, and significantly increasing revenue and gross profit while maintaining stable cash flow. Although the pre-investment in research and development expenses and sales and marketing expenses led to a decrease in net profit, the Company expects its future profit performance to enter a fast-growing trajectory.

### FUTURE OUTLOOK

Taking into account the gradual economic recovery, the normalization of the domestic licence issuance, the steady improvement of the Company's development capabilities, and the leading advantage of its core technologies, the Company is confident in achieving growth in performance over the next year.

Given the adjustments to the pandemic control strategy in the PRC in the end of 2022 and proposal of a series of economic stimulation policies, it is expected that the Chinese economy will expand more significantly in 2023, encouraging domestic consumption of gaming contents indirectly. In addition, as the negative impact of Covid-19 subsides around the world, various sports events will resume as normal this year. In particular, the success of the Football World Cup in the end of 2022 remained influential well into the first half of 2023, boosting the Company's performance, especially the turnover of its football related products.

As Football Champion (最佳11人) and Total Football (最佳球會) have entered a stable and mature stage of their life cycle, their player activity and in-game community size will also reach new heights, thus allowing for better earnings contributions to the Company from the two key products. Thanks to the continuous iteration and optimisation of the content of Football Champion (最佳11人), we expect that, assuming a stable active user base having been established, the paying users retention rate and average monthly top up amount per paying user (ARPPU) will increase significantly. On the other hand, the launch of Total Football (最佳球會) in Mainland China as well as other key markets including Japan, Korea, Southeast Asia, Europe and Latin America will further increase the active user base of Total Football (最佳球會), which will in turn lead to rapid growth in game revenue.

### New Games Publishing Plan

MLB Clutch Hit Baseball (MLB棒球大師) and Fishing (釣魚) are scheduled to be released in 2023 to the global market. MLB Clutch Hit Baseball (MLB棒球大師) will cover the major baseball markets including North America, Japan, Korea, Latin America and Greater China. Fishing is one of the most popular types of casual sports games worldwide and our Fishing game will adopt real physics engine, motion capture technology, weather change system, realistic water flow effect, high-definition fish modeling, providing players with an immersive fishing experience. We are confident that the launch of these two games will drive revenue growth for the Company, while expanding our registered user and active user base.

## Self-Development AI Technologies

It is worth mentioning that the Company has started to develop crucial AI technologies years ago, which include the development of AI engine for sports competitions and AI technology for realistic reproduction of 3D stadiums. After several years of exploration and iteration, we are far ahead of our competitors in terms of AI technology accumulation. The Company's unique Arena4D technology, whose application has gone beyond the conventional game development needs of 3D character and scene generation, can also use 3D capture and real-time computing to reconstruct and render the competition in a virtual space, reproducing in real time a true-to-life stadium that allows audience to watch the game in an immersive third-person view. In addition, Arena4D can capture the top players' motion and incorporate these professional movements into our games' player movement database, thereby further enhancing the realism of our games. In terms of data acquisition, we collect feeds from multiple 4K cameras to capture every detail of the arena simultaneously. As for stadium reconstruction, using a self-developed AI algorithms with high performance, Arena4D is able to conduct real-time computation on the previously captured video signals, tracking and restoring the trajectory of the players and the ball instantaneously. For the rendering process, the Company has, through ten years of research and development, accumulated a huge library of high-precision models of virtual players and stadiums. Arena4D's AI system combines the data obtained from the above-mentioned processes to generate the skeleton, muscles, image and position of the virtual players, and drive the digital players to recreate a realistic game. At last, the system uses our established AI technologies to complete a photo-quality rendering, reproducing a 1:1 arena in real time with minimal delay. Each game product line of the Company will take full advantage of the profound technological acumen under its belt to further improve product quality and significantly enhance development and iteration efficiency through AI technology.

## Developmental Strategies

As a mobile sports game developer, publisher and operator in the PRC, our business model is based on developing, launching, publishing, operating and monetizing our games. Looking forward, the Company will insist on implementing the following three strategies in order to generate or preserve value over the longer term:

**Multi-product line strategy:** In light of the launch of MLB Clutch Hit Baseball (MLB棒球大師) in early 2023 and smooth progress in the research and development of games such as fishing, action-based basketball and action-based American football, the Company is releasing its technology and product competency in a number of sports, thereby further improving its turnover and earnings. In addition, the Company's product lines progressively cover major commercial sports, such as football, basketball, baseball and American football, and hardcore and casual game genres, which will vastly enhance the brand influence of the Company and develop resilience against the risk of relying on a single product. In the future, the strategy of "single technology, diverse products" will construct a barrier of "technology-product-brand" for the Company in the sports game sector, thus enabling the Company to become the most competitive sports game developer and operator on mobile platforms.

**Global strategy:** In the past three years, the proportion of income from overseas markets has been increasing for the Company. As the Company launches a number of game products developed with the global market in mind, the proportion of income from outside Mainland China will inevitably continue to increase. The Company will also enhance its customized product development, marketing, and operating and customer service capability in the major markets of the world, thereby ensuring the success of its key products in the global market.

**Multi-platform strategy:** While the current products of the Company continue to focus on mobile devices, given the continuous improvements in its product development capacity and technologies such as rendering, the Company intends to bring its current and future quality products to various platforms, including PC, consoles, Steam, WeChat Mini Program, Nintendo Switch, etc., with a view to further expanding the coverage and turnover of the Company's game products without significantly increasing development costs.

As the saying goes, "difficulties mastered are opportunities won." In 2022, the Company and many fellow industry players all experienced many challenges and difficulties. However, the Company always adheres to the mission of "creating the best sports game products for players around the world" and devotes all its resources to the core business of the Company. Therefore, we believe that regardless of past hardships, a brighter and better future awaits us.

Lastly, on behalf of the Board, I would like to express my sincere gratitude to our business partners, customers and shareholders for their unwavering trust and support. I also would like to thank the management team and all fellow employees for their contributions and support.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS OVERVIEW

2022 was an extraordinary year for the Company as we recorded a significant increase in revenue. Our shares were successfully listed on the Main Board of the Stock Exchange on 16 January 2023, which has brought us a good reputation in the capital market as the leading sports game developer and operator in the PRC. Currently, we have launched and been operating several sports games in the major markets of the world and have obtained outstanding market response and solid word-of-mouth among players. By the end of 2022, the Company had in total four game products in operation, covering football and basketball, the two major commercial sports in the world. In 2022, while *Football Master* (足球大師) and *NBA Basketball Master* (NBA籃球大師), two existing games of the Company, continued to generate substantial income, *Football Champion* (最佳11人), launched in 2020, recorded exponential growth in revenue. The game product put up an excellent performance in both Mainland China and overseas markets, generating the highest proportion of annual revenue among the Company's game products. Meanwhile, the Company launched *Total Football* (最佳球會) in 2022, which was the Group's first action-based football game product successfully launched in China. Upon launch, *Total Football* (最佳球會) was quickly acclaimed among players and posted a brilliant commercial performance. Our total revenue increased by approximately 38.7% from RMB459.9 million for the year ended 31 December 2021 to RMB637.9 million for the year ended 31 December 2022.

In 2022, despite a substantial growth in revenue year-on-year, the Company experienced various challenges in operation and management, the so-called "growing pains".

First, the PRC witnessed stringent control measures against the Covid-19 pandemic and the accompanying pressure on economic growth in 2022. The material challenge posed operating pressure of varying degrees on most physical and internet-based enterprises. As an Internet game enterprise closely associated with sports events, the Company's business was impacted to a certain extent due to the impact on sports events caused by pandemic control measures and slowdown in economic growth. In order to keep increasing the market confidence in the Company's products and maintain sufficient market competitiveness.

Second, the Company increased its input in technology and product research and development in 2022. Our research and development expenditure increased by approximately 38.8% from RMB62.7 million for the year ended 31 December 2021 to RMB87.0 million for the year ended 31 December 2022. The investment emphasizes future development on increasing the revenue of the Company. The increase in research and development expenditure primarily included two aspects, one being the research and development of general technology, including AI algorithm, graphic rendering technology, data, middleware platform, etc. This part of technology accumulation will contribute to further improvement in quality and competitiveness of the Company's current and future products and widen the lead over other market competitors. The second aspect of the expenditure was on various projects in progress, including baseball, action-based basketball, American football, etc. In order to gradually launch these projects in progress starting from 2023, we further enhanced our research and development efforts in 2022, with a view to introducing new products on schedule and reaping better market response.

Meanwhile, due to the launch of new games and increased marketing efforts in overseas markets, the Company recorded a significant increase in selling and marketing expenses in 2022. Our selling and marketing expenses increased by approximately 102.3% from RMB85.6 million for the year ended 31 December 2021 to RMB173.2 million for the year ended 31 December 2022. The investment emphasizes future development on increasing the revenue of the Company. Similar to research and development expenditure, the payoff of selling and marketing expenses often lags behind its input, resulting in a considerable impact on the Company's earnings performance. Having said that, we consider the marketing input in 2022 healthy and are confident that it will consistently deliver excellent market response of our products, as well as our reasonable expectations on the return cycle of our new action-based sports games. Indeed, our new product *Total Football* (最佳球會), a game focusing on action-based competition, requires additional input in its initial phase to develop a solid in-game ecosystem. As the number of active players increases, it will gradually release player purchases to establish a healthier and more sustainable income. The performance of *Total Football* (最佳球會) since its release bore testimony to our confidence. *Total Football* (最佳球會) is the fastest growing game in terms of acquisition of users and game income among the Group's released games. The growth of revenue during the first six months since its release has exceeded the level achieved by *Football Champion* (最佳11人), currently being the Company's top-grossing product, during the first six months since its release.

## PRINCIPAL RISKS AND UNCERTAINTIES

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

## FUTURE OUTLOOK

In the coming year, in light of rapid improvements in the external environment and steady release of the Company's internal consolidation capability, the Company is confident to achieve a better business performance for the investors and general public, primarily attributable to the following aspects:

1. Given the PRC's adjustments to the pandemic control strategy in the end of 2022 and proposal of a series of economic stimulation policies, it is expected that the Chinese economy will expand more significantly in 2023, encouraging domestic consumption of gaming contents indirectly. In addition, as the negative impact of Covid-19 subsides around the world, various sports events will resume as normal this year. In particular, the success of the Football World Cup in the end of 2022 remained influential well into the first half of 2023, boosting the Company's performance, especially the turnover of its football related products.
2. Continuous improvements in revenue scale and profitability of its key products will propel the Company's performance to a new level. As *Football Champion* (最佳11人) and *Total Football* (最佳球會) have entered a stable and mature stage of their life cycle, their player activity and in-game community size will also reach new heights, thus allowing for better earnings contributions to the Company from the two key products. Thanks to the continuous iteration and optimisation of the content of *Football Champion* (最佳11人), we expect that, assuming a stable active user base having been established, the paying users retention rate and average monthly top up amount per paying user (ARPPU) will increase significantly. On the other hand, the launch of *Total Football* (最佳球會) in Mainland China as well as other key markets including Japan, Korea, Southeast Asia, Europe and Latin America will further increase the active user base of *Total Football* (最佳球會), which will in turn lead to rapid growth in game revenue.
3. *MLB Baseball Master* (MLB棒球大師) and *Fishing* (釣魚) (a new casual sports game being developed by the Group in 2023) are scheduled to be released in 2023 to the global market. *MLB Baseball Master* (MLB棒球大師) will cover the major baseball markets including North America, Japan, Korea, and Greater China, while *Fishing* is one of the most popular types of casual sports games worldwide. We are confident that the launch of these two games will drive significant revenue growth for the Company, while rapidly expanding our registered users and active user base.



4. It should be particularly stressed that the values brought about by the ongoing technology accumulation of the Company in combination with the latest applications of AI related technology will be further reflected in various online products and newly introduced products of the Company in 2023 and the future. Although AI technology, represented by ChatGPT, has only become a hot topic in the gaming scene this year, the Company has started to develop crucial AI technologies years ago, which include the development of AI engine for sports competitions and AI technology for realistic reproduction of 3D stadiums. After several years of exploration and iteration, we are far ahead of our competitors in terms of AI technology accumulation. The Company's unique Arena4D technology, whose application has long gone beyond the conventional game development needs of 3D character and scene generation, can also use 3D capture and real-time computing to reconstruct and render the competition in a virtual space, reproducing in real time a true-to-life stadium that allows audience to watch the game in an immersive third-person view. In addition, Arena4D can capture the top players' motion and incorporate these professional movements into our games' player movement database, thereby further enhancing the realism of our games. In terms of data acquisition, we collect feeds from multiple 4K cameras to capture every detail of the arena simultaneously. As for stadium reconstruction, using a self-developed AI algorithms with high performance, Arena4D is able to conduct real-time computation on the previously captured video signals, tracking and restoring the trajectory of the players and the ball instantaneously. At the current stage, there is no need for players to wear specialised motion capture equipment and clothing, hence such upgraded technology is named "markerless motion capture". For the rendering process, the Company has, through ten years of research and development, accumulated a huge library of high-precision models of virtual players and stadiums. Arena4D's AI system combines the data obtained from the above-mentioned processes to generate the skeleton, muscles, image and position of the virtual players, and drive the digital players to recreate a realistic game. At last, the system uses our established AI technologies to complete a photo-quality rendering, reproducing a 1:1 arena in real time with minimal delay. Each game product line of the Company will take full advantage of the profound technological acumen under its belt to further improve product quality and significantly enhance development and iteration efficiency through AI technology.

Looking forward, the Company will insist on implementing the following three strategies, which have proved to be effective and will provide significant support to Company to steadily improve its business performance:

1. Multi-product line strategy: In light of the launch of *MLB Baseball Master (MLB棒球大師)* in 2023 and smooth progress in the research and development of games such as fishing, action-based basketball and action-based American football, the Company is releasing its technology and product competency in a number of sports, thereby further improving its turnover and earnings. In addition, the Company's product lines progressively cover major commercial sports, such as football, basketball, baseball and American football, and hardcore and casual game genres, which will vastly enhance the brand influence of the Company and develop resilience against the risk of relying on a single product. In the future, the strategy of "single technology, diverse products" will construct a barrier of "technology-product-brand" for the Company in the sports game sector, thus enabling the Company to become the most competitive sports game developer and operator on mobile platforms.
2. Global strategy: In the past three years, the proportion of income from overseas markets has been increasing for the Company. As the Company launches a number of game products developed with the global market in mind, the proportion of income from outside Mainland China will inevitably continue to increase. The Company will also enhance its customized product development, marketing, and operating and customer service capability in the major markets of the world, thereby ensuring the success of its key products in the global market.
3. Multi-platform strategy: While the current products of the Company continue to focus on mobile devices, given the continuous improvements in its product development capacity and technologies such as rendering, the Company intends to bring its current and future quality products to various platforms, including PC, consoles, Steam, WeChat Mini Program, Nintendo Switch, etc., with a view to further expanding the coverage and turnover of the Company's game products without significantly increasing development costs.

As the saying goes, "difficulties mastered are opportunities won." In 2022, the Company and many fellow industry players all experienced many challenges and difficulties. However, the Company always adheres to the mission of "creating the best sports game products for players around the world" and devotes all its resources to the core business of the Company. Therefore, we believe that regardless of past hardships, a brighter and better future awaits us.

## FINANCIAL PERFORMANCE

### Consolidated Statement of Comprehensive Income

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

	Year ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Revenue	637,886	100.0	459,851	100.0
Cost of revenue	(304,822)	(47.8)	(238,324)	(51.8)
<b>Gross profit</b>	<b>333,064</b>	<b>52.2</b>	221,527	48.2
Other losses, net	(4,463)	(0.7)	(1,137)	(0.2)
Other income	8,384	1.3	3,319	0.7
Selling and marketing expenses	(173,200)	(27.2)	(85,590)	(18.6)
General and administrative expenses	(56,023)	(8.8)	(34,589)	(7.5)
Research and development expenses	(86,976)	(13.6)	(62,705)	(13.6)
(Net impairment losses)/reversal of impairment loss on financial assets	(1,856)	(0.2)	160	*
Operating profit	18,930	3.0	40,985	8.9
Finance income, net	3,291	0.5	741	0.2
<b>Profit before income tax</b>	<b>22,221</b>	<b>3.5</b>	41,726	9.1
Income tax expenses	(8,752)	(1.4)	(2,336)	(0.5)
<b>Profit and total comprehensive income for the year, net of tax</b>	<b>13,469</b>	<b>2.1</b>	39,390	8.6
<b>Comprehensive income/(loss) attributable to:</b>				
Owners of the Company	13,525	2.1	39,986	8.7
Non-controlling interests	(56)	*	(596)	(0.1)
	<b>13,469</b>	<b>2.1</b>	39,390	8.6

\* Less than 0.1%

### Non-HKFRS measure

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
<b>Profit and total comprehensive income for the year, net of tax</b>	<b>13,469</b>	39,390
Add:		
Fair value loss on a financial liability measured at fair value through profit or loss	<b>6,816</b>	1,479
Listing expenses	<b>22,356</b>	15,857
Share-based compensation	<b>2,872</b>	—
Deduct:		
Fair value gain on extension of a financial liability measured at fair value through profit or loss	<b>(3,065)</b>	—
<b>Adjusted net profit</b> (Non-HKFRS measure)	<b>42,448</b>	56,726

The Group believes that the presentation of such non-HKFRS measure when shown in conjunction with the corresponding HKFRS measure provides useful information to potential investors and management in facilitating a comparison of its operating performance from year to year by eliminating potential impacts of the net fair value changes on the convertible bonds issued by the Company on 21 June 2021 in the principal amount of HK\$77,112,000 (the “**Pre-IPO Convertible Bonds**”), share-based compensation, and the listing expenses. The use of the non-HKFRS measure has limitations as any other analytical tool, and should not be considered in isolation from or as a substitute for or superior to, the analysis of the Group’s results of operations or financial condition as reported under the HKFRS. In addition, the non-HKFRS measure may be defined differently from similar terms used by other companies.

## Key financial ratios

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

	Year ended 31 December	
	2022	2021
Gross profit margin	52.2%	48.2%
Net profit margin <sup>(1)</sup>	2.1%	8.6%
Return on equity <sup>(2)</sup>	11.0%	36.6%
Return on assets <sup>(3)</sup>	3.6%	13.5%
Interest coverage ratio <sup>(4)</sup>	28.0 times	55.6 times

	As at 31 December	
	2022	2021
Current ratio <sup>(5)</sup>	1.3 times	1.4 times
Quick ratio <sup>(6)</sup>	1.3 times	1.4 times

Notes:

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

## FINANCIAL REVIEW

### Revenue

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

	Year ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Football Master (足球大師)	108,801	17.1	134,988	29.4
NBA Basketball Master (NBA籃球大師)	155,684	24.4	176,693	38.4
Football Champion (最佳11人 – 冠軍球會)	311,547	48.8	148,170	32.2
Total Football (最佳球會)	61,854	9.7	—	—
Total	637,886	100.0	459,851	100.0

Revenue increased by approximately RMB178.0 million, or 38.7%, from approximately RMB459.9 million for the year ended 31 December 2021 to approximately RMB637.9 million for the year ended 31 December 2022, which was mainly attributable to: (i) the revenue generated from the new game launched in July 2022 – Total Football (最佳球會) of approximately RMB61.9 million, and (ii) the increased revenue generated from Football Champion (最佳11人 – 冠軍球會) by approximately RMB163.3 million, from approximately RMB148.2 million for the year ended 31 December 2021 to approximately RMB311.5 million for the year ended 31 December 2022, as the Group has been expanding Football Champion (最佳11人 – 冠軍球會) in overseas markets such as Hong Kong, South Korea, Japan and Vietnam since the second half of 2021.

### Cost of revenue

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

	Year ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Commission fee to the Platforms	215,565	70.7	168,098	70.5
License fees	58,902	19.3	47,739	20.0
Revenue sharing to third-party publishers	3,193	1.1	5,682	2.4
Staff costs	14,431	4.7	8,503	3.6
Server usage expenses	11,239	3.7	7,434	3.1
Others*	1,492	0.5	868	0.4
Total	304,822	100.0	238,324	100.0

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

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

	Year ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Football Master (足球大師)	59,762	19.6	74,284	31.2
NBA Basketball Master (NBA籃球大師)	83,238	27.3	92,952	39.0
Football Champion (最佳11人 – 冠軍球會)	123,605	40.5	61,647	25.9
Total Football (最佳球會)	23,088	7.6	—	—
Others*	15,129	5.0	9,441	3.9
<b>Total</b>	<b>304,822</b>	<b>100.0</b>	<b>238,324</b>	<b>100.0</b>

\* Others refer to cost of revenue unallocated to different games, mainly consist of staff costs, depreciation of property, plant and equipment and depreciation of right-of-use assets.

Cost of revenue increased by approximately RMB66.5 million, or 27.9%, from approximately RMB238.3 million for the year ended 31 December 2021 to approximately RMB304.8 million for the year ended 31 December 2022. The increase in cost of revenue was primarily attributable to (i) the increase of approximately RMB47.5 million, or 28.2% of our commission fee payable to the Platforms which was in line with our growth in revenue; and (ii) the increase of approximately RMB11.2 million, or 23.4% of license fees which was also in line with the growth in revenue as some of the Group's intellectual properties ("IP") licensing arrangements provide for revenue sharing from our income generated.

## Gross profit

The following table sets forth a breakdown of the gross profit and gross profit margin by games for the years indicated:

	Year ended 31 December			
	2022		2021	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Football Master (足球大師)	49,039	45.1	60,704	45.0
NBA Basketball Master (NBA籃球大師)	72,446	46.5	83,741	47.4
Football Champion (最佳11人 – 冠軍球會)	187,942	60.3	86,523	58.4
Total Football (最佳球會)	38,766	62.7	—	—
Others*	(15,129)	—	(9,441)	—
<b>Total</b>	<b>333,064</b>	<b>52.2</b>	<b>221,527</b>	<b>48.2</b>

\* Others refer to cost of revenue unallocated to different games, mainly consist of staff costs, depreciation of property, plant and equipment and depreciation of right-of-use assets.

The gross profit increased by approximately RMB111.6 million, or 50.4%, from approximately RMB221.5 million for the year ended 31 December 2021 to approximately RMB333.1 million for the year ended 31 December 2022. The gross profit margin of the Group increased from approximately 48.2% for the year ended 31 December 2021 to approximately 52.2% for the year ended 31 December 2022. The increase in gross profit margin was primarily due to (i) the Group's successful expansion into the overseas markets, in particular with the introduction of Football Champion (最佳11人 – 冠軍球會) in Hong Kong, South Korea, Vietnam and Japan since the second half of 2021; and (ii) commission fee to the Platforms constituting the largest component among the cost of revenue, representing approximately 70.7% of the total cost of revenue of the Group during the year ended 31 December 2022. Therefore, coupled with the increase in the proportion of income generated from the overseas markets and the comparatively lower commission rate charged by overseas distribution platforms than the local distribution platforms in the PRC, the growth of commission fee to the Platforms was relatively lower than the growth of revenue for the year ended 31 December 2022, contributing to the improvement of the Group's gross profit margin.

### Other losses, net

Other losses, net increased by approximately RMB3.4 million, or 309.1%, from approximately RMB1.1 million for the year ended 31 December 2021 to approximately RMB4.5 million for the year ended 31 December 2022, mainly because the Group recorded an increase in fair value loss on a financial liability measured at fair value through profit or loss by approximately RMB5.3 million partially offset by a fair value gain on the extension of a financial liability measured at fair value through profit or loss of approximately RMB3.1 million.

