祖龙娱乐
ARCHOSAUR GAMES

祖龙娱乐有限公司
Archosaur Games Inc.

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號：9990

年報
ANNUAL REPORT 2024

Contents

Definitions

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings:

"Amendment Date"	22 December 2022, being the date on which the amendments to the Share Option Scheme was approved by the Shareholders at the extraordinary general meeting of the Company held on 22 December 2022
"Articles of Association"	the amended and restated memorandum and articles of association of the Company adopted on 24 June 2020 with effect from the Listing Date (as amended from time to time)
"Audit Committee"	the audit committee of the Company
"Beijing Fantasy Mermaid"	Beijing Fantasy Mermaid Technology Limited* (北京幻想美人魚科技有限公司), a company established under the laws of the PRC with limited liability on 9 September 2014, which is wholly-owned by Famous Game Company Limited, our subsidiary and a WFOE
"Beijing Loong"	Beijing Loong Game Technology Limited* (北京祖龍遊科技有限公司), a company established under the laws of the PRC with limited liability on 9 September 2014 and is one of the Registered Shareholders
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"Company" or "Archosaur Games"	Archosaur Games Inc. 祖龙娱乐有限公司, an exempted company incorporated under the laws of the Cayman Islands with limited liability, whose Shares are listed and traded on the Main Board of the Stock Exchange (stock code: 9990)
"Consolidated Affiliated Entities"	the entities we control through the Contractual Arrangements, namely Tianjin Loong and its subsidiaries established from time to time
"Cooperative Game"	an online game developed by Chengdu Fantasy Mermaid Technology Limited based on (i) the adaptation from the Dragon Raja Original Work; and (ii) use of content from the Dragon Raja Animation, both granted to Chengdu Fantasy Mermaid Technology Limited by Tencent Penguin in accordance with the Licensing Agreement, that can be run on mobile operating systems on mobile terminal devices (including mobile phones, pad-like mobile devices other than mobile phones, and other mobile devices and simulators) and the relevant updates, upgrades and fixes
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules

"Cresc Chorus"	Cresc Chorus Limited, a business company incorporated under the laws of the BVI with limited liability and one of the controlling Shareholders of the Company
"Director(s)"	the director(s) of the Company
"Dragon Raja Animation"	the animated series of the literary work Dragon Raja (龍族) series
"Dragon Raja Original Work"	the literary work Dragon Raja (龍族) series in the form of novel
"Eligible Employee"	any full-time employee (excluding any director) of the Company and any subsidiary in accordance with the terms of the Share Option Scheme
"Eligible Participant(s)"	any Eligible Employee who may be invited by the Board to take up Options in accordance with the terms of the Share Option Scheme
"Equity Pledge Agreement"	the equity pledge agreement dated 10 March 2020 and entered into among Tianjin Loong, Beijing Fantasy Mermaid and the Registered Shareholders
"Exclusive Agency and Operation Agreement"	the exclusive agency and operation agreement dated 26 August 2022 entered into between the Group, Tencent Shanghai and Shenzhen Tencent Tianyou with respect to the grant of an exclusive and non-transferable right to advertise, promote and operate the Licensed Game in South Korea to the Group by Tencent Shanghai and Shenzhen Tencent Tianyou
"Exclusive Option Agreement"	the exclusive option agreement dated 10 March 2020 and entered into among Tianjin Loong, Beijing Fantasy Mermaid and the Registered Shareholders
"Exercise Price"	the price per Share at which a Grantee may subscribe for the Shares on the exercise of an Option in accordance with the terms of the Share Option Scheme
"Global Offering"	the initial public offering of the Shares for subscription by the public and the institutional, professional, corporate and other investors
"Grantee"	any Eligible Participant who accepts an Offer in accordance with the terms of the Share Option Scheme or (where the context so permits) his personal representative(s) who is/are entitled to any Option in consequence of the death of the original Grantee
"Group", "we" or "us"	the Company and all of its subsidiaries and companies whose financial results have been consolidated and accounted as the subsidiaries of our Company by virtue of certain contractual arrangements, or, where the context so requires, in respect of the period before our Company became the holding company of our current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

Definitions

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huai'an Loong"	Huai'an Loong Technology Co., Ltd.* (淮安祖龍科技有限公司), a company established under the laws of the PRC with limited liability on 19 August 2016, and by virtue of certain contractual arrangements, accounted for as our subsidiary
"IFRS"	IFRS Accounting Standards
"Licensed Game"	the Korean version of a mobile game named 亂世王者
"Licensing Agreement"	the licensing agreement dated 18 June 2022 entered into between the Group and Tencent Penguin with respect to the grant of an exclusive and non-transferable right to (i) adapt and develop the Cooperative Game based on the Dragon Raja Original Work; (ii) publish and operate the Cooperative Game; and (iii) use the related content of the Dragon Raja Animation in the Cooperative Game
"Linzhi Lichuang"	Linzhi Lichuang Information Technology Co., Ltd.* (林芝利創信息技術有限公司), a company established under the laws of the PRC with limited liability on 26 October 2015 and is one of the Registered Shareholders
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	the date on which the Shares initially commenced their dealings on the Stock Exchange, i.e. 15 July 2020
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"LuckQ"	LuckQ Technology Limited, a BVI business company incorporated under the laws of the BVI with limited liability and one of the controlling Shareholders of the Company
"MMORPG"	massively multiplayer online role-playing game, a genre of games that combine role-playing games and massively multiplayer online games in which a large number of players interact with one another within a virtual world
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Ningbo Longren"	Ningbo Long Ren Enterprise Management Partnership (Limited Partnership)* (寧波龍仁企業管理合夥企業(有限合夥)), a limited partnership enterprise established under the laws of the PRC on 14 December 2015 and is one of the Registered Shareholders

"Ningbo Qiance"	Ningbo Meishan Bonded Port Qian Ce Enterprise Management Partnership (Limited Partnership)* (寧波梅山保稅港區千策企業管理合夥企業(有限合夥)), a limited partnership enterprise established under the laws of the PRC on 28 November 2019 and is one of the Registered Shareholders
"Nomination Committee"	the nomination committee of the Company
"Offer	an offer for the grant of an Option in accordance with the terms of the Share Option Scheme
"Offer Date"	the date, which must be a business day, on which an Offer is made to an Eligible Participant in accordance with the terms of the Share Option Scheme
"Option"	an option to subscribe for the Shares granted in accordance with the terms of the Share Option Scheme
"Option Period"	in respect of any particular Option, a period (which may not be later than ten (10) years from the Offer Date of that Option) to be determined and notified by the Directors to the Grantee thereof and, in the absence of such determination, from the Offer Date of such Option to the earlier of (i) the date on which such Option lapses; and (ii) ten (10) years from the Offer Date of that Option in accordance with the terms of the Share Option Scheme
"Participant"	a Selected Person who accepts the offer of the grant of RSUs in accordance with the terms of the RSU Scheme
"Perfect World"	Perfect World Co., Ltd.* (完美世界股份有限公司), a company established in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002624)
"Perfect World Games"	Perfect World Games Co., Ltd.* (完美世界遊戲有限責任公司), a company established under the laws of the PRC with limited liability on 14 November 2008
"Perfect World Group"	Perfect World and/or its respective affiliate(s) and/or subsidiaries
"Perfect World Holding"	Perfect World Holding Group Co., Ltd.* (完美世界控股集團有限公司), a company established under the laws of the PRC with limited liability on 14 August 2013
"Perfect World Holding Group"	Perfect World Holding and/or its respective affiliate(s)
"Perfect World Interactive"	Perfect World Interactive Entertainment Co., Ltd., an exempted company incorporated under the laws of the Cayman Islands with limited liability and holds 16.55% of the Shares as at 31 December 2024

Definitions

"Powers of Attorney"	the powers of attorney entered into among Beijing Fantasy Mermaid and each of the Registered Shareholders dated 10 March 2020
"PRC"	the People's Republic of China
"Pre-IPO RSU(s)"	restricted share units granted in accordance with the terms of the Pre-IPO RSU Scheme
"Pre-IPO RSU Scheme"	the restricted share unit scheme of the Company approved and adopted by the Board on 1 April 2020, in its present form or as may be amended from time to time
"Prospectus"	the prospectus of the Company dated 30 June 2020
"Registered Shareholder(s)"	Beijing Loong, Ningbo Longren, Ningbo Qiance, Perfect World Games and Linzhi Lichuang, as the registered shareholders of Tianjin Loong
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the year ended 31 December 2024
"Risk Management Committee"	the risk management committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"RSU Scheme"	the restricted share unit scheme of the Company approved and adopted by the Shareholders on 22 December 2022, in its present form or as may be amended from time to time
"RSU(s)"	restricted share units granted pursuant to the RSU Scheme
"Selected Person(s)"	person(s) eligible to receive RSUs under the RSU Scheme, who are existing employees, directors (whether executive or non-executive, but excluding independent non-executive directors) or officers of the Company or any member of the Group selected by the Board to be granted RSUs under the RSU Scheme at its discretion
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
"Share Option Scheme"	the share option scheme of the Company approved and adopted by the Shareholders on 5 February 2021 and 22 December 2022, in its present form or as may be amended from time to time
"Share(s)"	ordinary share(s) of US$0.00001 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of Shares

"Shenzhen Tencent Tianyou"	Shenzhen Tencent Tianyou Technology Company Limited* (深圳市騰訊天遊科技有限公司), a company established in the PRC with limited liability
"SLG"	simulation games, a genre of games that attempt to emulate various activities from real life in the game format
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	for the purpose of this annual report, has the meaning ascribed to it in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and includes companies whose financial results have been consolidated and accounted as the subsidiaries of our Company by virtue of certain contractual arrangements
"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"Tencent"	Tencent Holdings Limited, an exempted company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 700), and/or its subsidiaries (as the case may be), and holds 17.19% of the Shares as at 31 December 2024
"Tencent Cloud"	Tencent Cloud Computing (Beijing) Company Limited* (騰訊雲計算(北京)有限責任公司), a company established in the PRC and a wholly-owned subsidiary of Tencent
"Tencent Penguin"	Shanghai Tencent Penguin Film Culture Communication Co., Ltd.* (上海騰訊企鵝影視文化傳播有限公司), a company established in the PRC and an entity controlled by Tencent
"Tencent Shanghai"	Tencent Technology (Shanghai) Company Limited* (騰訊科技(上海)有限公司), a company established in the PRC with limited liability
"Termination Date"	close of business of the Company on the date which falls ten (10) years after the adoption date of the Share Option Scheme
"Tianjin Loong"	Tianjin Loong Technology Co., Ltd.* (祖龍(天津)科技股份有限公司), a company established under the laws of the PRC with limited liability on 15 April 2015, and by virtue of some contractual arrangements, accounted for as our subsidiary
"Unreal Engine 4" and "Unreal Engine 5"	game engines developed by Epic Games
"US$"	United States dollars, the lawful currency of the United States
"%"	per cent

* *For identification purpose only in this annual report*

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Qing *(Chairman and chief executive officer)*
Mr. Bai Wei

Non-executive Directors

Mr. Li Nachuan *(appointed on 23 August 2024)*
Mr. Lu Xiaoyin
Ms. Liu Ming *(resigned on 23 August 2024)*

Independent Non-executive Directors

Ms. Wang Jing *(appointed on 23 August 2024)*
Mr. Zhu Lin
Mr. Ding Zhiping
Mr. Bai Kun *(resigned on 23 August 2024)*

AUDIT COMMITTEE

Mr. Zhu Lin *(Chairman)*
Ms. Wang Jing *(appointed on 23 August 2024)*
Mr. Ding Zhiping

REMUNERATION COMMITTEE

Ms. Wang Jing *(appointed on 23 August 2024)*
(Chairperson)
Mr. Ding Zhiping
Mr. Li Qing

NOMINATION COMMITTEE

Mr. Li Qing *(Chairman)*
Ms. Wang Jing *(appointed on 23 August 2024)*
Mr. Ding Zhiping

RISK MANAGEMENT COMMITTEE

Mr. Ding Zhiping *(Chairman)*
Mr. Li Qing
Mr. Zhu Lin

JOINT COMPANY SECRETARIES

Ms. Hao Lili
Ms. Zhang Xiao

AUTHORIZED REPRESENTATIVES

Mr. Li Qing
Ms. Zhang Xiao

AUDITOR

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

LEGAL ADVISER

As to Hong Kong laws
Eric Chow & Co. in Association with
Commerce & Finance Law Offices
3401, Alexandra House
18 Chater Road
Central
Hong Kong

REGISTERED OFFICE IN CAYMAN ISLANDS

Harneys Fiduciary (Cayman) Limited
4/F, Harbour Place
103 South Church Street, P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

Corporate Information

HEADQUARTERS

4/F, No. 8 Hangxing Science Park
No. 11 HePingLi East Street
Dongcheng District, Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Dah Sing Financial Centre
248 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Fiduciary (Cayman) Limited
4/F, Harbour Place
103 South Church Street, P.O.Box 10240
Grand Cayman KY1-1002
Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKS

China Merchants Bank Co., Ltd.
Tianjin Wuqing Branch
Basement Shop No. 695, Jiafeng Building
Yongyang West Road
Yangcun Town
Wuqing District, Tianjin
PRC

China Everbright Bank Co., Ltd.
Beijing Deshengmen Branch
11th Floor, Beiguang Plaza
23 Huangsi Street
Xicheng District, Beijing
PRC

Industrial Bank Co., Ltd.
Beijing Haidian Branch
1st Floor, Beijing Aerospace CPMIEC Building
Haidian District, Beijing
PRC

Standard Chartered Bank (Hong Kong) Limited
3/F Standard Chartered Bank Building
4-4A Des Voeux Road Central
Hong Kong

COMPANY WEBSITE

www.zulong.com

STOCK CODE

9990

Financial Summary

A summary of the results and of the assets and liabilities of the Company and its subsidiaries for the last five financial years, is set out below.

	For the year ended 31 December				
	2024	2023	2022	2021	2020
	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Revenue	**1,141.1**	908.5	584.1	920.8	1,208.8
Cost of revenue	**(315.1)**	(258.1)	(160.5)	(207.3)	(282.9)
Gross profit	**826.0**	650.4	423.6	713.5	925.9
Research and development expenses	**(532.1)**	(582.2)	(746.3)	(705.6)	(540.4)
Selling and marketing expenses	**(565.0)**	(274.5)	(280.6)	(247.2)	(161.0)
Administrative expenses	**(100.1)**	(105.1)	(108.2)	(97.9)	(138.3)
Net impairment (losses)/reversal on financial assets	**(0.8)**	(15.3)	(0.2)	2.9	(1.8)
Other income	**8.1**	7.6	3.9	6.7	10.8
Other gains/(losses), net	**22.5**	(37.9)	(63.6)	38.2	(12.1)
Operating (loss)/profit	**(341.4)**	(357.0)	(771.4)	(289.4)	83.1
Finance income	**53.1**	51.6	23.5	22.1	12.4
Finance costs	**(2.4)**	(4.3)	(6.4)	(10.5)	(13.4)
Finance income/(costs), net	**50.7**	47.3	17.1	11.6	(1.0)
Fair value changes on convertible redeemable preferred shares	**–**	–	–	–	(856.9)
Share of results of investments accounted for using the equity method	**3.6**	(18.1)	(13.5)	(10.0)	(0.5)
Loss before income tax	**(287.1)**	(327.8)	(767.8)	(287.8)	(775.3)
Income tax (expense)/credit	**(0.1)**	12.2	(0.7)	(15.5)	16.3
Loss for the year	**(287.2)**	(315.6)	(768.5)	(303.3)	(759.0)
Non-IFRS measure:					
Adjusted net (loss)/profit[1]	**(270.0)**	(282.9)	(731.9)	(237.7)	218.8

Note:

(1) We define adjusted net (loss)/profit as loss for the year adjusted by adding back fair value changes on convertible redeemable preferred shares, share-based compensation expenses, interest expenses accrued from redemption liability and listing expenses. We eliminate the impacts of these items that our management does not consider them to be indicative of our operating performance, as they are either non-cash items or non-recurring expenses. In particular, fair value changes on convertible redeemable preferred shares, interest expenses accrued from redemption liability and listing expenses will not recur after the Listing. Fair value changes on convertible redeemable preferred shares will not recur after the Listing as convertible redeemable preferred shares have been converted into ordinary shares upon the Listing. Interest expenses accrued from redemption liability will not recur after the Listing because the redemption liability is in relation to a put option that was extinguished and ceased to have effect upon the Listing.

Financial Summary

	As at 31 December				
	2024	2023	2022	2021	2020
	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Assets, Liabilities and Equity					
Total assets	**2,598.4**	2,743.6	2,953.3	3,518.1	4,001.8
Total liabilities	**493.1**	409.7	363.1	351.7	452.5
Total equity	**2,105.3**	2,333.9	2,590.2	3,166.4	3,549.3

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual report of the Group for the year ended 31 December 2024.

WHOLE-YEAR REVIEW AND OUTLOOK

Archosaur Games is a leading mobile gaming company in China with more than twenty years of research and development experience. We hold the vision of being a top-class gaming company in the world, serving global game players by continuously creating industry-leading games of various genres with excellent online entertainment experience. As at 31 December 2024, we have launched 23 mobile games with multiple regional versions available in more than 170 regional markets in 14 languages. Our product matrix includes MMORPG, SLG, female-oriented, strategy card and other genres.

In 2024, Archosaur Games had never forgotten its original intention in pursuing long-term goals. In the ever-changing market, the Company continued to polish its products with the artisan spirit of perfectionism and advanced various businesses in a solid manner, demonstrating outstanding resilience and innovation, thus winning wide market recognition with high-quality products. Guided by a determined attitude and enterprising spirit, the Company's self-developed and self-published project, Dragon Raja: Cassell Gate (龍族：卡塞爾之門), has achieved outstanding results in the brand-new card game genre, becoming another self-published product of Archosaur Games with gross billings of more than RMB100 million generated in the first month of launch. We firmly believe that continuously delivering high-quality products to the market through embracing cutting-edge technology and capitalizing on strong R&D capability lays the foundation for the Company's long-term development. With passion for games and respect for players, Archosaur Games is expected to bring more surprises and sensations to global users in the new year.

IMPLEMENTING THE STRATEGY OF QUALITY PRODUCTS AND DEVELOPMENT OF PRODUCT GENRES

Upholding the core spirit of "polishing products with sincerity and paving the way on innovation", Archosaur Games is committed to creating a product system with the value of long-term operation. Created for global players, Life Makeover (以閃亮之名), an ultra-free fashionable female-oriented mobile game developed by the Company's new generation of female production and planning team, is a concrete demonstration of our implementation of the strategy of quality products. After its launch, the game has been continuously updated with quality iterations. In 2024, the Company continued to explore the game creativity with multiple versions such as "Fox Reverie" (夢狐繪卷), "Puppet Chapter" (傀儡之章), "Mermaid's Song" (人魚幻歌) and "Cosmos Radiance" (永曜蒼穹). At the same time, adhering to upgrading and optimizing user communication and maintenance has allowed Life Makeover (以閃亮之名) to maintain considerable revenue and an exceptionally high user retention rate, becoming a masterpiece in the high-quality and female-oriented product genres in which the Company has operated for a long time. We creatively transform and innovatively develop Chinese traditional culture. Life Makeover (以閃亮之名), digging deep into the essence of traditional Chinese arts, blends intangible cultural heritage with modern technology so as to perfectly present the singing, reciting, acting and martial arts of Peking opera, the string tricks of puppet show, the pure white glaze of Dehua porcelain, the dazzling colours of Kirgiz embroidery and others in the game. Dragon Raja: Cassell Gate (龍族：卡塞爾之門) is also tied with Jintan paper carving, a national intangible cultural heritage, with the romantic Chinese legends on paper being integrated into the game. A number of our launched products such as Dragon Raja (龍族幻想) and Fantansy Zhuxian (夢幻誅仙) have maintained excellent long-term operating results. Our meticulous attention to product quality and our long-term operation of product planning will showcase to global players the sincerity and perseverance of Archosaur Games in implementing the strategy of high-quality products.

Sublimating the sense of innovation into corporate instinct, Archosaur Games continuously expands its business territory with innovation as the sail. Dragon Raja: Cassell Gate (龍族: 卡塞爾之門), which was launched in September 2024, topped the Top Free Games Chart of the iOS App Store on the first day of launch and continued to top the chart for a week. It entered top 10 of the Bestseller Games Chart for several consecutive days, becoming a successful product of the Company in the exploration of the card game genre. The launch and iteration of multiple genres and products have reflected the strong game development and publishing capabilities of Archosaur Games. The abundant product reserves have also highlighted our pursuit for and belief in broadening product genres and constantly rolling out new products as well as implementing the high-quality game product matrix in multiple fields. While maintaining our existing advantages, we have gradually defined the direction of development in the current market environment – focusing our R&D strength on the sub-segments with competitive advantages to create benchmark products in such segments. We will also continue to actively make attempts in combining genre characteristics of the games themselves, so that products with multi-platform development potential will be developed and operated on multiple platforms simultaneously. We firmly believe that horizontal expansion of product genres coupled with vertical integration of multi-platform operations will inevitably produce a geometric effect and will turn into a continuous driving force for promoting the long-term development of Archosaur Games.

KEEPING PACE WITH CUTTING-EDGE TECHNOLOGY AND DRIVING THE COMPANY FORWARD WITH INNOVATIVE TECHNOLOGY

In the wave of rapid technological development, we advocate leveraging technological innovation as the engine to drive the Company forward. As a pioneer in the gaming field, we were one of the first companies to introduce the world's leading Unreal Engine technology into the development of mobile games, constantly breaking through technological boundaries and exploring unknown possibilities. We research and explore LLM (Large Language Model) continuously, and promptly initiated the integration and localized deployment of DeepSeek in the games. At the same time, based on the actual needs of the Company's products, our technical team is independently developing a model architecture that can embed highly intelligent NPCs (Non-Player Characters) in the games, so as to realize the upgrade of intelligent technology and the improvement of player experience on the basis of cost control. In addition, we are also actively promoting the frontier attempt of integrative creation of AIGC (Artificial Intelligence Generated Content) with UGC (User Generated Content), striving to make it easier for players to express their creativity in the games. It has been such persistent pursuit of technology and innovative practices that keeps us at the forefront of the industry.