### Other income

Other income increased by approximately RMB5.1 million, or 154.5%, from approximately RMB3.3 million for the year ended 31 December 2021 to approximately RMB8.4 million for the year ended 31 December 2022, mainly because the Group received certain new grants and/or subsidies from the local governmental departments during the year ended 31 December 2022.

### Selling and marketing expenses

Selling and marketing expenses increased by approximately RMB87.6 million, or 102.3%, from approximately RMB85.6 million for the year ended 31 December 2021 to approximately RMB173.2 million for the year ended 31 December 2022, which was primarily attributable to the increase in advertising and marketing expenses by approximately RMB84.0 million, or 109.9% as the Group carried out massive online advertising activities during the year ended 31 December 2022 for promoting Football Champion (最佳11人 – 冠軍球會) in the overseas markets and the new game launched in July 2022 – Total Football (最佳球會).

### General and administrative expenses

General and administrative expenses increased by approximately RMB21.4 million, or 61.8%, from approximately RMB34.6 million for the year ended 31 December 2021 to approximately RMB56.0 million for the year ended 31 December 2022, which was primarily attributable to the increase in listing expenses by approximately RMB6.5 million, or 40.9%, increase in the employee benefits and salaries for general and administrative staff by approximately RMB2.9 million, or 27.0% and increase in office expenses by approximately RMB1.0 million, or 90.7%.

### Research and development expenses

Research and development expenses increased by approximately RMB24.3 million, or 38.8%, from approximately RMB62.7 million for the year ended 31 December 2021 to approximately RMB87.0 million for the year ended 31 December 2022, which was primarily attributable to the increase in employee benefits and salaries of the research and development staff of approximately RMB19.2 million, or 34.6%, primarily due to the increase in the number of the Group's research and development staff for the year ended 31 December 2022 for the development of the new mobile sports games released during the year and in the pipeline and the salary increment offered to reward the talented research and development personnel of the Group.

### (Net impairment losses)/reversal of impairment loss on financial assets

The Group recorded a reversal of impairment loss on financial assets of approximately RMB0.2 million for the year ended 31 December 2021, while the Group recorded net impairment losses on financial assets of approximately RMB1.9 million for the year ended 31 December 2022 because it made provision for impairment of trade receivables regarding an overdue amount by one of the payment vendors of approximately RMB1.9 million during the year. The Group have taken measures to recover the outstanding amount by serving payment demand request on the payment vendor and the finance team closely monitored the collectability of this payment and will continue to communicate with the payment vendor to obtain updates of its anticipated settlement.

### Finance income, net

Net finance income increased by approximately RMB2.6 million, or 371.4%, from approximately RMB0.7 million for the year ended 31 December 2021 to approximately RMB3.3 million for the year ended 31 December 2022, which was primarily attributable to the increase in interest income from bank deposits of approximately RMB0.6 million, or 41.6% and interest accretion on non-current licence fee and royalties payables of approximately RMB1.9 million (2021: nil).

### Income tax expense

Income tax expense increased by approximately RMB6.5 million, or 282.6%, from approximately RMB2.3 million for the year ended 31 December 2021 to approximately RMB8.8 million for the year ended 31 December 2022, which was primarily due to a change in enacted tax rate applied on deferred taxation of 深圳市望塵科技有限公司 (Shenzhen Wangchen Technology Co., Ltd\*) ("**Wangchen Technology**") from 15% to 25% during the year ended 31 December 2021.

### Liquidity, Financial and Capital Resources

As at 31 December 2022, the total assets of the Group increased by 26.6% to RMB370.3 million (2021: RMB292.4 million), the net current assets decreased by 3.1% to RMB76.1 million (2021: RMB78.5 million) and total equity increased by 14.3% to RMB122.6 million (2021: RMB107.3 million) as compared to that as at 31 December 2021. The increase of total equity was mainly attributable to the profit made for the year ended 31 December 2022.

As at 31 December 2021 and 31 December 2022, the Group had no bank borrowings.

The Group's current ratio remained relatively stable at approximately 1.3 times for the year ended 31 December 2022 compared with approximately 1.4 times for the year ended 31 December 2021.

As at 31 December 2022, the Group had cash and cash equivalents of approximately RMB232.6 million (2021: RMB188.4 million). For the purpose of presentation in the consolidated statement of cash flows, the cash and cash equivalents comprise cash on hand and demand deposits, which are subject to an insignificant risk of changes in value. The Group generally deposits its excess cash in interest-bearing bank accounts and current accounts.

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

	Year Ended 31 December	
	2022 RMB'000	2021 RMB'000
Net cash generated from operating activities	74,182	67,831
Net cash used in investing activities	(24,341)	(18,484)
Net cash used in financing activities	(9,365)	(23,326)
Net increase in cash and cash equivalents	40,476	26,021
Cash and cash equivalents at end of the year	232,566	188,410

### Net cash generated from operating activities

Primary source of cash generated from operating activities consists of revenue generated from game development and operation of the Group. Cash used in operating activities are mainly used to fund the development, publishing and operation of the games. Cash flows generated from operating activities for the year ended 31 December 2022 was approximately RMB74.2 million, representing an increase of RMB6.4 million when compared to approximately RMB67.8 million for the year ended 31 December 2021. The increase in cash flows from operating activities was mainly due to decrease in income tax paid of RMB2.3 million and increase in interest received of RMB0.6 million.



### Net cash used in investing activities

Net cash used in investing activities primarily reflects cash used for purchases of financial assets at fair value through profit or loss, and purchases of property, plant and equipment, purchases of intangible assets; offset by proceeds from disposal of financial assets at fair value through profit or loss and repayment from related parties. Cash flows used in investing activities for the year ended 31 December 2022 was approximately RMB24.3 million, representing an increase of approximately RMB5.8 million when compared to approximately RMB18.5 million for the year ended 31 December 2021. The increase in cash flows used in investing activities was mainly due to the decrease in repayment from related parties of RMB4.1 million.

### Net cash used in financing activities

Cash used in financing activities primarily reflects dividends paid, payment for Listing expenses and payment for principal elements of lease liabilities which were partially offset by the proceeds from issuance of a financial liability at fair value through profit or loss (i.e. the Pre-IPO Convertible Bonds). Cash flows used in financing activities for the year ended 31 December 2022 was approximately RMB9.4 million, representing a decrease of RMB13.9 million when compared to approximately RMB23.3 million for the year ended 31 December 2021. The decrease in cash flows used in financing activities was because there was no proceeds from issuance of the Pre-IPO Convertible Bonds (2021: RMB64.2 million) and no dividends paid during the year ended 31 December 2022 (2021: RMB80.0 million was paid by Wangchen Technology to the then shareholders based on the respective shareholdings).

### Gearing Ratio

As at 31 December 2022, gearing ratio (defined as debt divided by total equity, where debt includes lease liabilities and a financial liability at fair value through profit or loss) was 0.66 times (2021: 0.73 times).

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Leases liabilities		
• Current	6,651	4,558
• Non-current	4,475	7,830
Financial liability at fair value through profit or loss	69,393	65,642
<b>Debt</b>	<b>80,519</b>	<b>78,030</b>
Equity	122,614	107,313
<b>Gearing ratio</b>	<b>0.66 times</b>	<b>0.73 times</b>

### Contingent Liabilities

As at 31 December 2022, the Group did not have any contingent liabilities (2021: nil).

### Pledge of Assets

As at 31 December 2022, none of the assets of the Group was pledged (2021: nil).

### Capital Commitments

Capital commitments of the Group as at 31 December 2022 amounted to approximately RMB92.3 million (2021: RMB10.8 million), which primarily consisted of purchase of intangible assets.

### Material Acquisitions and Disposal of Subsidiaries

The Group had neither material acquisition nor disposal of subsidiaries, associates and joint ventures for the year ended 31 December 2022 (2021: nil).

### Significant Investments

As at 31 December 2022, the Group did not have any significant investments (2021: nil).

### Future Plans for Material Investments and Capital Assets

As at 31 December 2022, save as disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 30 December 2022 (the “**Prospectus**”), the Group did not have any other future plans for material investments or capital assets (2021: same).

### Treasury Policies and Foreign Exchange Exposure

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

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

The Group did not experience any significant liquidity problems resulting from currency exchange fluctuations during the year ended 31 December 2022 (2021: same). The Group did not hedge its foreign currency exposure during the year ended 31 December 2022 (2021: same).

### Employees and Remuneration Policy

The Group had 367 full-time employees as at 31 December 2022 (2021: 279), most of whom were based in the PRC. The total staff costs amounted to approximately RMB116.4 million for the year ended 31 December 2022 (2021: RMB82.5 million).

The Group has established rules and procedures of recruitment, job promotion, compensation, benefits, leave, dismissal, etc. The Group determines employees’ compensation packages on the basis of work performance and the market standard of remuneration. The Group compensates its employees with base salaries and performance-based bonuses. The Group has also adopted a share option scheme as a long term incentive to directors and employees. The Group’s companies incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan and other defined contribution social security plans organised by relevant government authorities in the PRC on a monthly basis.

# DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Jia Xiaodong (賈小東)**, aged 36, co-founded our Group with Mr. Huang in December 2013. Mr. Jia was appointed as our Director on 12 June 2018 and was re-designated as our executive Director and appointed as the chairman of our Board and the chief executive officer of our Group on 23 June 2021. Mr. Jia is primarily responsible for formulating the overall business direction and strategic planning of our Group. Mr. Jia is also a director of certain other members of our Group, namely 深圳市望塵莫及科技有限公司 (Shenzhen Wangchen Moji Technology Co., Ltd.) (“WFOE”), Wangchen Technology, 深圳市創真視界科技有限公司 (Shenzhen Chuangzhen Shijie Technology Co., Ltd.) (“Chuangzhen Shijie”), Gala Technology International Limited (“Gala Technology (BVI)”), Gala Technology (Hong Kong) Limited (“Gala Technology (HK)”) and Gala Sports Technology Limited (“Gala Sports HK”).

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

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

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

**Mr. Huang Xiang (黃翔)**, aged 39, co-founded our Group with Mr. Jia in December 2013. He was appointed as our Director on 12 June 2018 and was re-designated as our executive Director on 23 June 2021. Mr. Huang has been primarily responsible for overseeing the operations and technical aspects (including product development and know-how management) of our Group. Mr. Huang is also a director of certain other members of our Group, namely Gala Technology (BVI), Gala Technology (HK) and Wild Caly Pte. Ltd..

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

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

**Mr. Li Xin (李欣)**, aged 40, was appointed as our Director on 12 June 2018 and was re-designated as our executive Director on 23 June 2021. He is primarily responsible for overseeing the financial management, human resources management, marketing and business development of our Group. Mr. Li is also a director of Gala Technology (HK).

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

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

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Zhan Peixun (詹培勳)**, aged 36, was appointed as an independent non-executive Director on 20 December 2022. He is primarily responsible for providing independent advice on the operations and management of our Group.

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

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

**Mr. Leung Ming Shu (梁銘樞)**, aged 48, was appointed as an independent non-executive Director on 20 December 2022. He is primarily responsible for providing independent advice on the operations and management of our Group.

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

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

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

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

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

**Ms. Chak Hoi Kee Clara (翟凱琪)**, age 50, was appointed as an independent non-executive Director on 20 December 2022. She is primarily responsible for providing independent advice on the operations and management of our Group.

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

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

## SENIOR MANAGEMENT

**Mr. Zeng Ke (曾科)**, aged 39, joined our Group as the vice president of research and development department in April 2014 and he is primarily responsible for project management and engine development of our Group. Prior to joining our Group, from March 2011 to March 2014, he served as a software engineer of Microsoft Corporation, where he was primarily responsible for development of Microsoft Office 2013.

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

**Mr. Chu Kai Chi (朱啟智)**, aged 39, joined our Group as the chief financial officer in October 2019 and was appointed as the company secretary of the Company on 23 June 2021. He is responsible for overseeing the financial management, capital market operations and company secretarial affairs of our Group.

Mr. Chu has over 14 years of finance experience. Prior to joining our Group, from October 2007 to February 2014, Mr. Chu served as audit manager of PricewaterhouseCoopers. From March 2014 to July 2016, Mr. Chu served as financial manager of Braiform (HK) Limited, a global hanger manufacturer and vendor, where he was primarily responsible for overseeing the internal audit and financial management. From July 2016 to May 2017, Mr. Chu served as the chief financial officer of China Payment Technology Co., Ltd. (中付支付科技有限公司), a credit card bill acquiring agency recognized by Union Pay, where he was primarily responsible for overseeing the financial management. From May 2017 to October 2019, he served as the chief financial officer of medical sector and executive vice president of Hong Kong area of Guangdong Jinmeiji Group Co., Ltd. (廣東金美濟集團有限公司), an integrated medical group company, where he was primarily responsible for overseas market expansion and operation strategy planning.

Mr. Chu has been a certified public accountant of The Hong Kong Institute of Certified Public Accountants since January 2011. Mr. Chu obtained a bachelor's degree in accountancy and financial services from The Hong Kong Polytechnic University in Hong Kong in December 2007.

**Mr. Zhao Xin (趙鑫)**, aged 35, joined our Group as the vice president in April 2016 and he is responsible for overseeing the business development for the domestic and overseas markets.

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

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

**Mr. Guo Yuheng (郭宇恆)**, aged 36, joined our Group as the product vice president in November 2018 and he is responsible for product development and planning.

Mr. Guo has over 11 years of experience in the game industry in the PRC. Prior to joining our Group, from February 2010 to April 2011, Mr. Guo served as the game designer of Shanghai Molyyou Digital Entertainment Co., Ltd. (上海摩力遊數字娛樂有限公司), a software and hardware development company, where he was primarily responsible for core play design. From October 2011 to July 2012, Mr. Guo served as the lead designer of Haihao Computer Technology (Shanghai) Co., Ltd. (海浩計算機科技(上海)有限公司), a technology development company, where he was primarily responsible for leading the design department. From August 2012 to May 2015, he served as the main designer of Shenzhen Tencent Computer System Co., Ltd. (深圳市騰訊計算機系統有限公司), a network and information technology services provider, where he was primarily responsible for game designing. From December 2016 to November 2018, he served as the general manager of Shenzhen Volcano Animation Design Co., Ltd. (深圳市火山動漫設計有限公司), an animation design company, where he was primarily responsible for animation film designing.

Mr. Guo obtained a bachelor's degree in fine arts from University of Ottawa in Canada in December 2010, he also obtained an associate's degree in animation design and production from Huaruan Software Engineering Institute of Guangzhou University (廣州大學華軟軟件學院) in the PRC in June 2009.



The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

## **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are mobile sports game development, publishing and operation in the PRC, details of which are set out in Note 14 to the consolidated financial statements.

## **BUSINESS REVIEW**

The business review of the Group for the year ended 31 December 2022 which contains a fair review of the Company's business, a description of the principal risks and uncertainties faced by the Group and an indication of likely future development in the Company's business, is set out in the Chairman's Statement and Management Discussion and Analysis sections from pages 3 to 17 of this annual report.

These discussions form part of the Report of Directors.

## **RESULTS**

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of comprehensive income on page 87 of this annual report.

## **FINAL DIVIDEND**

After taking into consideration the capital expenditure required by the Group's plan to develop new games and promote its existing games and new game in overseas markets in 2023, the Board recommended not to declare any final dividend of the Company for the year ended 31 December 2022 (2021: RMB80.0 million was paid by Wangchen Technology to the then shareholders based on the respective shareholdings).

There is no arrangement that any shareholder of the Company has waived or agreed to waive any dividend.

## **RESERVES AND DISTRIBUTABLE RESERVES**

Details of movements in the reserves of the Company during the year ended 31 December 2022 are set out in note 25 to the consolidated financial statements.

As at 31 December 2022, the Company had no distributable reserves available for distribution as dividends (2021: nil).

## **PROPERTY, PLANT AND EQUIPMENT**

Details of the movements in property, plant and equipment during the year ended 31 December 2022 are set out in note 15 to the consolidated financial statements.

## BORROWINGS

The Group had no bank borrowings during the year ended 31 December 2022 (2021: nil).

## SHARE CAPITAL

Details of the movements in the share capital of the Company for the year ended 31 December 2022 are set out in Note 24 to the consolidated financial statements.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 154 of this annual report.

## SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

As at 31 December 2022, the Group did not have any significant investments (2021: nil).

The Group had neither material acquisition nor disposal of subsidiaries, associates and joint ventures for the year ended 31 December 2022 (2021: nil).

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2022, save as disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Group did not have any other future plans for material investments or capital assets (2021: same).

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

As the Company’s shares (the “Shares”) were not listed on the Stock Exchange as at 31 December 2022, 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.

## ISSUE OF DEBENTURES

Details of the Pre-IPO Convertible Bonds during the year ended 31 December 2022 are set out in Note 22(b) to the consolidated financial statements of the Group.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to leveraging its established business to deliver value, make contribution and fulfill its corporate responsibility for the society. Moreover, it endeavors to adhere to a high standard of corporate governance and operate its business with integrity and on a compliant basis by adopting and implementing its environmental, social and governance policy. The Group operates its business in compliance with applicable environmental protection laws and regulations and has implemented relevant environmental protection measures in compliance with the required standards under applicable PRC laws and regulations. The “Environmental, Social and Governance Report”, which forms part of this annual report, is set out on pages 52 to 81 of this annual report.

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and the management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2022, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

## SHARE OPTION SCHEME

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

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

Pursuant to the terms and conditions of the Share Option Scheme, unless approved by the shareholders of the Company (the “**Shareholders**”), the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date, being 13,800,000 Shares (representing 10% of the issued Shares as at the date of this report).

Total number of shares issued and to be issued upon exercise of the share options granted to each Eligible Participant in any 12-month period must not exceed 1% of the total number of shares of the Company in issue on the date of grant. The vesting period of any options shall not be less than 12 months. An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

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

Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption. As at the date of this report, the remaining life of the Share Option Scheme is about 9 years and 8 months.

As at 31 December 2022, no share option had been granted/exercised/cancelled/lapsed under the Share Option Scheme.

## DIRECTORS

During the year ended 31 December 2022 and up to the date of this report, the Directors of the Company were:

### Executive Directors

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

### Independent Non-Executive Directors

Mr. Leung Ming Shu (appointed on 20 December 2022)  
 Mr. Zhan Peixun (appointed on 20 December 2022)  
 Ms. Chak Hoi Kee Clara (appointed on 20 December 2022)

All the Directors, including the non-executive Directors and independent non-executive Directors, are subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the articles of association of the Company (the “**Articles**”).

The biographical details of the Directors and the senior management of the Company are set out in the Directors and Senior Management section on pages 18 to 23 of this annual report.

## DIRECTORS’ SERVICE AGREEMENTS

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

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

Each of the executive Directors is entitled to remuneration and shall be paid on the basis of a twelve-month year. The aggregate remuneration (including salary, bonus, social security costs and housing benefits and other employee benefits) paid by the Group to the Directors in respect of the year ended 31 December 2022 was approximately RMB3.0 million (2021: RMB2.7 million). Please see note 9(b) to the consolidated financial statements of the Group for further details.

Each of the independent non-executive Directors has been appointed for a term of three years. The director’s fee payable by the Group is RMB120,000 per annum to each of the independent non-executive Directors. Save for directors’ fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## DIRECTORS’ MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

During the year ended 31 December 2022, there was no transaction, arrangement or contract of significance, to which the Company, its holding company or subsidiary was a party, and in which the Directors or their respective connected entities were materially interested, either directly or indirectly.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2022, none of the Directors or their respective associates (as defined under the Listing Rules) had any interests in any business which competes or is likely to compete with the business of the Group, either directly or indirectly.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2022.

## REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of remuneration of Directors and five highest paid individuals for the year ended 31 December 2022 are set out in Notes 9(b) and 9(c) to the consolidated financial statements.

None of the Directors waived his/her emoluments or has agreed to waive his/her emoluments for the year ended 31 December 2022.

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

As at 31 December 2022, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

### (i) Interest in Shares and underlying Shares in the Company

Name of Director	Nature of Interest	Number of Shares Interested <sup>(1)</sup>	Approximate percentage of interest
Mr. Jia Xiaodong ("Mr. Jia")	Interest in controlled corporation (Note 2)	31,307,986 Shares (L)	22.69%
Mr. Huang Xiang ("Mr. Huang")	Interest in controlled corporation (Note 3)	21,837,345 Shares (L)	15.82%
Mr. Li Xin ("Mr. Li")	Interest in controlled corporation (Note 4)	3,654,323 Shares (L)	2.65%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) These Shares were held directly by Great Shine Holding Limited ("Great Shine"). Mr. Jia is the sole shareholder of Great Shine. By virtue of the SFO, Mr. Jia is deemed to be interested in all the Shares held by Great Shine.
- (3) These Shares were held directly by High Triumph Holding Limited ("High Triumph"). Mr. Huang is the sole shareholder of High Triumph. By virtue of the SFO, Mr. Huang is deemed to be interested in all the Shares held by High Triumph.
- (4) These Shares were held directly by Neo Honour Holding Limited ("Neo Honour"). Mr. Li is the sole shareholder of Neo Honour. By virtue of the SFO, Mr. Li is deemed to be interested in all the Shares held by Neo Honour.