Innovation is the core driving force for the sustainable development of Archosaur Games, and technology is an important pillar for us to continuously improve our competitiveness. We firmly believe that only by keeping pace with cutting-edge technology and strengthening in-depth integration of technology with products can we forge ahead in the rapid development of the game industry and lead the industry trend. In the era of AI (Artificial Intelligence), with a deep understanding of the value of digitalization, we are devoted to studying combat-related AI behaviours and AI interactions of intelligent NPCs. We use different technologies in different products to achieve intelligent NPC embedding with high interaction and high emotional connection, which provides players with a richer and more immersive interactive game experience. Through the clever use of new technologies and tools in game development, we make the game world more vibrant.

A GLOBAL DEVELOPMENT LAYOUT INTEGRATING R&D AND OPERATION AND CO-CREATION OF VALUE LED BY SOCIAL RESPONSIBILITY

R&D and operation integration as well as globalization are the strategic guidelines that Archosaur Games adheres to. In our product matrix, a number of self-developed and self-published products such as Life Makeover (以閃亮之名) and Dragon Raja: Cassell Gate (龍族: 卡塞爾之門) have been successfully launched in Chinese mainland and many other regions, demonstrating our strong R&D capabilities and sophisticated operation strategies. In our globalized layout, we have shifted from simply "going out" to a deeper level of "going in" and "going up". In each region where our products will be released, we dig deep into the local market characteristics and incorporate the differences among regions into our game development and operation in all respects, so as to discover unique playing methods that suit the local market, thus achieving a higher level of game quality and service.

Chairman's Statement

As a responsible and people-oriented company in the industry, Archosaur Games actively assumes its social responsibility and has achieved remarkable performance in cultural innovation, industry-education integration and other aspects. We are determined to carry out social welfare work and have successfully conducted activities such as the "Honghu Dream Charity Project" (鴻鵠築夢公益計劃) and the "Dragon Walk for the Community" (龍行公益). In mid-2024, we visited the Honghe Hani and Yi Autonomous Prefecture in Yunnan Province and donated supplies to mountainous areas there. Knowing that the Honghe region is densely covered with forests and terraced fields, which makes it difficult for children to go to and from school and walk at night, the charity team of Archosaur Games specially made an additional donation of some street lamps in this activity, hoping that the lamps will help illuminate the way to school for kids in mountainous areas. In 2024, the Company won the "ESG Pioneer Award (ESG 先鋒獎)" at the "Fifth Cailian Press Corporate ESG Forum".

PROSPECTS

Archosaur Games has been adhering to the original intention of providing high-quality content to players since its founding, and is committed to continuously launching phenomenal quality games with unremitting enthusiasm and unswerving dedication. Facing a market environment full of volatility and uncertainty, we will further return to the essence and original intention of making games on the basis of maintaining our technical and artistic advantages. We will be fully committed to gameplay design and game innovation with a realistic attitude, so as to organically combine innovation and fun. We will also continue to optimize efficiency to produce cost-effective products. Looking forward into 2025, we will leverage the power of the rapid development of AI technology, drive innovation with intelligence, and actively promote self-developed model architectures and intelligent NPCs and other application forms, so as to take the lead in the wave of digital transformation. In terms of products, the ingenuity of the Company's long-term operation, Life Makeover (以閃亮之名), continues to explode, bringing more surprises to the market; the strategy card game Dragon Raja: Cassell Gate (龍族:卡塞爾之門) is expected to be launched in more countries and regions around the world after its launch in Chinese mainland in 2024 with outstanding results; two works brimming with the aesthetics of traditional Chinese style, Immortal Skywalker (踏風行) and Project Code: Free and Unfettered (項目代號: 逍遙) are to be released, and more blockbuster are worth looking forward to. Archosaur Games has always been at the forefront of the gaming industry in terms of technological exploration. As China's leading game developer and operator, we will continue to adhere to the core strategy of quality, multi-genre, R&D and operation integration, and globalization, and continuously develop industry-leading quality games of various genres. In the field of culture and entertainment, we will continue with our exploration and thinking aiming at gaining a deeper understanding of the market as well as user positioning, player preferences, promotion strategies, etc. We will adopt a practical attitude and set out bravely to create excellent online entertainment experiences for players worldwide.

APPRECIATION

The Board would like to take this opportunity to express our heartfelt gratitude to all the management and employees for their dedicated efforts in 2024. We would also like to express our gratitude to investors and people from all sectors for their long-term trust and support. We will continue to focus on improving the Company's intrinsic value and the efficiency of the resources utilization, thereby creating value steadily and efficiently for users, investors and the overall gaming industry.

Li Qing
Chairman of the Board

Archosaur Games Inc.

Financial Performance Highlights

	For the year ended 31 December		
	2024	2023	Change
	(RMB million)	(RMB million)	%
Revenue	**1,141.1**	908.5	25.6%
Cost of revenue	**(315.1)**	(258.1)	22.1%
Gross profit	**826.0**	650.4	27.0%
Research and development expenses	**(532.1)**	(582.2)	(8.6%)
Selling and marketing expenses	**(565.0)**	(274.5)	105.8%
Administrative expenses	**(100.1)**	(105.1)	(4.8%)
Net impairment losses on financial assets	**(0.8)**	(15.3)	(94.8%)
Other income	**8.1**	7.6	6.6%
Other gains/(losses), net	**22.5**	(37.9)	(159.4%)
Operating loss	**(341.4)**	(357.0)	(4.4%)
Finance income	**53.1**	51.6	2.9%
Finance costs	**(2.4)**	(4.3)	(44.2%)
Finance income, net	**50.7**	47.3	7.2%
Share of results of investments accounted for using the equity method	**3.6**	(18.1)	(119.9%)
Loss before income tax	**(287.1)**	(327.8)	(12.4%)
Income tax (expense)/credit	**(0.1)**	12.2	(100.8%)
Loss for the year	**(287.2)**	(315.6)	(9.0%)
Non-IFRS measure:			
Adjusted net loss[1]	**(270.0)**	(282.9)	(4.6%)

Note:

(1) We define adjusted net loss as loss for the year adjusted by adding back share-based compensation expenses. We eliminate the impact of the item that our management does not consider it to be indicative of our operating performance as it is non-cash in nature.

Management Discussion and Analysis

BUSINESS REVIEW

Our mission is to be a top-class gaming company in the world, serving global game players by continuously creating industry-leading games of various genres with excellent online entertainment experience.

We are a pioneer in China's mobile game industry focusing on developing high-quality mobile MMORPGs, SLGs, female-oriented, strategy card games and other genres, and our strength in research and development has been proven over and over again. We continue to provide superior game content to players and have won excellent market reputation.

We always adhere to the spiritual core of refining products with sincerity and opening up the road with innovation, actively practice the strategy of high-quality products, and make every effort to explore product tracks. Our carefully crafted 3A life simulation game, Life Makeover (以閃亮之名), continues to be updated with high quality, digging deep into the essence of Chinese traditional art and integrating traditional intangible cultural heritage and modern technology, thus becoming the Company's excellent product in long-term operation and the masterpiece of female-oriented genre. Dragon Raja: Cassell Gate (龍族: 卡塞爾之門), which was launched in September 2024, has also achieved remarkable results, highlighting the Company's achievements of the card game genre. At the same time, Archosaur Games keeps up with cutting-edge technology and takes the lead in introducing Unreal Engine technology to deeply explore the application of AI in game development and enhance the dynamic vitality of games. In terms of the integration of R&D and operation in global development, we have shifted from the traditional "going out" to a deeper level of "going in" and "going up", and refined unique ways of playing according to different markets. In addition, the Company actively fulfills its social responsibilities and carries out a number of public welfare activities, showing its responsibility and commitment in the industry.

Our Existing Games

As at the date of this annual report, we had launched 23 mobile games with multiple regional versions in 14 languages available in more than 170 regional markets. The cumulative number of global registered players of the launched game had surpassed 200 million, the aggregated global gross billings exceeded RMB22 billion, among which (i) the global cumulative gross billings generated by 2 mobile games had exceeded RMB4 billion; (ii) the global cumulative gross billings generated by a mobile game had been between RMB3 billion to RMB4 billion; (iii) the global cumulative gross billings generated by 4 mobile games had been between RMB1 billion to RMB3 billion; and (iv) the gross billings generated by 9 mobile games had exceeded RMB100 million in the first month after they were launched in Chinese mainland.

Life Makeover (以閃亮之名) is an ultra-free fashionable female-oriented game which was developed by new generation of female production and planning team of the Company. Since its launch, the game has ranked among top 10 of the Bestsellers Games Chart for iOS in Chinese mainland more than ten times with strong strength, and its monthly profit in January 2025 was the highest ever for the game. With the kick-off of the two-year anniversary celebration, the game not only jumped to the eighth on the Bestsellers Games Chart for iOS on 4 March 2025, but also ranked second on the Bestsellers Chart for iPad with its high-quality and accurate large-screen effects, and the gross billings of the same day climbed to its highest level since the first anniversary. Looking back on 2024, the game continued the high-quality updates, carrying out joint events with China Post, Shanghai Haichang Ocean Park, Desert Post Office and others. It also integrated the customized content of Chinese intangible cultural heritage such as Sichuan embroidery (蜀繡), Quanzhou string puppet show, Dehua white porcelain, Peking Opera, Kirghiz embroidery, Tibetan and Qiang ethnic group embroidery. It showed the unparalleled charm of Chinese traditional art while meeting the personalized needs of players. With the extreme hair movement of a single pet having up to 30 million hair as well as the unique rendering and dyeing process, the pet system superimposed with a variety of pet interaction, which has gained the attention of a wide range of players once launched. In the future, the game will also unlock more gameplay such as the great map and simulation of operation, bringing players a richer and more diverse game experience. The official Weibo account of Life Makeover (以閃亮之名) has accumulated more than 18 million retweets, comments and likes, and the TapTap platform has a consistently high rating of 8.9 points. As at 31 December 2024, the cumulative number of global registered players of Life Makeover (以閃亮之名) exceeded 20 million.

Dragon Raja: Cassell Gate (龍族: 卡塞爾之門) is a strategy card game adapted and developed based on the Dragon Raja (龍族) series of novels and animations and powered by Unreal Engine 4. On 12 September 2024, it was officially launched in Chinese mainland. On the first day of its launch, it topped the Top Free Games Chart of the iOS App Store and has dominated the Chart for a week. It has been in top 10 of the Bestsellers Games Chart for consecutive days, becoming another self-published game of Archosaur Games with the gross billings of more than RMB100 million in the first month, and won the "Strength Game of the Year Award" (年度實力遊戲獎) of the "Next World 2024 Style Award" (Next World 2024 年度風采獎). On 26 November 2024, the game launched the "Autumn Scissors" (憑秋剪意) joint event with Jintan Paper Engraving, showing the players the unique charm of intangible cultural heritage treasures integrated with game elements. The game also launches Norma, an intelligent NPC powered by DeepSeek. Players can experience a more three-dimensional and realistic game world by chatting and interacting with intelligent NPC that are highly adapted to the original character settings.

What is particularly noteworthy is that the Company launched the MMORPG mobile game Dragon Raja (龍族幻想) powered by Unreal Engine 4 in July 2019 and the turn-based MMORPG mobile game Fantasy Zhuxian (夢幻誅仙) in November 2016, which have been in operation for more than 5 and 8 years respectively since their launch. In order to continuously improve the user experience, the operation teams have implemented a multi-dimensional operation strategy: on the one hand, we actively carry out crossover with various IPs, covering cultural tourism projects such as Tang Paradise (大唐芙蓉園) and the Laojun Mountain (老君山), as well as film and television works such as The Legend of Shen Li (《與鳳行》) and Dashing Youth (《少年白馬醉春風》); on the other hand, the operation teams have built a three-dimensional user communication system through diversified operational means such as holding regular offline player meetings and carrying out live game interactions. These measures have effectively achieved long-term stable operation of the product and maintained continuous and stable revenue.

For a number of classic games under operation such as Sango Heroes: The Hegemony (三國群英傳: 鴻鵠霸業), Under the Firmament (鴻圖之下), World of Kings (萬王之王 3D), Love & Sword (御劍情緣) and Loong Craft (六龍爭霸), the Company continued to invest and maintain, and built a healthy long-term ecosystem of the games through events such as anniversary celebrations and version updates, with the performance of each game being relatively stable and continuing to contribute to the Group's revenue.

Our Game Pipeline

To build up a diversified game portfolio across a wide range of genres, 8 game products are expected to be launched globally over the period from 2025 to 2027, covering different genres of games.

As at the date of this annual report, the table below sets out certain information regarding our new games which are expected to be launched for the periods indicated, including title, genre, IP source, development stage, expected launch year and major markets.

Title[(1)]	Genre[(1)]	IP source[(1)]	Development stage as at the date of this annual report[(1)]	Expected launch year[(1)]	Major markets[(1)(2)]
2025					
Dragon Raja: Cassell Gate (龍族: 卡塞爾之門)[(3)]	Strategy Card Game	Licensed IP	Game Testing	2025	Worldwide (except Chinese mainland)
Immortal Skywalker (踏風行)	Idle RPG	Original IP	Game Testing	2025	Asia
Project Code: Free and Unfettered (逍遙)	MMORPG	Original IP	Game Production	2025	Chinese mainland
2026					
Project Code: Odin	MMORPG+	Licensed IP	Game Production	2026	Worldwide
Project G	Numerical Card Game	–[(4)]	Game Proposal	2026	Worldwide
Project I	Female-oriented Game	–[(4)]	Game Proposal	2026	Worldwide
2027					
Project Code: One	Action Shooting Game	Original IP	Game Proposal	2027	Worldwide
Project H	MMORPG	–[(4)]	Game Proposal	2027	Worldwide

Notes:

(1) The game pipeline is for indicative purpose only as at the date of this annual report. The title, genre, IP source, development stage, expected launch year, major markets and other information of each game in the pipeline may be subject to further changes according to their respective development and pre-approval status.

(2) The major markets refer to target publishing markets. The games will be launched successively in different regions according to their respective publishing plans.

(3) Dragon Raja: Cassell Gate (龍族: 卡塞爾之門) has been launched in Chinese mainland on 12 September 2024.

(4) As at the date of this annual report, the IP status of the relevant games was still pending.

The introduction of several new games in our game pipeline is provided as follows:

Immortal Skywalker (踏風行) is a mobile Chinese-style idle RPG game in cultivation themes powered by Unreal Engine 4, and has two turn-based battle modes of both PvP (Player-vs-Player) and GvG (Group-vs-Group), realizing true 3D flight combat. Relying on Chinese-style aesthetic audio-visual system and dynamic battle strike feedback mechanism, the game creates a cultivation battlefield with both strategic depth and immersion. In the development of the game, it continues to expand the boundaries of gameplay, launching innovative modules such as Immortal Alliance Siege (仙盟攻城戰) and Realm Battle (界域爭霸賽), and actively optimizing the content of the version based on players' feedback. The game is planned to be released mainly by the way of self-publishing. It started a new round of paid testing in March 2025. It is expected to be officially launched in Chinese mainland in the first half of 2025.

Project Code: Free and Unfettered (逍遙) is a turn-based MMORPG game. It combines Chinese style and cartoon aesthetics, dedicating to creating an immersive turn-based experience for players. Through its meticulously designed cultivation system and rich worldview, the game leads players into a fantastical world brimming with emotions and adventures. The external test of the game is scheduled to carried out in 2025.

Project Code: Odin is an open-world MMORPG+ game adapted from the Dragon Raja (龍族) series of novels and powered by Unreal Engine 5. It is our sincere work of using innovative technology to develop the classic IP in depth. Players can freely switch between urban exploration and scenario adventure, and immerse themselves in the Dragon Raja (龍族) worldview. The game is currently under development, and we hope to present the spiritual core of the game in our advantageous MMORPG track, revive the story of the Dragon Raja (龍族), and present the ultimate aesthetic effect and gameplay experience to players around the world.

During the Reporting Period, we recorded revenue of RMB1,141.1 million, representing an increase of 25.6% as compared with RMB908.5 million for the same period in 2023, which was primarily attributable to the launch of Dragon Raja: Cassell Gate (龍族：卡塞爾之門) in Chinese mainland and the sustained performance of Life Makeover (以閃亮之名). In the future, with the expansion of our product genres from MMORPGs, SLGs and female-oriented, strategy cards to idle RPG and other more diversified games, and with a variety of styles and the continuous improvement of our organic model of integrating R&D and operation, the lifecycle of our games is expected to be further extended, which will make a more stable and sustainable contribution to the Group's revenue.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The following table sets forth the breakdown of our revenue by business segment for the years indicated:

	For the year ended 31 December			
	2024		2023	
	(RMB million)	**% of total revenue**	(RMB million)	% of total revenue
Development and licensing	**105.5**	**9.2%**	185.9	20.4%
– Revenue share	**101.9**	**8.9%**	146.5	16.1%
– Non-refundable fixed licensing fees	**3.6**	**0.3%**	39.4	4.3%
Integrated game publishing and operation	**1,035.0**	**90.7%**	709.3	78.1%
Others	**0.6**	**0.1%**	13.3	1.5%
Total	**1,141.1**	**100.0%**	908.5	100.0%

For the year ended 31 December 2024, our revenue from development and licensing was RMB105.5 million, representing a decrease of 43.2% from RMB185.9 million for the year ended 31 December 2023, and our revenue from integrated game publishing and operation was RMB1,035.0 million, representing an increase of 45.9% from RMB709.3 million for the year ended 31 December 2023.

The following table sets forth the breakdown of our revenue segment by geography for the years indicated:

	For the year ended 31 December			
	2024		2023	
	(RMB million)	**% of total revenue**	(RMB million)	% of total revenue
Chinese mainland	**884.5**	**77.5%**	592.1	65.2%
Areas outside Chinese mainland	**256.6**	**22.5%**	316.4	34.8%
Total	**1,141.1**	**100.0%**	908.5	100.0%

For the year ended 31 December 2024, our revenue generated from Chinese mainland was RMB884.5 million, representing an increase of 49.4%, from RMB592.1 million for the year ended 31 December 2023, and our revenue generated from areas outside Chinese mainland was RMB256.6 million, representing a decrease of 18.9%, from RMB316.4 million for the year ended 31 December 2023.

The increase in total revenue was mainly attributable to the launch of Dragon Raja: Cassell Gate（龍族：卡塞爾之門）in Chinese mainland and the sustained performance of Life Makeover（以閃亮之名）during the Reporting Period.

COST OF REVENUE

The following table sets out a breakdown of our cost of revenue by nature in absolute amounts and as percentages of our total cost of revenue for the years indicated:

	For the year ended 31 December			
	2024		2023	
	(RMB million)	**% of total cost of revenue**	(RMB million)	% of total cost of revenue
Commissions charged by distribution channels and payment channels	**239.2**	**75.9%**	175.3	67.9%
Revenue share to the IP holders	**28.4**	**9.0%**	15.2	5.9%
Bandwidth and servers custody fee	**26.1**	**8.3%**	23.5	9.1%
Allowance for impairment on intangible assets	**–**	**–**	22.3	8.6%
Employee benefit expenses	**12.4**	**3.9%**	13.0	5.0%
Depreciation and amortization charges	**4.0**	**1.3%**	2.2	0.9%
Others	**5.0**	**1.6%**	6.6	2.6%
Total	**315.1**	**100.0%**	258.1	100.0%

Our cost of revenue primarily consisted of (i) commissions charged by distribution channels and payment channels; (ii) revenue share to the IP holders; and (iii) bandwidth and servers custody fee. Our cost of revenue increased to RMB315.1 million for the year ended 31 December 2024 as compared with RMB258.1 million for the year ended 31 December 2023, which was mainly attributable to the increase in commissions charged by distribution channels and payment channels, as well as revenue sharing payments to IP holders, in relation to the increase in the revenue of the integrated game publishing and operation business.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the year ended 31 December 2024, the gross profit of the Group increased by 27.0% to RMB826.0 million as compared with RMB650.4 million for the year ended 31 December 2023, which was primarily attributable to the increase in revenue resulting from the launch of Dragon Raja: Cassell Gate（龍族：卡塞爾之門）in Chinese mainland and the sustained performance of Life Makeover（以閃亮之名）during the Reporting Period. The gross profit margin of the Group increased to 72.4% for the year ended 31 December 2024 from 71.6% for the year ended 31 December 2023, remaining largely consistent with the comparable period.

RESEARCH AND DEVELOPMENT EXPENSES

Our research and development expenses primarily consisted of (i) employee benefit expenses; (ii) outsourced technical services; and (iii) depreciation and amortization charges. For the year ended 31 December 2024, our research and development expenses decreased by 8.6% to RMB532.1 million as compared with RMB582.2 million for the year ended 31 December 2023, mainly attributable to better cost control in employee benefit expenses and outsourced technical services.

SELLING AND MARKETING EXPENSES

Our selling and marketing expenses primarily consisted of (i) promotion and advertising expenses; and (ii) employee benefit expenses. For the year ended 31 December 2024, our selling and marketing expenses increased by 105.8% to RMB565.0 million as compared with RMB274.5 million for the year ended 31 December 2023, primarily due to (i) the launch of Dragon Raja: Cassell Gate（龍族：卡塞爾之門）in Chinese mainland during the Reporting Period; and (ii) the increased promotion and advertising expenses for Life Makeover（以閃亮之名）aimed at continuously enhancing player engagement.

ADMINISTRATIVE EXPENSES

Our administrative expenses primarily consisted of (i) employee benefit expenses; and (ii) auditors' remuneration and other professional consulting fees. For the year ended 31 December 2024, our administrative expenses decreased by 4.8% to RMB100.1 million as compared with RMB105.1 million for the year ended 31 December 2023, remaining relatively stable during the comparable period.