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

Name of Director or chief executive	Name of associated corporation	Nature of interest	Approximate percentage shareholding interest
Mr. Jia	Wangchen Technology	Beneficial owner	23.53%
		Interest in controlled corporations (Note 1)	15.12%
Mr. Huang	Wangchen Technology	Beneficial owner	17.40%
Mr. Li	Wangchen Technology	Beneficial owner	2.33%
		Interest in controlled corporations (Note 2)	1.00%

Notes:

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

Save as disclosed above, as at 31 December 2022, none of the Directors and chief executives of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2022, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company) had or were deemed or taken to have an interest or short position in the Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

## (a) Interests in the Shares or Underlying Shares of the Company

Name of Shareholder	Nature of interest	Number of Shares held <sup>(1)</sup>	Approximate Percentage in total number of Shares <sup>(10)</sup>
Great Shine <sup>(2)</sup>	Beneficial owner	31,307,986 Shares (L)	22.69%
Ms. Yuan Qingyun <sup>(3)</sup>	Interest of spouse	31,307,986 Shares (L)	22.69%
High Triumph <sup>(4)</sup>	Beneficial owner	21,837,345 Shares (L)	15.82%
Ms. Zou Wenjing <sup>(5)</sup>	Interest of spouse	21,837,345 Shares (L)	15.82%
Crystal Pleasant <sup>(6)</sup>	Beneficial owner	8,036,353 Shares (L)	5.82%
Suzhou Fudebo <sup>(6)</sup>	Interest in controlled corporation	8,036,353 Shares (L)	5.82%
Mr. Song Yubo <sup>(6)</sup>	Interest in controlled corporation	8,036,353 Shares (L)	5.82%
Mr. Lu Yaoping <sup>(6)</sup>	Interest in controlled corporation	8,036,353 Shares (L)	5.82%
Mr. Gong Peigen <sup>(6)</sup>	Interest in controlled corporation	8,036,353 Shares (L)	5.82%
Easy Flourish <sup>(7)</sup>	Beneficial owner	8,036,353 Shares (L)	5.82%
Zhuiyuan Caifu <sup>(7)</sup>	Interest in controlled corporation	8,036,353 Shares (L)	5.82%

Name of Shareholder	Nature of interest	Number of Shares held <sup>(1)</sup>	Approximate Percentage in total number of Shares <sup>(10)</sup>
Zhuiyuan Venture <sup>(7)</sup>	Interest in controlled corporation	8,036,353 Shares (L)	5.82%
Zhongguancun Venture <sup>(7)</sup>	Interest in controlled corporation	8,036,353 Shares (L)	5.82%
Mr. Liu Chengmin <sup>(7)(8)</sup>	Interest in controlled corporation	10,179,380 Shares (L)	7.38%
Garena Ventures <sup>(9)</sup>	Beneficial owner	12,000,000 Shares (L)	8.70%
Sea Limited <sup>(9)</sup>	Interest in controlled corporation	12,000,000 Shares (L)	8.70%

Notes:

- (1) The letter "L" denotes a long position in our Shares.
- (2) Great Shine is wholly-owned by Mr. Jia. By virtue of the SFO, Mr. Jia is deemed to be interested in the Shares in which Great Shine is interested.
- (3) Ms. Yuan Qingyun is the spouse of Mr. Jia. By virtue of the SFO, Ms. Yuan Qingyun is deemed to be interested in the Shares in which Mr. Jia is interested.
- (4) High Triumph is wholly-owned by Mr. Huang. By virtue of the SFO, Mr. Huang is deemed to be interested in the Shares in which High Triumph is interested.
- (5) Ms. Zou Wenjing is the spouse of Mr. Huang. By virtue of the SFO, Ms. Zou Wenjing is deemed to be interested in the Shares in which Mr. Huang is interested.
- (6) Crystal Pleasant Holding Limited ("**Crystal Pleasant**") is wholly-owned by 蘇州富德博企業管理諮詢合夥企業(有限合夥) (Suzhou Fudebo Enterprise Management Consultancy Partnership Enterprise (Limited Partnership)) ("**Suzhou Fudebo**"), one of the Pre-IPO Investors (as defined in the Prospectus). Mr. Song Yubo (宋宇博) is the general partner of Suzhou Fudebo with 2.00% partnership interest in Suzhou Fudebo, and each of Mr. Lu Yaoping (陸耀平) and Mr. Gong Peigen (龔培根) is a limited partner of Suzhou Fudebo with 49.00% and 49.00% partnership interest in Suzhou Fudebo, respectively. Please refer to the section headed "History, Reorganization and Corporate Structure – Pre-IPO Investments – Background information about the existing Onshore Pre-IPO Investors" in the Prospectus for further details on Suzhou Fudebo. By virtue of the SFO, each of Mr. Song Yubo, Mr. Lu Yaoping, Mr. Gong Peigen and Suzhou Fudebo is deemed to be interested in the Shares in which Crystal Pleasant is interested.
- (7) Easy Flourish Holding Limited ("**Easy Flourish**") is wholly-owned by 北京追遠財富資本合夥企業(有限合夥) (Beijing Zhuiyuan Caifu Capital Partnership Enterprise (Limited Partnership)) ("**Zhuiyuan Caifu**"), one of the Pre-IPO Investors. 北京追遠創業投資有限公司 (for identification only, Beijing Zhuiyuan Venture Investment Co., Ltd.) ("**Zhuiyuan Venture**") is the general partner of Zhuiyuan Caifu and is controlled by Mr. Liu Chengmin (劉成敏). 北京中關村創業投資發展有限公司 (for identification only, Beijing Zhongguancun Venture Investment Development Co., Ltd.) ("**Zhongguancun Venture**") is a limited partner of Zhuiyuan Caifu with approximately 34.68% partnership interest in Zhuiyuan Caifu and is ultimately controlled by 北京市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality). Please refer to the section headed "History, Reorganization and Corporate Structure – Pre-IPO Investments – Background information about the existing Onshore Pre-IPO Investors" in the Prospectus for further details on Zhuiyuan Caifu. By virtue of the SFO, each of Zhongguancun Venture, Mr. Liu Chengmin, Zhuiyuan Venture and Zhuiyuan Caifu is deemed to be interested in the Shares in which Easy Flourish is interested.
- (8) Mr. Liu Chengmin is the general partner of 天津龍淵雲騰投資管理合夥企業(有限合夥) (Tianjin Longyuan Yunteng Investment Management Partnership Enterprise (Limited Partnership)) ("**Longyuan Yunteng**") (one of the Onshore Pre-IPO Investors (as defined in the Prospectus)), which holds 100% shareholding interest in Perfect Ranger Holding Limited ("**Perfect Ranger**"). Perfect Ranger was interested in 2,143,027 Shares as at 31 December 2022. By virtue of the SFO, each of Mr. Liu Chengmin and Longyuan Yunteng is deemed to be interested in the Shares in which Perfect Ranger is interested.
- (9) Garena Ventures (as defined in this report) is wholly-owned by Sea Limited. By virtue of the SFO, Sea Limited is deemed to be interested in the Shares in which Garena Ventures is interested.

**(b) Interests in the equity of other members of the Group**

<b>Name of shareholder</b>	<b>Nature of interest</b>	<b>Name of Group entity</b>	<b>Percentage shareholding interest</b>
Mr. Jia <sup>(1)</sup>	Beneficial owner	Wangchen Technology <sup>(3)</sup>	23.53%
	Interest of controlled corporations	Wangchen Technology <sup>(3)</sup>	15.12%
Mr. Huang	Beneficial owner	Wangchen Technology <sup>(3)</sup>	17.40%
Mr. Wu Qing <sup>(2)</sup>	Beneficial owner	Yingnuo Ruier	99%
Ms. Xu Weiwei	Beneficial owner	Chuangzhen Shijie	10%

Notes:

- (1) Mr. Jia is a general partner of Wangbo Nawu, Wangsheng Xiluo, Chengwang Investment and Wangnuo Kanpu. By virtue of the SFO, Mr. Jia is deemed to be interested in the equity interest in Wangchen Technology held by Wangbo Nawu, Wangsheng Xiluo, Chengwang Investment and Wangnuo Kanpu.
- (2) Mr. Wu Qing is interested in 99% partnership interest in 深圳英諾瑞爾科技合夥企業 (有限合夥) (Shenzhen Yingnuo Ruier Technology Partnership Enterprise (Limited Partnership)) as limited partner.
- (3) The entire equity interest in Wangchen Technology is pledged by the Registered Shareholders (as defined in this report) (including, among others, Mr. Jia, Mr. Huang, Wangbo Nawu, Wangsheng Xiluo, Chengwang Investment and Wangnuo Kanpu) in favour of the WFOE (as defined in this report) as part of the Contractual arrangements (as defined in this report). Please refer to "Contractual Arrangements — Our Contractual Arrangements — Equity Pledge Agreement" of the Prospectus for details.

Save as disclosed above, as at 31 December 2022, the Directors were not aware that any other person has any interests or short positions in the Shares and underlying Shares, which is required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which is required to be entered in the register maintained by the Company under section 336 of the SFO.

**RETIREMENT BENEFITS PLAN**

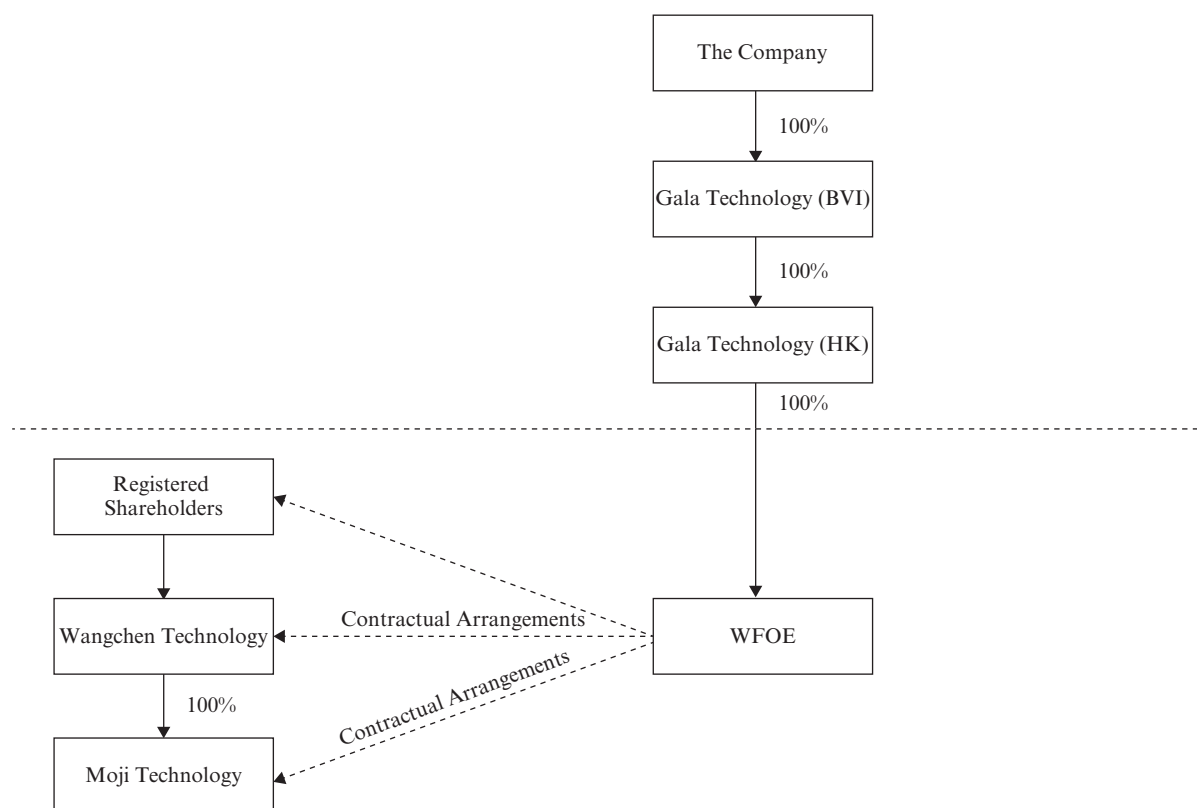
Details of retirement benefits plan of the Group for the year ended 31 December 2022 are set out in note 2.18 to the consolidated financial statements. As at 31 December 2022, no forfeited contributions were available to reduce the contribution payable by the Group in the future years.

**CONTRACTUAL ARRANGEMENTS**

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



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



### Agreements under the Contractual Arrangements

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

#### *Exclusive Business Cooperation Agreement*

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

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

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

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

### *Exclusive Option Agreement*

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

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

### *Equity Pledge Agreement*

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

### *Powers of Attorney*

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

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

### *Spouse Undertakings*

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

### **Business of the PRC Operating Entities and significance to the Group**

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

By virtue of the Contractual Arrangements, WFOE can effectively control, recognize and receive substantially all the economic benefit of the business and operations of the PRC Operating Entities. Accordingly, the PRC Operating Entities are treated as controlled structured entities of the Company and their financial results are consolidated by the Company.

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

### **Risks associated with the Contractual Arrangements and mitigation measures**

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

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

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

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

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

### Overall performance and compliance with the Contractual Arrangements

During the year ended 31 December 2022, all obligations were performed in compliance with the terms and conditions under the Contractual Arrangements. There was no material change in the Contractual Arrangements or the circumstances under which they were established and there was no material non-compliance with the Contractual Arrangements.

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

## CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

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

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

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

## REVIEW AND CONFIRMATION BY INDEPENDENT NON-EXECUTIVE DIRECTORS

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

- (1) entered into in the ordinary and usual course of business of the Group;
- (2) conducted on normal commercial terms or better terms; and
- (3) carried out pursuant to the agreements of relevant transactions, the terms of which are fair and reasonable, and in the interests of shareholders of the Company as a whole.

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

- (i) the transactions carried out during the year ended 31 December 2022 have been entered into in accordance with the relevant provisions of the Contractual Arrangements; and
- (ii) no dividends or other distributions have been made by the PRC Operating Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.

## REVIEW AND CONFIRMATION BY AUDITOR

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

The auditor has confirmed that:

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

A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

## RELATED PARTY TRANSACTIONS

The continuing connected transactions disclosed above also constitute related party transactions under HKFRSs. Details of significant related party transactions entered into by the Group during the year ended 31 December 2022 are set out in Note 31 to the consolidated financial statements.

In relation to the continuing connected transactions mentioned above, the Board confirms that the Company has complied with the disclosure requirements under the Listing Rules (if applicable).

## MAJOR SUPPLIERS AND CUSTOMERS

During the year ended 31 December 2022, the percentage of the Group's revenue from rendering of services attributable to the five largest customers combined was less than 30%. None of the Directors, their respective associates or any shareholders by the Company (which to the best knowledge of the Directors owns more than 5% of the Company's issued shares) had any interest in the Group's major customers.

The percentages of purchases for the year attributable to the Group's major suppliers for the year ended 31 December 2022 were as follows:

— the largest supplier	19.8%
— five largest suppliers in aggregate	55.1%

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

## KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

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

Discussions on the Group's relationships with its employees, customers and suppliers is contained in the section headed "Environmental, Social and Governance Report" on pages 52 to 81 of this annual report.

## SUFFICIENCY OF PUBLIC FLOAT

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

## EQUITY-LINKED AGREEMENTS

During the year ended 31 December 2022, other than the Share Option Scheme as set out in the paragraph headed "Share Option Scheme" of this report, the Company did not enter into any other equity-linked agreement, nor did any other equity-linked agreement exist during the year.

## SIGNIFICANT CONTRACTS

During the year ended 31 December 2022, save as disclosed in the section headed "Contractual Arrangements" in this report and the section headed "Related Party Transactions" in Note 31 to the consolidated financial statements, there was no significant contract relating to the business of the Group between the Company (or any of its subsidiaries) and its controlling shareholders (or any of its/their subsidiaries), nor was there any significant contract for the provision of services by the controlling shareholders (or any of its/their subsidiaries) to the Company (or any of its subsidiaries).

## ARRANGEMENT TO PURCHASE EQUITY OR DEBT SECURITIES

As at 31 December 2022, or at any time during the year ended 31 December 2022, none of the Company, its holding company, or any of its subsidiaries was a party to any arrangement enabling the Directors to acquire benefits by means of the acquisition of equity or debt securities, including the debentures of the Company or any other body corporate.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 16 January 2023, the Company issued additional 112,580,000 shares by way of capitalisation of HK\$1,125,800 standing to the credit of the Company's share premium account (the "**Capitalisation Issue**"). On the same day, the shares of the Company were listed on the Main Board of the Stock Exchange with an offer Price of HK\$6.5 per share. In connection with the Listing, the Company issued a total of 12,420,000 shares (the "**Global Offering**") for a total proceeds (before related fees and expenses) of HK\$80,730,000. The Pre-IPO convertible bonds of RMB69,393,000 issued by the Company was converted into 12,000,000 shares of the Company on the same day, representing approximately 8.70% of the issued share capital of the Company. Subsequent to the Capitalisation issue, the Global Offering and the conversion of the Pre-IPO convertible bonds, the number of issued shares of the Company increased to 138,000,000 shares, with share capital of HK\$1,380,000.

Dealing in the shares of the Company on the Main Board of the Stock Exchange commenced on 16 January 2023.

Save as disclosed above, there were no other material and important events affecting the Group that had occurred after 31 December 2022 and up to the date of this report.

## USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company's net proceeds from the Global Offering were approximately HK\$11.0 million (after deducting the underwriting commissions and other expenses in connection with the Global Offering). The net proceeds has not been used as at the date of this report and is currently held in bank deposits at authorized financial institutions and/or licensed banks as defined under the SFO and laws in the relevant jurisdictions (where applicable) and it will be used in the manner consistent with the proposed allocations and expected timeline as disclosed in the Prospectus and set out below:

<b>Purpose</b>	<b>Amount of net proceeds allocated</b> (HK million)	<b>Percentage of total amounts of net proceeds</b> %	<b>Net proceeds utilized from the Listing Date to the date of this report</b> (HK million)	<b>Net proceeds unutilized as at the date of this report</b> (HK million)	<b>Expected timelines for use of proceeds</b>
Renewing existing IP right licenses and obtaining additional IP right licenses from sports leagues, sports associations and sports clubs for the development of existing and new mobile sports games	3.3	30%	—	3.3	By December 2024
Solidifying the marketing efforts to actively promote the Group's games to both PRC and overseas markets	3.9	35%	—	3.9	By December 2024
Further strengthening the Group's talent pool and further improving the Group's research and development capabilities	2.8	25%	—	2.8	By December 2024
Working capital and general corporate purposes	1.0	10%	—	1.0	
<b>Total</b>	<b>11.0</b>	<b>100%</b>	<b>—</b>	<b>11.0</b>	

For further information, please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in the Prospectus.

## PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles, every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

The Company has taken out liability insurance for its Directors and senior officers, which provides the Directors and officers of the Group with indemnity assurance in respect of the potential liabilities arising from the Group's business activities.

## PRE-EMPTIVE RIGHTS AND TAX RELIEF OR EXEMPTION

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

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

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

## AGM AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the “**AGM**”) will be held on Friday, 16 June 2023. A notice convening the AGM will be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.galasports.com](http://www.galasports.com)), and will be issued and despatched to the Shareholders within such time and in such manner as required under the Listing Rules.

For the purpose of determining Shareholder’s eligibility to attend and vote at the AGM, the register of members of the Company will be closed from 13 June 2023 to 16 June 2023. In order to qualify to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on 12 June 2023.

## CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance practices. Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 40 to 51 of this annual report.

## AUDIT COMMITTEE

The Group has established the Audit Committee on 21 December 2022 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and code provision D.3.3 of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, namely, Mr. Leung Ming Shu (chairman of the Audit Committee), Ms. Chak Hoi Kee Clara and Mr. Zhan Peixun, all being independent non-executive directors.

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

The Audit Committee had discussed and reviewed the Company’s consolidated financial statements for the year ended 31 December 2022 with the Company’s management.

## AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2022 have been audited by PricewaterhouseCoopers, the auditor of the Company.

By order of the Board

Gala Technology Holding Limited  
**Jia Xiaodong**  
*Chairman and Chief Executive Officer*

Hong Kong, 29 March 2023



# CORPORATE GOVERNANCE REPORT

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

As the Company was not a listed company during the year ended 31 December 2022, the CG Code as set out in Appendix 14 to the Listing Rules was not applicable to the Company during that period, but has been applicable to the Company since the Listing Date. Since the Listing Date, the Company has adopted and applied the code provisions under the CG code set out in Appendix 14 to the Listing Rules as its own corporate governance code. The Board has reviewed the Company's corporate governance practices and is satisfied that save as disclosed below, the Company has been in compliance with the code provisions set out in Part 2 of the CG Code since the Listing Date.

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

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the guidelines for the Directors' dealings in the securities of the Company since the Listing Date. As the Company's shares were not listed on the Stock Exchange during the year ended 31 December 2022, related rules under the Model Code that Directors shall observe do not apply to the Company for the year ended 31 December 2022. The Company has made specific enquiry with the Directors and all Directors have confirmed that they have complied with the Model Code since the Listing Date.

## BOARD OF DIRECTORS

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

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

## BOARD COMPOSITION

### Executive Directors

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

### Independent Non-executive Directors

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

The biographical details of the Directors are set out in the Directors and Senior Management section on pages 18 to 23 of this annual report.

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

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

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

## CHAIRMAN AND GROUP CHIEF EXECUTIVE OFFICER

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

## CORPORATE GOVERNANCE FUNCTION

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

- (a) to develop and review an issuer's policies and practices on corporate governance and make recommendations to the board;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

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

## BOARD MEETINGS

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. During the year ended 31 December 2022, three Board meetings were held and no general meeting was held. The attendance of each Director at the Board meetings held during the year ended 31 December 2022 is set out as follows:

Name of Directors	Number of Board meetings attended/held
Mr. Jia Xiaodong (Chairman and Chief Executive Officer)	3/3
Mr. Huang Xiang	3/3
Mr. Li Xin	3/3
Mr. Leung Ming Shu (appointed on 20 December 2022)	1/3
Mr. Zhan Peixun (appointed on 20 December 2022)	1/3
Ms. Chak Hoi Kee Clara (appointed on 20 December 2022)	1/3

## DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Immediately prior to the Listing, the Directors have attended trainings conducted by the Company's Hong Kong legal advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the Listing Rules and the Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong. To ensure the Directors' compliance with code provision C.1.4 of the CG Code after the Listing, the Company will, from time to time, appoint external legal advisers, where applicable, to advise the Directors on compliance with and to provide the Directors with updates on the changes in the Listing Rules and the applicable laws, rules and regulations from time to time to see if any change is required to be made with the Company's operation and internal control system. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills, in order to ensure that their contribution to the Board remains informed and relevant.

## BOARD INDEPENDENCE

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

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

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

## BOARD COMMITTEES

The Board has established the Audit Committee, the remuneration committee of the Company (the “**Remuneration Committee**”), the nomination committee of the Company (the “**Nomination Committee**”) and the environmental, social, and governance oversight committee of the Company (the “**ESG Oversight Committee**”) and delegated various responsibilities to these committees, which assist the Board in discharging its duties and overseeing particular aspects of the Group’s activities. Each of the Board committees has specific written terms of reference which set out their authority and duties.

### Audit committee

The Group has established the Audit Committee on 21 December 2022 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and code provision D.3.3 of the CG Code. The Audit Committee consists of three members, namely, Mr. Leung Ming Shu, Ms. Chak Hoi Kee Clara and Mr. Zhan Peixun. Mr. Leung Ming Shu has been appointed as the chairman of the Audit Committee as he has the appropriate professional qualifications or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

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

As the Company was listed on the Main Board of the Stock Exchange on 16 January 2023, no meeting of the Audit Committee was held during the year ended 31 December 2022.

On 29 March 2023, the Audit Committee held a meeting to (i) review the annual consolidated financial statements of the Group for the year ended 31 December 2022; (ii) review the Company’s relationship with the external auditor, discussed with the Company’s external auditor on the tasks performed by them including the nature and scope of their audit and reporting obligations, and reviewed the terms of engagement and their remuneration; (iii) review the risk management and internal control systems of the Group and make relevant recommendations to the Board; (iv) review the effectiveness of the internal audit function of the Group; and (v) review the adoption of the relevant accounting principles generally accepted and make recommendations to the Board on the adoption of accounting policies.

### Remuneration committee

The Group has established the Remuneration Committee on 21 December 2022 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and code provision E.1.2 of the CG Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of three members, namely Mr. Zhan Peixun, Mr. Leung Ming Shu and Mr. Li Xin. Mr. Zhan Peixun has been appointed as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include, but are not limited to (i) establishing, reviewing and providing advices to the Board on its policy and structure concerning remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determining the terms of the specific remuneration package of each Director and senior management member; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time.

As the Company was listed on the Main Board of the Stock Exchange on 16 January 2023, no meeting of the Remuneration Committee was held during the year ended 31 December 2022.

On 29 March 2023, the Remuneration Committee held a meeting to (i) discuss and make recommendations to the Board on the Company’s policy for remuneration of Directors and senior management; (ii) review with delegated responsibility, the remuneration packages of Directors and senior management of the Company; (iii) assess the performance of Directors and review the terms of service agreements for Directors and senior management; (iv) and review and/or approving matters relating to the Share Option Scheme under Chapter 17.

### Nomination committee

The Group has established the Nomination Committee on 21 December 2022 with written terms of reference in compliance with Rule 3.27A of the Listing Rules and code provision B.3.1 of the CG Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of three members, namely Mr. Jia, Mr. Zhan Peixun and Ms. Chak Hoi Kee Clara. Mr. Jia has been appointed as the chairman of the Nomination Committee.

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

As the Company was listed on the Main Board of the Stock Exchange on 16 January 2023, no meeting of the Nomination Committee was held during the year ended 31 December 2022.

On 29 March 2023, the Nomination Committee held a meeting to (i) review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board; (ii) assess the independence of independent non-executive Directors; (iii) review the policy on Board diversity and measurable objectives for implementing the Board Diversity Policy; and (iv) review the re-appointment of Directors who are subject to retire by rotation at the forthcoming annual general meeting of the Company.

### ESG Oversight Committee

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

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

As the ESG Oversight Committee was established after the Listing, no meeting of the ESG Oversight Committee was held during the year ended 31 December 2022.

After the Listing and up to the date of this report, the ESG Oversight Committee held one meeting to (i) review and discuss the major ESG-related issues of the Group; (ii) review and evaluate the Group's ESG performance; and (iii) review the Group's ESG report and submit it to the Board for approval and publication.

## BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve diversity of the Board. The Group recognizes the benefits of having a diversified Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of the Group's strategic objectives and sustainable development. The Group seeks to achieve diversity of the Board through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, education background, gender, age and ethnicity. Directors have a balanced mix of skills and experiences, including overall management, brand improvement, business development, investment, finance auditing and accounting experiences. The Company have three independent non-executive Directors who have different industry backgrounds, including accounting, finance and investment. Furthermore, Directors are of a wide range of age, from 36 years old to 50 years old.

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

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

Based on the Nomination Committee's review for the year ended 31 December 2022, the Nomination Committee considered that there was sufficient diversity in the Board in accordance with the Board Diversity Policy.

Due to the business nature of the Group, as at 31 December 2022, there were 283 male employees and 87 female employees, representing approximately 76.5% and 23.5% of the workforce (including senior management) respectively.

## NOMINATION POLICY

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

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

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

## COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

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

Directors and members of the Company's senior management receive compensation from the Company in the form of fees, salaries, bonuses and other benefits in kind such as contributions to pension plans. The aggregate remuneration (including fees, salaries, contributions to pension schemes, bonus, share-based payments, retirement benefits scheme, allowance and other benefits in kind) paid to Directors for the year ended 31 December 2022 was approximately RMB3.0 million (2021: RMB2.7 million). Please see note 9(b) to the consolidated financial statements of the Group for further details. Other than that, no other amounts have been paid or are payable by any member of the Group to the Directors during the year ended 31 December 2022 (2021: same).

Please refer to note 9(c) to the consolidated financial statements of the Group for details on the emoluments of the five highest paid individuals in the Group during the years ended 31 December 2022 and 2021.

No remuneration was paid by the Company to Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the year ended 31 December 2022 (2021: same). Further, none of Directors had waived or agreed to waive any remuneration during the year ended 31 December 2022.

The annual remuneration of the members of the senior management by band for the years ended 31 December 2022 and 2021 are as follows:

	Number of individuals	
	Year ended 31 December	
	2022	2021
HK\$1,000,001 to HK\$1,500,000	3	3
	3	3

## AUDITOR'S REMUNERATION

The Company has appointed PricewaterhouseCoopers ("PwC") as its external auditor for the year ended 31 December 2022. During the year ended 31 December 2022, the remunerations paid or payable to PwC in respect of its audit services and non-audit services are RMB2.3 million and RMB0.1 million, respectively.

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

## ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibilities for preparing all information and representations contained in the consolidated financial statements of the Group for the year ended 31 December 2022. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements of the Group on a going concern basis.

The statements of the external auditor of the Group about its reporting responsibility on the consolidated financial statements of the Group are set out in the section headed "Independent Auditor's Report" on pages 82 to 86 of this annual report.

## COMPLIANCE ADVISER

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

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

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

## COMPANY SECRETARY

As at the date of this report, Mr. Chu Kai Chi act as the Company Secretary. Mr. Chu Kai Chi has conducted and received at least 15 hours of continuous professional learning and training to update his skills and knowledge.

## RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

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

During the year ended 31 December 2022, the management has confirmed to the Board and the Audit Committee on the effectiveness and adequateness of the risk management and internal control systems, and the Board has reviewed the Company's internal control and risk management systems and considered the systems to be effective and adequate.

## INTERNAL CONTROL

It is the responsibility of the Board to ensure that the Company maintains sound and effective internal controls to safeguard the Shareholders' interests and the Group's assets at all times. To manage risks and to ensure the smooth operation of the Group's business, the Company engaged an internal control adviser in 2022 to assist in reviewing the Company's internal control system, and provide recommendations for improvement. The internal control adviser also conducted assessments on (i) the Company's mechanisms and internal control measures in complying the relevant laws and regulations relating to data and security protection; (ii) the Company's operational control over the game management system; (iii) information technology general control measures; and (iv) the integrity and reasonableness of the Company's key operational data. The Group has adopted a series of internal control policies and procedures designed to provide reasonable assurances for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

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

### Financial reporting

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



## Licensing

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

## Human resource

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

## Compliance with Listing Rules and relevant laws and regulations

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

The Directors are of the view that, the Company had implemented the enhanced internal control measures recommended and its internal control measures and policies with regard to the relevant regulatory requirements, game management system and IT general controls in place are adequate and effective to support the daily operations of the Group for the year ended 31 December 2022.

## RISK MANAGEMENT

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

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

Risk identified	Risk management measures and procedures
Information risk management, cybersecurity and data protection	<p>The Group has implemented relevant internal procedures and controls to ensure that user data are protected and that leakage and loss of such data is avoided. The Group did not experience any material information leakage or loss of user data during the year ended 31 December 2022 (2021: same).</p> <p>The Group strives to ensure that the usage, maintenance and protection of user data are in compliance with its internal rules and the applicable laws and regulations. The Group provides regular training to the information technology team and discuss any issues and necessary updates.</p>
External communication policies	<p>The Group has introduced written policies on external communications and procedures for handling enquiries from regulatory authorities. The Group has also appointed a contact person who will be responsible for its external communications and ensure implementation of its external communication policies.</p>
Conflict of interest reporting and policy	<p>The Group requires the new employees to undertake that they will not participate in or carry on any business which is in competition with the Group, and shall not be employed or engaged by any other third party while employed by the Group. The Group has also introduced a conflict of interest policy for the Directors and management to regulate and regularly report any existing and potential conflicts of interest.</p>
Procedures and policies on anti-bribery and anti-corruption	<p>The staff from the research and development department, finance department and sales and marketing department are required to comply with anti-bribery and anti-corruption controls. The Group has introduced a reporting mechanism and regular declarations of conflicts of interests for all staff, as well as provide regular training on corruption and bribery prevention.</p>
Procedures on connected transactions	<p>The Group has introduced procedures for the approval of connected transactions, comprising connected transactions identification and testing, decision making authority, information disclosure, auditing and financial reconciliation procedures. Under the procedures on connected transactions, approval from the Board is required prior to the entry into any connected transaction.</p>

## DISSEMINATION OF INSIDE INFORMATION

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

## INFORMATION DISCLOSURE

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

## SHAREHOLDERS' RIGHTS

### Convene an Extraordinary General Meeting

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

### Procedures for putting forward Proposals at a General Meeting

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

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATION

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

The Company has also established an investor relations department (the "**Investor Relations Departments**") to communicate with research analysts, institutional investors, and Shareholders in an ongoing and timely manner, providing them with necessary information, data, and services to understand the Company's operations, strategies, and development. Enquiries may be directed to the Board by contacting the Investor Relations Department through email at [gala\\_ir@galasports.com](mailto:gala_ir@galasports.com) or raising questions at the AGM.

The Board considers that its existing communication channels with its Shareholders and investors are effective in facilitating ongoing communication and dialogue between Shareholders and the Company. In line with the Company's commitment to transparency and accountability, the Board will continue to review and improve its communication policies and practices to ensure that the Shareholders' interests are safeguarded and their voices are heard.

## DIVIDEND POLICY

Since the Company was listed on 16 January 2022, it did not have a dividend policy during the year ended 31 December 2022.

Since the Listing Date, the Company has adopted the following dividend policy:

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

## CONSTITUTIONAL DOCUMENTS

To prepare for the Listing, the Articles were amended and restated as of 21 December 2022 with effect from the Listing Date. A copy of the Articles is available on the websites of the Company and the Stock Exchange.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THE GROUP

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

## ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This Environmental, Social and Governance Report (“**ESG Report**”) summarises the environmental, social and governance (“**ESG**”) initiatives, plans and performances of the Group and demonstrates its commitment to sustainable development.

### Reporting Period

Unless otherwise stated, the ESG Report covers the activities, challenges and measures with respect to ESG aspects of the Group for the year ended 31 December 2022 (the “**Reporting Period**” or “**2022**”).

### Reporting Scope

The reporting scope is consistent with the annual report and is determined based on the materiality and revenue contribution of the business segments under the Group’s direct operational control. The ESG Report covers the main operating locations and business scope of the Group, represents the Group’s main source of income and ESG-related business operations, including the initiatives, plans and performance of the offices in Shenzhen and Chengdu, China in all aspects of ESG, and demonstrates its commitment to sustainable development. ESG key performance indicators (“**KPIs**”) data are obtained from these operations. We will continue to expand the scope of disclosure in the future when the data collection system of the Group is more refined and the sustainable development work is enhanced.

### Reporting Framework

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) as set out in Appendix 27 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Information relating to the Group’s corporate governance practices can be found in the Corporate Governance Report of the annual report.

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

*Materiality:* Materiality assessment was conducted to identify material issues during the Reporting Period, thereby adopting the confirmed material issues as the focus for the preparation of the ESG Report. The materiality of issues was reviewed and confirmed by the Board of Directors (the “**Board**”) and the Environmental, Social and Governance Oversight Committee (the “**ESG Oversight Committee**”). For further details, please refer to the sections headed “Stakeholder Engagement” and “Materiality Assessment” in this ESG Report.

*Quantitative:* The standards, methodologies and applicable assumptions used in the calculation of KPIs data were supplemented by explanatory notes.

*Consistency:* This is the first ESG report prepared by the Group. Unless otherwise stated, the preparation approach of this ESG Report is consistent with the disclosure in the Prospectus for comparison. The Group will adopt consistent statistical methods in subsequent years for meaningful comparison in the future.

*Balance:* ESG data and content are presented in an objective and fair manner to ensure that the disclosed information truly reflects the Group’s overall ESG performance.

## CHAIRMAN'S STATEMENT

Dear Valued Stakeholders,

On behalf of the Board, I am pleased to present the ESG Report which shows the Group's commitment to improving our performances. The Group's core ESG principles include continuing to make ESG a key priority for our employees; contributing to the community and public welfare through participation in activities related to important social issues; cultivating a culture of acting in accordance with ESG policies; and monitoring and reporting key environmental and social risks, mitigation and improvement opportunities. We are committed to using our established businesses to deliver value to society, to contribute, and to fulfill our corporate responsibilities. In addition, we strive to uphold high standards of corporate governance and operate our business with integrity and compliance by adopting and implementing ESG-related policies.

In order to prioritise the handling of major ESG-related issues, the Board takes into account the opinions of different stakeholders, continuously communicates with the Group's stakeholders, and regularly invites them to participate in materiality assessments to assess the importance of various ESG issues and the risks they pose to the Group's operations. Information on stakeholder communication channels and materiality assessments conducted by the Group are set out in the sections headed "Stakeholder Engagement" and "Materiality Assessment" respectively. In order to have a better understanding of stakeholders' expectations for the sustainable development of the Group, the Group will further strengthen communication with stakeholders, and formulate relevant sustainable development policies and measures with reference to their opinions, so as to improve the Group's ESG performance.

The Group is committed to minimising its environmental impact to ensure sustainable business growth. As a socially responsible enterprise, the Group has been taking measures in different areas to reduce its environmental impact and regularly reviewing the effectiveness of such measures. In addition, the Group recognises the importance of setting targets for its ESG performance. Therefore, the Group has set targets for ESG issues that are material to the Group. The Board and personnel responsible for ESG issues use the data collected to compare the Group's performance in different years to track the progress of our targets. To achieve the goal, the Group implements different environmental protection measures and raises employees' awareness of ESG. We believe that these objectives and environmental protection measures can help raise the environmental awareness of our employees and enhance the Group's ESG performance to meet the expectations of our stakeholders.

Going forward, achieving key sustainability goals is not only critical to society in particular, but also to our business. We are committed to improving our ESG performance.

**Jia Xiaodong**  
*Executive Director*

## ESG GOVERNANCE STRUCTURE

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

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

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

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

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

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

## STAKEHOLDER ENGAGEMENT

As a responsible enterprise, the Group not only actively develops business and improves profitability but also attaches great importance to engagement with stakeholders and their feedback on our business and ESG issues to actively balance the interests of all parties and promote corporate sustainability. Therefore, stakeholder engagement is an integral part of the Group's continuous improvement in sustainable development performance. In order to fully understand, respond to and address the core concerns of different stakeholders, we have been working with key stakeholders, including but not limited to investors and shareholders, players and customers, suppliers and partners, employees, government and regulatory institutions, communities, NGOs and the media to maintain close communication. We are committed to working with various stakeholders to improve the Group's ESG performance and continue to create greater value for the wider community.

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

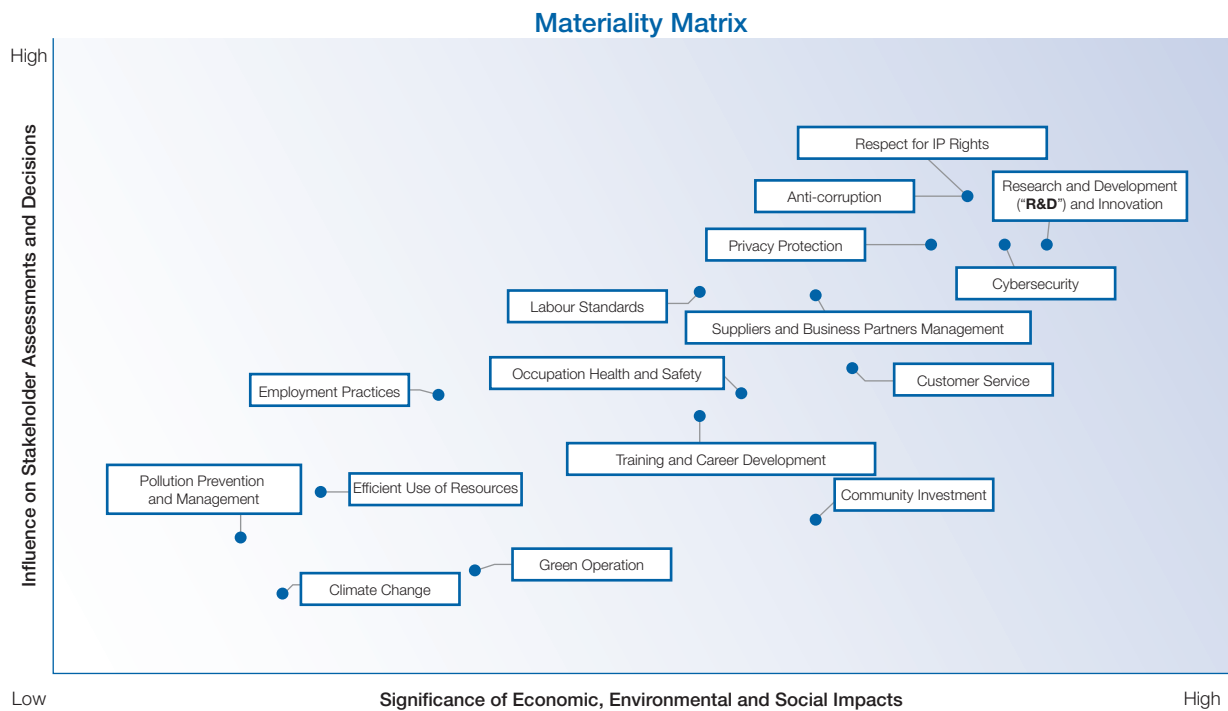
Stakeholders	Communication Channels	Expectations
Investors and shareholders	<ul style="list-style-type: none"> <li>Annual general meeting and other shareholder meetings</li> <li>Financial reports</li> <li>Announcements and circulars</li> <li>Official website</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with the relevant laws and regulations</li> <li>Timely announcement of the latest corporate information</li> <li>Corporate sustainable development</li> <li>Results</li> </ul>
Players and customers	<ul style="list-style-type: none"> <li>Customer satisfaction survey and questionnaire</li> <li>Customer service hotline</li> <li>Complaint and review meetings</li> <li>Social media platform support and communication</li> </ul>	<ul style="list-style-type: none"> <li>Performing product and service responsibilities</li> <li>Internet safety and data security</li> <li>Compliance operation</li> <li>Customers' feedback processing</li> </ul>
Suppliers and partners	<ul style="list-style-type: none"> <li>Supplier management meetings and activities</li> <li>Bidding</li> <li>Offline marketing activities</li> </ul>	<ul style="list-style-type: none"> <li>Fair competition</li> <li>Cooperation to achieve win-win scenario</li> <li>Business ethics and credibility</li> <li>Safety and stability on internet platforms</li> <li>Patents, copyrights and intellectual property ("IP") rights licenses</li> </ul>



Stakeholders	Communication Channels	Expectations
Employees	<ul style="list-style-type: none"> <li>• Employee opinion survey</li> <li>• Channels for employees to express their opinions (forms, suggestion boxes, etc.)</li> <li>• Regular management communications</li> <li>• Regular work performance assessment</li> <li>• Employee training classes</li> </ul>	<ul style="list-style-type: none"> <li>• Work environment</li> <li>• Work performance</li> <li>• Salary and benefit</li> <li>• Career development</li> </ul>
Government and regulatory institutions	<ul style="list-style-type: none"> <li>• Regular performance reporting</li> <li>• Written response to public consultation</li> </ul>	<ul style="list-style-type: none"> <li>• Lawful tax payment</li> <li>• Compliance operation</li> </ul>
Communities, NGOs and the media	<ul style="list-style-type: none"> <li>• Official website</li> <li>• Community investment plan</li> <li>• ESG report</li> <li>• Social media platforms</li> <li>• Press release</li> </ul>	<ul style="list-style-type: none"> <li>• Giving back to society</li> <li>• Environmental protection</li> <li>• Compliance operation</li> <li>• Corporate social responsibilities</li> </ul>

## MATERIALITY ASSESSMENT

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



## CONTACT US

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

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

Telephone: 755-21629650  
 Email: gala\_ir@galasports.com

## AWARDS AND ACHIEVEMENTS

The Group has received the following awards and achievements:

Year	Awarding Institutions	Name of Awards and Achievements
2022	Industry and Information Technology Bureau of Shenzhen Municipality	Technologically Advanced Small to Medium Enterprise of Shenzhen Municipality
2018	Toutiao	New Game of the Year

### A. ENVIRONMENTAL

#### A1. Emissions

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

The Group keeps abreast of the latest development in nationwide and local environment laws and regulations and makes it as the basis to focus on strengthening environmental protection measures so as to comply with the relevant laws and regulations of local authorities and implement the "Environmental Policy" consistently. In 2022, the Group was not aware of any material breach of the relevant laws and regulations regarding the emission of exhaust gas and greenhouse gas ("GHG"), discharges to water and land as well as hazardous and non-hazardous wastes, including but not limited to the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes, the Law of the People's Republic of China on the Prevention and Control of Water Pollution and the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, that caused significant impact to the Group.

#### *Exhaust Gas Emissions*

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

#### *GHG Emissions*

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

The carbon reduction awareness of employees is enhanced through the implementation of energy saving measures. Set out below is the summary of the Group's GHG emissions performance in 2022:

Indicators <sup>1</sup>	Unit	2022
Scope 1 — Direct GHG emissions	tonnes of CO <sub>2</sub> equivalent (“tCO <sub>2</sub> e”)	—
Scope 2 — Energy indirect GHG emissions		
• Purchased electricity	tCO <sub>2</sub> e	208.73
Total GHG emissions	tCO <sub>2</sub> e	208.73
Total GHG emissions intensity	tCO <sub>2</sub> e/full-time employee <sup>2</sup>	0.57

The Group has set an emissions target of maintaining the total GHG emissions intensity for the year ended 31 December 2023 (“2023”) to be not more than the 2022 baseline.

Notes:

- GHG emissions information is presented in terms of carbon dioxide equivalents on the basis of, including but not limited to, “The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards” issued by World Resources Institute and World Business Council for Sustainable Development, the “Notice on the Management of Enterprise Greenhouse Gas Emissions Reporting by Power Generation Industry for 2023-2025” promulgated by the Ministry of Ecology and Environment of the PRC, the “Global Warming Potential Values” from the Intergovernmental Panel on Climate Change Fifth Assessment Report, “How to Prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs” issued by the Stock Exchange and the “2021 Sustainability Report” published by CLP Holdings Limited.
- As at 31 December 2022, the Group had 367 full-time employees. Such figure is also used to calculate other intensity data.

### *Sewage Discharge*

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

### *Waste Management*

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

### *Hazardous Wastes*

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

### *Non-hazardous Wastes*

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

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

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

Type of waste	Unit	2022
Total non-hazardous waste disposal		
• Paper	kg	314.39
Total non-hazardous waste disposal intensity	kg/full-time employee	0.86

The Group has set a waste generation target of maintaining the total non-hazardous waste disposal intensity for 2023 to be not more than the 2022 baseline. To achieve such target amount of waste generated, we have implemented the following measures to minimise the generation of waste paper:

- Put collection boxes clearly marked with "waste paper" and "reusable paper" in office;
- Prioritise the use of single-sided paper collected in the "reusable paper" collection box for printing and copying;
- Reduce unnecessary printing and copying;
- Print and copy on both sides; and
- Encourage employees to work paperlessly through electronic office systems such as office work automation and emails.

## A2. Use of Resources

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

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

### *Energy Management*

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

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

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

Set out below is the summary of the Group’s energy consumption performance in 2022:

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

The Group sets its electricity consumption target in each of the two years ended/ending 31 December 2023 at approximately 430MWh. The Group has achieved the target in 2022 through implementing the above measures and will keep reviewing the target in 2023. By nurturing a culture of conservation within the Group through various training programmes and related activities, we expect to enhance the electricity conservation awareness of our employees and reduce the electricity consumption of each employee in the future.

### *Water Resources Management*

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

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

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

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

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

The Group sets its water consumption target for each of the two years ended/ending 31 December 2023 at approximately 1,590 thousand litres. The target was not achieved in 2022 as higher water consumption was required for more frequent office cleaning due to the COVID-19 pandemic ("COVID-19") as well as increased headcount. In 2023, the Group will strive to achieve the target through implementing the above measures. We intend to nurture a culture of conservation within the Group through various training programs and activities promoting water conservation, and continue to reduce water consumption in our operation in the future.

### *Use of Packaging Materials*

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

## **A3. The Environment and Natural Resources**

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

### *Enhance Environmental Awareness*

We are deeply convinced that besides strictly requiring our employees to carry out internal environmental measures formulated by the Group, we also need to proactively improve the environmental awareness of our employees so as to effectively improve our environmental protection standard. As such the Group reviews its own code of conduct, issues environmental guidelines and internal communications to its employees and shares green office and other relevant environmental information from time to time. We will also consider participating in more feasible and appropriate activities with a view to assisting our employees in enhancing their recognition over environment and natural resources as well as promoting and facilitating the change in their behaviors to take the lead in reducing energy and resource consumption.