OTHER INCOME

For the year ended 31 December 2024, our other income increased by 6.6% to RMB8.1 million as compared with RMB7.6 million for the year ended 31 December 2023, due to the interest income generated from the other financial assets at amortized cost held by the Group during the Reporting Period, which was partially offset by a decrease in government grants.

OTHER GAINS/(LOSSES), NET

Our net other gains/(losses) primarily consisted of (i) gains/(losses) on financial assets at fair value through profit or loss; and (ii) foreign exchange losses. For the year ended 31 December 2024, our net other gains amounted to RMB 22.5 million as compared with net other losses amounted RMB37.9 million for the year ended 31 December 2023, mainly attributable to the gains on financial assets at fair value through profit or loss, which was partially offset by an increase in foreign exchange losses.

FINANCE INCOME, NET

Finance income represented interest income from bank deposits, including bank balance and term deposits. Finance costs primarily consisted of interest expenses accrued from our lease liabilities. For the year ended 31 December 2024, the net finance income increased by 7.2% to RMB50.7 million as compared with RMB47.3 million for the year ended 31 December 2023, remaining relatively stable during the comparable period.

INCOME TAX (EXPENSE)/CREDIT

Our income tax (expense)/credit consisted of current income tax expense and deferred income tax. For the year ended 31 December 2024, our income tax expense was RMB0.1 million, as compared with income tax credit of RMB12.2 million for the year ended 31 December 2023, mainly attributable to the reversal of deferred income tax assets related to unrealized investment losses in prior periods, resulting from the increase in the fair value of financial asset investments during the Reporting Period.

ADJUSTED NET LOSS

The adjusted net loss for the year ended 31 December 2024 amounted to RMB270.0 million as compared with adjusted net loss of RMB282.9 million for the year ended 31 December 2023. Such decrease of loss was primarily attributable to (i) revenue growth driven by the launch of Dragon Raja: Cassell Gate（龍族：卡塞爾之門）in Chinese mainland and the sustained performance of Life Makeover（以閃亮之名）, and (ii) gains on financial asset investments during the Reporting Period. However, these positive factors were partially offset by the increased promotional and advertising expenses, which were incurred to the launch of the new games and to enhance player engagement of the existing games.

The Company believes that adjusted net loss for the year ended 31 December 2024, as compared with loss for the year ended 31 December 2024 as reported under the IFRS, can provide additional information to investors and others in understanding and evaluating the Group's consolidated results of operations as well as facilitate year to year comparison. However, the use of these non-IFRS measures has limitations as an analytical tool, and one should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies.

The following table sets forth the reconciliations of the Group's non-IFRS financial measures for the years ended 31 December 2024 and 2023 to the nearest measures prepared in accordance with IFRS:

	For the year ended 31 December	
	2024	2023
	(RMB million)	(RMB million)
Reconciliation of loss for the year to adjusted net loss for the year:		
Loss for the year	**(287.2)**	(315.6)
Add back:		
Share-based compensation expenses	**17.2**	32.7
Adjusted net loss for the year	**(270.0)**	(282.9)

LIQUIDITY AND FINANCIAL RESOURCES

We have historically funded our cash requirements principally from cash generated from operations, and to a lesser extent, equity financing. We adopt a prudent treasury management policy to ensure that our Group maintains a healthy financial position. Taking into account the financial resources available to the Group, including cash and cash equivalents on hand, cash generated from operations and available facilities of the Group, and the net proceeds from the issuance of ordinary shares relating to the initial public offering, and after diligent and careful investigation, the Directors are of the view that the Group has sufficient working capital required for the Group's operations at present.

As at 31 December 2024, the Group has net current assets of RMB1,355.7 million and cash and cash equivalents, term deposits and restricted cash of RMB1,139.2 million, which were mainly denominated in RMB, US$ and HK$.

As at 31 December 2024, the Group's total equity attributable to owners of the Company amounted to RMB2,105.3 million, compared with RMB2,333.9 million as at 31 December 2023, representing a decrease of 9.8%. The decrease was mainly attributable to the operating loss for the year ended 31 December 2024.

The following table sets out our cash flows for the years indicated:

	For the year ended 31 December		
	2024	2023	Change
	(RMB million)	(RMB million)	%
Net cash used in operating activities	**(188.0)**	(79.5)	136.5%
Net cash generated from/(used in) investing activities	**122.5**	(589.1)	(120.8)%
Net cash used in financing activities	**(60.2)**	(19.2)	213.5%
Net decrease in cash and cash equivalents	**(125.7)**	(687.8)	(81.7)%
Cash and cash equivalents at the beginning of the year	**555.0**	1,233.0	(55.0)%
Exchange gains on cash and cash equivalents	**4.4**	9.8	(55.1)%
Cash and cash equivalents at the end of the year	**433.7**	555.0	(21.9)%

Operating Activities

For the year ended 31 December 2024, net cash used in operating activities was RMB188.0 million, compared with RMB79.5 million for the year ended 31 December 2023, representing an increase of 136.5%. The increase was mainly attributable to the increase in cash outflows for promotion and advertising expenses, which offset the growth in cash inflows from the gaming business.

Investing Activities

For the year ended 31 December 2024, net cash generated from investing activities was RMB122.5 million, compared with RMB589.1 million used in investing activities for the year ended 31 December 2023, mainly attributable to the redemption of term deposits and wealth management products during the Reporting Period to support the Group's operating activities.

Financing Activities

For the year ended 31 December 2024, net cash used in financing activities was RMB60.2 million, compared with RMB19.2 million for the year ended 31 December 2023, representing an increase of 213.5%. The increase was mainly attributable to the repurchase of shares by the Company during the Reporting Period, as well as advance payments made to stockbrokers for future shares repurchase arrangements.

GEARING RATIO

As at 31 December 2024, our gearing ratio, which is calculated as total liabilities divided by total assets, was 19.0%, as compared with 14.9% as at 31 December 2023.

CAPITAL EXPENDITURE

Our capital expenditure comprised expenditures on purchases of intangible assets and purchases of property, plant and equipment. For the years ended 31 December 2024 and 2023, total capital expenditure amounted to RMB20.8 million and RMB4.4 million respectively, representing an increase of 372.7%. The increase was mainly attributable to the payment for intangible assets.

SIGNIFICANT INVESTMENTS HELD/FUTURE PLANS FOR SIGNIFICANT INVESTMENTS OR CAPITAL ASSETS

Subscription of Wealth Management Products

In 2024, Archosaur Entertainment Limited, a wholly-owned subsidiary of the Company, subscribed for the wealth management products (i.e. the notes in the principal amount of US$9.8 million and the bonds in the principal amount of US$10.1 million) through Morgan Stanley Bank Asia Limited ("**Morgan Stanley Asia**"). As at 31 December 2024, none of such wealth management products had expired.

During the year ended 31 December 2024, the Group held the following significant investments which represent 5% or more of the total assets of the Group as at 31 December 2024 and are measured at amortized cost:

Name of investment	Investment date	Nature of product	Cost	Carrying amount as at 31 December 2024	Expected annualized yield	Dividends received	Gains incurred for the year 2024	Percentage to the Company's total assets as at 31 December 2024
			(RMB million)	(RMB million)	%	(RMB million)	(RMB million)	%
Relevant Financial Products of Morgan Stanley Asia								
STEP-DOWN FIXED RATE CALLABLE NOTES	9 January 2024	Fixed-rate notes	70.4	74.2	1st year: 5.68%, 2nd year: 5.38%, 3rd year: 5.08%, 4th year: 4.78%, 5th year: 4.48%	N/A	3.8	2.9%
US TREASURY NOTE	3 July 2024	US Treasury Note	72.3	72.7	4.43%	N/A	1.5	2.8%
Total			**142.7**	**146.9**			**5.3**	**5.7%**

Note:

(1) These investments are held for collection of contractual cash flows and the contractual cash flows of these investments qualify for solely payments of principal and interest, hence they are measured at amortized costs.

Description of Relevant Financial Products of Morgan Stanley Asia

In 2024, the Group subscribed for relevant financial products of Morgan Stanley Asia, including STEP-DOWN FIXED RATE CALLABLE NOTES and US TREASURY NOTE. Among them, the carrying amount of the STEP-DOWN FIXED RATE CALLABLE NOTES, measured at amortized cost was approximately RMB74.2 million as at 31 December 2024. The expected annualized yields of the products are 5.68% in the first year, 5.38% in the second year, 5.08% in the third year, 4.78% in the fourth year and 4.48% in the fifth year. The carrying amount of US TREASURY NOTE was measured at amortized cost approximately RMB72.7 million as at 31 December 2024, with an expected annualized yield of 4.43%. The sources of funds for the investment in the relevant financial products of Morgan Stanley Asia are the Company's internal resources.

Significant Investment Strategy

The Board believes that reasonable and effective utilization of temporary idle funds will enhance the capital gain of the Company, which accords with the core objectives of the Company to ensure capital safety and liquidity and meets the working capital requirements of the Group's daily operations. Having considered the level of risk involved in the subscriptions of wealth management products and compared different price quotes, the Company is of the view that such subscriptions will deliver relatively stable returns. The subscriptions of wealth management products have been made on the premise that the Group has the working capital requirements for the daily operations. The Group has fully assessed and measured the risks and returns of the subscriptions of wealth management products as well as the future capital requirements, which will not affect the normal operation of the daily working capital and the development of our principal business operations.

For further details, please refer to the announcement of the Company dated 3 July 2024.

Save as disclosed in this annual report, as at 31 December 2024, there was no significant investment held by the Group or future plans for significant investments or capital assets, and none of each individual investment held by the Group constituted 5% or above of the total assets of the Group as at 31 December 2024.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Subscription of the Fund

On 13 December 2024, Beihai Loong Venture Capital Co., Ltd. (北海祖龍創業投資有限公司) (the "**Subscriber**"), an indirect wholly-owned subsidiary of the Company, Dinghui Investment Management (Tianjin) Company Limited (鼎暉股權投資管理(天津)有限公司) (as the General Partner) and the other limited partners entered into the limited partnership agreement (the "**Limited Partnership Agreement**"), pursuant to which the Subscriber has agreed to subscribe for the limited partnership interest in the Tianjin Dinghui Yuanju Equity Investment Partnership (Limited Partnership) (天津鼎暉源聚股權投資合夥企業(有限合夥)) (the "**Fund**") in the amount of RMB50,000,000, which accounts for approximately 6.25% of the total capital contribution to the Fund as at the date of the Limited Partnership Agreement.

For further details, please refer to the announcements of the Company dated 13 December 2024 and 2 January 2025.

Save as disclosed in this annual report, for the year ended 31 December 2024, there was no material acquisitions or disposals of subsidiaries, associates and joint ventures.

CHARGE ON ASSETS

As at 31 December 2024, no property, plant and equipment was pledged.

CONTINGENT LIABILITIES

As at 31 December 2024, we did not have any unrecorded significant contingent liabilities against us.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, we employed 1,083 full-time staff in total, approximately 77.65% of whom are research and development personnel. Substantially all of our employees are based in China, primarily at our headquarters in Beijing, with the remainder in Chengdu, Changchun, Shanghai and Hainan. For the year ended 31 December 2024, cost of employees' remuneration and benefit was approximately RMB551.2 million as compared with RMB589.8 million for the year ended 31 December 2023.

We are committed to establishing a competitive and fair remuneration and benefits environment for our employees. To effectively motivate our business development team through remuneration incentives and ensure that our employees receive competitive remuneration packages, we continually refine our remuneration and incentive policies through market research and comparisons with our competitors. We conduct monthly performance evaluations to provide employee performance feedback, and report conduct quarterly selections to affirm and encourage outstanding employees. Remuneration for our employees typically consists of a base salary and performance-based and year-end bonuses. To incentivize our Directors, senior management and employees of the Group for their contribution to the Group, the Company adopted the Pre-IPO RSU Scheme, the RSU Scheme and the Share Option Scheme. For details, please refer to "RSU Schemes" and "Share Option Scheme" under the section "Directors' Report" in this annual report.

As required by PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including housing provident fund, pension insurance, medical insurance, maternity insurance, work-related injury insurance and unemployment insurance.

We provide regular and specialized training tailored to the needs of our employees in different departments. We regularly organize training sessions conducted by senior employees or external consultants, covering various aspects of our business operations, including overall management, legislations and statutory regulations, project execution and technical know-how. We constantly review the content of training and follow up with employees to evaluate the effect of such training. Through the training, we help our employees to stay up to date with both industry development, skills and technologies. We also organize workshops, from time to time, to discuss specific topics.

FOREIGN CURRENCY EXCHANGE RISKS

For the year ended 31 December 2024, most of transactions of the Group and our cash and cash equivalents were denominated in RMB, US$ and HK$. The management team closely monitors foreign currency exchange risks to ensure that appropriate measures are implemented in a timely and effective manner. For the year ended 31 December 2024, the Group has not incurred any significant foreign currency exchange losses in its operations. The management will continue to monitor the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

USE OF NET PROCEEDS FROM GLOBAL OFFERING

On 15 July 2020, the Company successfully completed its initial public offering of 187,400,000 Shares at HK$11.60 per Share, and its Shares were listed on the Main Board of the Stock Exchange. On 11 August 2020, the over-allotment option described in the Prospectus was fully exercised by the Sole Global Coordinator on behalf of the International Underwriters as defined in the Prospectus in respect of an aggregate of 28,110,000 offer shares (the "**Over-allotment Shares**"). The Over-allotment Shares have been allotted and issued by the Company at HK$11.60 per Share. The net proceeds raised from the Global Offering (after taking account of the exercise of over-allotment option), after deduction of the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the Global Offering, were approximately HK$2,358.5 million.

The table below sets forth the proposed and actual applications of the net proceeds from the Listing Date to 31 December 2024:

Use of net proceeds	Percentage	Net proceeds from the Global Offering (HK$ million)	The amount utilized during the year ended 31 December 2024 (HK$ million)	As at 31 December 2024 Utilized amount (HK$ million)	As at 31 December 2024 Unutilized amount (HK$ million)	Expected timeline for utilizing the remaining net proceeds[1]
Enhancing the development capabilities and technology and expanding our game portfolio	40%	943.5	–	943.5	–	–
Expanding game publishing and operation business, particularly in markets outside of Chinese mainland	20%	471.7	–	471.7	–	–
Funding strategic acquisition of and investment in upstream and downstream businesses along the industry value chain and investment in investment funds focusing on pan-entertainment or technology, media and telecom	20%	471.7	31.4	225.6	246.1	2025.01-2026.12
Expanding the IP reserve and enriching our content offerings	10%	235.8	21.5	235.8	–	–
Working capital and general corporate uses	10%	235.8	–	235.8	–	–
Total	**100%**	**2,358.5**	**52.9**	**2,112.4**	**246.1**	

Note:

(1) The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to changes based on the current and future development of the market conditions.

Since the Listing Date and up to 31 December 2024, approximately HK$2,112.4 million out of net proceeds from the Global Offering had been used.

As disclosed in the 2024 interim report of the Company, the previous expected timeline of utilizing the remaining net proceeds in respect of funding strategic acquisition of and investment in upstream and downstream businesses along the industry value chain and investment in investment funds focusing on pan-entertainment or technology, media and telecom was July 2025. The further delay in the use of such net proceeds was mainly attributable to additional time required for and the more cautious approach taken by the Group to look for suitable acquisition and investment targets due to the unstable and uncertain external factors. As at 31 December 2024, the net proceeds in respect of expanding the IP reserve and enriching our content offerings had been completely used.

Apart from the above-mentioned adjustments, as at the date of this annual report, there was no change in the intended use of net proceeds and the expected timeline as previously disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

To the extent that net proceeds are not immediately used for the intended use, the Company currently intends to place such proceeds in short-term interest bearing instruments, such as liquid fixed income securities, short-term bank deposits, short-term and low risk wealth management products or money market instruments with licensed commercial banks or other authorized financial institutions so long as it is deemed to be in the best interests of the Company.

Directors' Report

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

GLOBAL OFFERING AND PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on 2 January 2020 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's Shares were listed on the Stock Exchange on 15 July 2020.

The Company is an investment holding company. The Group is principally engaged in the development and operating of mobile games in the PRC and other countries and regions.

The activities and particulars of the Group and an analysis of the Group's revenue and operating losses for the year by principal activities are set out under the section headed "Management Discussion and Analysis" in this annual report.

A review of the Group's business, major risks, use of net proceeds from the Global Offering, uncertainties faced by the Group, and the future development of the Group's business could be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. The review and discussion form part of this Directors' report.

RESULTS

The consolidation results of the Group for the year ended 31 December 2024 are set out on pages 88 to 176 of this annual report.

FINAL DIVIDENDS

The Board has resolved not to recommend payment of any final dividend for the year ended 31 December 2024.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting to be held on Friday, 13 June 2025 (the "**AGM**"), the register of members of the Company will be closed from Tuesday, 10 June 2025 to Friday, 13 June 2025 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for attending the AGM, all share certificates with completed transfer forms must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 9 June 2025 for registration of share transfer.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2024 are set out in Note 15 to the consolidated financial statements on page 146 to 147 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material incompliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste. For further details of the Group's environmental policies and performance, please refer to the environmental, social and governance report of the Company for the year ended 31 December 2024.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2024 are set out in Note 24 to the consolidated financial statements on page 158 of this annual report.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the year ended 31 December 2024 are set out in Note 25 and 33(b) respectively to the consolidated financial statements on page 159 and 175 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's distributable reserves were RMB6,443.9 million.

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

During the year ended 31 December 2024, the Board considered the repurchases of Shares could enhance the net value of the Group and improve the return on equity and will benefit the Company and the Shareholders as a whole, thus the Company repurchased a total of 6,563,000 Shares on the Stock Exchange at a total consideration of HK$8,935,950, of which 2,192,000 repurchased Shares were yet to be cancelled as at 31 December 2024.

Details of the aforementioned repurchases are set out as follows:

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share (HK$)	Lowest price paid per Share (HK$)	Total purchase price paid (HK$)
January 2024	2,961,000	1.36	1.15	3,686,790
February 2024	1,410,000	1.48	1.23	1,847,870
August 2024	802,000	1.52	1.25	1,098,970
September 2024	524,000	1.61	1.43	790,890
October 2024	866,000	1.84	1.66	1,511,430
Total	**6,563,000**			**8,935,950**

Save as disclosed above, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares (as defined under the Listing Rules)) during the Reporting Period. As at 31 December 2024, the Company did not hold any treasury shares (as defined under the Listing Rules).

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Directors

Mr. Li Qing *(Chairman and chief executive officer)*
Mr. Bai Wei

Non-executive Directors

Mr. Li Nachuan *(appointed on 23 August 2024)*
Mr. Lu Xiaoyin
Ms. Liu Ming *(resigned on 23 August 2024)*

Independent Non-executive Directors

Ms. Wang Jing *(appointed on 23 August 2024)*
Mr. Zhu Lin
Mr. Ding Zhiping
Mr. Bai Kun *(resigned on 23 August 2024)*

Each of Mr. Li Nachuan and Ms. Wang Jing had obtained the legal advice as referred to in Rule 3.09D of the Listing Rules on 23 August 2024, and has confirmed he/she understood his/her obligations as a Director of the Company.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 63 to 68 under the section headed "Biographical details of Directors and Senior Management" of this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service agreement with our Company with an initial term of three years with effect from the Listing Date. Such service agreements were renewed on similar terms and effective from 15 July 2023 for another term of three years. No Director's remuneration is payable to the executive Directors under the agreements.

Each of our non-executive Directors and independent non-executive Directors has entered into a letter of appointment with our Company. Mr. Zhu Lin and Mr. Ding Zhiping were appointed with an initial term of three years commencing from the Listing Date. Such appointment letters were renewed on similar terms and effective from 15 July 2023 for another term of three years. Mr. Lu Xiaoyin was appointed with an initial term of three years commencing from 5 November 2020 and renewed such appointment letter with the Company on similar terms and effective from 5 November 2023 for another term of three years. Mr. Li Nachuan and Ms. Wang Jing was appointed with an initial term of three years commencing from 23 August 2024. Mr. Li Nachuan and Mr. Lu Xiaoyin will not receive any remuneration from the Company pursuant to the terms of the letter of appointment. Under these appointment letters, each of the independent non-executive Directors will receive a Director's annual remuneration of RMB100,000.

None of the Directors has entered into a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTOR'S INTEREST IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No Director or any entity connected with them had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Company to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management receive compensation from the Group in the form of fees, salaries, bonuses, contributions to pension schemes, allowances and benefits in kind. The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in Note 9 to the consolidated financial statements on pages 138 to 141 of this annual report.

The senior management's total remuneration paid/payable for the year ended 31 December 2024 (including all executive Directors) by bands is as follows:

Band	**Number of senior management for the year ended 31 December 2024**
Nil to RMB1,000,000	–
RMB1,000,001 to RMB5,000,000	5
Over RMB5,000,000	1

For the year ended 31 December 2024, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. Save as disclosed above, none of the Directors has waived any emoluments for the year ended 31 December 2024.

The employees of the Group's subsidiaries which operate in Chinese mainland and areas outside Chinese mainland are required to participate in central pension schemes operated by the local government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. Details of the Group's pension scheme are set out in Note 9 to the consolidated financial statements on pages 138 to 141 of this annual report.

Except as disclosed above, no other payments have been made or are payable, during the Reporting Period, by the Group to or on behalf of any of the Directors.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this annual report, Mr. Li Nachuan and Mr. Lu Xiaoyin, our non-executive Directors, respectively held directorship in certain companies principally engaged in game development and distribution, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group (the "**Competing Business**"). Notwithstanding the aforesaid interests, as the Board is independent of the board of the companies engaged in the Competing Business and has three independent non-executive Directors, and Mr. Li Nachuan and Mr. Lu Xiaoyin are fully aware of, and have been discharging, their fiduciary duties to the Company and have acted and will continue to act in the best interest of the Company and the Shareholders as a whole, the Group is capable of carrying on its businesses independently of, and at arm's length from, the Competing Business.