### *Manage Value Chain*

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

## **A4. Climate Change**

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

### *Physical Risks*

In recent years, we have identified short-term environmental risks due to changes in weather pattern caused by environmental impact whereas climate change increases the frequency of extreme weather condition. The disaster caused by extreme weather condition could wreck the Group's information technology facilities, resulting in temporary or long-term shutdowns of the Group's facilities and operations and significant costs to maintain, repair or replace damaged or destroyed facilities. To manage and mitigate such impact, we will use backup facilities in case the operation of the information technology facilities is suspended. Meanwhile, extreme weather condition such as rainstorm and flooding may disrupt the work of employees and even cause casualties. The Group will check the effectiveness of drainage facilities regularly and enhance the emergency response capability of employees by strengthening the implementation and organisation of emergency evacuation and routine emergency rescue drills, with the aim of minimising building damage and personnel injuries caused by flooding. Given the nature of our mobile game business, we believe that there are only a handful of significant environmental or climate-related risks that could have a material impact on our business, strategy or financial results. However, we will continue to monitor and assess any potential climate-related issues and risks that may affect our business and will duly respond to them to minimise such impact.



### *Transition Risks*

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

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

## **B. SOCIAL**

### **B1. Employment**

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

The Group has established rules and procedures to safeguard employee rights in areas of, among others, recruitment, promotion, compensation, benefits, rest time and termination. All these measures are designed to provide a legal and safe employment environment for each of our employees to grow with the Group and achieve their career goals.

The Group has complied with the relevant laws and regulation on compensation and termination, recruitment and promotion, working hours, leaves, equal opportunities, diversity, anti-discrimination and other treatments and benefits, including but not limited to the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Women's Rights and Interests and the Labour Union Law of the People's Republic of China. During the Reporting Period, the Group was not aware of any material incidents involving the violation of local laws and regulations in related to employment.

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

Indicator	Number of Employees	Percentage
<b>By Gender</b>		
Male	283	76.49%
Female	87	23.51%
<b>By Age Group</b>		
<30	224	60.54%
30–50	146	39.46%
>50	—	—
<b>By Geographical Region</b>		
Shenzhen	254	68.65%
Chengdu	116	31.35%
<b>By Employment Type</b>		
Full-time	367	99.19%
Part-time	3	0.81%

### *Recruitment, Promotion and Termination*

The Group values talents and regards its employees as its most valuable and crucial assets. In the recruitment and promotion process, the Group adheres to the principle of “meritocracy” in a view to provide sufficient talent reverse for each of its business and enhance their competitiveness. The Group’s considerations in staff recruitment and promotion are based on the mechanism and evaluation standards set out in the “Comprehensive Manual for Employee Evaluation and Management”, which include educational background or training, working experience, their motivation and personality, as well as our job vacancies and business needs. Pursuant to the “Manual for the Management of Employee Ranking, Compensation and Benefits”, the Group determines the remuneration package, which include, among others, basic salary, performance bonus and promotion opportunity, after an employee appraisal in accordance with their job scope, qualifications, performance, achievements and market conditions. The Group ensures that employees are treated equally and will prevent discrimination on the basis of gender, ethnic background, religion, age, marital and family status, disability or any other reasons.

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

During the Reporting Period, the Group had an employee turnover rate<sup>3</sup> of 18.65% with the following breakdowns:

Employee Turnover Rate by Category <sup>4</sup>	Percentage
<b>By Gender</b>	
Male	20.85%
Female	11.49%
<b>By Age Group</b>	
<30	17.86%
30–50	19.86%
>50	—
<b>By Geographical Region</b>	
Shenzhen	20.47%
Chengdu	14.66%

Notes:

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

### *Equal Opportunity, Diversity and Anti-discrimination*

Recognising the values of a diverse and professional talent team, the Group is committed to creating and maintaining an inclusive and cooperative working culture that allows everyone to reach their full potential. The Group is committed to providing equal opportunities for all employees in all aspects of employment and to ensuring that employees are free from discrimination, physical or verbal harassment in the workplace on the basis of gender, race, religion, age, marital and family status, physical disability and other issues. To ensure that all employees enjoy fair and equal protection, the Group has zero tolerance to any form of sexual harassment or bullying in the workplace.

### *Communication Channels*

The Group attaches great importance to staff communication. We have therefore set up diverse communication channels and encouraged employees to raise their opinions, in a bid to promote exchanges between management and employees, as well as to improve corporate policy in terms of operation and management, thereby increasing business efficiency. Besides, we organise group activities such as staff banquet on a regular basis, to enhance communication among employees and raise their sense of belonging to our Group.

## **B2. Health and Safety**

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

We strictly complied with the relevant laws and regulations on providing safe working environment and preventing occupational hazards, including but not limited to the Safety Production Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases and the Fire Control Law of the People's Republic of China. During the Reporting Period, the Group had no working day lost due to work-related injuries, and there were no work-related fatalities during the past three years including the Reporting Period.

### *Raising Safety Awareness*

Not only do we value the safety of our Group's employees, but we are also committed to engaging contractors to improve their health and well-being. As such, the Group provides job specific guidelines or trainings to its employees and contractors through information sharing and plans, and seeks for comments and feedback for continuous improvement. They are also required to observe the safety procedures and guidelines relevant to their tasks and/or for which they have been trained or notified, and shall only perform tasks for which they have been trained, competent, medically and physically fit to carry out, after adequately rested and alerted. Employees shall, in case of accidents and injuries and the discoveries of unsafe and unhealthy working environment, promptly report to the local management for immediate rectification to prevent or control such condition.

### *Addressing COVID-19 Pandemic*

To address the outbreak of COVID-19, we have adopted a number of additional prevention measures, in accordance with the relevant announcements and notices on curbing the outbreak by the government authorities in the PRC, to maintain a safe and hygienic office environment. Those measures are in line with the policies issued by the local governments in the PRC. The measures we adopted in our office environment include:

- postpone office work resumption in accordance with the policy issued by the local government in the PRC;
- carry out work from home arrangement for office employees;
- distribute personal protection supplies to employees; and
- increase the cleaning frequency for areas where staff had close contact such as common areas, meeting rooms, toilets and handrails.

## **B3. Development and Training**

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

### *Training Courses*

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

During the Reporting Period, the percentage of employees trained<sup>5</sup> of the Group was approximately 34.86% and the average training hours completed per employee<sup>6</sup> was approximately 0.70 hours. The breakdown of the employees trained by gender and employee category and their average training hours are as follows:

Indicators	Percentage of employees trained <sup>7</sup>	Average training hours <sup>8</sup>
<b>By Gender</b>		
Male	32.86%	0.66
Female	41.38%	0.83
<b>By Employee Category</b>		
Senior staff	14.71%	0.29
Intermediate staff	31.88%	0.64
Junior staff	47.66%	0.95

Notes:

5. The overall percentage of employees trained was calculated by dividing the total number of employees trained during a year by the total number of employees at the end of that year.
6. The average training hours completed per employee were calculated by dividing the total training hours during the year by the total number of employees at the end of that year.
7. The percentage of employees trained by category was calculated by dividing the number of employees trained in the specified category during the year by the number of employees in that category at the end of that year.
8. The average training hours of employees by category were calculated by dividing the total training hours of employees in the specified category during the year by the number of employees in that category at the end of that year.

## B4. Labour Standards

The Group strictly complies with the relevant laws and regulations relating to the prevention of child labour or forced labour, including but not limited to the Regulations on the Prohibition of Child Labour, the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China. The Group's human resources department is responsible for keeping abreast of the requirements of the latest labour laws and regulations and ensuring that such requirements are reflected in its current operations. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to the prevention of child labour and forced labour, nor were there any incidents of discrimination on the grounds of race, religion, age, disability, etc.

### *Prevention of Child Labour and Forced Labour*

The Group has formulated the "Manual for the Management of Employee Entry and Exit, Employment Confirmation and Personnel Changes" to regulate the personnel process. During the recruitment process, the Group will require all applicants to provide identity documents and be interviewed by the hiring department, the human resources department and the relevant responsible person. Upon employment, the human resources department will handle the entry procedures for new employees. If anyone is found to have submitted false information, the Group has the right to terminate the labour relationship immediately without any financial compensation.

In response to work requirements, the Group encourages employees to actively negotiate with their supervisors to arrange overtime hours in order to avoid violating labour standards and to safeguard the rights and interests of employees. In accordance with the "Manual for the Management of Employee Working Hours and Leaves", employees who work overtime for a certain period of time can be compensated by food and beverage allowances, fare subsidies and/or time off in lieu.

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

## B5. Supply Chain Management

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

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

<b>By Geographical Region</b>	<b>Number of Suppliers</b>
China	36
Overseas	38

### *Procurement Mechanism*

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

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

### *Responsible Operations*

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

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

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

## **B6. Product Responsibility**

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

The Group strictly complies with the relevant laws and regulations regarding health and safety, advertising, labelling and privacy matters and remedies for the products and services provided, including but not limited to the Consumer Rights Protection Law of the People's Republic of China, the Advertising Law of the People's Republic of China, the Patent Law of the People's Republic of China, the Personal Information Protection Law of the People's Republic of China and the Data Security Law of the People's Republic of China. During the Reporting Period, the Group was not aware of any material issues that violated the relevant laws and regulations which had a material impact on the Group.

### *R&D and Innovation*

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

On average, we have 25 to 35 developers per project, the team members of which comprise members from our various departments, including art, front-end and back-end development and testing. During the game production process, the front-end development engineers would develop a basic demo version where the core gameplay and preliminary artistic and audiovisual effect are developed. Such basic demo version would be passed to testing by the testing engineers. During this process, the testing engineers would continuously try out the game in all aspects and provide feedback on game functionalities and their in-game experience to the other team members to refine the designs, resolve technical issues and fix programme bugs.

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

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

### *Regulatory Obligations*

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

Pursuant to the implementation of the Notice on Further Strengthening Regulation to Effectively Prevent Online Gaming Addiction among Minors (the "**Regulatory Notice**") which was issued on 30 August 2021 and took effect on 1 September 2021, all online game companies (including platforms providing online game services) shall actively guide families, schools and other social parties to create a good environment conducive to the healthy growth of minors, to perform the guardianship duty to minors, to strictly enforce on minors the rules on the time frame and duration of playing online games, etc. To ensure our Group's ongoing compliance with the relevant minors' protection and anti-addiction regulations in the PRC (including the Regulatory Notice and the Notice on Further Strengthening the Management of Preventing Primary and Middle School Students from Addiction to Online Games issued on 20 October 2021), our Group has implemented the following minor protection measures or made appropriate arrangements with the relevant third-party distribution platforms in relation to minor protection measures.

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



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

### *Customer Service*

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

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

During the Reporting Period, the Group received no material complaints about its products and services and customer satisfaction level achieved the expected goal.

### *Cybersecurity*

The security and stability of our technology infrastructure is critical to the sustainability of our game operations, user experience and reputation. We have developed cybersecurity and network security systems to safeguard against distributed denial-of-service attack and other types of malicious attacks. We have anti-attack measures in place to ensure that we can prevent or effectively and timely resolve the system attacks as follows:

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

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

### *Privacy Protection*

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

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

### *IP Rights*

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

The Group strives to maintain stable business relationship with these IP right holders and believes that this valuable and strategic relationship with IP right holders, including renowned sports league, sports associations and sports clubs, will continue to enable us to foster the Group’s ability to further enhance and create realistic and appealing content of our mobile sports games.

Some of our IP rights are in the form of software copyrights, trademarks, patents and domain names. As of 31 December 2022, the IP rights owned by the Group are summarised below:

<b>Registered trademarks</b>	23 in the PRC, 1 in Hong Kong, 1 in Taiwan, 1 in the EU
<b>Registered software copyrights</b>	65
<b>Registered patents</b>	1
<b>Registered domain names</b>	5

To protect IP rights, the Group enters into “Non-Competition Confidentiality Agreements” with key employees and includes provisions on the protection of IP rights in the “User Agreements” to ensure that they are aware of the legal liability for infringement. The Group strives to protect IP rights from infringement or misappropriation through the measures taken, and to avoid major disputes and claims relating to the IP rights of others.

### *Advertising and Labelling*

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

We will strictly review the products and services provided and the relevant sales, marketing and advertising strategies and materials to prevent misrepresentation or misleading publicity and ensure that they comply with applicable laws and regulations. We will also remind all employees of their obligations and responsibilities to safeguard the brand of the Group.

## **B7. Anti-corruption**

The Group believes that a clean corporate culture is the key to our continued success and therefore we place great emphasis on anti-corruption efforts and institutional development and are determined to eliminate any corrupt practices. The Group is committed to the highest standards of business ethics in its operations, and does not tolerate any form of corruption, such as bribery, extortion, fraud or money laundering. The Group strictly complies with the relevant laws and regulations regarding the prevention of bribery, extortion, fraud and money laundering in all material aspects, including but not limited to the provisions of the Criminal Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China and the Anti-Unfair Competition Law of the People's Republic of China. During the Reporting Period, the Group was not aware of any material non-compliance with the laws and regulations relating to the prevention of bribery, extortion, fraud and money laundering, nor were there any concluded corruption litigation cases.

### *Disclosure on Conflict of Interest*

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

### *Prevention of Corruption and Money Laundering*

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

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

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

### *Whistleblowing Mechanism*

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

## **B8. Community Investment**

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

We encourage and support our employees to participate in volunteer services outside of work, and have formulated a "Community Investment Policy" for our employees to participate in environmental protection and social services activities. We hope that through participation in community activities, our employees can contribute personally to the community, thereby enhancing their sense of caring and cultivating their sense of social responsibility. We plan to participate in charity activities, both online and offline, covering important social issues in China, including natural disasters relief, COVID-19 pandemic donation, poverty alleviation, education and healthcare donation.

During the Reporting Period, in view of the COVID-19 pandemic, the Group did not arrange or participate in any charitable activities, so as to safeguard the health and safety of its employees. In the future, the Group will seek to collaborate with different charitable and philanthropic organisations to always be mindful of the difficulties and needs of the community and the underprivileged, as well as to proactively give back to the community with the goal of promoting social harmony.

## CONTENT INDEX TO THE ESG REPORTING GUIDE OF STOCK EXCHANGE

Compulsory Disclosure Requirement	Section/Declaration	
Governance Structure	ESG Governance Structure	
Reporting Principle	About the Environmental, Social and Governance Report — Reporting Framework	
Report Scope	About the Environmental, Social and Governance Report — Reporting Scope	
Aspect, General Disclosure and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions — Exhaust Gas Emissions (Not Applicable — Explained)
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions — GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions — Waste Management (Not Applicable — Explained)
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions — Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions — GHG Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions — Waste Management

Aspect, General Disclosure and KPIs	Description	Section/Declaration
<b>Aspect A2: Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources — Energy Management
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources — Water Resources Management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources — Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources — Water Resources Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources — Use of Packaging Materials (Not Applicable — Explained)
<b>Aspect A3</b>		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources — Enhance Environmental Awareness, Manage Value Chain
<b>Aspect A4: Climate Change</b>		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change — Physical Risks, Transition Risks

Aspect, General Disclosure and KPIs	Description	Section/Declaration
<b>Aspect B1: Employment</b>		
General Disclosure	Information on: <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</li> </ul> relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment — Recruitment, Promotion and Termination
<b>Aspect B2: Health and Safety</b>		
General Disclosure	Information on: <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</li> </ul> relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety — Raising Safety Awareness, Addressing COVID-19 Pandemic

Aspect, General Disclosure and KPIs	Description	Section/Declaration
<b>Aspect B3: Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training — Training Courses
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training — Training Courses
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training — Training Courses
<b>Aspect B4: Labour Standards</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards — Prevention of Child Labour and Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards — Prevention of Child Labour and Forced Labour
<b>Aspect B5: Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management — Procurement Mechanism
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management — Responsible Operations
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management — Responsible Operations



Aspect, General Disclosure and KPIs	Description	Section/Declaration
<b>Aspect B6: Product Responsibility</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters  relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility — Regulatory Obligations (Not Applicable — Explained)
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility — Customer Service
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility — IP Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility — R&D and Innovation
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility — Cybersecurity, Privacy Protection
<b>Aspect B7: Anticorruption</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	Anti-corruption — Disclosure on Conflict of Interest, Prevention of Corruption and Money Laundering, Whistleblowing Mechanism
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption — Prevention of Corruption and Money Laundering

Aspect, General Disclosure and KPIs	Description	Section/Declaration
<b>Aspect B8: Community Investment</b>		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

**To the Shareholders of Gala Technology Holding Limited**  
*(incorporated in the Cayman Islands with limited liability)*

## OPINION

### What we have audited

The consolidated financial statements of Gala Technology Holding Limited (the “**Company**”) and its subsidiaries (the “**Group**”), which are set out on pages 87 to 153, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“**the Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

## KEY AUDIT MATTERS

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

The key audit matter identified in our audit is related to revenue recognition — estimates of average expected playing period of paying players (“**Player Relationship Period**”) in the Group’s self-operated game revenue.

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### **Revenue recognition — Estimates of average expected playing period of paying players (“Player Relationship Period”) in the Group’s self-operated game revenue**

Our audit procedures to address this key audit matter included:

Refer to Note 2.22, Note 4(a) and Note (5) to the consolidated financial statements for the related disclosures.

During the year ended 31 December 2022, the Group’s revenue from self-operated games amounted to approximately RMB637,886,000. It was mainly derived from the sales of in-game virtual items.

The Group recognises the revenue from sales of in-game virtual items rateably over the lifespan of the in-game virtual items determined by management with reference to the average expected Player Relationship Period, given there is an implicit obligation of the Group to maintain and allow access to the self-operated games for the paying players.

We focused on this area due to the fact that management applied significant judgements in determining the average expected Player Relationship Period, including judgements involved in (i) the determination of the expected Player Relationship Period of new games and (ii) the identification of events that may trigger changes in the average expected Player Relationship Period.

- Obtained an understanding of management’s internal controls and assessment processes in determining the average expected Player Relationship Period and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors;
- Evaluated and tested, on a sample basis, the internal controls over management’s estimation of average expected Player Relationship Period including the review and approval of the determination and reassessment of average expected Player Relationship Period for each game, including events that may trigger changes in the average expected Player Relationship Period;
- Challenged and evaluated the appropriateness of management’s judgements and estimations made in determining the average expected Player Relationship Period, including the determination of the average expected Player Relationship Period of new games with reference to playing patterns of paying players and other supporting evidence of other games with similar characteristics;

## KEY AUDIT MATTERS (CONTINUED)

### Key Audit Matter

### How our audit addressed the Key Audit Matter

- Challenged and evaluated the appropriateness of management's judgements and estimations made in re-assessing the average expected Player Relationship Period including the identification of events that may trigger changes in the average expected Player Relationship Period through discussion with management and obtaining other available supporting evidence;
- Evaluated, on a sample basis, the outcome of prior period assessment of the average expected Player Relationship Period to assess the effectiveness of management's estimation process; and
- Assessed, on a sample basis, the reliability of data used in determining the average expected Player Relationship Period including the paying players' purchase and log-in histories, and recalculated the average expected Player Relationship Period of each game, with the involvement of our internal IT specialist.

Based on the procedures performed, we considered that the significant judgements and estimates adopted by management in determining the average expected Player Relationship Period are supported by the evidence obtained.

## OTHER INFORMATION

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

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

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

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

## RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Tak Wai, Daniel.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 29 March 2023

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

87

	Notes	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
<b>Revenue</b>	5	<b>637,886</b>	459,851
Cost of revenue	8	<b>(304,822)</b>	(238,324)
<b>Gross profit</b>		<b>333,064</b>	221,527
Other losses, net	6	<b>(4,463)</b>	(1,137)
Other income	7	<b>8,384</b>	3,319
Selling and marketing expenses	8	<b>(173,200)</b>	(85,590)
General and administrative expenses	8	<b>(56,023)</b>	(34,589)
Research and development expenses	8	<b>(86,976)</b>	(62,705)
(Net impairment losses)/reversal of impairment loss on financial assets		<b>(1,856)</b>	160
Operating profit		<b>18,930</b>	40,985
Finance income, net	10	<b>3,291</b>	741
<b>Profit before income tax</b>		<b>22,221</b>	41,726
Income tax expenses	11	<b>(8,752)</b>	(2,336)
<b>Profit and total comprehensive income for the year, net of tax</b>		<b>13,469</b>	39,390
<b>Comprehensive income/(loss) attributable to:</b>			
Owners of the Company		<b>13,525</b>	39,986
Non-controlling interests		<b>(56)</b>	(596)
		<b>13,469</b>	39,390
<b>Earnings per share for profit attributable to owners of the Company (RMB per share)</b>			
— Basic and diluted earnings per share	12	<b>0.12</b>	0.35

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December	
		2022 RMB'000	2021 RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	6,633	4,507
Right-of-use assets	16	10,747	12,488
Intangible assets	17	39,674	15,018
Prepayment, deposits and other receivables	20	5,907	1,235
Deferred tax assets	27	3,598	3,655
		<b>66,559</b>	36,903
<b>Current assets</b>			
Trade receivables	19	43,023	35,598
Prepayments, deposits and other receivables	20	10,985	15,942
Current income tax receivables		—	567
Amounts due from non-controlling interests	21	675	1,715
Amounts due from related parties	31	—	36
Contract costs	26	16,452	13,108
Short-term bank deposits	23	—	83
Cash and cash equivalents	23	232,566	188,410
		<b>303,701</b>	255,459
<b>Total assets</b>		<b>370,260</b>	292,362
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	24(a)	8	8
Other reserves	25	84,588	79,555
Retained earnings		38,890	29,629
		<b>123,486</b>	109,192
Non-controlling interests		(872)	(1,879)
<b>Total equity</b>		<b>122,614</b>	107,313

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

	Notes	As at 31 December	
		2022 RMB'000	2021 RMB'000
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Trade payables	28	15,083	—
Other payables	29	466	306
Lease liabilities	16	4,475	7,830
		<b>20,024</b>	8,136
<b>Current liabilities</b>			
Trade payables	28	44,121	30,617
Other payables and accruals	29	50,396	39,632
Contract liabilities	26	49,633	35,853
Current income tax liabilities		7,428	611
Lease liabilities	16	6,651	4,558
Financial liability at fair value through profit or loss	22(b)	69,393	65,642
		<b>227,622</b>	176,913
<b>Total liabilities</b>		<b>247,646</b>	185,049
<b>Total equity and liabilities</b>		<b>370,260</b>	292,362

The financial statement on pages 87 to 153 were approved by the Board of Directors on 29 March 2023 and were signed on its behalf.