Save as disclosed above, during the Reporting Period, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries, under Rule 8.10 of the Listing Rules.

CONTRACT OF SIGNIFICANCE

During the Reporting Period, save as disclosed in this annual report, neither the Company nor any of its subsidiaries had any contract of significance with its controlling shareholder or its subsidiaries, nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

CONNECTED TRANSACTION

The Group has entered into several connected transaction agreements with certain connected persons of the Group as described in the paragraphs below.

Continuing Connected Transactions

(1) Non-Exempt Continuing Connected Transactions

Save for the Contractual Arrangements disclosed below, the transactions under the following continuing connected transaction agreements constitute non-exempt continuing connected transactions of the Company during the year ended 31 December 2024:

	Transactions/ Agreement	Parties	Date/Term of Agreement	Contents of Transaction	Pricing Policy
Transactions with Perfect World Group					
1	Game Cooperation with Perfect World Group/Perfect World Game Cooperation Framework Agreement	The Group and Perfect World Group[1]	4 November 2022/The term commenced on 1 January 2023 and shall expire on 31 December 2025.	The Perfect World Group shall license certain IP rights on a non-exclusive basis to us to adapt and develop such IP to mobile or PC version of games, grant publishing rights of such games to us on an exclusive basis, and cooperate in the operation of such games.	The licensing fees and/or revenue sharing to be incurred by the Group to the Perfect World Group shall be determined upon arm's length negotiation between the parties with reference to (i) the quality and popularity of the original IP; (ii) the prevailing fee structure and pricing terms of comparable IPs in the market; and (iii) the potential revenue and profitability from the game. Based on the historical licensing fees paid for original IPs from independent licensors and the fee quotes provided by other independent licensors of similar IPs, we will be able to ensure that the fees to be incurred to the Perfect World Group by our Group represents the prevailing market price and on normal commercial terms that are no less favourable to the Company.

	Transactions/ Agreement	Parties	Date/Term of Agreement	Contents of Transaction	Pricing Policy
Transactions with Perfect World Group (Continued)					
2	Perfect World Graphic Design Services/Perfect World Game Cooperation Framework Agreement	The Group and Perfect World Group[(1)]	4 November 2022/The term commenced on 1 January 2023 and shall expire on 31 December 2025.	The Perfect World Group shall provide graphic design services to our Group in return for service fees.	The service fees to be incurred by the Group to the Perfect World Group shall be determined after arm's length negotiation between the parties with reference to (i) the complexity of the design requirements; and (ii) the prevailing fee structure and pricing terms for similar services in the market. Based on fee quotes provided by other independent service providers, we will be able to ensure that the fees to be incurred to the Perfect World Group by the Group represents the prevailing market price and on normal commercial terms that are no less favourable to the Company.
Transactions with Tencent Group					
3	Licensing of Game Adaptation Rights/Licensing Agreement	The Group and Tencent Penguin[(2)]	18 June 2022/ The term commenced on 18 June 2022 and shall expire on 29 December 2025.	Tencent Penguin has agreed to grant the Group an exclusive and non-transferable right to (i) adapt and develop the Cooperative Game based on the Dragon Raja Original Work; (ii) publish and operate the Cooperative Game; and (iii) use the related content of the Dragon Raja Animation in the Cooperative Game.	The fee under the Licensing Agreement payable by the Group to Tencent Penguin shall comprise (i) a fixed licensing fee of RMB10,000,000; and (ii) a fixed rate of relevant revenue deductible from a prepayment of guaranteed share of relevant revenue in the amount of RMB5,000,000. The fee under the Licensing Agreement, including the fixed rate of relevant revenue, was determined after arm's length negotiation between the parties with reference to (i) the quality and popularity of the Dragon Raja Original Work; and (ii) the prevailing fee arrangement and pricing terms in respect of licensing of comparable game adaptation rights in the market.

	Transactions/ Agreement	Parties	Date/Term of Agreement	Contents of Transaction	Pricing Policy
Transactions with Tencent Group (Continued)					
4	Exclusive Agency and Operation of Games/ Exclusive Agency and Operation Agreement	The Group, Tencent Shanghai and Shenzhen Tencent Tianyou(2)	26 August 2022/The term commenced on 26 August 2022 and shall expire on 25 August 2025.	Tencent Shanghai and Shenzhen Tencent Tianyou have agreed to grant to the Group an exclusive and nontransferable right to advertise, promote and operate the Licensed Game in South Korea.	The fee under the Exclusive Agency and Operation Agreement payable by the Group to Tencent Shanghai and Shenzhen Tencent Tianyou shall comprise (i) a fixed licensing fee of US$200,000 (tax included); and (ii) a fixed rate of share of the total revenue after deducting the bad debt and the reasonable deductible amount to be paid and settled from the date of official open test of the Licensed Game after reconciliation on a monthly basis. The fee under the Exclusive Agency and Operation Agreement was determined after arm's length negotiation between the parties after taking into account the revenue sharing arrangement and prevailing licensing fees payable by the Group to other independent third parties in respect of exclusive agency and operation agreement for similar and comparable games in the market.

	Transactions/ Agreement	Parties	Date/Term of Agreement	Contents of Transaction	Pricing Policy
Transactions with Tencent Group (Continued)					
5	Cloud Services of Tencent/ Cloud Services Agreement	The Group and Tencent Cloud[2]	30 March 2016 (as supplemented by three supplemental agreements on 13 June 2016, 1 January 2020 and 4 November 2022, respectively)/ The term was renewed from 1 January 2023 and shall expire on 31 December 2025.	The provision of services includes (i) cloud services ranging from cloud computing, data storage and CDN services, cloud security services, domain name services, mobility and communications services, video services and artificial intelligence products and/ or services; and (ii) 24-hour/7 days per week after-sales services as well as assistance in addressing issues encountered during the use of Tencent Cloud services by our Group. The precise scope shall be agreed in separate underlying orders to be placed by us depending on our business needs through the online platform of Tencent Cloud.	Before entering into any separate underlying orders under the Cloud Services Agreement, we will assess our needs, evaluate the quality of cloud services of different service providers and compare the rates of services fees proposed by Tencent Cloud with the rates offered by other independent competent service providers. Based on the fee quotes provided by other independent service providers, we will be able to ensure that the services fees to be incurred by the Group to Tencent Cloud represents the prevailing market price and on normal commercial terms that are no less favorable to the Company. Based on this agreement, we have enjoyed and will continue to enjoy a volume discount for the cloud services that are engaged in a calendar month on a progressive basis. We will only place an underlying order with Tencent Cloud when such order is in the best interests of the Company and the Shareholders as a whole.

	Transactions/ Agreement	Parties	Date/Term of Agreement	Contents of Transaction	Pricing Policy
Transactions with Tencent Group (Continued)					
6	Tencent Promotion and Advertising Services/ Tencent Game Cooperation Framework Agreement	The Group and Tencent group[2]	4 November 2022/The term commenced on 1 January 2023 and shall expire on 31 December 2025.	The Tencent group shall provide promotion and advertising services, including but not limited to user traffic acquisition, marketing, promotion and advertising which may be digital advertising on social media platforms operated by the Tencent group, such as QQ, QZone, and Weixin; or out-of-home advertising, such as on transportation media, and the Group agreed to pay service fees to the Tencent group.	The service fees to be incurred by the Group to the Tencent group shall be determined after arm's length negotiation between the parties with reference with the prevailing market rate for similar promotion and advertising activities and campaigns. Based on the fee quotes provided by other independent third-party service providers, the Company will be able to ensure that the fees to be incurred by the Group represents the prevailing market rate and on normal commercial terms that are no less favorable to the Group.
7	Publishing of Games on Tencent Platforms/ Tencent Game Cooperation Framework Agreement	The Group and Tencent group[2]	4 November 2022/The term commenced on 1 January 2023 and shall expire on 31 December 2025.	We shall engage Tencent group as a distribution channel, such that our games are published on platforms operated by Tencent group, such as Tencent MyApp (騰訊應用寶).	The commissions to be incurred by the Group to Tencent group in relation to the publishing of games on Tencent platforms shall be determined after arm's length negotiation between the parties with reference to (i) the prevailing market rate; and (ii) the standard commission rates of the Tencent group for game publishers, including the Company. Based on the fee quotes provided by other independent third party game publishers, we will be able to ensure that the commissions to be incurred by the Group to Tencent group represents the prevailing market rate and on normal commercial terms that are no less favourable to the Company.

	Transactions/ Agreement	Parties	Date/Term of Agreement	Contents of Transaction	Pricing Policy
Transactions with Tencent Group (Continued)					
8	Exclusive Publishing and Operation of Games/ Tencent Game Cooperation Framework Agreement	The Group and Tencent group[2]	4 November 2022/The term commenced on 1 January 2023 and shall expire on 31 December 2025.	We shall engage the Tencent group to publish, operate and promote certain games that we self-developed in designated regions.	The pricing of the transactions will be determined with reference to (i) the test results of our games based on Tencent's internal evaluation system with regards to the nature, quality and the expected popularity in the market; (ii) potential user traffic and gross billings arising from the platforms operated by the Tencent group; and (iii) the fee arrangements at the prevailing terms in the market. Based on the fee quotes provided by other independent service providers, we will be able to ensure that the fees and revenue to be incurred by the Tencent group to the Group represent the prevailing market price and on normal commercial terms that are no less favorable to the Company. The fee arrangements of such transactions may consist of any of the following: (i) fixed licensing fees that may be paid by separate instalments that are hedged against the progression of the commercial operation of the game; (ii) revenue sharing at a fixed proportion; and (iii) initial prepaid fees that shall be deductible for the subsequent revenue sharing. The pricing for the historical transactions was negotiated separately at arm's length, having taken into account the aforementioned considerations holistically.

	Transactions/ Agreement	Parties	Date/Term of Agreement	Contents of Transaction	Pricing Policy
Transactions with Tencent Group (Continued)					
9	IP Right Licensing/ Tencent Game Cooperation Framework Agreement	The Group and Tencent group[2]	4 November 2022/The term commenced on 1 January 2023 and shall expire on 31 December 2025.	The Tencent group shall license certain IP rights to the Group to adapt and develop such IP to games and use the related contents for advertising, promotion and operation of such games.	The licensing fees and/or revenue sharing to be incurred by the Group to the Tencent group shall be determined upon arm's length negotiation between the parties with reference to (i) the quality and popularity of the original IP(s); (ii) the prevailing fee structure and pricing terms of comparable IPs in the market; and (iii) the potential revenue and profitability from the game. Based on the historical licensing fees paid for original IPs from independent third-party licensors and the fee quotes provided by other independent third-party licensors of similar IPs, the Company will be able to ensure that the fees to be incurred to the Tencent group by the Group represents the prevailing market price and on normal commercial terms that are no less favorable to the Group.
10	Agency and Operation of Games/ Tencent Game Cooperation Framework Agreement	The Group and Tencent group[2]	4 November 2022/The term commenced on 1 January 2023 and shall expire on 31 December 2025.	The Tencent group shall license the Group to advertise, promote and operate games developed by the Tencent group or of which the Tencent group owns the IP rights in designated regions.	The licensing fees and/or revenue sharing to be incurred by the Group to the Tencent group shall be determined upon arm's length negotiation between the parties with reference to (i) the nature, quality and the expected popularity of the game(s) in the market; (ii) potential user traffic and gross billings arising from the platforms operated by the Group; and (iii) the fee arrangements at the prevailing terms in the market. Based on the fee arrangements with other independent third-party licensors, the Company will be able to ensure that the fees to be incurred to the Tencent group by the Group represents the prevailing market price and on normal commercial terms that are no less favorable to the Group.

Notes:

(1) Perfect World Group ultimately controls Perfect World Interactive, one of our substantial Shareholders.

(2) Tencent is one of our substantial Shareholders, and Tencent Cloud, Tencent Penguin, Tencent Shanghai and Shenzhen Tencent Tianyou are entities controlled by Tencent.

Transaction caps and actual transaction amounts for the year ended 31 December 2024

Actual transaction amounts and transaction caps of the above-mentioned non-exempt continuing connected transactions for the Reporting Period are as follows:

Transactions	For the year ended 31 December 2024 2024 Annual cap (RMB million)	Actual amount (RMB million)
Transactions with Perfect World Group		
1 Game cooperation with Perfect World Group	**7.20**	6.74
2 Perfect World graphic design services	**2.80**	–
Transactions with Tencent Group		
3 Licensing of game adaptation rights; and 9 IP right licensing [(1)]	**39.74**	13.21
4 Exclusive agency and operation of games; and 10 agency and operation of games [(2)]	**32.99**	0.01
5 Cloud services of Tencent	**34.21**	15.55
6 Tencent promotion and advertising services	**5.00**	–
7 Publishing of games on Tencent platforms	**22.73**	7.34
8 Exclusive publishing and operation of games	**494.09**	81.77

Notes:

(1) The annual caps in respect of the transactions under the Licensing Agreement and the annual caps in respect of the transactions under the Tencent Game Cooperation Framework Agreement in relation to IP right licensing are aggregated pursuant to Rule 14A.81 and Rule 14A.82 of the Listing Rules. Please refer to the announcement of the Company dated 20 June 2022 for details of the annual caps in respect of the transactions under the Licensing Agreement.

(2) The annual caps in respect of the transactions under the Exclusive Agency and Operation Agreement and the annual caps in respect of the transactions under the Tencent Game Cooperation Framework Agreement in relation to agency and operation of games are aggregated pursuant to Rule 14A.81 and Rule 14A.82 of the Listing Rules. Please refer to the announcement of the Company dated 26 August 2022 for details of the annual caps in respect of the transactions under the Exclusive Agency and Operation Agreement.

The Company has confirmed that the execution and enforcement of the implementation agreements under the continuing connected transactions set above for the year ended 31 December 2024 has followed the pricing policies of such continuing connected transactions.

For the year ended 31 December 2024, the independent non-executive Directors have reviewed the aforesaid non-exempt continuing connected transactions and confirmed that the transactions have been entered into:

(i) in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interest of the Company and Shareholders as a whole;

(ii) on normal commercial terms or better; and

(iii) in the ordinary and usual course of business of the Company.

The Company's auditors have been engaged to report on the continuing connected transactions and have provided a letter to the Board confirming that nothing has come to their attention that causes them to believe that the aforesaid non-exempt continuing connected transactions:

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the pricing policies of the transactions;

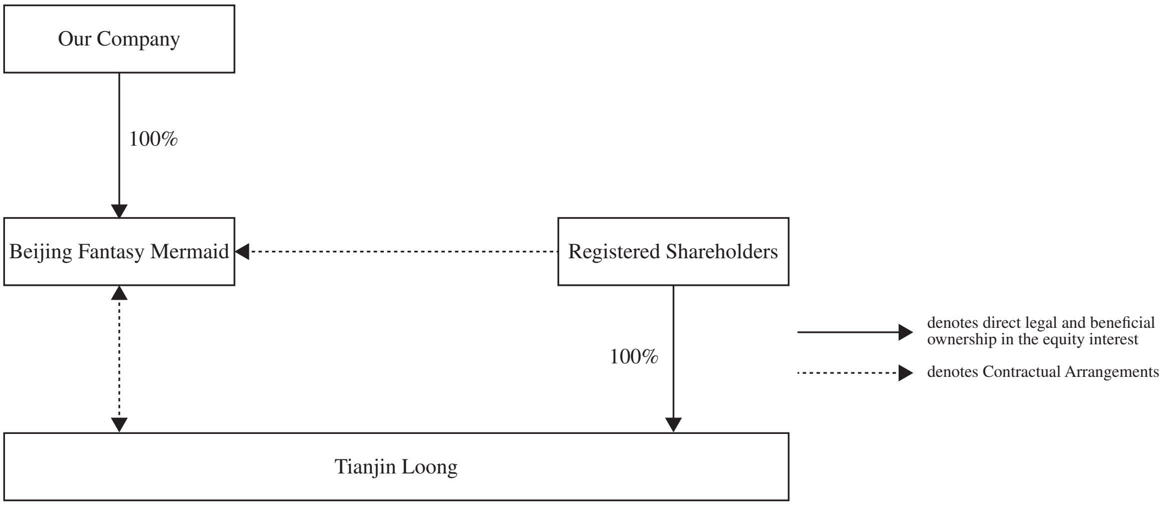
(iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(iv) have exceeded the cap.

(2) Contractual Arrangements

On 10 March 2020, a series of Contractual Arrangements have been entered into by, among others, Tianjin Loong, Beijing Fantasy Mermaid and the Registered Shareholders through which we obtain control over the operations of, and enjoy all economic benefits of our Consolidated Affiliated Entities. The existing agreements underlying such Contractual Arrangements comprise: (i) Exclusive Business Cooperation Agreement; (ii) Exclusive Option Agreement; (iii) Equity Pledge Agreement; and (iv) Powers of Attorney. The total revenue of our Consolidated Affiliated Entities during the year ended 31 December 2024 was approximately RMB938.4 million, and the total assets of our Consolidated Affiliated Entities as at 31 December 2024 was approximately RMB1,147.0 million.

The following simplified diagram illustrates the relationships among the entities under the Contractual Arrangements:



Notes:

(1) Tianjin Loong and Beijing Fantasy Mermaid entered into the Exclusive Business Cooperation Agreement on 10 March 2020, pursuant to which Tianjin Loong agreed to engage Beijing Fantasy Mermaid as its exclusive service provider of comprehensive business support, technical services and consultation services.

(2) Beijing Fantasy Mermaid, Tianjin Loong and the Registered Shareholders entered into the Exclusive Option Agreement on 10 March 2020, pursuant to which the Registered Shareholders severally granted irrevocably to Beijing Fantasy Mermaid the rights to require the Registered Shareholders to transfer any or all their equity interests and to require Tianjin Loong to transfer any or all of its assets to Beijing Fantasy Mermaid and/or a third party designated by it, in whole or in part at any time and from time to time, at a minimum purchase price permitted under PRC laws and regulations.

(3) Beijing Fantasy Mermaid, Tianjin Loong and the Registered Shareholders entered into the Equity Pledge Agreement on 10 March 2020, pursuant to which each of the Registered Shareholders agreed to pledge all of their respective equity interests in Tianjin Loong to Beijing Fantasy Mermaid as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts under the Contractual Arrangements.

(4) The Registered Shareholders have executed Powers of Attorney on 10 March 2020, pursuant to which, each Registered Shareholder irrevocably appoints Beijing Fantasy Mermaid or its designated person, as its attorney-in-fact to exercise such shareholder's rights in Tianjin Loong.

(5) As at the date of this annual report, the Registered Shareholders are the following persons who together hold the 100% equity interest of Tianjin Loong:

Shareholders	**Approximate percentage of shareholding**
Beijing Loong	56.34%
Ningbo Longren	8.27%
Linzhi Lichuang	12.35%
Perfect World Games	18.05%
Ningbo Qiance	5.00%

Summary of the Contractual Arrangements

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

(i) Exclusive Business Cooperation Agreement

Tianjin Loong and Beijing Fantasy Mermaid entered into the Exclusive Business Cooperation Agreement on 10 March 2020, pursuant to which Tianjin Loong agreed to engage Beijing Fantasy Mermaid as its exclusive service provider of comprehensive business support, technical services and consultation services, including (1) management consultation; (2) technical consultation; (3) technical service; (4) business support; (5) marketing and promotion; (6) development, maintenance and upgrade of software; (7) maintenance of the system; (8) human resource support; (9) rental of equipment; and (10) other relevant services requested by Tianjin Loong from time to time to the extent permitted under PRC laws and regulations.

Pursuant to the Exclusive Business Cooperation Agreement, the service fee shall be equivalent to the total consolidated net profit of Tianjin Loong, after offsetting the prior-year loss (if any), operating costs, expenses, taxes and other statutory contributions. Notwithstanding the foregoing, Beijing Fantasy Mermaid shall have the right to adjust the level of the service fee based on the actual service scope and with reference to the operating conditions and expansion needs of the Consolidated Affiliated Entities. Tianjin Loong has agreed to pay the service fee to the bank account designated by Beijing Fantasy Mermaid within five business days after Beijing Fantasy Mermaid issues the payment notice.

The Exclusive Business Cooperation Agreement also provides that Beijing Fantasy Mermaid has the exclusive proprietary rights in any and all intellectual property rights developed or created by the Consolidated Affiliated Entities during the performance of the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement may be terminated by Beijing Fantasy Mermaid (i) by giving Tianjin Loong a 30 days' prior written notice of termination; (ii) upon the transfer of the entire equity interests in and the transfer of all assets of Tianjin Loong to Beijing Fantasy Mermaid or its designated person pursuant to the Exclusive Option Agreement; (iii) when Tianjin Loong ceases to operate any business, becomes insolvency, bankruptcy or subject to liquidation or dissolution procedures; (iv) when relevant government authorities refuse to renew the expired operating period of Tianjin Loong or Beijing Fantasy Mermaid; (v) when it is legally permissible for Beijing Fantasy Mermaid to hold equity interests directly or indirectly in Tianjin Loong and Beijing Fantasy Mermaid or its designated person is registered to be the shareholder of Tianjin Loong; or (vi) Tianjin Loong breaches the Exclusive Business Cooperation Agreement. Tianjin Loong is not contractually entitled to unilaterally terminate the Exclusive Business Cooperation Agreement with Beijing Fantasy Mermaid.