**JIA Xiaodong**  
Director

**LI Xin**  
Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Attributable to owners of the Company						Total equity RMB'000
		Share capital RMB'000	Combined capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	
<b>Balance at 1 January 2022</b>		8	—	79,555	29,629	109,192	(1,879)	107,313
<b>Comprehensive income/(loss)</b>								
Profit/(loss) for the year		—	—	—	13,525	13,525	(56)	13,469
<b>Total comprehensive income/(loss)</b>		—	—	—	13,525	13,525	(56)	13,469
<b>Transactions with owners in their capacity as owners</b>								
Appropriation to statutory reserves	25	—	—	4,264	(4,264)	—	—	—
Acquisition of non-controlling interests in a subsidiary	25	—	—	(2,103)	—	(2,103)	1,063	(1,040)
Share-based compensation	25	—	—	2,872	—	2,872	—	2,872
<b>Total transactions with owners in their capacity as owners</b>		—	—	5,033	(4,264)	769	1,063	1,832
<b>Balance at 31 December 2022</b>		8	—	84,588	38,890	123,486	(872)	122,614
<b>Balance at 1 January 2021</b>		—	11,778	62,139	75,557	149,474	(1,409)	148,065
<b>Comprehensive income/(loss)</b>								
Profit/(loss) for the year		—	—	—	39,986	39,986	(596)	39,390
<b>Total comprehensive income/(loss)</b>		—	—	—	39,986	39,986	(596)	39,390
<b>Transactions with owners in their capacity as owners</b>								
Issuance of shares pursuant to the reorganisation	24(a)	8	—	—	—	8	—	8
Appropriation to statutory reserves	25	—	—	5,914	(5,914)	—	—	—
Reclassification of combined capital and capital reserve to other reserve pursuant to the reorganisation	24(b)	—	(11,778)	11,778	—	—	—	—
Acquisition of non-controlling interests in a subsidiary	25	—	—	(276)	—	(276)	126	(150)
Dividends	13	—	—	—	(80,000)	(80,000)	—	(80,000)
<b>Total transactions with owners in their capacity as owners</b>		8	(11,778)	17,416	(85,914)	(80,268)	126	(80,142)
<b>Balance at 31 December 2021</b>		8	—	79,555	29,629	109,192	(1,879)	107,313

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

91

	Notes	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	30(a)	73,400	70,000
Interest received	10	2,093	1,478
Income tax paid		(1,311)	(3,647)
<b>Net cash generated from operating activities</b>		<b>74,182</b>	67,831
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	15	(4,702)	(4,618)
Purchase of intangible assets		(19,883)	(19,500)
Purchase of financial assets at fair value through profit or loss	22(a)	(19,800)	(111,500)
Proceeds from disposal of financial assets at fair value through profit or loss	22(a)	19,925	112,984
Repayment from shareholders	31	—	48
Repayment from related parties	31	36	4,100
Proceeds from disposal of short-term deposits		83	2
<b>Net cash used in investing activities</b>		<b>(24,341)</b>	(18,484)
<b>Cash flows from financing activities</b>			
Issuance of shares pursuant to the reorganisation		—	8
Issuance of a financial liability at fair value through profit or loss	22(b)/30(c)	—	64,163
Payment for listing expenses		(2,633)	(2,909)
Payment for principal elements of lease liabilities	30(c)	(6,055)	(4,151)
Interest paid	30(c)	(677)	(437)
Dividends paid	30(c)	—	(80,000)
<b>Net cash used in financing activities</b>		<b>(9,365)</b>	(23,326)
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year	23	188,410	163,723
Exchange difference		3,680	(1,334)
<b>Cash and cash equivalents at end of the year</b>	23	<b>232,566</b>	188,410

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION AND REORGANISATION

### 1.1 General information

Gala Technology Holding Limited (the “**Company**”) was incorporated in the Cayman Islands on 12 June 2018 as an exempted company with limited liability under the Companies Act (as revised) of the Cayman Islands. The address of the Company’s registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company’s shares was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 January 2023.

The Company is an investment holding company and its subsidiaries (together, the “**Group**”) are principally engaged in the mobile sports game development, publishing and operation (the “**Listing Business**”) in the People’s Republic of China (the “**PRC**”).

### 1.2 Reorganisation of the Group

Prior to the Reorganisation (as defined below), the Listing Business was mainly carried out by Shenzhen Wangchen Technology Co., Ltd (“**Wangchen Technology**”) and its subsidiaries, in which Wangchen Technology effectively holds 100%, 100% and 60% equity interests in Gala Sports Technology Limited (“**Gala Sports HK**”), Shenzhen Moji Technology Co., Ltd (“**Moji Technology**”) and Shenzhen Chuangzhen Shijie Technology Co., Ltd (“**Chuangzhen Shijie**”), respectively. Wangchen Technology and Moji Technology together refer as the “PRC Operating Entities” thereafter.

In preparation for the listing of the Company’s Shares on the Stock Exchange (the “**Listing**”), the Group underwent a group reorganisation (the “**Reorganisation**”) which principally involved the following key steps:

#### *(1) Incorporation of the Company*

On 12 June 2018, the Company was incorporated in the Cayman Islands with limited liability and authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each, of which one share was issued and allotted to an initial subscriber at par. On the same day, the said one share was transferred to Great Shine (as defined below) at par. On 20 June 2018, 9,999 shares were issued and allotted at par to Great Shine Holding Limited (“**Great Shine**”), and 10,000 shares were issued and allotted at par to High Triumph Holding Limited (“**High Triumph**”), Neo Honour Holding Limited (“**Neo Honour**”), Joyful Treasure Holding Limited (“**Joyful Treasure**”) and Mighty Yellow Holding Limited (“**Mighty Yellow**”), respectively. The Company was then owned as to 20% each by Great Shine, High Triumph, Neo Honour, Joyful Treasure and Mighty Yellow.

On 26 November 2020, the Company repurchased and cancelled 10,000 shares held by Joyful Treasure at a consideration of HK\$100.

#### *(2) Incorporation of other offshore holding companies*

On 4 July 2018, Gala Technology International Limited (“**Gala Technology (BVI)**”) was incorporated in the British Virgin Islands (“**BVI**”) with limited liability as a wholly-owned subsidiary of the Company.

On 6 August 2018, Gala Technology (Hong Kong) Limited (“**Gala Technology (HK)**”) was incorporated in Hong Kong with limited liability as a wholly-owned subsidiary of Gala Technology (BVI).

## 1 GENERAL INFORMATION AND REORGANISATION (CONTINUED)

### 1.2 Reorganisation of the Group (Continued)

#### (3) *Establishment of the wholly foreign owned enterprise*

On 30 July 2019, Shenzhen Wangchen Moji Technology Co., Ltd (“**Shenzhen Wangchen Moji**” or the “**WFOE**”) was incorporated in the PRC with limited liability as a wholly-owned subsidiary of Gala Technology (HK).

#### (4) *Transfer of equity interest of Chuangzhen Shijie, Yingnuo Ruier and Gala Sports HK*

On 10 December 2019, the Group completed the transfers of a 60% equity interest in Chuangzhen Shijie from Wangchen Technology to the WFOE at a total consideration of RMB2.

On 12 December 2019, the Group completed the transfer of a 1% equity interest in Shenzhen Yingnuo Ruier Technology Partnership Enterprise (Limited Partnership) (“**Yingnuo Ruier**”) from Moji Technology to the WFOE at a total consideration of RMB2.

On 6 May 2021, the Group completed the transfer of 100% equity interest in Gala Sports HK from Wangchen Technology to Gala Technology (BVI) at a consideration of RMB3,155,880. Gala Sports HK became a wholly-owned subsidiary of Gala Technology (BVI).

#### (5) *Entering into of the Contractual Arrangements*

On 13 May 2021, the WFOE entered into various agreements (the “**Contractual Arrangements**”) with Wangchen Technology and its registered shareholders, pursuant to which the WFOE controls the PRC Operating Entities by way of exposing to, or has rights to variable returns from its investment with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities. For further details on the Contractual Arrangements, please refer to Note 2.2 (a).

On 14 May 2021, the Company issued and allotted a total of 960,000 shares to the offshore investment vehicles of the beneficial owners of Wangchen Technology to reflect their original beneficial shareholding in Wangchen Technology at the Company’s level.

Upon completion of the Reorganisation, the Company became the holding company of the companies comprising the Group.

### 1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business was carried out by Wangchen Technology and its subsidiaries. Pursuant to the Reorganisation, the Listing Business are transferred to and ultimately held by the Company. The Company and those intermediate holding companies newly set up during the Reorganisation have not been involved in any other business prior to the Reorganisation and their operations do not meet the definition of a business. The Reorganisation is merely a recapitalisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business conducted through the Company and the consolidated financial statements of the companies now comprising the Group is presented using the respective carrying value of the Listing Business for all periods presented.

Intercompany transactions, balances and unrealised gains/losses on transactions between subsidiaries now comprising the Group are eliminated upon consolidation.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and a financial liability at fair value through profit or loss which are measured at fair value.

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

#### *(a) New and amended standards adopted by the Group*

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing 1 January 2022:

Annual Improvements Project	Annual Improvements to HKFRSs 2018–2020 (amendments)
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments (amendments)
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 2021 (amendments)
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations

The amendments listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

#### *(b) New standards, amendments to existing standards and interpretations not yet adopted*

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group.

The Group is in the process of assessing potential impact of the above other new standards and amendments to existing standards that is relevant to the Group upon initial application. The management of the Group plans to adopt these new standards and amendments to existing standards and amendments to existing standards when they become effective.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Principles of consolidation

#### (a) *Subsidiaries*

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

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

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed when necessary to ensure consistency with the policies adopted by the Group.

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

#### *Subsidiaries arising from Reorganisation*

The WFOE has entered into the Contractual Arrangements with Wangchen Technology and its registered shareholders, which enable the WFOE and the Group to:

- Exercise effective control over the PRC Operating Entities;
- Exercise equity holders' voting rights of the PRC Operating Entities;
- Receive substantially all of the economic interests and returns generated by the PRC Operating Entities in consideration for the business support, technical and consulting services provided by the WFOE, at the WFOE's discretion;
- Obtain an irrevocable and exclusive right to purchase all equity interests in Wangchen Technology from its registered shareholders at a nominal consideration unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. Where the purchase consideration is required by the relevant government authorities to be an amount other than a nominal amount, the registered shareholders of Wangchen Technology shall return the amount of purchase consideration they have received to the WFOE. At the WFOE's request, the registered shareholders of Wangchen Technology will promptly and unconditionally transfer their respective equity interests in Wangchen Technology to WFOE (or its designee within the Group) after the WFOE exercises its purchase right;
- Obtain pledges over the entire equity interests in Wangchen Technology from its registered shareholders to secure, among others, performance of their obligations under the Contractual Arrangement;
- The Group does not have any equity interest in the PRC Operating Entities. However, as a result of the Contractual Arrangement, the Group has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities and is considered to control the PRC Operating Entities. Consequently, the Company regards the PRC Operating Entities as indirect subsidiaries under HKFRSs.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Principles of consolidation (Continued)

#### *(b) Changes in ownership interests*

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

### 2.3 Business combinations

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

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the profit or loss.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Separate financial statements

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

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

### 2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that make strategic decisions.

### 2.6 Foreign currency translation

#### *(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the Company's functional and the Group's presentation currency.

#### *(b) Transactions and balances*

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

### 2.8 Intangible assets

#### (a) Licenses

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

Licenses are amortised on a straight-line basis in accordance to the license period for 1 to 4 years (2021: same). These amortisation are expensed to cost of revenues (where the games are commercially launched) or general and administrative expenses (where the games are not yet commercially launched).

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Intangible assets (Continued)

#### *(b) Research and development expenditures*

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalised as intangible assets when recognition criteria are fulfilled.

These criteria includes: (1) it is technically feasible to complete the game product so that it will be available for use; (2) management intends to complete the game product and use or sell it; (3) there is an ability to use or sell the game product; (4) it can be demonstrated how the game product will generate probable future economic benefits; (5) adequate technical, financial and other resources to complete the development and to use or sell the game product are available; and (6) the expenditure attributable to the game product during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognised as expenses as incurred.

Development costs previously recognised as expenses are not recognised as assets in subsequent periods. Capitalised development costs are amortised from the point at which the assets are ready for use on a straight-line basis over their useful lives.

Research and development expenses consist primarily of salary and benefits for the Group's research and development personnel.

All research and development expenditures were recognised in profit or loss as they do not meet the recognition criteria for capitalisation.

#### *(c) Software*

The Group's acquired software license mainly consists of financial and operation system software license. Acquired software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life (1 to 10 years). Such useful life of the intangible assets is determined based on the contractual terms of the acquired software or their current functionalities and the Group's daily operation needs. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

### 2.9 Impairment of non-financial assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Investments and other financial assets

#### *(a) Classification*

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

Financial assets are classified in the following measurement categories:

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

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

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

The Group classifies its financial assets as those to measured amortised cost and those to be measured subsequently at fair value through profit or loss.

#### *(b) Recognition and derecognition*

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Investments and other financial assets (Continued)

#### (c) *Measurement*

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

#### *Debt instruments*

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

#### *Amortised cost*

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Interest income is presented as finance income, net where it is earned from financial assets that are held for cash management purposes. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other losses, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss, if any.

#### *Financial assets at fair value through profit or loss*

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net, within other losses, net in the period in which it arises.

#### (d) *Impairment*

The Group assesses on a forward looking basis the expected credit losses ("**ECL**") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other financial assets carried at amortised cost is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a financial assets carried at amortised cost has occurred since initial recognition, then impairment is measured as lifetime ECL.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Offsetting financial instruments

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

### 2.12 Trade receivables

Trade receivables are amounts due from distribution and payment channels for proceeds earned from selling game tokens or other virtual items in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

### 2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks with original maturity dates within 3 months or less.

### 2.14 Share capital

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

### 2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

### 2.16 Contract liabilities and contract costs

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### (a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is not probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

#### (b) *Deferred income tax*

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

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

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

#### (c) *Offsetting*

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



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.18 Employee benefits

#### *(a) Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision, where appropriate, is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### *(b) Defined contribution plans*

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

### 2.19 Share-based payments

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

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

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of share options that are expected to vest based on non-marketing vesting conditions. It recognises the impact of the revision to estimates, if any, in the profit or loss with corresponding adjustment to equity.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.20 Provisions

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

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

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

### 2.21 Financial liability at fair value through profit or loss

The Group designated the convertible bonds (Note 22(b)) as a financial liability at fair value through profit or loss, which is initially recognised at fair value. Any directly attributable transaction costs are recognised in profit or loss. Subsequent to initial recognition, the component of fair value changes relating to the Company's own credit risk is recognised in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realised. Fair value changes relating to market risk are recognised in profit or loss.

### 2.22 Revenue recognition

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

#### *Game revenue*

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

#### *(a) Revenue from online game published by the Group*

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

The Group recognises the revenue on a gross basis, with the commission charged by the Platforms as the cost of revenue. The revenue and the cost of revenue are recognised rateably over the lifespan of in-game virtual items determined by management with reference to the average expected playing period of paying players ("**Paying Players**"), given there is an implicit obligation of the Group to maintain and allow access of the users of the games operated by the Group.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.22 Revenue recognition (Continued)

#### *Game revenue (Continued)*

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

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

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

With respect to the arrangement that the Group is responsible for providing game product, technical support and upgrades, other daily game operation and the right to determine the ultimate pricing of in-game virtual items, the Publishers are only responsible for publishing, providing payment solution, customer service and promotion, and the Publishers are the agents in the transactions.

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

#### *Timing of revenue recognition*

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

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

- Consumable virtual items represent items that are extinguished after consumption in the form of fixed charges levied on each round of games played. The Paying Players will not continue to benefit from the virtual items thereafter. Revenue is recognised (as a release from contract liabilities) when the items are consumed and the related services are rendered.
- Durable virtual items represent items that are accessible and beneficial to Paying Players over an extended period of time. Revenue is recognised rateably over the average life of durable virtual items for the applicable game, which the Group makes best estimates to be lifespan of in-game virtual items determined by management with reference to the average expected playing period of Paying Players ("**Player Relationship Period**").

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.22 Revenue recognition (Continued)

#### *Timing of revenue recognition (Continued)*

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

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

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

### 2.23 Interest income

Interest income from financial assets at fair value through profit or loss is included in the other losses, net in the profit or loss.

Interest income on financial assets measured at amortised cost calculated using the effective interest method is recognised in the profit or loss as part of other income.

Interest income is presented as finance income, net where it is earned from financial assets that are held for cash management purposes.

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

### 2.24 Earnings per share

#### *(i) Basic earnings per share*

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

#### *(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.25 Leases

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

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

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

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

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

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

### 2.26 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

### 2.27 Government grants

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

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

### 3 FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factors

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

##### (a) Market risk

###### (i) Foreign exchange risk

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

As at 31 December 2022, if US\$ had strengthened/weakened by 5% against RMB with all other variables held constant, the post-tax income would have been approximately RMB2,405,000 (2021: RMB1,640,000) higher/lower, respectively, as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in US\$.

As at 31 December 2022, if EUR had strengthened/weakened by 5% against RMB with all other variables held constant, the post-tax income would have been approximately RMB1,702,000 (2021: RMB834,000) lower/higher, respectively, as a result of net foreign exchange losses/gains on translation of net monetary liabilities denominated in EUR.

As at 31 December 2022, if HK\$ had strengthened/weakened by 5% against RMB with all other variables held constant, the post-tax income would have been approximately RMB3,449,000 (2021: RMB2,842,000) lower/higher, as a result of net foreign exchange losses/gains on translation of net monetary liabilities denominated in HK\$.

###### (ii) Cash flow and fair value interest rate risk

The income and operating cash flows of the Group and the Company are both substantially independent of changes in market interest rates. Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial instruments at variable rates expose the Group to cash flow interest rate risk. Financial instruments at fixed rate expose the Group to fair value interest rate risk. Both the Group and the Company have no significant interest-bearing assets or liabilities, except for deposits placed with banks and a financial liability at fair value through profit or loss, which carried at fixed interest rate.

As at 31 December 2022, if interest rates on all interest-bearing short-term bank deposits and cash and cash equivalents had been 50 basis points higher/lower with all other balances held constant, profit for the year of the Group would have been RMB1,163,000 (2021: RMB942,000) higher/lower, due to higher/lower interest income earned on the bank deposits.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (Continued)

##### *(b) Credit risk*

Credit risk arises from short-term bank deposits (Note 23), cash and cash equivalents (Note 23) and contractual cash flows of debt instruments carried at amortised cost (Notes 19, 20, 21 and 31).

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

##### *(i) Risk management*

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

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

To manage this risk, the Group maintains frequent communications with the third party Platforms and Publishers to ensure the effective credit control. In view of the history of cooperation with the third-party Platforms and Publishers and the sound collection history of receivables due from them, the directors of the Company believe that the credit risk inherent in the Group's outstanding trade receivables balances due from the third-party Platforms and Publishers is low. As at 31 December 2022, management consider contractual cash flows of debt instruments carried at amortised cost as low credit risk as counterparties have a strong capacity to meet its contractual cash flow obligations in the near term (2021: same).

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

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (Continued)

##### (b) Credit risk (Continued)

###### (ii) Impairment of financial assets

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

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

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

##### Trade receivables

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

##### Measurement of expected credit loss on individual basis

Receivables relating to third party Platforms and Publishers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 December 2022, the balance of loss allowance in respect of these individually assessed receivables was RMB1,833,000 (2021: RMB3,652,000).

The following table presents the balances of gross carrying amount and the loss allowance in respect of the individually assessed receivables as at 31 December 2021 and 2022:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Gross carrying amount	1,833	3,652
Loss allowance	(1,833)	(3,652)
Net carrying amount	—	—



### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (Continued)

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

##### *(ii) Impairment of financial assets (Continued)*

##### Trade receivables (Continued)

##### Measurement of expected credit loss on collective basis

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

The expected credit loss rates are determined based on historical credit losses and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables. As at 31 December 2022, the balance of loss allowance in respect of these collectively assessed trade receivables balances was RMB216,000 (2021: RMB177,000) based on expected loss rates up to 1.8% (2021: 1.3%) applied on different groupings.

Impairment losses on receivables are presented as “(net impairment losses)/reversal of impairment loss on financial assets” in the consolidated statement of comprehensive income. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against the same line item.

##### Other financial assets carried at amortised cost

For other financial assets carried at amortised cost, including deposits and other receivables, amounts due from non-controlling interests and cash and cash equivalents, the expected credit loss is based on the 12-month expected credit loss. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and considers that the expected credit loss rate is close to zero as at 31 December 2022 (2021: same).

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.1 Financial risk factors (Continued)

##### (c) Liquidity risk

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

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
<b>At 31 December 2022</b>				
Trade payables	44,489	9,551	7,039	61,079
Other payables and accruals (excluding advance from the Publishers, payroll and welfare payables, other tax payables and others)	19,312	—	—	19,312
Lease liabilities	7,394	4,233	332	11,959
	<b>71,195</b>	<b>13,784</b>	<b>7,371</b>	<b>92,350</b>
<b>At 31 December 2021</b>				
Trade payables	30,617	—	—	30,617
Other payables and accruals (excluding advance from the Publishers, payroll and welfare payables, other tax payables and others)	15,645	—	—	15,645
Lease liabilities	5,066	5,433	2,692	13,191
	<b>51,328</b>	<b>5,433</b>	<b>2,692</b>	<b>59,453</b>

Details of the description of convertible bonds are presented in Note 22(b).

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.2 Capital management

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

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

#### 3.3 Fair value estimation

##### (a) Fair value hierarchy

The table below analyses the Group's and the Company's financial instruments carried at fair value as at 31 December 2021 and 2022 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

The following table presents the Group's financial liability that is measured at fair value as at 31 December 2021 and 2022:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
<b>Liability</b>		
Financial liability at fair value through profit or loss (Level 3)		
– Convertible bonds (Note 22(b))	69,393	65,642
	69,393	65,642

There were no significant transfers between level 1, level 2 and level 3 fair value hierarchy classifications for the year ended 31 December 2022 (2021: same).

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.3 Fair value estimation (Continued)

##### (a) Fair value hierarchy (Continued)

###### (i) Financial instruments in level 1

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

###### (ii) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

###### (iii) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for convertible bonds.

##### (b) Valuation techniques used to determine fair values

Specific valuation techniques used to value level 2 and level 3 financial instruments include finite difference method respectively. There are no changes in valuation techniques during the year (2021: same).

The Group's finance department includes a team that performs the valuations of financial instruments required for financial reporting purposes, including level 3 fair values. As part of the valuation process, this team reports directly to the chief financial officer and external valuers will be engaged, if necessary.

The fair value of the convertible bonds is determined by valuation techniques and based on assumptions on market conditions existing at the end of the reporting period. The valuation model requires the input of subjective assumptions, including the expected volatility and risk-free rate.

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 3.3 Fair value estimation (Continued)

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

The following table presents the changes in level 3 financial instruments for the year ended 31 December 2021 and 2022:

	<b>Financial liability at fair value through profit or loss Convertible bonds (Note 22(b)) RMB'000</b>
<b>Balance at 1 January 2021</b>	—
Addition	64,163
Fair value loss recognised in profit or loss	1,479
<b>Balance at 31 December 2021 and 1 January 2022</b>	65,642
Fair value gain on extension of convertible bonds recognised in profit or loss on 31 May 2022	<b>(3,065)</b>
Fair value loss recognised in profit or loss	<b>6,816</b>
<b>Balance at 31 December 2022</b>	<b>69,393</b>

Quantitative information about fair value measurements using significant unobservable inputs (level 3):

The key unobservable assumptions used in the valuation of the convertible bonds as at 21 June 2021 (date of issuance), 31 December 2021, 31 May 2022 (date of extension) and 31 December 2022 are:

Valuation technique	Unobservable inputs	At	At	At	At
		21 June 2021	31 December 2021	31 May 2022	31 December 2022
Finite difference method	Risk-free rate	0.1%	0.2%	1.51%	2.18%
	Expected volatility	55.2%	55.2%	53.4%	56.2%

As at 31 December 2021, the risk-free rate and expected volatility used to compute the fair value are 0.2% and 55.2%, respectively. If the risk-free rate and expected volatility shifted upward and downward by 2% and 5%, respectively, the impact on the profit or loss would be RMB325,000 lower/higher and RMB733,000 higher/lower, respectively. The higher the risk-free rate and lower the expected volatility, the lower the fair value.

As at 31 December 2022, the risk-free rate and expected volatility used to compute the fair value are 2.18% and 56.2% respectively. If the risk-free rate and expected volatility shifted upward and downward by 2% and 5%, respectively, the impact on the profit or loss would be RMB33,000 lower/higher and RMB52,000 higher/lower, respectively. The higher the risk-free rate and lower the expected volatility, the lower the fair value.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

### (a) Estimates of average expected Player Relationship Period

As described in Note 2.22, the Group recognises the revenues rateably over the lifespan of in-game virtual items determined by management with reference to the average expected Player Relationship Period for the mobile games whereas the Group acts as principal. The determination of average expected Player Relationship Period in each game is made based on the Group's best estimate that takes into account all known and relevant information at the time of assessment including determination of the average expected Player Relationship Period of new games and the identification of events that may trigger changes in the average expected Player Relationship Period. Such estimates are subject to re-evaluation on a periodical basis or there is any indication of change in the average expected Player Relationship Period. Any adjustments arising from changes in the average expected Player Relationship Period as a result of new information will be accounted for as a change in accounting estimate.

### (b) Impairment provision for trade receivables

The impairment provisions for trade receivables are based on assumptions about the expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 3.1(b) and Note 19. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of comprehensive income.

### (c) Fair values of the financial liability at fair value through profit or loss

The fair values of convertible bonds that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has finite difference method for the financial liability at fair value through profit or loss that is not traded in active markets. Changes in assumption used could materially affect the fair values of these balances and as a result affect the Group's financial condition and result of operation.

### (d) Current and deferred income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### (e) Contractual Arrangement

The Group conducts its business through Wangchen Technology and its subsidiaries. Due to the regulatory restrictions on the foreign ownership of the Listing Business in the PRC, the Group does not have any equity interest in Wangchen Technology. The Directors assessed whether or not the Group has control over Wangchen Technology and its subsidiaries by assessing whether it has the rights to variable returns from its involvement with Wangchen Technology and its subsidiaries and has the ability to affect those returns through its power over Wangchen Technology and its subsidiaries. After assessment, the Directors concluded that the Group has control over Wangchen Technology and its subsidiaries as a result of the Contractual Arrangements and accordingly the financial position and the operating results of Wangchen Technology and its subsidiaries are included in the Group's consolidated financial statements throughout the years ended 31 December 2021 and 2022 or since the respective dates of incorporation/establishment, whichever is the earlier period. Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Wangchen Technology and its subsidiaries and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Wangchen Technology and its subsidiaries. The Directors, based on the advice of its legal counsel, consider that the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations.

## 5 SEGMENT INFORMATION AND REVENUE

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

Revenue for the years ended 31 December 2021 and 2022 are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Web-based and mobile online game revenue — Over time	637,886	459,851

The Group has a large number of game players, no revenue from any individual game player exceeded 10% or more of the Group's revenue during the year ended 31 December 2022 (2021: same).

The Group is mainly domiciled in the PRC. Majority of revenue are derived in the PRC and no revenue are derived from any other individual country exceeded 10% or more of the Group's revenue during the year ended 31 December 2022 (2021: same). The Group's non-current assets other than deferred tax assets by the geographical location in which the asset is located, is as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Non-current assets (other than deferred tax assets)		
PRC	36,761	22,315
Hong Kong	26,200	10,933
	62,961	33,248

## 6 OTHER LOSSES, NET

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Fair value gains on financial assets measured at fair value through profit or loss (Note 22(a))	125	485
Fair value gain on extension of a financial liability measured at fair value through profit or loss (Note 22(b))	3,065	—
Fair value loss on a financial liability measured at fair value through profit or loss (Note 22(b))	(6,816)	(1,479)
Loss on disposal of property, plant and equipment	—	(748)
Exchange (loss)/gain, net	(753)	145
Others	(84)	460
	<b>(4,463)</b>	<b>(1,137)</b>

## 7 OTHER INCOME

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Government grants (Note a)	5,036	2,978
Value-added tax refund (Note a)	1,543	230
Others	1,805	111
	<b>8,384</b>	<b>3,319</b>

Note:

- (a) The amounts represent the Group's entitlement to value-added tax refund and subsidies for technological innovation received from the local government grants in the PRC. There are no unfulfilled conditions or other contingencies attaching to these grants and refund. The Group did not benefit directly from any other forms of government assistance.



## 8 EXPENSES BY NATURE

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Commission fee to Platforms	215,565	168,098
Advertising and marketing expenses	160,455	76,451
Employee benefit expenses (Note 9)	116,390	82,490
Amortisation of intangible assets (Note 17)	19,641	19,416
Revenue share to Publishers	3,193	5,682
Royalty fees	39,858	28,481
Server usage expenses	11,239	7,434
Utilities and office expenses	3,489	2,234
Graphic design expenses and dubbing fee	5,445	2,383
Depreciation of right-of-use assets (Note 16)	6,534	4,056
Expenses relating to short-term leases	71	276
Depreciation of property, plant and equipment (Note 15)	2,576	1,893
Listing expenses	22,356	15,857
Other professional service fees	3,469	1,783
Auditors' remuneration		
— Audit services	2,301	97
— Non-audit services	89	20
Traveling and entertainment expenses	1,460	359
Tax and levies	2,813	2,383
Transportation expense	548	124
Data analysing service expense	625	499
Others	2,904	1,192
Total of cost of revenue, selling and marketing expenses, general and administrative expenses, and research and development expenses	621,021	421,208

## 9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Wages, salaries and bonuses	91,399	66,487
Social security costs, housing provident fund and other staff cost	22,119	16,003
Share-based compensation (Note 25)	2,872	—
	116,390	82,490

## 9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

### (a) Independent non-executive Directors

Mr. Zhan Peixun, Mr. Leung Ming Shu and Ms. Chak Hoi Kee Clara were appointed as the Company's independent non-executive directors on 16 January 2023. During the years ended 31 December 2021 and 2022, the independent non-executive directors have not yet been appointed and did not receive any directors' remuneration in the capacity of non-executive directors or independent non-executive directors.

### (b) Benefits and interests of directors

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

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

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

Name	Social security costs and housing benefits and other employee benefits			Total
	Salary RMB'000	Bonus RMB'000	benefits RMB'000	
<i>Executive directors</i>				
Jia Xiaodong	911	70	53	1,034
Li Xin	883	70	38	991
Huang Xiang	550	35	53	638
Total	2,344	175	144	2,663

## 9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

### (b) Benefits and interests of directors (Continued)

Mr. Jia Xiaodong and Mr. Huang Xiang were appointed as the Company's executive directors on 12 June 2018. Mr. Li Xin was appointed as the Company's executive director on 23 June 2021.

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the companies comprising the Group.

No directors waived any emolument for the year ended 31 December 2022 (2021: same).

No director fee was paid to these directors in their capacity as directors of the Company or the companies comprising the Group for the year ended 31 December 2022 (2021: same).

No emoluments were paid by the Company or the companies comprising the Group as an inducement to join the Company or the companies comprising the Group, or as compensation for loss of office for the year ended 31 December 2022 (2021: same).

### (c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2021: same) directors whose emoluments are reflected in analysis shown in Note (b). The emoluments payable to the remaining three (2021: same) individuals during the year are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Basic salaries	2,940	2,390
Bonus	246	240
Other social security costs and housing benefits	132	121
Total	3,318	2,751

The emoluments fell within the following bands:

	Number of individuals	
	Year ended 31 December	
	2022	2021
HK\$1,000,001 to HK\$1,500,000	3	3
	3	3

## 9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

### (d) Director's retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2021: Nil).

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

For the year ended 31 December 2022, the Company did not pay consideration to any third parties for making available directors' services (2021: Nil).

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

Save as disclosed in Note 31 in this report, there is no loans, quasi-loans and other dealing arrangement in favor of directors, or controlled body corporates and connected entities of such directors for the year (2021: Nil).

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

There is no significant transactions, arrangements and contracts in relation to the Group's business in which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year (2021: Nil).

## 10 FINANCE INCOME, NET

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Interest income		
— Bank deposits	2,093	1,478
— Interest accretion	1,875	—
	3,968	1,478
Interest expenses		
— Lease liabilities (Note 16(b))	(677)	(437)
— Interest accretion	—	(300)
	(677)	(737)
Finance income, net	3,291	741

## 11 INCOME TAX EXPENSES

The income tax expenses of the Group for the years ended 31 December 2021 and 2022 is analysed as follows:

	2022 RMB'000	2021 RMB'000
Current tax		
– China corporate income tax	8,179	820
– Hong Kong profits tax	516	–
Deferred income tax (Note 27)	57	1,516
Income tax expenses	8,752	2,336

### (a) Cayman Islands and BVI Income Tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Group entities established under the International Business Companies Acts of BVI are exempted from BVI income taxes.

### (b) Hong Kong Income Tax

Hong Kong profits tax was calculated at rate of 16.5% for the year ended 31 December 2022 (2021: same) on the assessable profits. No Hong Kong profits tax was provided for as there were sufficient available accumulated tax losses brought forward to offset against the estimated assessable profit for the year ended 31 December 2021.

### (c) PRC Corporate Income Tax (“CIT”)

The income tax provision of the Group in respect of its operations in the PRC was calculated at the tax rate of 25% for the year ended 31 December 2022 (2021: 25%) on the assessable profits, except for stated below, based on the existing legislation, interpretations and practices in respect thereof.

Wangchen Technology was qualified as a “High and New Technology Enterprise” (“**HNTE**”) and it was subject to a reduced preferential CIT rate of 15% prior to 2021 according to the applicable tax preference applicable to the HNTE. Wangchen Technology was subject to CIT rate of 25% for the year ended 31 December 2022 (2021: 25%), and the enacted tax rate for the related deferred taxation was adjusted accordingly.

The WFOE has fulfilled the requirement of the “Preferential Corporate Income Tax Treatment for Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone” and it is subject to a reduced preferential CIT tax rate of 15% for the year ended 31 December 2022 (2021: 15%).

## 11 INCOME TAX EXPENSE (CONTINUED)

### (d) PRC Withholding Tax (“WHT”)

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

During the year ended 31 December 2022, the Group did not require its PRC subsidiaries to distribute their retained earnings to foreign investors (2021: same). Accordingly, no deferred income tax liability on WHT was accrued as at the end of each reporting period.

The tax on the Group’s profit before tax differs from the theoretical amount that would arise using the PRC statutory income tax rate as follows:

	Year ended 31 December	
	2022 RMB’000	2021 RMB’000
Profit before income tax	22,221	41,726
Tax calculated at PRC statutory tax rate of 25%	5,555	10,432
Tax effects of:		
Preferential income tax rates	(1,837)	(2,348)
Differential income tax rates applicable to subsidiaries	2,422	1,564
Super deduction for research and development expenses (Note a)	(9,967)	(8,264)
Income not taxable for tax purposes	(546)	(421)
Expenses not deductible for tax purpose (Note b)	5,877	3,962
Tax losses for which no deferred income tax was recognised	7,248	505
Impact of tax rate change on deferred taxation (Note 11(c))	—	(3,094)
	8,752	2,336

Notes:

- (a) According to the relevant laws and regulations promulgated by the PRC State Administration of Taxation made effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim up to 200% (2021: 175%) of their qualified research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (“**Super Deduction**”). The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the year ended 31 December 2022 (2021: same).
- (b) The amount mainly represented listing expenses for the year ended 31 December 2022 (2021: same).

## 12 EARNINGS PER SHARE

### (a) Basis earnings per share

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

For the years ended 31 December 2022 and 2021, the weighted average number of ordinary shares used for the purpose of basic earnings per share has been retrospectively adjusted for the effects of the issue of shares in connection with the capitalisation issue of 112,580,000 shares which took place on 16 January 2023 (Note 35).

For the year ended 31 December 2021, the weighted average number of ordinary shares used for the purpose of basic earnings per share has been retrospectively adjusted for the effects of the issue of shares in connection with the reorganisation of 960,000 shares which took place on 14 May 2021 (Note 1.2).

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Profit attributable to the owners of the Company (RMB'000)	13,525	39,986
Weighted average number of ordinary shares in issue (thousand shares)	113,580	113,580
Basic earnings per share attributable to the owners of the Company (RMB per share)	0.12	0.35

### (b) Diluted earnings per share

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

On June 2021, the Company issued convertible bonds in the principal amount of HK\$77,112,000 (equivalent to RMB64,163,000) (Note 22(b)). The conversion feature of the convertible bonds is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the year ended 31 December 2022 (2021: same), therefore the conversion feature of convertible bonds has no dilutive effect on earnings per share calculation.

### 13 DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

Dividends declared and paid for the year ended 31 December 2021 represented dividends declared and paid by Wangchen Technology to the shareholders based on their respective shareholdings.

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Dividends	—	80,000

### 14 SUBSIDIARIES

The following is a list of principal subsidiaries as at 31 December 2022 and 2021:

Name of subsidiaries	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued and paid-in capital	Equity interest held as at	
				31 December	
				2022	2021
Gala Sports Technology Limited 望塵體育科技有限公司	Hong Kong, limited liability company	Mobile sports game development, publishing and operation, the PRC	HK\$10,000	100%	100%
Shenzhen Wangchen Moji Technology Co., Ltd* 深圳市望塵莫及科技有限公司	The PRC, limited liability company	Technical support, consulting and other services, the PRC	RMB42,000,000	100%	100%
Shenzhen Wangchen Technology Co., Ltd* 深圳市望塵科技有限公司	The PRC, limited liability company	Mobile sports game development, publishing and operation, the PRC	RMB11,777,778	100%	100%
Shenzhen Chuangzhen Shijie Technology Co., Ltd* 深圳市創真視界科技有限公司	The PRC, limited liability company	Research, experiment and development, the PRC	RMB5,000,000	84%	63%

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

The non-controlling interest in respect of Shenzhen Chuangzhen Shijie Technology Co., Ltd is not material.



## 15 PROPERTY, PLANT AND EQUIPMENT

	Computers and other equipment RMB'000	Furniture and fixtures RMB'000	Leasehold improvement RMB'000	Total RMB'000
<b>At 31 December 2020</b>				
Cost	4,879	778	2,035	7,692
Accumulated depreciation	(3,594)	(405)	(1,163)	(5,162)
<b>Net book amount</b>	<b>1,285</b>	<b>373</b>	<b>872</b>	<b>2,530</b>
<b>Year ended 31 December 2021</b>				
Opening net book amount	1,285	373	872	2,530
Additions	1,703	463	2,452	4,618
Disposal	(138)	(125)	(485)	(748)
Depreciation (Note 8)	(1,013)	(199)	(681)	(1,893)
<b>Closing net book amount</b>	<b>1,837</b>	<b>512</b>	<b>2,158</b>	<b>4,507</b>
<b>At 31 December 2021</b>				
Cost	3,060	732	3,160	6,952
Accumulated depreciation	(1,223)	(220)	(1,002)	(2,445)
<b>Net book amount</b>	<b>1,837</b>	<b>512</b>	<b>2,158</b>	<b>4,507</b>
<b>Year ended 31 December 2022</b>				
Opening net book amount	<b>1,837</b>	<b>512</b>	<b>2,158</b>	<b>4,507</b>
Additions	<b>3,509</b>	<b>359</b>	<b>834</b>	<b>4,702</b>
Depreciation (Note 8)	<b>(1,358)</b>	<b>(208)</b>	<b>(1,010)</b>	<b>(2,576)</b>
<b>Closing net book amount</b>	<b>3,988</b>	<b>663</b>	<b>1,982</b>	<b>6,633</b>
<b>At 31 December 2022</b>				
Cost	<b>6,569</b>	<b>1,091</b>	<b>3,994</b>	<b>11,654</b>
Accumulated depreciation	<b>(2,581)</b>	<b>(428)</b>	<b>(2,012)</b>	<b>(5,021)</b>
<b>Net book amount</b>	<b>3,988</b>	<b>663</b>	<b>1,982</b>	<b>6,633</b>

## 15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Cost of revenue	419	264
Selling and marketing expenses	371	257
General and administrative expenses	174	161
Research and development expenses	1,612	1,211
	<b>2,576</b>	1,893

## 16 LEASES

### (a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position show the following amounts relating to leases:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
<b>Right-of-use assets</b>		
Properties	10,747	12,488
<b>Lease liabilities</b>		
Current	6,651	4,558
Non-current	4,475	7,830
	<b>11,126</b>	12,388

Addition to the right-of-use assets during the year is RMB5,080,000 (2021: RMB14,105,000).

## 16 LEASES (CONTINUED)

### (b) Amounts recognised in the consolidated statements of comprehensive income

The consolidated statements of comprehensive income show the following amounts related to leases:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Depreciation of right-of-use assets (Note)	6,534	4,056
Interest expense (included in finance income, net)	677	437

Note:

Depreciation expenses of right-of-use assets have been charged to the consolidated statements of comprehensive income as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Cost of revenue	1,062	566
Selling and marketing expenses	942	550
General and administrative expenses	441	346
Research and development expenses	4,089	2,594
	6,534	4,056

The total cash outflow for leases during the year was RMB6,803,000 (2021: RMB4,864,000), including payment of principal elements and interest elements of lease liabilities and short-term leases.

### (c) The Group's leasing activities

The Group leases various properties as its offices. Rental contracts are typically made for fixed periods of 1 to 3 years (2021: same). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants nor pledge as security for borrowing purposes.

The Group has applied an exemption to HKFRS 16 on certain short-term leases where the lease terms are within 1 year or less. For the leases where the exemption applied, the lease expenses of RMB71,000 (2021: RMB276,000) are recognised as expenses relating to short-term leases in the general and administrative expenses as incurred for the year.

## 17 INTANGIBLE ASSETS

	Licenses RMB'000	Software RMB'000	Total RMB'000
<b>At 31 December 2020</b>			
Cost	96,728	400	97,128
Accumulated amortisation	(70,783)	(115)	(70,898)
<b>Net book amount</b>	<b>25,945</b>	<b>285</b>	<b>26,230</b>
<b>Year ended 31 December 2021</b>			
Opening net book amount	25,945	285	26,230
Additions	8,040	164	8,204
Amortisation (Note 8)	(19,258)	(158)	(19,416)
<b>Closing net book amount</b>	<b>14,727</b>	<b>291</b>	<b>15,018</b>
<b>At 31 December 2021</b>			
Cost	104,768	564	105,332
Accumulated amortisation	(90,041)	(273)	(90,314)
<b>Net book amount</b>	<b>14,727</b>	<b>291</b>	<b>15,018</b>
<b>Year ended 31 December 2022</b>			
Opening net book amount	<b>14,727</b>	<b>291</b>	<b>15,018</b>
Additions	<b>43,160</b>	<b>1,137</b>	<b>44,297</b>
Amortisation (Note 8)	<b>(19,242)</b>	<b>(399)</b>	<b>(19,641)</b>
<b>Closing net book amount</b>	<b>38,645</b>	<b>1,029</b>	<b>39,674</b>
<b>At 31 December 2022</b>			
Cost	<b>147,928</b>	<b>1,701</b>	<b>149,629</b>
Accumulated depreciation	<b>(109,283)</b>	<b>(672)</b>	<b>(109,955)</b>
<b>Net book amount</b>	<b>38,645</b>	<b>1,029</b>	<b>39,674</b>

Amortisation expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Cost of revenue	19,242	19,258
General and administrative expenses	399	158
	<b>19,641</b>	19,416

## 18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2022 RMB'000	2021 RMB'000
<b>Assets as per consolidated statement of financial position</b>		
Financial assets measured at amortised costs:		
– Trade receivables (Note 19)	43,023	35,598
– Deposits and other receivables (excluding prepayment) (Note 20)	2,387	2,233
– Amounts due from non-controlling interests (Note 21)	675	1,715
– Amounts due from related parties (Note 31)	–	36
– Short-term deposits (Note 23)	–	83
– Cash and cash equivalents (Note 23)	232,566	188,410
	<b>278,651</b>	<b>228,075</b>
<b>Liabilities as per consolidated statement of financial position</b>		
Financial liability at fair value through profit or loss:		
– Convertible bonds (Note 22(b))	69,393	65,642
Financial liabilities at amortised cost:		
– Trade payables (Note 28)	59,204	30,617
– Other payables and accruals (excluding advance from the Publishers, payroll and welfare payables, other tax payables and others) (Note 29)	19,312	15,645
– Lease liabilities (Note 16)	11,126	12,388
	<b>159,035</b>	<b>124,292</b>

## 19 TRADE RECEIVABLES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Trade receivables	45,072	39,427
Less: net impairment loss on trade receivables	(2,049)	(3,829)
Trade receivables, net	<b>43,023</b>	<b>35,598</b>

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Up to 3 months	42,029	34,398
3 months to 1 year	2,360	1,305
Over 1 year	683	3,724
	<b>45,072</b>	<b>39,427</b>

## 19 TRADE RECEIVABLES (CONTINUED)

- (b) The Group applies the HKFRS 9 simplified approach to measure expected credit loss which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit loss, trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance, the remaining trade receivables have been grouped based on shared credit risk characteristics. Future cash flows for each group receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information.

The expected losses rate is up to 1.8% for the year ended 31 December 2022 (2021: 1.3%). Based on management's assessment, the Group recorded provision of impairment losses on trade receivables of RMB1,856,000 during the year ended 31 December 2022 (2021: reversal of impairment loss on trade receivables of RMB160,000) in the consolidated statement of comprehensive income.

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
At beginning of the year	3,829	3,989
Provision for/(reversal of) impairment	1,856	(160)
Written off	(3,636)	—
At end of the year	2,049	3,829

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
RMB	14,912	17,607
US\$	26,627	15,735
HK\$	3,533	6,085
	45,072	39,427

The provisions for impaired trade receivables have been included in "(net impairment losses)/reversal of impairment loss on financial assets" in the consolidated statement of comprehensive income.

- (d) As at 31 December 2021 and 2022, the fair values of trade receivables approximated their carrying amounts. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the net receivable balance. The Group does not hold any collateral as security.

## 20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
<b>Non-current assets</b>		
Deposits	1,563	1,235
Prepayment	4,000	—
Other receivable	344	—
	<b>5,907</b>	1,235
<b>Current assets</b>		
Prepayment for advertisement and marketing expenses	3,743	5,666
Prepayment for listing expenses	4,804	7,434
Other prepayments	1,958	1,844
Other receivables	480	998
	<b>10,985</b>	15,942

The maximum exposure to credit risk as of 31 December 2022 was the carrying value of each class of receivable mentioned above. The Group did not hold any collateral as security. The carrying amounts of other financial assets at amortised cost approximate to their fair values and are mainly denominated in RMB (2021: same).

During the year ended 31 December 2022, the expected loss rate for deposits and other receivables is close to zero (2021: same).

## 21 AMOUNTS DUE FROM NON-CONTROLLING INTERESTS

The amounts are non-interest bearing, unsecured and repayable on demand. The maximum exposure to credit risk as at 31 December 2022 was the carrying value of amounts due from non-controlling interests (2021: same). The carrying amounts of the balance approximate to their fair values and are denominated in RMB. These balances are non-trade in nature.