(ii) *Exclusive Option Agreement*

Beijing Fantasy Mermaid, Tianjin Loong and the Registered Shareholders entered into the Exclusive Option Agreement on 10 March 2020, pursuant to which the Registered Shareholders severally granted irrevocably to Beijing Fantasy Mermaid the rights to require the Registered Shareholders to transfer any or all their equity interests and to require Tianjin Loong to transfer any or all of its assets to Beijing Fantasy Mermaid and/or a third party designated by it, in whole or in part at any time and from time to time, at a minimum purchase price permitted under PRC laws and regulations. If not explicitly specified in PRC laws and regulations, the transfer price shall be free or the nominal price. The Registered Shareholders have also undertaken that, subject to the relevant PRC laws and regulations, they will return to Beijing Fantasy Mermaid any consideration they receive in the event that Beijing Fantasy Mermaid exercises the options under the Exclusive Option Agreement to acquire the equity interests and/or assets in Tianjin Loong.

The Exclusive Option Agreement has an indefinite term commencing from 10 March 2020, being the date of the Exclusive Option Agreement, until it is terminated (i) by Beijing Fantasy Mermaid through giving Tianjin Loong and the Registered Shareholders a prior written notice of termination; or (ii) upon the transfer of the entire equity interests held by the Registered Shareholders and/or the transfer of all the assets of Tianjin Loong to Beijing Fantasy Mermaid or its designated person and the completion of registration with the relevant local branch of the State Administration for Industry and Commerce of the PRC (the "**SAIC**"). Neither Tianjin Loong nor the Registered Shareholders is contractually entitled to terminate the Exclusive Option Agreement unless otherwise required by PRC laws and regulations.

(iii) *Equity Pledge Agreement*

Beijing Fantasy Mermaid, Tianjin Loong and the Registered Shareholders entered into the Equity Pledge Agreement on 10 March 2020, pursuant to which each of the Registered Shareholders agreed to pledge all of their respective equity interests in Tianjin Loong to Beijing Fantasy Mermaid as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts under the Contractual Arrangements.

Under the Equity Pledge Agreement, Tianjin Loong and the Registered Shareholders represent and warrant to Beijing Fantasy Mermaid that appropriate arrangements have been made to protect Beijing Fantasy Mermaid's interests in the event of bankruptcy of the Registered Shareholders to avoid any practical difficulties in enforcing the Equity Pledge Agreement and shall procure or use its reasonable efforts to procure any successors of the Registered Shareholders to comply with the same undertakings as if they were parties to the Equity Pledge Agreement. If Tianjin Loong declares any dividend during the term of the pledge, Beijing Fantasy Mermaid is entitled to receive all such dividends, bonus issue or other income arising from the pledged equity interests, if any. If any of the Registered Shareholders or Tianjin Loong breaches or fails to fulfill the obligations under any of the aforementioned agreements, Beijing Fantasy Mermaid, as the pledgee, will be entitled to escrow of the pledged equity interests, entirely or partially. In addition, pursuant to the Equity Pledge Agreement, each of the Registered Shareholders has undertaken to Beijing Fantasy Mermaid, among other things, not to transfer its equity interests in Tianjin Loong and not to create or allow any pledge thereon that may affect the rights and interest of Beijing Fantasy Mermaid without its prior written consent.

The equity pledge under the Equity Pledge Agreement takes effect upon the completion of registration with the relevant local branch of the SAIC and shall remain valid until (i) all the obligations under the Contractual Arrangements have been fulfilled; (ii) each of the Registered Shareholders has transferred all of its equity interests in Tianjin Loong in accordance with the Exclusive Option Agreement and the pledgee can legally conduct the mobile game operation business; (iii) all of it is terminated as required by applicable PRC laws and regulations; (iv) Tianjin Loong has transferred all of its assets in accordance with the Exclusive Option Agreement and the pledgee can legally conduct the mobile game operation business; or (v) the Equity Pledge Agreement has been unilaterally terminated by Beijing Fantasy Mermaid.

(iv) *Powers of Attorney*

The Registered Shareholders have executed Powers of Attorney on 10 March 2020, pursuant to which, each Registered Shareholder irrevocably appoints Beijing Fantasy Mermaid or its designated person, as its attorney-in-fact to exercise such shareholder's rights in Tianjin Loong, including without limitation to, the rights to (i) convene and participate in shareholders' meeting pursuant to the articles of Tianjin Loong in the capacity of a proxy of the Registered Shareholder; (ii) exercise the voting rights pursuant to the relevant PRC laws and regulations and the articles of Tianjin Loong, on behalf of the Registered Shareholder, and adopt resolutions, on matters to be discussed and resolved at shareholders' meetings and the appointment and election of directors of Tianjin Loong; (iii) sign or submit any required document to any company registry or other authorities in the capacity of a proxy of each Registered Shareholder; (iv) to nominate, elect, designate or appoint and remove the legal representative, directors, supervisors and other senior officers of Tianjin Loong pursuant to the articles of association of Tianjin Loong; (v) to raise lawsuits or other legal proceedings against the directors and senior officers of Tianjin Loong when their behaviors harm the interest of its shareholders; and (vi) to instruct the directors and senior officers to act in accordance with our attention.

The Powers of Attorney has an indefinite term commencing from 10 March 2020 and will be terminated in the event that (i) the Powers of Attorney is unilaterally terminated by Beijing Fantasy Mermaid; or (ii) it is legally permissible for Beijing Fantasy Mermaid, our Company or any of our subsidiaries to hold equity interests directly or indirectly in Tianjin Loong and Beijing Fantasy Mermaid or its designated person is registered to be the sole shareholder of Tianjin Loong.

Reasons for Adopting the Contractual Agreements

We are considered to be engaged in the provision of value-added telecommunications services and internet culture business as a result of the operations of our business. We conduct our mobile game operation business through our Consolidated Affiliated Entities, namely Tianjin Loong and its subsidiary, Huai'an Loong. Pursuant to applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting internet culture business (except for music) and are restricted to conduct value added telecommunications services.

As advised by our PRC Legal Advisor, while the business of Tianjin Loong and Huai'an Loong of mobile game operation falls within the scope of "value-added telecommunication service" under the Telecommunications Regulations of the PRC (中華人民共和國電信條例), where foreign investors are not allowed to hold more than 50% equity interests in any enterprise conducting such business, each of our Consolidated Affiliated Entities conducting mobile game operation business also falls within the scope of internet cultural business in which foreign investors are prohibited from holding equity interest in any entity conducting internet culture business (except for music).

As a result of the foregoing, on 10 March 2020, a series of Contractual Arrangements have been entered into by, among others, Tianjin Loong, Beijing Fantasy Mermaid and the Registered Shareholders through which we obtain control over the operations of, and enjoy all economic benefits of our Consolidated Affiliated Entities. Further details of the limitations on foreign ownership in PRC companies conducting internet cultural business and value-added telecommunications services under applicable PRC laws and regulations are set out under the section headed "Regulatory Overview – Regulations on Foreign Investments" in the Prospectus.

Risks Relating to the Contractual Arrangements

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

(i) If the PRC government finds that the agreements that establish the structure for operating our business in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the contractual arrangements and the relinquishment of our interests in our Consolidated Affiliated Entities.

(ii) Our contractual arrangements may not be as effective in providing operational control as direct ownership. Tianjin Loong or their shareholders may fail to perform their obligations under our contractual arrangements.

(iii) We may lose the ability to use and enjoy assets held by our Consolidated Affiliated Entities that are material to our business operations if our Consolidated Affiliated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

(iv) The shareholders and directors of Tianjin Loong may have conflicts of interest with us, which may materially and adversely affect our business.

(v) If we exercise the option to acquire equity ownership and assets of our Consolidated Affiliated Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs.

(vi) Substantial uncertainties exist with respect to the interpretation and implementation of the 2019 Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

(vii) Our contractual arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

Further details of these risks are set out under the section headed "Risk Factors-Risks Related to Our Contractual Arrangements" in the Prospectus.

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

(i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(ii) the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(iii) the Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and

(iv) the Company will engage external legal advisors or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Beijing Fantasy Mermaid and the Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

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

(i) the transactions carried out during the year ended 31 December 2024 had been entered into in accordance with the relevant provisions of the Contractual Arrangements;

(ii) no dividends or other distributions had been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group;

(iii) other than the Contractual Arrangements, no new contracts had been entered into, renewed and/or reproduced between the Group and the Consolidated Affiliated Entities during the year ended 31 December 2024; and

(iv) the Contractual Arrangements had been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable so far as the Group is concerned, and in the interest of the Company and its Shareholders as a whole.

Our auditor has confirmed to the Board that the transactions under the Contractual Arrangements have been approved by the Board, the transactions carried out during the year ended 31 December 2024 had been entered into in accordance with the relevant provisions of the Contractual Arrangements, and that no dividends or other distributions had been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.

RELATED PARTY TRANSACTIONS

Details of the related party transactions carried out in the normal course of business are set out in Note 31 to the consolidated financial statements. Save as disclosed above, none of these related party transactions constitutes a connected transaction or continuing connected transaction as defined under the Listing Rules, and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules and disclosed in this annual report.

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the year ended 31 December 2024.

EQUITY-LINKED AGREEMENTS

Other than the Pre-IPO RSU Scheme, RSU Scheme and Share Option Scheme, no equity-linked agreements will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company during the Reporting Period or subsisted at the end of 2024.

DONATIONS

During the year ended 31 December 2024, the Group made charitable and other donations of a total amount of approximately RMB0.6 million.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended 31 December 2024.

LOAN AND GUARANTEE

During the year ended 31 December 2024, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, chief executive of the Company, the controlling Shareholders or their respective connected persons.

FINANCIAL, BUSINESS AND FAMILY RELATIONS AMONG DIRECTORS

Directors are not related to one another with respect to finance, business and family, or other material relations.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2024, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were 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 and short positions which he was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director or chief executive	Nature of interest	Number of Shares interested(1)	Approximate percentage of the Company's issued share capital(2)
Mr. Li Qing(3)	Interest in controlled corporation	282,266,802	35.23%
Mr. Bai Wei(4)	Interest in controlled corporation	15,447,304	1.93%

Notes:

(1) All interest stated are long positions.

(2) The calculation is based on the total number of 801,196,130 Shares in issue as at 31 December 2024.

(3) 278,329,802 Shares were held through Cresc Chorus, a company owned as to 81.96% by LuckQ, which in turn is wholly-owned by Mr. Li Qing, and 3,937,000 Shares were held through Pondweed Holdings Limited, a company wholly-owned by Mr. Li Qing. Accordingly, Mr. Li Qing was deemed to be interested in such Shares held by Cresc Chorus and Pondweed Holdings Limited for the purpose of Part XV of the SFO.

(4) These Shares were held by Wade Data Services Limited ("**Wade Data**") which was wholly-owned by Mr. Bai Wei. Accordingly, Mr. Bai Wei was deemed to be interested in such Shares held by Wade Data for the purpose of Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as our Directors are aware, as at 31 December 2024, the following persons have interests or short positions in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be maintained by the Company under Section 336 of the SFO:

Name	Nature of interest	Number of Shares interested[1]	Approximate percentage of the Company's issued share capital[2]
Mr. Li Qing[3]	Interest in controlled corporation	282,266,802	35.23%
Cresc Chorus[3]	Beneficial owner	278,329,802	34.74%
LuckQ[3]	Interest in controlled corporation	278,329,802	34.74%
Perfect World Interactive[4]	Beneficial owner	132,593,999	16.55%
Perfect Game Speed Company Limited[4]	Interest in controlled corporation	132,593,999	16.55%
Perfect Freedom Company Limited[4]	Interest in controlled corporation	132,593,999	16.55%
Beijing Perfect World Software Technology Development Co., Ltd. [4]	Interest in controlled corporation	132,593,999	16.55%
Perfect World Games[4]	Interest in controlled corporation	132,593,999	16.55%
Perfect World[4]	Interest in controlled corporation	132,593,999	16.55%
Mr. Chi Yufeng (池宇峰)[4]	Interest in controlled corporation	132,593,999	16.55%
Image Frame[5]	Beneficial owner	105,077,999	13.12%
Tencent[5]	Interest in controlled corporation	137,698,399	17.19%

Notes:

(1) All interests stated are long positions.

(2) The percentages represented the number of Shares over the total issued share capital of the Company as at 31 December 2024 of 801,196,130 Shares.

(3) Based on the latest disclosure of interest form filed by each of Cresc Chorus, LuckQ and Mr. Li Qing, Cresc Chorus was owned as to 81.96% by LuckQ, which was in turn wholly owned by Mr. Li Qing. Accordingly, each of LuckQ and Mr. Li Qing was deemed to be interested in all the Shares held by Cresc Chorus by virtue of the SFO.

(4) Based on the confirmation by Perfect World Holding Group as at 31 December 2024, Perfect World Interactive was wholly owned by Perfect Game Speed Company Limited, which was in turn wholly owned by Perfect Freedom Company Limited. Perfect Freedom Company Limited was wholly owned by Beijing Perfect World Software Technology Development Co., Ltd., which was in turn wholly owned by Perfect World Games. Perfect World Games was wholly owned by Perfect World, which was in turn owned as to 32.36% by Mr. Chi Yufeng. Accordingly, each of Perfect Game Speed Company Limited, Perfect Freedom Company Limited, Beijing Perfect World Software Technology Development Co., Ltd., Perfect World Games, Perfect World and Mr. Chi Yufeng was deemed to be interested in all the Shares held by Perfect World Interactive by virtue of the SFO.

(5) Based on the latest disclosure of interest form filed by Tencent as at 31 December 2024, 105,077,999 Shares were held through Image Frame Investment (HK) Limited ("**Image Frame**"), a company wholly-owned by Tencent, and 32,620,400 Shares were held through Image Flag Investment (HK) Limited ("**Image Flag**"), a company wholly-owned by Tencent. Accordingly, Tencent was deemed to be interested in all the Shares held by Image Frame and Image Flag by virtue of the SFO.

RSU SCHEMES

The Company adopted the Pre-IPO RSU Scheme and the RSU Scheme on 1 April 2020 and on 22 December 2022, respectively. Details of the Pre-IPO RSU Scheme are set out in the Prospectus and details of the RSU Scheme are set out in the circular of the Company dated 22 November 2022.

Pre-IPO RSU Scheme

Purpose of the Pre-IPO RSU Scheme

The purpose of the Pre-IPO RSU Scheme is to incentivize the directors, senior management and employees for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

Participants of the Pre-IPO RSU Scheme

Persons eligible to receive Pre-IPO RSUs under the Pre-IPO RSU Scheme include directors, senior management and existing employees or officers of the Company or any member of the Group.

Maximum Number of Shares Available for Issue under the Pre-IPO RSU Scheme

The maximum number of Pre-IPO RSUs that may be granted under the Pre-IPO RSU Scheme in aggregate (excluding Pre-IPO RSUs that have lapsed or been cancelled in accordance with the rules of the Pre-IPO RSU Scheme) shall not exceed 29,400,000, subject to any adjustment pursuant to any capitalization issue or capital restructuring. The Company shall utilize the existing Shares held by Smooth Ebony Limited for the vesting of the Pre-IPO RSUs and thus no new Shares shall be issued in respect of the Pre-IPO RSU Scheme.

Duration of the Pre-IPO RSU Scheme and Time of Exercise of Pre-IPO RSU

The Pre-IPO RSU Scheme will be valid and effective for a period of ten (10) years, commencing from the adoption date of the Pre-IPO RSU Scheme, being 1 April 2020 (unless it is terminated earlier in accordance with its terms) (the "**Pre-IPO RSU Scheme Period**") after which period no further Pre-IPO RSUs will be granted, but the provisions of the Pre-IPO RSU Scheme shall in all other respects remain in full force and effect and Pre-IPO RSUs that are granted during the Pre-IPO RSU Scheme Period may continue to be exercisable in accordance with their terms of issue. Subject as provided and subject to the terms and conditions upon which such Pre-IPO RSU was granted, a Pre-IPO RSU may (and may only) be exercised by the participant at any time or times during the Pre-IPO RSU Scheme Period. The remaining life of the Pre-IPO RSU Scheme is approximately 4 years and 11 months as at the date of this annual report. The Board can determine the vesting criteria, conditions and the time schedule for the vesting of the Pre-IPO RSUs and the same shall be stated in the grant letter.

The Company confirms that the grant of the Pre-IPO RSUs under the Pre-IPO RSU Scheme after 22 December 2022, being the adoption date of the RSU Scheme, is to be conducted in compliance with the requirements under Chapter 17 of the Listing Rules.

The Maximum Entitlement of Each Participant under the Pre-IPO RSU Scheme

The total number of Shares issued and to be issued in respect of all options and awards granted under the Pre-IPO RSU Scheme and any other share schemes of the Group (excluding any options and awards lapsed in accordance with the terms of the Pre-IPO RSU Scheme or any other share schemes of the Group) to each participant in any 12-month period may not exceed 1% of the Shares in issue from time to time. Where any further grant of Pre-IPO RSUs to a participant under the Pre-IPO RSU Scheme would result in the Shares issued and to be issued in respect of all options and awards granted and to be granted to such person (including exercised, cancelled and outstanding Pre-IPO RSUs) under the Pre-IPO RSU Scheme and any other share schemes of the Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by shareholders of the Company at general meeting with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. In any event, the total number of Shares issued and to be issued in respect of Pre-IPO RSUs under the Pre-IPO RSU Scheme (excluding any Pre-IPO RSUs lapsed in accordance with the terms of the Pre-IPO RSU Scheme) to each participant shall not exceed 29,400,000 Shares.

Vesting Period

The vesting period of the Pre-IPO RSUs shall not be less than 12 months or such other period as the Listing Rules may prescribe or permit.

Acceptance of Offers and Purchase/Exercise Price

A grantee of the Pre-IPO RSUs is not required to pay any grant or purchase price or make any other payment to the Company to accept the Pre-IPO RSUs granted under the Pre-IPO RSU Scheme.

Details of movements of the Pre-IPO RSUs granted under the Pre-IPO RSU Scheme during the year ended 31 December 2024 are set out below:

Participants	Date of grant	Vesting period	Exercise price per Share (HK$)	Exercise price per Share of the cancelled Pre-IPO RSUs (HK$)	Number of outstanding Pre-IPO RSUs at 1 January 2024	Number of Pre-IPO RSUs granted during the year[4]	Number of Pre-IPO RSUs vested during the year	Number of Pre-IPO RSUs exercised during the year	Weighted average closing price immediately before the dates of vesting during the year (HK$)	Number of Pre-IPO RSUs cancelled during the year	Number of Pre-IPO RSUs lapsed during the year	Number of outstanding Pre-IPO RSUs at 31 December 2024
Employee	1 April 2020-30 August 2022[1]	3 years[2]	-	/	747,480	-	406,380	867,728	1.24	-	42,000	299,100

Notes:

(1) The dates of grant are 1 April 2020, 24 June 2020, 1 February 2021, 29 March 2021, 25 August 2021, 25 March 2022 and 30 August 2022.

(2) The Pre-IPO RSUs are exercisable in installments from the commencement of the relevant vesting period until ten years after the grant date. For the Pre-IPO RSUs granted prior to the Listing Date, 40% of the Pre-IPO RSUs can be exercised 1 year after the Listing Date, 30% of the Pre-IPO RSUs can be exercised 2 years after the Listing Date and the remaining 30% of the Pre-IPO RSUs can be exercised 3 years after the Listing Date. Save as disclosed above and subject to the terms of the Pre-IPO RSU Scheme and conditions stated in the letter containing the offer, 40% of the Pre-IPO RSUs can be exercised 1 year after the grant date, 30% of the Pre-IPO RSUs will become exercisable 2 years after the grant date and the remaining 30% of the Pre-IPO RSUs will become exercisable 3 years after the grant date.

RSU Scheme

Purpose of the RSU Scheme

The purpose of the RSU Scheme is to incentivize directors, senior management and employees for their contribution to our Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

Participants of the RSU Scheme

Persons eligible to receive RSUs under the RSU Scheme include directors, senior management and existing employees or officers of the Company or any member of the Group.

Time of Conversion of RSU

The period within which an RSU may be converted by the Participant under the RSU Scheme must not be more than ten (10) years from the date of grant of the RSUs.

Maximum Number of Shares Available for Issue under the RSU Scheme

The aggregate number of Shares which may be allotted and issued in respect of all RSUs to be granted under the RSU Scheme shall not exceed 20,000,000 Shares (i.e. representing approximately 2.5% of the total number of Shares in issue as at the adoption date of the RSU Scheme). As at the date of this annual report, the total number of Shares available for issue under the RSU Scheme is 13,796,500, representing approximately 1.72% of the issued Shares of the Company (excluding treasury shares) as at such date.

The Maximum Entitlement of Each Participant under the RSU Scheme

The total number of Shares issued and to be issued in respect of all options and awards granted under the RSU Scheme and any other share schemes of the Group (excluding any options and awards lapsed in accordance with the terms of the RSU Scheme or any other share schemes of the Group) to each Participant in any 12-month period may not exceed 1% of the Shares in issue (excluding treasury shares) from time to time. Where any further grant of RSUs to a Participant under the RSU Scheme would result in the Shares issued and to be issued in respect of all options and awards granted and to be granted to such person (including converted, cancelled and outstanding RSUs) under the RSU Scheme and any other share schemes of the Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue (excluding treasury shares), such further grant must be separately approved by shareholders of the Company at general meeting with such Participant and his close associates (or his associates if the Participant is a connected person) abstaining from voting. In any event, the total number of Shares issued and to be issued in respect of RSUs under the RSU Scheme (excluding any RSUs lapsed in accordance with the terms of the RSU Scheme) to each Participant shall not exceed 20,000,000 Shares.

Vesting Period

The vesting period shall not be less than 12 months or such other period as the Listing Rules may prescribe or permit. Initially and subject to otherwise determined by the Board at its absolute discretion at the relevant time for each individual grant of RSUs, all RSUs shall be convertible in installments subject to the vesting period as follows:

i. 40% of the RSUs can be converted one (1) year after the date of grant;

ii. 30% of the RSUs can be converted two (2) years after the date of grant; and

iii. the remaining 30% of the RSUs can be converted three (3) years after the date of grant.

Acceptance of Offers and Purchase/Conversion Price

A Selected Person may accept an offer of the grant of RSUs in such manner as set out in the grant letter. Initially and subject to otherwise determined by the Board at its absolute discretion at the relevant time for each individual grant of RSUs, a Selected Person is not required to pay any grant or purchase price or make any other payment to the Company to accept the RSUs granted pursuant to grant letter, nor is he/she required to pay any conversion price upon the conversion of the RSUs.

Duration of the RSU Scheme

The RSU Scheme shall be valid and effective for a period of ten (10) years, commencing on the adoption date of the RSU Scheme (i.e. 22 December 2022), after which period no further RSUs will be granted, but the provisions of the RSU Scheme shall in all other respects remain in full force and effect and RSUs that are granted during the term of the RSU Scheme may continue to be convertible in accordance with their terms of issue. The remaining life of the RSU Scheme is approximately 7 years and 8 months as at the date of this annual report.

Details of movements of the RSUs granted under the RSU Scheme during the year ended 31 December 2024 are set out below:

Participants	Date of grant	Vesting period	Conversion price per Share (HK$)	Conversion price per Share of the cancelled RSUs (HK$)	Number of outstanding RSUs at 1 January 2024	Number of RSUs granted during the year	Number of RSUs vested during the year	Number of RSUs converted during the year	Weighted average closing price immediately before the dates of vesting during the year (HK$)	Number of RSUs cancelled during the year	Number of RSUs lapsed during the year	Number of outstanding RSUs at 31 December 2024
Employee	6 April 2023 – 4 November 2024(1) (2)	3 years(3)	–	/	8,955,000	350,000	3,562,000	668,288	1.36	–	838,000	4,905,000

Notes:

(1) The dates of grant are 6 April 2023, 29 August 2023, 29 August 2024 and 4 November 2024.

(2) For details of fair value of the RSUs at the date of grant and the accounting standard and policies adopted, please refer to Note 26(b) to the consolidated financial statements on page 161 to 163 of this annual report.

The fair value in respect of RSUs granted by the Company on 29 August 2024 and 4 November 2024 at the date of grant was HKD1.45 and HKD1.54, respectively.

(3) The RSUs are convertible in installments from the commencement of the relevant vesting period until ten years after the grant date. Vesting in tranches within 3 years from the date of grant; each 12-month period is an evaluation period commencing from the date on which the RSUs are granted to the grantee, which is a total of three evaluation periods. The grantee will receive 40% of the RSUs granted to him/her upon the expiry of the first evaluation period; 30% of the RSUs granted to him/her upon the expiry of the second evaluation period; the remaining 30% of the RSUs granted to him/her upon the expiry of the third evaluation period.

(4) The closing prices of the Shares immediately before the dates of grant were as follows:

- HK$1.42 (date of grant: 29 August 2024); and
- HK$1.49 (date of grant: 4 November 2024).

SHARE OPTION SCHEME

The Company adopted and amended the Share Option Scheme at the general meetings on 5 February 2021 and on 22 December 2022, respectively. Details of the Share Option Scheme are set out in the circulars of the Company dated 19 January 2021 and 22 November 2022.

Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide incentive or reward to Eligible Participants for their contribution to, and continuing efforts to promote the interests of, the Group, and to incentivize them to remain with the Group, as well as for such other purposes as the Board may approve from time to time.

Participants of the Share Option Scheme

Eligible Participants include any full-time employee (excluding any director) of the Company and any subsidiary of the Company. For the purposes of the Share Option Scheme, the Offer may be made to any company wholly-owned by one or more Eligible Participants.

Maximum Number of Shares Available for Issue under the Share Option Scheme

The aggregate number of Shares which may be allotted and issued in respect of all Options to be granted under the Share Option Scheme shall not exceed 40,775,500 Shares (i.e. representing approximately 5.0% of the total number of Shares in issue as at the Amendment Date). As at the date of this annual report, the total number of Shares available for issue under the Share Option Scheme is 34,011,123, representing approximately 4.25% of the issued Shares of the Company (excluding treasury shares) as at such date.

The Maximum Entitlement of Each Participant under the Share Option Scheme

The total number of Shares issued and to be issued in respect of all options and awards granted under the Share Option Scheme and any other share option scheme of the Group (excluding any options and awards lapsed in accordance with the terms of the Share Option Scheme or any other share schemes of the Group) to each Grantee in any 12-month period shall not exceed 1% of the Shares in issue (excluding treasury shares) from time to time. Where any further grant of Options to a Grantee under the Share Option Scheme would result in the Shares issued and to be issued in respect of all options and awards granted and to be granted to such person (including exercised, cancelled and outstanding Options) under the Share Option Scheme and any other share schemes of the Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue (excluding treasury shares), such further grant must be separately approved by shareholders of the Company at general meeting with such Grantee and his close associates (or his associates if the Grantee is a connected person) abstaining from voting. In any event, the total number of Shares issued and to be issued in respect of Options under the Share Option Scheme (excluding any Options lapsed in accordance with the terms of the Share Option Scheme) to each Grantee shall not exceed 40,775,500 Shares.

Time of Exercise of Option

Subject as provided and subject to the terms and conditions upon which such Option was granted, an Option may (and may only) be exercised by the Grantee at any time or times during the Option Period.

Vesting Period

The vesting period shall not be less than 12 months or such other period as the Listing Rules may prescribe or permit. Initially and subject to otherwise determined by the Board at its absolute discretion at the relevant time for each individual grant of Option, all Options shall be exercisable in installments subject to the vesting period as follows:

(i) 40% of the Options can be exercised one (1) year after the Offer Date;

(ii) 30% of the Options can be exercised two (2) years after the Offer Date; and

(iii) the remaining 30% of the Options can be exercised three (3) years after the Offer Date.

Acceptance of Offers

An Offer shall have been accepted by an Eligible Participant in respect of all Shares under the Option which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the Offer duly signed by the Eligible Participant together with a remittance in favour of the Company of HK$1 by way of consideration for the grant thereof is received by the Company within such time as may be specified in the Offer (which shall not be later than 21 days from the Offer Date). Such remittance shall in no circumstances be refundable.

Exercise Price

The Exercise Price in respect of any Option shall, subject to any adjustments made in such manner as the auditors or the independent financial adviser of the Company retained for such purpose shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company, be determined at the absolute discretion of the Board, provided that it shall not be less than the higher of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date; and

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date.

Duration of the Share Option Scheme

Subject to the fulfillment of the effective conditions and the termination provisions, the Share Option Scheme shall be valid and effective until the Termination Date, after which period no further Options may be issued but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect to give effect to the exercise of any Options granted but not exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. The remaining life of the Share Option Scheme is approximately 5 years and 9 months as at the date of this annual report.

Details of the movement of Options granted under the Share Option Scheme during the year ended 31 December 2024 are as follows:

Participants	Date of grant	Vesting period	Exercise Price per Share (HK$)	Exercise price per Share of the cancelled Options (HK$)	Number of outstanding Options at 1 January 2024	Number of Options granted during the year	Number of Options exercised during the year	Weighted average closing price immediately before the dates of exercising during the year	Number of Options cancelled during the year	Number of Options lapsed during the year	Number of outstanding Options at 31 December 2024
Employee	7 January 2022	From 7 January 2022 to 14 April 2024(2)	8.72	/	4,545,783	–	–	–	–	440,000	4,105,783

Notes:

(1) For details of fair value of the Options at the date of grant and the accounting standard and policies adopted, please refer to Note 26 (a) to the consolidated financial statements on page 159 to 161 of this annual report.

(2) The Options are exercisable in installments from the commencement of the relevant vesting period until 7 January 2032. Subject to the terms of the Share Option Scheme and conditions stated in the letter containing the Offer, 40% of Options can be exercised after 14 April 2022, 30% of the Options can be exercisable after 14 April 2023 and the remaining 30% of the Options can be exercisable after 14 April 2024.

None of the grantees of Options, Pre-IPO RSUs and RSUs (i) is a Director, chief executive or substantial shareholder of the Company, or their respective associate; or (ii) is granted or to be granted in excess of the 1% individual limit.

The number of Options, Pre-IPO RSUs and RSUs available for grant under the scheme mandate was 52,474,678 as at 1 January 2024 and 53,444,678 as at 31 December 2024. The number of Shares that may be issued in respect of Options and RSUs granted under all schemes of the Company during the year ended 31 December 2024 divided by the weighted average number of Shares in issue for the year ended 31 December 2024 is 0.02 %.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2024, the Group's largest customer accounted for 7.2% of the Group's total revenue, and the Group's five largest customers accounted for 9.2% of the Group's total revenue.

For the year ended 31 December 2024, the Group's largest supplier accounted for 14.8% of the Group's total purchase, and the Group's five largest suppliers accounted for 43.5% of the Group's total purchase.

Tencent, one of our five largest customers for the year ended 31 December 2024, indirectly held 17.19% of the Shares as at 31 December 2024. Except for Tencent, all of the other largest customers and five largest suppliers for the year ended 31 December 2024 were independent third parties. Save as disclosed in this annual report, none of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or customers during the year ended 31 December 2024.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained sufficient public float as required under the Listing Rules from the Listing Date and up to the date of this annual report.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) in relation to the Director's and officer's liability insurance is currently in force and was in force during the Reporting Period.

CORPORATE GOVERNANCE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the Corporate Governance Code as its own code to govern its corporate governance practices. Information on the corporate governance practice adopted by the Company is set out on pages 69 to 81 under the section headed "Corporate Governance Report" in this annual report.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in Part 2 of the Corporate Governance Code during the Reporting Period, except for the code provisions which are explained in the section headed "Corporate Governance Report" in this annual report.

The Board will continue to review and monitor the practices of the Company with an aim to maintain a high standard of corporate governance.

AUDITOR

There has been no change in auditors in any of the preceding three years. The consolidated financial statements for the year ended 31 December 2024 have been audited by PricewaterhouseCoopers, Certified Public Accountants.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended 31 December 2024, the Company is in compliance with relevant laws and regulations that have a significant impact on the Company.

On behalf of the Board
Li Qing
Chairman

Beijing, China, 21 March 2025

Biographical Details of Directors and Senior Management

As at the date of this annual report, biographical details of the Directors and senior management are set out below.

DIRECTORS

The Board currently comprises seven Directors, of which two are executive Directors, two are non-executive Directors and three are independent non-executive Directors. The following table sets forth information regarding the Directors.

Name	Age	Position	Date of Appointment as Director
Executive Directors			
Mr. Li Qing (李青)	50	Chairman, Executive Director and Chief Executive Officer	20 January 2020
Mr. Bai Wei (白瑋)	47	Executive Director	4 March 2020
Non-executive Directors			
Mr. Li Nachuan (李納川)	41	Non-executive Director	23 August 2024
Mr. Lu Xiaoyin (魯曉寅)	46	Non-executive Director	5 November 2020
Independent Non-Executive Directors			
Ms. Wang Jing (王靜)	50	Independent Non-Executive Director	23 August 2024
Mr. Zhu Lin (朱霖)	51	Independent Non-Executive Director	24 June 2020
Mr. Ding Zhiping (丁治平)	65	Independent Non-Executive Director	24 June 2020

EXECUTIVE DIRECTORS

Mr. Li Qing (李青), aged 50, is an executive Director, the chairman of the Board and the chief executive officer of our Company. He is responsible for the overall management, decision-making and strategy planning of our Group.

Mr. Li is our founder and has approximately 28 years' experience in game development. Prior to founding our Group, Mr. Li served as a chief design officer of e-Pie Entertainment & Technology Corporation (Beijing) (北京歡樂億派科技有限公司) from August 2000 to March 2004, during which he was responsible for game development. Until September 2014, he served as a chief development officer in the Perfect World Group, during which he was responsible for game development. Mr. Li founded our Group in September 2014. He currently also holds directorships in several subsidiaries within our Group.

Mr. Li obtained a bachelor's degree in physics and a master's degree in nuclear energy science and engineering from Tsinghua University (清華大學) in Beijing in July 1997 and June 2000, respectively. In addition, Mr. Li also obtained an executive master of business administration from Cheung Kong Graduate School of Business (長江商學院) in Beijing in May 2010.

Mr. Bai Wei (白瑋), aged 47, is an executive Director and the general manager of program center (程序中心) of our Company. He is primarily responsible for assisting in the overall management, strategic planning and decision-making of products research and development of our Group.

Mr. Bai has over 22 years of experience in the information technology and game industry. From April 2004 to January 2015, Mr. Bai was a senior management member in the Perfect World Group. Mr. Bai joined our Group in January 2015. Since March 2018, he has been a director of Tianjin Loong, one of the subsidiaries within our Group.

Mr. Bai obtained a bachelor's degree and a master's degree in electrical engineering from Tsinghua University (清華大學) in Beijing in September 1999 and January 2002, respectively.

NON-EXECUTIVE DIRECTORS

Mr. Li Nachuan (李納川), aged 41, is appointed as a non-executive Director of the Company with effect from 23 August 2024. Mr. Li is primarily responsible for supervising the management of our Group.

Mr. Li has extensive experience in the game industry, as well as relevant experience in the accounting and finance industry. From September 2008 to December 2010, he served at KPMG in Chicago, the United States. From February 2011 to November 2012, he worked as an analyst and vice president at China Merchants Securities (HK) Co., Limited. Since January 2013, he has been working in Tencent group (Tencent Holdings Limited, a company listed on the Stock Exchange (stock code: 700), and its subsidiaries), currently serving as head of the business development department of Tencent Interactive Entertainment Group (騰訊互動娛樂事業群商務部). Since August 2021, he has been serving as a director of Zhejiang Century Huatong Group Co., Ltd. (浙江世紀華通集團股份有限公司), a company incorporated in China and listed on the Shenzhen Stock Exchange (stock code: 002602). Since November 2024, he has been a director of Tianjin Loong, one of the subsidiaries within our Group. Since March 2025, he has been serving as a director of Netmarble Corporation, a company incorporated in the Republic of Korea and listed on the Korea Exchange (stock code: 251270).

Mr. Li obtained a bachelor's degree in Economics from Beijing Institute of Technology (北京理工大學) in June 2006 and a master's degree in Finance and a master's degree in Accounting from the University of Illinois at Urbana-Champaign in the United States in May 2007 and December 2007, respectively. Mr. Li obtained the qualification as a Chartered Financial Analyst (CFA) Level III and in November 2008 obtained his Certified Public Accountant qualification in the State of Illinois, the United States.

Mr. Lu Xiaoyin (魯曉寅), aged 46, is a non-executive Director of our Company. He is primarily responsible for supervising the management of our Group.

Mr. Lu has extensive experience in the game industry. From 2001 to 2004, he served as the artistic director in e-Pie Entertainment & Technology Corporation (Beijing) (北京歡樂億派科技有限公司). He has successively been working at Perfect World Co., Ltd. (完美世界股份有限公司, a company established in the PRC of which its shares are listed on the Shenzhen Stock Exchange (stock code: 002624)) and its respective affiliate(s) as well as its subsidiary(ies) since April 2004, and currently serves as the director and chief art officer in Perfect World Co., Ltd. (完美世界股份有限公司).

Mr. Lu obtained his bachelor's degree of Art Education from Zhejiang Normal University (浙江師範大學) in Zhejiang in July 2001. He obtained the master's degree in Business Administration for Senior Management Personnel from the Cheung Kong Graduate School of Business (長江商學院) in Beijing in September 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wang Jing (王靜), aged 50, is appointed as an independent non-executive Director of the Company with effect from 23 August 2024. Ms. Wang is primarily responsible for supervising the Board and providing independent judgement.

Ms. Wang has extensive experience in the accounting industry, as well as relevant experience in the insurance industry. From August 1997 to June 2007, she served as an audit manager at PricewaterhouseCoopers in China. From July 2007 to June 2015, she was an audit partner of Ernst & Young Hua Ming LLP in China, where she was primarily responsible for managing and leading the audit team. Since July 2015, she has been serving as the chief financial officer of Qingsong Health Corporation and as director since February 2017, while she also serves as the chief financial officer of its subsidiaries, including Beijing Qingsongchou Network Technology Co., Ltd. (北京輕鬆籌網絡科技有限公司), Tianjin Gelinkaite Information Technology Co., Ltd. (天津格林凱特信息技術有限公司) and Guangdong QingSongBao Insurance Brokerage Co., Ltd. (廣東輕鬆保保險經紀有限公司).

Ms. Wang obtained a bachelor's degree in overseas financial accounting (會計系外國財務會計專門化) from the Central University of Finance and Economics（中央財經大學）in Beijing in July 1997. She obtained the Certificate for Passing All the Required Subjects of the National Uniform CPA Examination (註冊會計師全國統一考試全科合格證) issued by the Ministry of Finance of the PRC in May 2000 and became a non-practicing member of the Chinese Institute of Certified Public Accountants in April 2017.

Mr. Zhu Lin (朱霖) (formerly known as Zhu Xiaolin (朱小林)), aged 51, is an independent non-executive Director. He is primarily responsible for supervising the Board and providing independent judgement.

Mr. Zhu has extensive experience in accounting and financial consulting. From October 2003, he served as a senior manager at the mergers and acquisitions department of PricewaterhouseCoopers Consulting (Shenzhen) Co., Ltd. (Beijing Branch) (普華永道諮詢(深圳)有限公司北京分公司). Since October 2005, Mr. Zhu has been serving as a partner of Beijing Legendhouse CPAs (北京潤衡會計師事務所) and since March 2006, Mr. Zhu has been serving as a director of Beijing Legendhouse Consulting (北京潤勤諮詢有限公司). Since October 2020, Mr. Zhu has been serving as a director of Jiangsu Changshu Automotive Trim Group Co., Ltd. (江蘇常熟汽飾集團股份有限公司), formerly known as Changshu Automotive Trim Co., Ltd. (常熟市汽車飾件股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603035). Since March 2015, Mr. Zhu has been serving as an independent non-executive director of Tsaker New Energy Tech Co., Limited (彩客新能源科技有限公司), a company listed on the Stock Exchange (stock code: 1986), formerly known as Tsaker Chemical Group Limited (彩客化學集團有限公司). From November 2020 to August 2022, Mr. Zhu also served as an independent non-executive director of Sino-Ocean Service Holding Limited (遠洋服務控股有限公司), a company listed on the Stock Exchange (stock code: 6677). Since May 2024, he has been serving as an independent non-executive director of Qunabox Group Limited (趣致集團), a company listed on the Stock Exchange (stock code: 0917).

Mr. Zhu obtained a bachelor's degree in overseas financial accounting (會計系外國財務會計專門化) from the Central University of Finance and Economics (中央財經大學) in Beijing in June 1995. Mr. Zhu has been a member of the Chinese Institute of Certified Public Accountants since February 2000.

Mr. Ding Zhiping (丁治平), aged 65, is an independent non-executive Director. He is primarily responsible for supervising the Board and providing independent judgement.

Mr. Ding has over 45 years of work experience. Since May 2022, Mr. Ding has been working at Xinjiang Tianshun Supply Chain Co., Ltd. (新疆天順供應鏈股份有限公司, a company established in the PRC of which its shares are listed on the Shenzhen Stock Exchange (stock code: 002800)) where he is currently the chairman of the board of directors and the general manager. From April 2002 to May 2022, he served as the chairman of the board of directors and the general manager at Xinjiang International Industry Co., Ltd. (新疆國際實業股份有限公司). From November 1995 to April 1997, he served as a senior engineer at Bank of China, Xinjiang Branch. From February 2002 to April 2002, he served as chairman of the board of directors and general manager at Xinjiang Foreign Economic and Trade Group Co., Ltd. (新疆外經貿集團有限責任公司).

Mr. Ding obtained a bachelor's degree in computer science from the Hefei University of Technology (合肥工業大學) in Hefei in September 1987, a master's degree in business management from the Auckland Institute of Studies in Auckland, New Zealand in April 1999 and an executive master of business administration from the Cheung Kong Graduate School of Business (長江商學院) in Beijing in May 2010.

Xinjiang Bureau of China Securities Regulatory Commission issued a decision on administrative penalty ([2024] No. 8) (the "**Administrative Penalty Decision**") in relation to failure to timely disclose the related party transactions and the material omissions in the 2022 interim report of Xinjiang Tianshun Supply Chain Co., Ltd. (新疆天順供應鏈股份有限公司) ("**Xinjiang Tianshun**"), a company listed on the Shenzhen Stock Exchange (stock code: 002800). The Administrative Penalty Decision issued a warning and imposed fines on Xinjiang Tianshun and five responsible persons, including a warning and a fine of RMB900,000 against Mr. Ding Zhiping. For further details, please refer to the announcements of the Company dated 25 March 2025 and 3 April 2025.

DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

As at the date of this annual report, (i) Mr. Li Nachuan serves as head of the business development department of Tencent Interactive Entertainment Group (騰訊互動娛樂事業群商務部). and (ii) Mr. Lu Xiaoyin serves as the director and the chief art officer in Perfect World Co., Ltd. (完美世界股份有限公司). Save for the above, to the knowledge of the Board, none of the Directors is a director or employee of a company which has an interest in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SENIOR MANAGEMENT

Mr. Li Qing (李青), is the chief executive officer of our Company. See the paragraph headed "EXECUTIVE DIRECTORS" above.

Mr. Zhang Yu (張羽), aged 48, is the chief technical officer and general manager of the engine center (引擎中心) of our Company. Mr. Zhang is responsible for leading the research and application of engine technology.

Mr. Zhang has extensive experience in the game industry. From March 2004 to January 2015, Mr. Zhang served as the program director of Studio I (工作一室) at the Perfect World Group. Mr. Zhang joined our Group in January 2015 and since then Mr. Zhang has been serving as the general manager of the engine center (引擎中心) of our Group.

Mr. Zhang obtained a bachelor's degree in electrical engineering from Tsinghua University (清華大學) in Beijing in July 2000.

Mr. Li Yi (李軼), aged 45, is the vice president and chief financial officer of our Company. Mr. Li is responsible for providing financial management and formulating financial strategies of our Group.