## 22 FINANCIAL ASSETS/LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

### (a) Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss mainly represent investments in wealth management products. These financial assets are mandatorily measured at fair value through profit or loss and with following details.

	As at 31 December	
	2022 RMB'000	2021 RMB'000
At the beginning of the year	—	999
Additions	19,800	111,500
Disposals	(19,925)	(112,984)
Fair value changes recognised in profit or loss (Note 6)	125	485
At the end of year	—	—

The investment in Yingnuo Ruier (Note 1.1) is accounted for as a financial asset at fair value through profit or loss. As Yingnuo Ruier has no business operation, the management considers the fair value of this investment is immaterial during the year.

### (b) Financial liability at fair value through profit or loss

On 16 June 2021, the Company, Garena Ventures Private Limited ("**Garena Ventures**"), Mr. Jia Xiaodong, Mr. Huang Xiang, the WFOE, Wangchen Technology, Gala Technology (BVI), Gala Technology (HK) and Gala Sports HK entered into a subscription agreement (the "**Pre-IPO CB Subscription Agreement**"), pursuant to which Garena Ventures agreed to subscribe for convertible bonds ("**Pre-IPO Convertible Bonds**") issued by the Company in the principal amount of HK\$77,112,000 (equivalent to RMB64,163,000) and a conversion price of HK\$6.426 per share ("**Conversion Price**") subject to adjustment for consolidation, sub-division, capitalisation issue and issuance of new shares at a price less than the Conversion Price (which does not represent any discount to the mid-point of the offer price range). The issuance of the Pre-IPO Convertible Bonds by the Company to Garena Ventures was completed on 21 June 2021. The Pre-IPO Convertible Bonds are automatically convertible into ordinary shares of the Company immediately at a conversion price upon completion of the capitalisation issue and the global offering (the "**Qualified IPO**"), with a maturity date of 6 June 2022 (the "**Maturity Date**"). Assuming full conversion of the Pre-IPO Convertible Bonds immediately before the Listing, Garena Ventures will be issued 12,000,000 shares, representing approximately 8.70% of the issued share capital of the Company immediately upon Listing. The Pre-IPO Convertible Bonds shall bear a simple interest computed at a rate of 5% per annum (on the basis of a 365-day year and the actual number of days elapsed), commencing on the issuance date of the Pre-IPO Convertible Bonds and until the full payment of the principal amount and payable at maturity or redemption of the Pre-IPO Convertible Bonds. They are not interest bearing if the conversion takes place before the Maturity Date.



## 22 FINANCIAL ASSETS/LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

### (b) Financial liability at fair value through profit or loss (Continued)

The Pre-IPO Convertible Bonds is redeemable at the option of Garena Venture if it is expected that the Company will not be listed on the Stock Exchange or other reputable stock exchange in the United States or the PRC or such other stock exchange approved by Garena Ventures (“**Qualified IPO**”) on or before the Maturity Date, or that the final offer price per share of a Qualified IPO is lower than the then effective Conversion Price, Garena Ventures may, at its sole discretion, elect (i) to require the Company to redeem the Pre-IPO Convertible Bonds on the Maturity Date in the event that the aforesaid listing is not consummated on or before the Maturity Date, or that the final offer price per share of such listing is lower than the then effective conversion price; or (ii) to require the Company to convert the Pre-IPO Convertible Bonds into such number of a new series of preferred shares of the Company with the most senior ranking.

If a Qualified IPO occurs with a final offer price per share being lower than the then effective Conversion Price, subject to sole discretion of Garena Ventures, Garena Ventures may, by delivering a notice to the Company to elect to convert all or part of the principal amount of the Pre-IPO Convertible Bonds outstanding into fully-paid Shares to be issued by the Company on or immediately prior to the Listing Date at the then effective Conversion Price, subject to conditions as prescribed the Pre-IPO CB Subscription Agreement.

On 31 May 2022, the Company and Garena Ventures agreed to extend the Maturity Date of the Pre-IPO Convertible Bonds from 6 June 2022 to 6 June 2023, with other terms and conditions remain unchanged. Fair value gain of RMB3,065,000 was then recognised in the profit or loss.

The convertible bonds are recognised as financial liability at fair value through profit or loss, and measured with following details.

	As at 31 December	
	2022 RMB'000	2021 RMB'000
At the beginning of the year	65,642	—
Addition	—	64,163
Fair value gain on extension of convertible bonds recognised in profit or loss	(3,065)	—
Fair value loss recognised in profit or loss	6,816	1,479
At the end of year	69,393	65,642

On 16 January 2023, the shares of the Company were listed on the Main Board of the Stock Exchange with offer price of HK\$6.5 per share. The Pre-IPO convertible bonds was automatically converted into 12,000,000 shares of the Company on the same day, representing approximately 8.70% of the issued share capital of the Company (Note 35).

## 23 CASH AND BANK BALANCES

### (a) Cash and cash equivalents

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Cash at bank and on hand	232,566	188,410

### (b) Short-term bank deposits

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Short-term bank deposits	—	83

As at 31 December 2022, the Group did not have any short-term bank deposits. As at 31 December 2021, the short-term bank deposits were placed to secure corporate credit card facilities of HK\$100,000.

As at 31 December 2021, the short-term bank deposits represented bank deposits of the Group with original maturities over three months but less than one year which are denominated in HK\$. The effective interest rate on short-term bank deposits as at 31 December 2021 was 0.15% per annum.

### (c) As at 31 December 2021 and 2022, the Group's cash and bank balances were denominated in the following currencies:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
RMB	180,788	152,758
US\$	48,837	33,026
HK\$	2,941	2,709
	232,566	188,493

Funds of the Group amounts to RMB70,900,000 as at 31 December 2022 (2021: RMB29,761,000), are kept in the bank accounts with banks in the PRC where the remittance of funds is subject to foreign exchange control.

## 24 SHARE CAPITAL AND COMBINED CAPITAL

### (a) Share capital

	Number of shares	Share capital RMB
Issued:		
Ordinary shares of HK\$0.01 each		
As at 1 January 2021	40,000	318
Issuance of ordinary shares	960,000	7,833
As at 31 December 2021, 1 January 2022 and 31 December 2022	1,000,000	8,151

During the year ended 31 December 2021, as a part of Reorganisation, the Company issued 960,000 shares at HK\$0.01 each to the offshore investment vehicles of the beneficial owners of Wangchen Technology at a consideration of RMB7,833.

### (b) Combined Capital

On 14 May 2021, the balance of combined share capital of RMB11,778,000 and capital reserve of RMB44,734,000 were reclassified to other reserve upon the completion of the Reorganisation (Note 1.2).

## 25 OTHER RESERVES

	Capital reserve RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Total RMB'000
<b>At 1 January 2021</b>	44,734	17,405	—	62,139
Appropriation to statutory reserves (Note a)	—	5,914	—	5,914
Reclassification of combined capital and capital reserve to other reserve pursuant to the Reorganisation (Note 24)	(44,734)	—	56,512	11,778
Acquisition of non-controlling interest in a subsidiary (Note b)	—	—	(276)	(276)
<b>At 31 December 2021</b>	—	23,319	56,236	79,555
<b>At 1 January 2022</b>	—	23,319	56,236	79,555
Appropriation to statutory reserves (Note a)	—	4,264	—	4,264
Acquisition of non-controlling interests in a subsidiary (Note b)	—	—	(2,103)	(2,103)
Share-based compensation (Note c)	—	—	2,872	2,872
<b>At 31 December 2022</b>	—	27,583	57,005	84,588

Notes:

## (a) Statutory reserve

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

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

## (b) Acquisition of non-controlling interest in a subsidiary

On 9 June 2021, a non-controlling interest transferred 3% equity interest in Chuangzhen Shijie to WFOE, other reserve of RMB276,000 is recognised in the consolidated statements of changes in equity as a result of this transaction.

On 6 January 2022, a non-controlling interest transferred 21% equity interest in Chuangzhen Shijie to WFOE, other reserve of RMB2,103,000 is recognised in the consolidated statements of changes in equity as a result of this transaction.

## (c) Share-based compensation

The amount represented an one-off share-based payment expense arising from share transfer between two shareholders of the Company in July 2022. The amount was calculated with reference to the number of shares transferred and the equity value of the Company as at date of transfer.

## 26 CONTRACT COSTS AND CONTRACT LIABILITIES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
<b>Contract costs</b>		
Cost charged by the Platforms and Publishers	16,452	13,108
<b>Contract liabilities</b>		
Unamortised revenue	(49,633)	(35,853)
	<b>(33,181)</b>	<b>(22,745)</b>

## (a) Significant changes in contract costs and liabilities

Contract costs are mainly related to unamortised commissions charged by the Platforms and unamortised revenue sharing to the Publishers.

Contract liabilities primarily consist of the unamortised revenue from sales of game tokens and virtual items for mobile games, where there is still an implied obligation to be provided by the Group over time.

Contract liabilities for the unamortised revenue increased due to the increase in sales of game tokens and virtual items for mobile games during the year ended 31 December 2022 (2021: same). The Group expects to deliver the services to satisfy the remaining performance obligation of these contract liabilities within one year or less.

## (b) Revenue recognised in relation to contract liabilities

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Game publishing	35,853	28,934

## 26 CONTRACT COSTS AND CONTRACT LIABILITIES (CONTINUED)

### (c) Assets recognised from contract acquisition costs

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

## 27 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Deferred tax assets:		
– to be recovered after more than 12 months	1,849	2,106
– to be recovered within 12 months	6,435	5,199
	8,284	7,305
Deferred tax liabilities:		
– to be recovered after more than 12 months	1,849	557
– to be recovered within 12 months	2,837	3,093
	4,686	3,650

## 27 DEFERRED INCOME TAX (CONTINUED)

## (a) Deferred tax assets, net

The analysis of deferred income tax assets, net are as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
<b>The balance comprises temporary differences attributable to:</b>		
Contract liabilities	5,141	4,059
Lease liabilities	2,774	1,858
Others	369	1,388
<b>Total deferred tax assets</b>	<b>8,284</b>	7,305
Set-off deferred tax liabilities	(4,686)	(3,650)
<b>Deferred tax assets, net</b>	<b>3,598</b>	3,655

The movements in the deferred income tax assets, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Contract liabilities RMB'000	Lease liabilities RMB'000	Over-claimed advertising expense RMB'000	Others RMB'000	Total RMB'000
<b>At 1 January 2021</b>	2,482	567	2,767	1,093	6,909
Recognised in profit or loss	1,577	1,291	(2,767)	295	396
<b>At 31 December 2021</b>	4,059	1,858	—	1,388	7,305
<b>At 1 January 2022</b>	4,059	1,858	—	1,388	7,305
Recognised in profit or loss	1,082	916	—	(1,019)	979
<b>At 31 December 2022</b>	5,141	2,774	—	369	8,284

## 27 DEFERRED INCOME TAX (CONTINUED)

### (b) Deferred tax liabilities, net

The analysis of deferred income tax liabilities, net are as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
<b>The balance comprises temporary differences attributable to:</b>		
Contract costs	1,935	1,807
Right-of-use assets	2,751	1,843
<b>Total deferred tax liabilities</b>	<b>4,686</b>	3,650
Set-off deferred tax assets	(4,686)	(3,650)
<b>Deferred tax liabilities, net</b>	<b>—</b>	—

The movements in the deferred income tax liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Contract costs RMB'000	Right-of-use assets RMB'000	Total RMB'000
<b>At 1 January 2021</b>	1,188	550	1,738
Recognised in profit or loss	619	1,293	1,912
<b>At 31 December 2021</b>	1,807	1,843	3,650
<b>At 1 January 2022</b>	<b>1,807</b>	<b>1,843</b>	<b>3,650</b>
Recognised in profit or loss	128	908	1,036
<b>At 31 December 2022</b>	<b>1,935</b>	<b>2,751</b>	<b>4,686</b>

- (c) Deferred income tax assets are recognised for tax losses carry forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2022, the Group has unrecognised tax losses to be carried forward against future taxable income amounted to RMB59,615,000 (2021: RMB14,969,000). Tax losses amounting to RMB59,615,000 (2021: RMB14,969,000) will expire from 2023 to 2027 (2021: 2022 to 2026). The potential deferred income tax assets in respect of these tax losses which have not been recognised are calculated based on the effective income tax rates according to prevailing tax laws and regulations in which the Group operates.



## 27 DEFERRED INCOME TAX (CONTINUED)

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

During the year ended 31 December 2022, the Group did not require its PRC subsidiaries to distribute their retained earnings to foreign investors (2021: same). As at 31 December 2022, deferred income tax liabilities have not been provided for in the consolidated financial statements in respect of the withholding tax that would be payable on unremitted earnings of the PRC subsidiaries of the Company amounting to approximately RMB11,748,000 (2021: RMB5,945,000), 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.

## 28 TRADE PAYABLES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Non-current		
– Third parties	15,083	–
Current		
– Third parties	44,121	30,617
	59,204	30,617

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

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
0–90 days	53,274	17,155
91–365 days	1,180	2,172
1–2 years	–	4,546
Over 2 years	4,750	6,744
	59,204	30,617

As at 31 December 2021 and 2022, the fair value of trade payables approximated their carrying amount.

## 29 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Payroll and welfare payables	14,683	12,426
Other tax payables	14,192	11,065
Accrued expenses	19,312	15,645
Advance from the Publishers	2,420	63
Others	255	739
	<b>50,862</b>	39,938
Less: non-current portion		
Others	(466)	(306)
Current portion	<b>50,396</b>	39,632

As at 31 December 2021 and 2022, the fair values of these balances approximated to their carrying amounts.

## 30 CASH FLOW INFORMATION

## (a) Cash generated from operations

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Profit before income tax	22,221	41,726
Adjustment for:		
Interest expense (Note 10)	677	737
Interest income (Note 10)	(3,968)	(1,478)
Loss on disposal of property, plant and equipment (Note 6)	—	748
Gain on lease termination (Note 30(c))	—	(30)
Fair value gains on financial assets measured at fair value through profit or loss (Note 6)	(125)	(485)
Fair value loss on a financial liability measured at fair value through profit or loss (Note 6)	6,816	1,479
Fair value gain on extension of a financial liability at fair value through profit or loss (Note 6)	(3,065)	—
Depreciation of property, plant and equipment (Note 15)	2,576	1,893
Depreciation of right-of-use assets (Note 16)	6,534	4,056
Net impairment losses/(reversal of impairment loss) on financial assets	1,856	(160)
Amortisation of intangible assets (Note 17)	19,641	19,416
Share-based compensation (Note 9)	2,872	—
Exchange difference	(4,428)	3,065
Operating profit before working capital changes	51,607	70,967
Changes in working capital:		
– Trade receivables, prepayments and other receivables	(8,554)	(16,808)
– Trade and other payables	19,911	10,398
– Contract costs	(3,344)	(1,476)
– Contract liabilities	13,780	6,919
	73,400	70,000

## (b) Proceeds from disposal of property, plant and equipment

In the consolidated statement of cash flow, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Net book amount	—	748
Loss on disposal of property, plant and equipment	—	(748)
Proceeds from disposal of property, plant and equipment	—	—

### 30 CASH FLOW INFORMATION (CONTINUED)

#### (c) 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	Dividend payables RMB'000	Financial liability at fair value through profit or loss RMB'000	Total RMB'000
At 1 January 2021	3,566	—	—	3,566
Cash flows	(4,588)	(80,000)	64,163	(20,425)
Addition of leases	14,105	—	—	14,105
Lease termination (Note)	(1,132)	—	—	(1,132)
Interest expense	437	—	—	437
Dividend declared and approved	—	80,000	—	80,000
Fair value loss	—	—	1,479	1,479
At 31 December 2021	12,388	—	65,642	78,030
At 31 December 2021 and 1 January 2022	<b>12,388</b>	<b>—</b>	<b>65,642</b>	<b>78,030</b>
Cash flows	<b>(6,732)</b>	<b>—</b>	<b>—</b>	<b>(6,732)</b>
Addition of leases	<b>5,080</b>	<b>—</b>	<b>—</b>	<b>5,080</b>
Lease modification	<b>(287)</b>	<b>—</b>	<b>—</b>	<b>(287)</b>
Interest expense	<b>677</b>	<b>—</b>	<b>—</b>	<b>677</b>
Fair value loss	<b>—</b>	<b>—</b>	<b>3,751</b>	<b>3,751</b>
At 31 December 2022	<b>11,126</b>	<b>—</b>	<b>69,393</b>	<b>80,519</b>

Note:

During 31 December 2021, a gain of RMB30,000, being the difference between right-of-use assets of RMB1,102,000 and corresponding lease liabilities of RMB1,132,000, was recognised as a result of an early termination of a lease arrangement.

### 31 RELATED PARTY TRANSACTIONS

#### The Group

The following significant transactions were carried out between the Group and its related parties during the years ended 31 December 2021 and 2022. The related party transactions were at terms mutually agreed between the Group and the respective related parties.

#### (a) Names and relationships with related parties

The following individuals are related parties of the Group that had balances and/or transactions with the Group during the years ended 31 December 2021 and 2022.

Related parties	Relationship
Mr. Jia Xiaodong	A shareholder and director of the Company
Mr. Huang Xiang	A shareholder and director of the Company
Mr. Li Xin	A shareholder and director of the Company
Mr. Guo Yuheng	A senior management personnel of the Company
Mr. Zhao Xin	A senior management personnel of the Company
Mr. Zeng Ke	A senior management personnel of the Company
Mr. Chu Kai Chi	A senior management personnel of the Company

#### (b) Loans to shareholders

##### (i) Mr. Li Xin

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Beginning of the year	—	48
Loans repaid	—	(48)
End of the year	—	—
Maximum outstanding during the year	—	48

Note:

The loans to shareholders are non-trade in nature.

## 31 RELATED PARTY TRANSACTIONS (CONTINUED)

## (c) Loans to key management

(i) *Mr. Zhao Xin*

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Beginning of the year	—	4
Loans repaid	—	(4)
End of the year	—	—
Maximum outstanding during the year	—	4

(ii) *Mr. Guo Yuheng*

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Beginning of the year	36	4,132
Loans advanced	—	—
Loans repaid	(36)	(4,096)
End of the year	—	36
Maximum outstanding during the year	36	4,132

All the loans to key management and shareholders are unsecured, interest free and repayable on demand. All these balances in relation to the related party transactions are non-trade in nature.

**31 RELATED PARTY TRANSACTIONS (CONTINUED)****(d) Key management compensation**

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

	<b>Year ended 31 December</b>	
	<b>2022</b> RMB'000	2021 RMB'000
Wages, salaries and bonuses	<b>6,826</b>	5,838
Other social security costs and housing benefits and other employee benefits	<b>336</b>	303
<b>Total</b>	<b>7,162</b>	6,141

**32 CAPITAL COMMITMENTS**

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	<b>As at 31 December</b>	
	<b>2022</b> RMB'000	2021 RMB'000
Intangible assets	<b>92,281</b>	10,830

**33 CONTINGENCIES**

The Group did not have any material contingent liabilities as at 31 December 2022 (2021: Nil).

### 34 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

#### (a) Statement of financial position of the Company

	Notes	As at 31 December	
		2022 RMB'000	2021 RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in a subsidiary		112,806	112,806
<b>Current assets</b>			
Prepayments		4,293	7,434
Amount due from a subsidiary		42,015	35,956
Cash and cash equivalents		105	11
<b>Total assets</b>		<b>159,219</b>	156,207
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		8	8
Other reserve	(b)	115,670	112,798
Accumulated losses		(59,694)	(30,951)
<b>Total equity</b>		<b>55,984</b>	81,855
<b>Current liabilities</b>			
Amounts due to subsidiaries		23,337	4,360
Other payables and accruals		10,505	4,350
Financial liability at fair value through profit or loss		69,393	65,642
<b>Total liabilities</b>		<b>103,235</b>	74,352
<b>Total equity and liabilities</b>		<b>159,219</b>	156,207

The statement of financial position of the Company was approved by the Board of Director on 29 March 2023 and were signed on its behalf.

**JIA Xiaodong**  
Director

**LI Xin**  
Director



## 34 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

## (b) Reserve movement of the Company

	Share Capital RMB'000	Other Reserves RMB'000	Accumulated Losses RMB'000	Total RMB'000
Balance at 1 January 2021	—	—	(12,318)	(12,318)
<b>Comprehensive loss</b>				
Loss for the year	—	—	(18,633)	(18,633)
Total comprehensive loss	—	—	(18,633)	(18,633)
<b>Transactions with owners in their capacity as owners</b>				
Issuance of shares pursuant to the reorganisation	8	—	—	8
Contribution pursuant to the reorganisation	—	112,798	—	112,798
Total transactions with owners in their capacity as owners	8	112,798	—	112,806
Balance at 31 December 2021	8	112,798	(30,951)	81,855
Balance at 1 January 2022	<b>8</b>	<b>112,798</b>	<b>(30,951)</b>	<b>81,855</b>
<b>Comprehensive loss</b>				
Loss for the year	—	—	<b>(28,743)</b>	<b>(28,743)</b>
	—	—	<b>(28,743)</b>	<b>(28,743)</b>
<b>Transactions with owners in their capacity as owners</b>				
Share-based compensation	—	<b>2,872</b>	—	<b>2,872</b>
Total transactions with owners in their capacity as owners	—	<b>2,872</b>	—	<b>2,872</b>
<b>Balance at 31 December 2022</b>	<b>8</b>	<b>115,670</b>	<b>(59,694)</b>	<b>55,984</b>

### 35 EVENTS OCCURRED AFTER THE END OF REPORTING PERIOD

On 16 January 2023, the Company issued additional 112,580,000 shares by way of capitalisation of HK\$1,125,800 standing to the credit of the Company's share premium account (the "**Capitalisation Issue**"). On the same day, the shares of the Company were listed on the Main Board of the Stock Exchange with an offer Price of HK\$6.5 per share. In connection with the Listing, the Company issued a total of 12,420,000 shares (the "**Global Offering**") for a total proceeds (before related fees and expenses) of HK\$80,730,000. The Pre-IPO convertible bonds of RMB69,393,000 issued by the Company was converted into 12,000,000 shares of the Company on the same day, representing approximately 8.70% of the issued share capital of the Company. Subsequent to the Capitalisation issue, the Global Offering and the conversion of the Pre-IPO convertible bonds, the number of issued shares of the Company increased to 138,000,000 shares, with share capital of HK\$1,380,000.

Dealing in the shares of the Company on the Main Board of the Stock Exchange commenced on 16 January 2023.

### 36 APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board on 29 March 2023.

# FINANCIAL SUMMARY

The consolidated results, assets and liabilities of the Group for the last five financial years are summarised below.

## RESULTS

	Year ended 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
<b>Revenue</b>	<b>637,886</b>	459,851	404,745	378,630	341,025
<b>Gross profit</b>	<b>333,064</b>	221,527	180,391	171,101	153,754
<b>Profit for the year attributable to</b> — Owners of the Company	<b>13,525</b>	39,986	41,498	46,627	36,742
<b>Adjusted net profit</b> (Non-HKFRS measure)*	<b>42,448</b>	56,726	45,496	49,878	39,912

## ASSETS AND LIABILITIES

	As at 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Total assets	370,260	292,362	252,735	236,734	167,746
Total liabilities	(247,646)	(185,049)	(104,670)	(109,395)	(86,087)
Total equity	122,614	107,313	148,065	127,339	81,659

\* Please refer to P.10 Non-HKFRS measure for further details.