Mr. Li has extensive experience in accounting and financial management. From September 2001 to September 2011, Mr. Li worked at the audit department and the tax department of Ernst & Young (China) Advisory Limited Beijing Office in which his last position was senior manager. From February 2013 to October 2015, Mr. Li served as a tax director at the Perfect World Group. Mr. Li joined our Group in November 2015 and since then Mr. Li has been serving as the vice president and chief financial officer of our Group.

Mr. Li obtained a bachelor's degree in accounting (Certified Public Accountant) from Capital University of Economics and Business (首都經濟貿易大學) in Beijing in July 2001, and completed the courses for executive master of business administration program of Cheung Kong Graduate School of Business (長江商學院) in October 2024. He is accredited as a Certified Tax Agent (註冊稅務師) by the Beijing Bureau of Human Resource and Social Security (北京市人力資源和社會保障局) in September 2009, obtained the Board Secretary Qualification from the Shenzhen Stock Exchange (深圳證券交易所) in April 2019 and obtained the fund professional qualification certificate issued by the Asset Management Association of China in March 2024.

Mr. Wu Shenghe (吳盛鶴), aged 43, is the executive president of our Company. He is mainly responsible for the Company's global business, project management and support, government affairs, public relationships and human resources functions.

Mr. Wu has extensive experience in global business development and organizational development. From 2005 to 2010, he served as talent and organization development manager at Kimberly-Clark (China) Co., Ltd. From 2010 to 2015, he served as senior human resources director at Perfect World (Beijing) Network Technology Co., Ltd. (完美世界(北京)網絡技術有限公司). From 2013 to 2015, he served as general manager at Perfect World (Beijing) Network Technology Co., Ltd., Shanghai Branch. From 2015 to September 2020, he served as vice president of general management in our Company.

Mr. Wu obtained a bachelor's degree in Environmental Engineering from Beijing Forestry University (北京林業大學) in July 2005, and a degree of master of business administration from China Europe International Business School (中歐國際工商學院) in January 2025. He is also a certified coach of the International Coaching Federation.

JOINT COMPANY SECRETARIES

Ms. Hao Lili (郝莉麗), aged 45, has been appointed as one of our joint company secretaries with effect from the Listing Date.

Ms. Hao has extensive experience in the legal industry. From September 2011 to March 2015, Ms. Hao served as a senior legal consultant at the Perfect World Group, during which she was primarily responsible for M&A support, intellectual property management and compliance. Ms. Hao joined our Group in May 2016 as the legal director of our Group. She is primarily responsible for leading the legal and compliance work of our Group.

Ms. Hao obtained a bachelor's degree in economic law from the China University of Political Science and Law (中國政法大學) in Beijing in July 2002 and a master's degree in international business law from the University of Nottingham, the UK in December 2003. Ms. Hao holds a Legal Profession Qualification Certificate (法律職業資格證書) granted by the Ministry of Justice of the PRC (中華人民共和國司法部) in February 2006 and Securities Practice Qualification Certificate (證券從業資格證) granted by the Securities Association of China in May 2015.

Ms. Zhang Xiao (張瀟), aged 37, has been appointed as one of our joint company secretaries with effect from 15 January 2021.

Ms. Zhang is an assistant vice president of SWCS and has over ten years of experience in the corporate secretarial field. Ms. Zhang has been admitted as an associate member of both the Hong Kong Chartered Governance Institute and the Chartered Governance Institute in the United Kingdom in 2019. Ms. Zhang obtained a bachelor's degree in Computer Science from the Chinese University of Hong Kong in 2010, a master's degree in corporate governance from Hong Kong Metropolitan University in 2018 and a master's degree in Accountancy from Hong Kong Baptist University in 2024.

Reference is made to the waiver granted to the Company by the Stock Exchange from strict compliance with the requirements under Rule 3.28 and Rule 8.17 of the Listing Rules on 15 January 2021. Ms. Hao Lili was assisted by Ms. Zhang Xiao during the period from 15 January 2021 to 15 July 2023. On 14 July 2023, the Stock Exchange agreed that Ms. Hao Lili has been qualified to act as the company secretary of the Company under Rule 3.28 of the Listing Rules.

The Company is committed to achieving and maintaining high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound corporate governance policies and measures, and the Board is responsible for performing such corporate governance duties.

During the year ended 31 December 2024, the Company has complied with the applicable code provisions contained in Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, except for code provisions which are explained in this annual report. The Board will continue to review and monitor the corporate governance of the Company, as well as various internal policies and procedures, including but not limited to those applicable to employees and Directors, with reference to the Corporate Governance Code and Corporate Governance Report set out in Appendix C1 to the Listing Rules and other applicable legal and regulatory requirements so as to maintain a high standard of corporate governance of the Company.

The key corporate governance principles and practices of the Company are summarized as follows:

BOARD OF DIRECTORS

Responsibilities

The Board is responsible for leadership and the internal control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board directly, and indirectly through its committees, leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place. The Board has general powers for the management and is conducting the Company's business. The day-to-day operations and management are delegated by the Board to the management of the Company, who will implement the strategy and direction as determined by the Board.

All Directors shall at all times ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders.

The Board confirms that corporate governance shall be the joint responsibility among Directors and the corporate governance functions include:

(i) to review and monitor the Company's policies and practices in the aspect of compliance with legal and regulatory requirements;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;

(iv) to develop and review the Company's policies and practice on corporate governance, and make recommendations and report relevant matters to the Board;

(v) to review the Company's compliance with the Corporate Governance Code and the disclosure in the corporate governance report; and

(vi) to review and monitor the Company's compliance with the whistleblowing policy of the Company.

The Board has performed the functions set out in code provision A.2.1 of the Corporate Governance Code during the Reporting Period.

Board Composition

The Board currently consists of seven Directors, namely Mr. Li Qing (chairman of the Board) and Mr. Bai Wei as executive Directors, Mr. Li Nachuan and Mr. Lu Xiaoyin as non-executive Directors, and Ms. Wang Jing, Mr. Zhu Lin and Mr. Ding Zhiping as independent non-executive Directors. None of the Directors or senior management has a relationship (including financial, family or other substantial or related relationship) with each other. The Board has a balance of skills and experience appropriate for the requirements of the business of the Company.

The biographies of the Directors are set out under the section headed "Biographical details of Directors and Senior Management" in this annual report.

Chairman and Chief Executive Officer

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

Mr. Li Qing is currently the chairman and chief executive officer of the Company. In view of his substantial contribution to the Group since its establishment and his extensive experience in the game industry, the Board considers that vesting the roles of chairman and chief executive officer in the same individual provides the Group with strong and consistent leadership in the development and execution of long term business strategies and does not impair the balance of power and authority between the Board and the management of the Company. The Board currently comprises two executive Directors (including Mr. Li Qing), two non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

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

Independent Non-executive Directors

During the year ended 31 December 2024 and up to the date of this annual report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing one-third of the Board, of whom Mr. Zhu Lin is the Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received a written confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules, and considers them to be independent.

Directors' Training and Professional Development

All Directors attended various trainings in the Reporting Period, including trainings regarding the updating of the Listing Rules, the responsibilities and continuous obligations of Directors and the Environmental, Social and Governance Reporting Guide. The Company had arranged suitable trainings for all Directors in order to develop and refresh their knowledge and skills as part of their continuous professional development.

Name of Director	Attending relevant training courses, seminars, conferences and/or reading relevant materials
Executive Directors	
Mr. Li Qing (李青)	✓
Mr. Bai Wei (白瑋)	✓
Non-executive Directors	
Mr. Li Nachuan (李納川)	✓
Mr. Lu Xiaoyin (魯曉寅)	✓
Independent Non-executive Directors	
Ms. Wang Jing (王靜)	✓
Mr. Zhu Lin (朱霖)	✓
Mr. Ding Zhiping (丁治平)	✓

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service agreement with our Company with an initial term of three years with effect from the Listing Date. Such service agreements were renewed on similar terms and effective from 15 July 2023 for another term of three years. No Director's remuneration is payable to the executive Directors under the agreements.

Each of our non-executive Directors and independent non-executive Directors has entered into a letter of appointment with our Company. Mr. Zhu Lin and Mr. Ding Zhiping were appointed with an initial term of three years commencing from the Listing Date. Such appointment letters were renewed on similar terms and effective from 15 July 2023 for another term of three years. Mr. Lu Xiaoyin was appointed with an initial term of three years commencing from 5 November 2020 and renewed such appointment letter with the Company on similar terms and effective from 5 November 2023 for another term of three years. Mr. Li Nachuan and Ms. Wang Jing were appointed with an initial term of three years commencing from 23 August 2024. Mr. Li Nachuan and Mr. Lu Xiaoyin will not receive any remuneration from the Company pursuant to the terms of the letter of appointment. Under these appointment letters, each of the independent non-executive Directors will receive a Director's annual remuneration of RMB100,000.

None of the Directors has entered into a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election.

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

Independent Views

The Company recognises that Board independence is pivotal in good corporate governance and Board effectiveness. The Board has established mechanisms to ensure independent views and input from any Director are conveyed to the Board for enhancing an objective and effective decision making.

The governance framework and the following mechanisms are reviewed annually by the Board, to ensure their effectiveness:

(i) Three out of seven Directors are independent non-executive Directors, which meets the requirements of the Listing Rules that the Board must have at least three independent non-executive directors and must appoint independent non-executive directors representing at least one-third of the Board.

(ii) The Nomination Committee will assess the independence of a candidate who is nominated to be a new independent non-executive Director and the contribution to the diversity of the Board according to the board diversity policy adopted by the Company from time to time before appointment and also the continued independence of existing independent non-executive Directors and their time commitments annually. Each independent non-executive Director shall inform the Company as soon as practicable if there is any subsequent change of circumstances which may effect his/her independence. On an annual basis, all independent non-executive Directors are required to disclose the number and nature of offices held by them in public companies or organisations and other significant commitments.

(iii) External independent professional advice is available as and when required by individual Directors.

(iv) All Directors are encouraged to express freely their independent views and constructive challenges during the Board and/or Board Committee meetings.

(v) No equity-based remuneration with performance-related elements will be granted to independent non-executive Directors.

(vi) A Director (including independent non-executive Director) who has a material interest in a contract, arrangement or other proposal shall not vote or be counted in the quorum on any Board resolution approving the same.

(vii) The Chairman meets with independent non-executive Directors annually without the presence of the executive Directors and non-executive Directors.

BOARD AND COMMITTEE MEETINGS

The Company adopts a practice to convene Board meetings regularly which is at least four meetings per year and roughly on a quarterly basis. A notice of a regular Board meeting shall be delivered to all the Directors at least 14 days in advance with the matters to be discussed specified in agenda of the meeting. For other Board and committee meetings, reasonable notice is generally served. Agendas or relevant documents of the Board or committee meetings shall be despatched to the Directors or members of the committees at least 3 days prior to the convening of the meetings to ensure that they have sufficient time to review the relevant documents and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. The minutes are kept by the joint company secretaries of the Company and the copies are circulated to all Directors for reference and record purpose.

The minutes of the Board meetings and committee meetings were thoroughly recorded in detail and included all matters under consideration and decisions made including any problems raised by the Directors. Draft minutes of each Board meeting and committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Directors have a right to review the minutes of the Board meetings and the committee meetings.

During the Reporting Period, at the Board meetings, committee meetings and general meeting the attendance record of each Director are set out in the table below:

	Attendance/No. of Meetings Held during the Reporting Period[1]					
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Risk Management Committee**	**General meeting**
Executive Directors						
Li Qing	4/4	–	2/2	2/2	2/2	1/1
Bai Wei	4/4	–	–	–	–	1/1
Non-executive Directors						
Li Nachuan[2]	1/1	–	–	–	–	–
Lu Xiaoyin	4/4	–	–	–	–	1/1
Liu Ming[3]	3/3	–	–	–	–	1/1
Independent Non-executive Directors						
Wang Jing[4]	1/1	1/1	–	–	–	–
Zhu Lin	4/4	4/4	–	–	2/2	1/1
Ding Zhiping	4/4	4/4	2/2	2/2	2/2	1/1
Bai Kun[5]	3/3	3/3	2/2	2/2	–	1/1

Notes:

(1) The Directors of the Board who did not attend the meeting in person have all entrusted proxies to attend the meeting, which was not counted into their attendance record.

(2) Mr. Li Nachuan was appointed as a non-executive Director with effect from 23 August 2024. During the period from his appointment date up to 31 December 2024, one Board meeting was held.

(3) On 23 August 2024, Ms. Liu Ming resigned from the position as a non-executive Director. Ms. Liu Ming has attended three Board meetings convened during the period from 1 January 2024 up to her resignation date.

(4) Ms. Wang Jing was appointed as an independent non-executive Director with effect from 23 August 2024. During the period from her appointment date up to 31 December 2024, one Board meeting was held.

(5) On 23 August 2024, Mr. Bai Kun resigned from the position as an independent non-executive Director. Mr. Bai Kun has attended three Board meetings convened during the period from 1 January 2024 up to his resignation date.

At the Board meetings held during the Reporting Period, the Board discussed a wide range of matters, including the Company's financial and operational performances, approved interim and annual results of the Company, business prospects and other significant matters. Apart from the above meetings, other matters subject to the approval of the Board were handled in the form of written resolutions.

BOARD COMMITTEES

The Company has four principal Board committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee. Each of the Board committees operates under its terms of reference. The terms of reference of the Board committees are available on the websites of the Company and the Stock Exchange.

Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The Audit Committee consists of three members, namely Mr. Zhu Lin, Ms. Wang Jing and Mr. Ding Zhiping. Mr. Zhu Lin has appropriate accounting and financial management expertise and is the chairman of the Audit Committee. The primary duties of the Audit Committee include: (i) making recommendations to our Board on the appointment, re-appointment and removal of external auditor; (ii) reviewing financial statements; (iii) providing material advice in respect of our financial reporting process; (iv) overseeing our internal control and risk management systems and audit process and discussing the risk management and internal control system with management to ensure that management has performed its duty to have effective systems; and (v) providing advice and comments to our Board on matters relating to corporate governance.

During the relevant meetings, the Audit Committee reviewed the annual results and report for the year ended 31 December 2023, interim results and report for six months ended 30 June 2024, significant issues on the financial reporting and compliance procedures.

Nomination Committee

The Company has established a Nomination Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The Nomination Committee consists of three members, namely Mr. Li Qing, Ms. Wang Jing and Mr. Ding Zhiping. Mr. Li Qing is the chairman of the Nomination Committee. The primary duties of the Nomination Committee include: (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board; and (ii) reviewing and making recommendations to the Board on appointment of Directors and the management of the Board succession.

In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board in accordance with the board diversity policy adopted by the Company. Diversity of the Board will be considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a Director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Nomination Policy

According to the nomination policy of the Company, in evaluating and selecting any candidate for directorship, the Nomination Committee would consider the criteria, including, among other things, character and integrity, qualifications (cultural and educational background, professional qualifications, skills, knowledge and experience and diversity aspects under the board diversity policy), any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity, and willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s).

The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Directors and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship with a ranking of the candidates (if applicable) by order of preference based on the needs of the Company and reference check of each candidate.

Board Diversity Policy

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural and education background, ethnicity and length of service. The ultimate decision of appointment will be based on merit and the contribution which the selected candidates will bring to our Board. The Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness. The Board will consider setting measurable objectives to implement the board diversity policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

For the year ended 31 December 2024 and as at the date of this annual report, the Board consists of six male members and one female member. The Nomination Committee considered that the Board was sufficiently diverse in terms of gender and the Board had not set any measurable objectives. The Directors have a balanced mix of knowledge and skills, including overall management and strategic development, human resources, information technology, accounting and financial management, risk management and corporate governance. They obtained degrees in various majors including computer science, physics, electrical engineering, financial accounting, economics and art education. We have three independent non-executive Directors with different industry backgrounds, representing more than one-third of the Board. Furthermore, our Board has a wide range of age, ranging from 41 years old to 65 years old. Taking into account our existing business model and specific needs as well as the different backgrounds of our Directors, the composition of our Board satisfies our board diversity policy.

As at 31 December 2024, the gender ratio of the Group's workforce was 63.71% male to 36.29% female. The Company has implemented fair employment practices to achieve gender diversity and our hiring is merit-based and non-discriminatory.

Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The Remuneration Committee consists of three members, namely, Ms. Wang Jing, Mr. Ding Zhiping and Mr. Li Qing. Ms. Wang Jing is the chairperson of the committee. The primary duties of the Remuneration Committee include: (i) making recommendations to the Board regarding the Group's policy and structure for the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of the Directors and senior management and on employee benefit arrangements; and (iii) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules. There is no material matter relating to share schemes that was reviewed or approved by the Remuneration Committee during the year ended 31 December 2024. On 29 August 2024 and 4 November 2024, the Company granted 200,000 RSUs to one grantee (being the employee of the Group) and 150,000 RSUs to one grantee (being the employee of the Group), respectively.

Risk Management Committee

The Company has established a Risk Management Committee with written terms of reference. The Risk Management Committee consists of three members, namely, Mr. Ding Zhiping, Mr. Li Qing and Mr. Zhu Lin. Mr. Ding Zhiping is the chairman of the committee. The primary duties of the Risk Management Committee include: (i) establishing, maintaining and overseeing the execution of risk management policies and procedures of our Company and making recommendations to the Board accordingly; (ii) collecting and administrating the information of connected persons; (iii) managing and reviewing connected transactions, and controlling risks associated with connected transactions; (iv) reviewing information and disclosures of connected persons and connected transactions in public disclosure documents of our Company; (v) formulating the regulations and management regulations in relation to our connected transactions; and (vi) proposing to the Board for approval after deliberation of the connected transactions.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code during the year ended 31 December 2024.

AUDITOR'S REMUNERATION

For the year ended 31 December 2024, the fees paid/payable to PricewaterhouseCoopers for audit and non-audit services (primary related to tax advisory services) are approximately RMB3.30 million and RMB0.05 million, respectively.

JOINT COMPANY SECRETARIES

Ms. Hao Lili and Ms. Zhang Xiao were appointed as the Company's joint company secretaries. Ms. Zhang Xiao serves as the assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited. Ms. Hao Lili is the primary contact of Ms. Zhang Xiao in the Company. The biographical details of Ms. Hao Lili and Ms. Zhang Xiao are set out under the section headed "Biographical details of Directors and Senior Management" in this annual report. Each of Ms. Hao Lili and Ms. Zhang Xiao participated in not less than 15 hours of relevant professional trainings in 2024 in accordance with Rule 3.29 of the Listing Rules.

ACCOUNTABILITY AND AUDIT

The Directors of the Company are responsible for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs of the Group and of the results and cash flow during the Reporting Period. A statement from the auditor about its reporting responsibilities on the financial statements is set out under the section headed "Independent Auditor's Report" in this annual report. In preparing the financial statements for the year ended 31 December 2024, the Directors of the Company have selected suitable accounting policies and applied them consistently, made judgments and estimation that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The Directors were 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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control and risk management systems in order to safeguard the Group's assets and Shareholders' interests and reviewing the effectiveness of the Group's internal control and risk management systems on an annual basis so as to ensure that internal control and risk management systems in place are adequate. The Board has also reviewed and recognized the effectiveness of such systems for the Reporting Period. Such systems are designed to manage and mitigate risks inherent in the Group's business faced by the Group to an acceptable level, but not eliminating the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement, loss or fraud.

The Company has established the Audit Committee and the Risk Management Committee to monitor the implementation of risk management policies across the Company on an ongoing basis to ensure that the internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The Company also maintains an internal audit department, which is responsible for reviewing the effectiveness of internal controls and reporting to the Audit Committee on any issues identified. The internal audit department members hold regular meetings to discuss any internal control issues we face and the corresponding measures required to be implemented to resolve such issues. The internal audit department reports to the Audit Committee to ensure that any major issues identified are channeled to the committee on a timely basis. The Audit Committee then discusses the issues and reports to the Board as necessary.

The Audit Committee, the Risk Management Committee, internal audit department and senior management together monitor the implementation of our risk management policies on an ongoing basis to ensure that our policies and implementation are effective and sufficient.

The Board considers that the Group's risk management and internal control systems are adequate and effective for the year ended 31 December 2024.

Business Risk Management

The Group conducts business globally and faces business risks includes reputation risks, investment and acquisition risks, taxation risks and corporate responsibility and sustainability risks. The Board meets regularly and reviews the investment and expansion strategies, business plan, financial results, and key performance indicators of the Group to ensure that the business risks are controlled and managed, and potential risks can be identified.

Financial Risk Management

The Group has adopted financial risk management policies to control the Group's financial risk exposure, such as taxation risks, currency risks and financial reporting risks. Also, the Board monitors the financial results and key operating statistics with the assistance of the Group's internal financial reporting department on a monthly basis.

Information Risk Management and Data Protection

Sufficient maintenance, storage and protection of user data and other related information is critical to our success. We have implemented relevant internal procedures and controls to ensure that user data is protected, and that leakage and loss of such data is avoided.

Legal Compliance and Intellectual Property Rights Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. We continually review the implementation of our risk management policies and measures to ensure that our policies and implementation are effective and sufficient.

Human Resource Risk Management

We provide regular and specialized training tailored to the needs of our employees in different departments. We have in place multiple employee policies, including an employee handbook and the code of business conduct, approved by our management and distributed to all our employees, which contains internal rules and guidelines regarding best commercial practice, work ethics, fraud prevention mechanisms, negligence and corruption. We also have in place an anti-corruption policy to safeguard against any corruption within the Company.

Inside Information

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

DIVIDEND POLICY

Subject to Articles of Association and all applicable laws and regulations, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board. Any dividends the Company pays will be determined by the Board, taking into account factors including the Company's actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that the Board deems to be appropriate.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the Reporting Period, the Company did not amend its constitutional documents. The fourth amended and restated memorandum and articles of association of the Company as adopted by a special resolution passed on 16 June 2023 and effective on 16 June 2023 is available on both the websites of the Company and the Stock Exchange.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this annual report, the Group did not have any important events after the Reporting Period.

COMMUNICATION WITH SHAREHOLDERS

The Company has adopted its "Shareholders Communication Policy" with an aim to ensure the Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company in order to enable the Shareholders to exercise their rights in an informed manner, and to allow the Shareholders to engage actively with the Company.

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities, including issue/publication of, among others, annual report and interim report, announcement, circular and press release both in English and Chinese, in order to provide the Shareholders and the capital market with the Company's latest development. The information is also posted and made available for downloading at the Company's website.

The Company endeavors to maintain an on-going dialogue with the Shareholders and in particular, through the annual general meeting and other general meetings. Shareholders are encouraged to attend the annual general meeting to ensure a high level of accountability and understand the strategy and development of the Group. The Company will arrange the Chairman of the Board and the respective chairman of each of the Board committees, or if failing so due to unexpected and/or uncontrollable reasons, his/their duly appointed delegate(s), to attend the general meetings to exchange views with shareholders and answer their questions. All Directors are encouraged to attend general meetings and develop a balanced understanding of the view of shareholders.

The notice of the annual general meeting shall be distributed to all Shareholders at least 21 days prior to such annual general meeting, and the notice of a general meeting, other than an annual general meeting, shall be distributed to all Shareholders at least 14 days prior to such general meeting.

Therefore, upon review the implementation and effectiveness of the shareholders' communication policy conducted during the Reporting Period, the Board considers that the Company's shareholder communication policy is still effective.

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Pursuant to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. One or more Shareholders holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company may also make a requisition to convene an extraordinary general meeting and/or add resolutions to the agenda of a meeting. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting forward Proposals at General Meeting

There are no specific provisions under the Articles of Association regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as a Director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

If a Shareholder wishes to propose a person other than a Director for election as a Director at the Company's general meeting ("**Proposal**"), he/she should lodge a written notice setting out the Proposal and his/her contact details at the principal place of business of the Company in Hong Kong or the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited. The Proposal should include the biographical details of the proposed Director and a written notice signed by the proposed Director confirming his/her willingness to be elected, the accuracy and completeness of his/her biographical details.

Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company as follows:

Address: 4/F, No. 8 Hangxing Science Park, No. 11 HePingLi East Street, Dongcheng District, Beijing, PRC

Attention: Office of the Board

The Company will not normally deal with verbal or anonymous enquiries. The Company will arrange designated persons to respond to the relevant written enquiries in a timely manner.

On behalf of the Board
Li Qing
Chairman

Beijing, China, 21 March 2025

Independent Auditor's Report

To the Shareholders of Archosaur Games Inc.
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Archosaur Games Inc. (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 88 to 176 comprise:

- the consolidated balance sheet as at 31 December 2024;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

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

KEY AUDIT MATTERS

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

The key audit matter identified in our audit is related to revenue recognition – Estimates of lifespan of in-game virtual items with reference to expected playing period of paying players ("**Player Relationship Period**") in the Group's self-operated online game revenue.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition – Estimates of expected Player Relationship Period in the Group's self-operated online game revenue Refer to Note 2.21, Note 4(a) and Note 5 to the consolidated financial statements. During the year ended 31 December 2024, the Group's revenue from Integrated game publishing and operation amounted to approximately RMB1,035 million. It was mainly derived from the sales of in-game virtual items. The in-game virtual items sold by the Group are categorised either as consumable or durable in nature. Revenue derived from consumable in-game virtual items is recognized once they are consumed or over the period that they are expiring, while revenue derived from durable in-game virtual items is recognized ratably over the lifespan of in-game virtual items with reference to the expected Player Relationship Period, on a game by game basis.	We performed the following procedures to address this key audit matter: We obtained an understanding of the management's internal control and assessment process of the estimation of the expected Player Relationship Period and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of the inherent risk factors such as subjectivity. We evaluated and tested, on a sample basis, key controls in respect of the recognition of revenue from sales of in-game virtual items, including management's review and approval of (i) determination of the estimated Player Relationship Period of new games prior to their launches; and (ii) changes in the estimated Player Relationship Period of existing games based on periodic reassessment on any indications triggering such changes.

Key Audit Matter	How our audit addressed the Key Audit Matter
The determination of the expected Player Relationship Period for relevant in-game virtual items requires significant judgements and estimates by the management. These judgements and estimates include (i) the determination of key assumptions applied in the expected Player Relationship Period, including but not limited to the games profile (including the observation of historical paying players' behaviour with reference to their log-in records, churn rates, and games life-cycle), target audience and players of different demographics groups; and (ii) the identification of events that may trigger changes in the expected Player Relationship Period. We focused on auditing the determination of the expected Player Relationship Period of each game because it is subject to high degree of estimation uncertainty. The inherent risk in relation to the determination of the expected Player Relationship Period is considered significant due to the subjectivity of significant assumptions used.	We challenged and evaluated the appropriateness of management's judgements and estimations made in determining and re-assessing the expected Player Relationship Period including the games profile, target audience and players of different demographics groups of the relevant games with reference to the historical data, market data and practice. We assessed, on a sample basis, the accuracy and the integrity of the key data inputs used in the determination of the expected Player Relationship Period, including the observation of historical paying players' behaviour with references to their log-in records and calculation of churn rates. We also tested the information system logic for generation of reports, and checked, on a sample basis, the monthly computation of revenue recognized on selected games based on reports generated from the Group's information system. Based on the procedures performed, we considered that the significant judgements and estimates adopted by management in determining the expected Player Relationship Periods 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 IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 Wong Ka On.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2025

Consolidated Statement of Profit or Loss

For the Year ended 31 December 2024

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000
Revenue	5	**1,141,079**	908,489
Cost of revenue	8	**(315,075)**	(258,082)
Gross profit		**826,004**	650,407
Research and development expenses	8	**(532,074)**	(582,208)
Selling and marketing expenses	8	**(564,980)**	(274,490)
Administrative expenses	8	**(100,139)**	(105,101)
Net impairment losses on financial assets	8	**(830)**	(15,273)
Other income	6	**8,150**	7,552
Other gains/(losses), net	7	**22,473**	(37,916)
Operating loss		**(341,396)**	(357,029)
Finance income	10	**53,137**	51,561
Finance costs	10	**(2,446)**	(4,271)
Finance income, net	10	**50,691**	47,290
Share of results of investments accounted for using the equity method	11	**3,616**	(18,105)
Loss before income tax		**(287,089)**	(327,844)
Income tax (expense)/credit	12	**(157)**	12,283
Loss for the year		**(287,246)**	(315,561)
Loss attributable to:			
– Owners of the Company		**(287,246)**	(315,561)
– Non-controlling interests		**–**	–
		(287,246)	(315,561)
Loss per share attributable to owners of the Company for the year (in RMB/share)	13		
– Basic		**(0.37)**	(0.40)
– Diluted		**(0.37)**	(0.40)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the Year ended 31 December 2024

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Loss for the year	**(287,246)**	(315,561)
Other comprehensive income, net of tax:		
Items that may be reclassified to profit or loss		
Currency translation differences	**8,139**	7,301
Items that will not be reclassified to profit or loss		
Currency translation differences	**41,454**	22,554
Total comprehensive loss for the year	**(237,653)**	(285,706)
Attributable to:		
– Owners of the Company	**(237,653)**	(285,706)
– Non-controlling interests	**–**	–
	(237,653)	(285,706)

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

Consolidated Balance Sheet

As at 31 December 2024

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	15	**9,404**	17,904
Right-of-use assets	17	**18,361**	42,703
Intangible assets	16	**102,590**	111,500
Investments accounted for using the equity method	11	**64,598**	60,982
Prepayments, other receivables and other assets	20	**14,651**	14,136
Term deposits	23(b)	**170,885**	115,616
Financial assets at fair value through profit or loss	3.3, 21	**235,317**	150,146
Other financial assets at amortized cost	22	**142,705**	–
Deferred tax assets	27	**17,770**	13,780
		776,281	526,767
Current assets			
Trade receivables	19	**120,023**	110,081
Prepayments, other receivables and other assets	20	**119,389**	99,967
Financial assets at fair value through profit or loss	3.3, 21	**443,508**	790,271
Term deposits	23(b)	**705,470**	635,105
Restricted cash		**–**	26,399
Cash and cash equivalents	23(a)	**433,689**	555,033
		1,822,079	2,216,856
Total assets		**2,598,360**	2,743,623
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	24	**55**	55
Share premium	24	**6,980,625**	6,964,953
Other reserves	25	**(1,588,338)**	(1,631,263)
Accumulated losses		**(3,287,058)**	(2,999,812)
		2,105,284	2,333,933
Non-controlling interests		**–**	–
Total equity		**2,105,284**	2,333,933

Consolidated Balance Sheet

As at 31 December 2024

	Note	As at 31 December	
		2024	2023
		RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Contract liabilities	5	**23,697**	9,915
Lease liabilities	17	**–**	15,002
Deferred income tax liabilities	27	**3,021**	1,233
		26,718	26,150
Current liabilities			
Trade and other payables	28	**192,883**	154,320
Contract liabilities	5	**251,721**	194,187
Current income tax liabilities		**6,205**	5,740
Lease liabilities	17	**15,549**	29,293
		466,358	383,540
Total liabilities		**493,076**	409,690
Total equity and liabilities		**2,598,360**	2,743,623

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 88 to 176 were approved by the Board of Directors on 21 March 2025 and were signed on its behalf.

Li Qing
Director

Bai Wei
Director

Consolidated Statement of Changes in Equity

For the Year ended 31 December 2024

	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2024		**55**	**6,964,953**	**(1,631,263)**	**(2,999,812)**	**2,333,933**
Comprehensive loss						
Loss for the year		**–**	**–**	**–**	**(287,246)**	**(287,246)**
Other comprehensive income						
Currency translation differences		**–**	**–**	**49,593**	**–**	**49,593**
Total comprehensive loss		**–**	**–**	**49,593**	**(287,246)**	**(237,653)**
Transactions with owners in their capacity as owners						
Share-based compensation	26(c)	**–**	**–**	**17,171**	**–**	**17,171**
Vesting of restricted share units	24, 25	**–**	**20,728**	**(20,728)**	**–**	**–**
Repurchase and cancellation of shares	24, 25	**–**	**(5,056)**	**(3,111)**	**–**	**(8,167)**
Total transactions with owners in their capacity as owners		**–**	**15,672**	**(6,668)**	**–**	**9,004**
Balance at 31 December 2024		**55**	**6,980,625**	**(1,588,338)**	**(3,287,058)**	**2,105,284**

Consolidated Statement of Changes in Equity

For the Year ended 31 December 2024

	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2023		55	6,946,624	(1,672,199)	(2,684,251)	2,590,229
Comprehensive loss						
Loss for the year		–	–	–	(315,561)	(315,561)
Other comprehensive income						
Currency translation differences		–	–	29,855	–	29,855
Total comprehensive loss		–	–	29,855	(315,561)	(285,706)
Transactions with owners in their capacity as owners						
Share-based compensation	26(c)	–	–	32,724	–	32,724
Vesting of restricted share units	24, 25	–	36,854	(36,854)	–	–
Repurchase and cancellation of shares	24, 25	–	(18,525)	15,211	–	(3,314)
Total transactions with owners in their capacity as owners		–	18,329	11,081	–	29,410
Balance at 31 December 2023		55	6,964,953	(1,631,263)	(2,999,812)	2,333,933

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

Consolidated Statement of Cash Flows

For the Year ended 31 December 2024

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Cash used in operations	29	**(198,962)**	(103,092)
Interest received		**12,664**	24,623
Income tax paid		**(1,711)**	(1,068)
Net cash used in operating activities		**(188,009)**	(79,537)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(1,003)**	(1,885)
Payment for intangible assets purchases		**(19,767)**	(2,506)
Purchases of financial assets at fair value through profit or loss		**(412,275)**	(1,754,900)
Purchases of other financial assets at amortized cost		**(141,837)**	–
Payment for investments accounted for using the equity method		**–**	(1,000)
Proceeds from disposal of property, plant and equipment		**231**	276
Placements of restricted cash		**–**	(2,272)
Receipt from maturity of restricted cash		**26,399**	1,779
Purchases of term deposits		**(821,488)**	(1,031,850)
Proceeds from maturity of term deposits		**707,826**	644,653
Proceeds from maturity of financial assets at fair value through profit or loss		**735,571**	1,512,739
Proceeds from other financial assets measured at amortized cost		**–**	34,494
Interest income from term deposits		**35,647**	11,902
Investment income from financial assets at fair value through profit or loss		**9,857**	5,273
Interest income from other financial assets at amortized cost		**1,602**	–
Loan repayment from related parties	31(b)	**1,700**	–
Loan granted to related parties		**–**	(5,800)
Net cash generated from/(used in) investing activities		**122,463**	(589,097)

	Note	Year ended 31 December	
		2024	2023
		RMB'000	RMB'000
Cash flows from financing activities			
Principal elements of lease payments		**(31,027)**	(34,481)
Interest paid		**(1,522)**	(3,721)
Payments for shares repurchase		**(8,167)**	–
Payments to stockbrokers for shares repurchase		**(19,486)**	–
Refund of stockbrokers for shares repurchase		**–**	19,043
Proceeds from borrowings		**–**	35,800
Repayments of borrowings		**–**	(35,800)
Net cash used in financing activities		**(60,202)**	(19,159)
Net decrease in cash and cash equivalents		**(125,748)**	(687,793)
Cash and cash equivalents at the beginning of the year		**555,033**	1,232,999
Exchange gains on cash and cash equivalents		**4,404**	9,827
Cash and cash equivalents at the end of the year	23(a)	**433,689**	555,033

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

1 GENERAL INFORMATION

Archosaur Games Inc. (the "**Company**") was incorporated in the Cayman Islands on 2 January 2020 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in the development and operating of mobile games in the People's Republic of China (the "**PRC**") and other countries and regions (the "**Group's Business**").

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 15 July 2020 ("**Listing**", "**IPO**").

The consolidated financial statements for the year ended 31 December 2024 are presented in Renminbi and all values are rounded to the nearest thousand (RMB'000) unless otherwise indicated. The consolidated financial statements for the year ended 31 December 2024 have been approved on 21 March 2025.

As at 31 December 2024, the Company had direct or indirect interests in the following subsidiaries:

Name of subsidiaries	Nature of subsidiaries	Place and date of incorporation/ establishment	Registered capital	Equity interest held as at 31 December 2023	2024	Principal activities and principal place of operation
Directly held by the Company						
Archosaur Entertainment Limited	Limited liability company	British Virgin Islands/07-Jan-20	United States dollars ("**US$**") 50,000	100%	**100%**	Investment holding, the British Virgin Islands ("**BVI**")
Indirectly held by the Company						
Beijing Fantasy Mermaid Technology Limited (北京幻想美人魚科技有限公司)	Limited liability company	Beijing, China/ 09-Sep-14	RMB300,000,000	100%	**100%**	Mobile game development, the PRC
Famous Heart Limited (名心有限公司)	Limited liability company	Hong Kong/ 23-Oct-14	Hong Kong dollars ("**HK$**") 8,000,000	100%	**100%**	Overseas mobile game operation, Hong Kong
Famous Game Company Limited (名遊有限公司)	Limited liability company	Hong Kong/ 05-Aug-19	US$10,000,000	100%	**100%**	Overseas mobile game operation, Hong Kong
Chengdu Fantasy Mermaid Technology Limited (成都幻想美人魚科技有限公司)	Limited liability company	Chengdu, China/ 10-Dec-19	RMB10,000,000	100%	**100%**	Mobile game development, the PRC
Hainan Loong Technology Co., Ltd. (海南祖龍科技有限公司)	Limited liability company	Hainan, China/ 14-Apr-20	RMB10,000,000	100%	**100%**	Overseas mobile game operation, the PRC
Q-Generation Games Limited	Limited liability company	British Virgin Islands/ 07-Jan-21	US$50,000	100%	**100%**	Investment holding, the BVI

1 GENERAL INFORMATION *(Continued)*

Name of subsidiaries	Nature of subsidiaries	Place and date of incorporation/ establishment	Registered capital	Equity interest held as at 31 December 2023	Equity interest held as at 31 December **2024**	Principal activities and principal place of operation
Indirectly held by the Company *(Continued)*						
Finger Games Pte. Ltd.	Limited liability company	Singapore/ 29-Jan-21	SGD1	100%	**100%**	Overseas mobile game operation, Singapore
Dream Cube Games Limited	Limited liability company	UAE/ 31-Jan-21	AED1	100%	**100%**	Overseas mobile game operation, UAE
Shanghai Huan Zhi Meng Technology Co., Ltd. (上海幻之夢科技有限公司)	Limited liability company	Shanghai, China/ 16-Mar-21	RMB10,000,000	100%	**100%**	Mobile game development, the PRC
Archosaur Games Japan Ltd.	Limited liability company	Japan/ 17-Mar-21	JPY5,000,000	100%	**100%**	Overseas mobile game operation, Japan
ACS Games Co., Ltd.	Limited liability company	Korea/ 23-Mar-21	KRW100,000,000	100%	**100%**	Overseas mobile game operation, Korea
Guangzhou Aolong Entertainment Technology Co., Ltd. (廣州奧龍娛樂科技有限公司)	Limited liability company	Guangzhou, China/ 15-Nov-21	RMB20,000,000	100%	**100%**	Overseas mobile game operation, the PRC
Q-Generation Entertainment Corp.	Limited liability company	United States/ 27-Nov-24	USD20,000	100%	**100%**	Overseas mobile game operation, United States
Indirectly controlled by the Company through Contractual Arrangements						
Tianjin Loong Technology Co., Ltd. (祖龍(天津)科技股份有限公司)	Joint stock limited company	Tianjin, China/ 15-Apr-15	RMB105,263,157	100%	**100%**	Mobile game operation, the PRC
Huai'an Loong Technology Co., Ltd. (淮安祖龍科技有限公司)	Limited liability company	Huai'an, China/ 19-Aug-16	RMB10,000,000	100%	**100%**	Mobile game operation, the PRC
Shanghai Zu Yun Technology Co., Ltd. (上海祖昀科技有限公司)	Limited liability company	Shanghai, China/ 23-Nov-20	RMB1,000,000	100%	**100%**	Mobile game operation, the PRC
Beihai Loong Venture Capital Co., Ltd. (北海祖龍創業投資有限公司)	Limited liability company	Beihai, China/ 07-Jun-21	RMB450,000,000	100%	**100%**	Investment, the PRC
Hainan Long Yao Technology Co., Ltd. (海南龍耀科技有限公司)	Limited liability company	Hainan, China/ 25-Jun-21	RMB10,000,000	100%	**100%**	Mobile game operation, the PRC
Beihai Longhao Venture Capital Co., Ltd. (北海龍灝創業投資有限公司)	Limited liability company	Beihai, China/ 07-Jan-22	RMB10,000,000	100%	**100%**	Investment, the PRC

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

This note provides a list of the material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Archosaur Games Inc. and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with IFRS Accounting Standards

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards and disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance (Cap.622). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

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

(b) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2024:

Standards and amendments	Effective for annual periods beginning on or after
Amendments to IAS 1 Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1 on Non-current Liabilities with Covenants	1 January 2024
Amendment to IFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024
Amendment to IAS 7 and IFRS 7 – Supplier finance Arrangements	1 January 2024

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.1 Basis of preparation *(Continued)*

(c) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2024 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Standards and amendments	Effective for annual periods beginning on or after
Amendments to IAS 21 on Lack of Exchangeability	1 January 2025
Amendment to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	To be determined

2.2 Subsidiaries

(a) Consolidation

A subsidiary is an entity (including a structured entity) 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 over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.2 (a)(ii)).

Inter-company 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 where 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 statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.2 Subsidiaries *(Continued)*

(a) ***Consolidation*** *(Continued)*

(i) Subsidiaries controlled through Contractual Arrangements

The wholly-owned subsidiary of the Company, Beijing Fantasy Mermaid Technology Limited ("**Beijing Fantasy Mermaid**"), has entered into a series of contractual arrangements dated 10 March 2020 (collectively, the "**Contractual Agreements**"), including Exclusive Business Cooperation Arrangements, Exclusive Option Agreement, Equity Pledge Agreement, and Powers of Attorney, with Tianjin Loong Technology Co., Ltd. ("**Tianjin Loong**") and its equity holders, which enable Beijing Fantasy Mermaid and the Group to:

- exercise effective control over Tianjin Loong and its subsidiaries established from time to time (collectively, the "**Consolidated Affiliated Entities**");
- exercise equity holders' voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the technical support, consulting and other services provided by Beijing Fantasy Mermaid;
- obtain an irrevocable and exclusive right to purchase all or part of the equity interests in Tianjin Loong from the respective equity holders at a minimum purchase price permitted under PRC laws and regulations. Beijing Fantasy Mermaid may exercise such options at any time until it has acquired all equity interests of Tianjin Loong;
- obtain a pledge over the entire equity interests of Tianjin Loong from its respective equity holders as collateral security for all of Tianjin Loong's payments due to Beijing Fantasy Mermaid and to secure performance of Tianjin Loong's obligation under the Contractual Arrangements.

As a result of the Contractual Arrangements, the Group has rights to exercise power over the Consolidated Affiliated Entities, receive variable returns from its involvement with the Consolidated Affiliated Entities, has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is considered to control the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as the controlled entities and consolidated the financial position and results of operations of these entities in the consolidated financial statements of the Group.

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.2 Subsidiaries *(Continued)*

(a) ***Consolidation*** *(Continued)*

(ii) *Business combination*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS Accounting Standards.

Acquisition-related costs are expensed as incurred.

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.2 Subsidiaries *(Continued)*

(a) Consolidation (Continued)

(iii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iv) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income ("**OCI**") in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in OCI are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS Accounting Standards.

(b) 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.

2.3 Associates

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.3 Associates *(Continued)*

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.8.

2.4 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 of the Group.

2.5 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 functional currency of the Company is HK$ and the functional currencies of the Company's major oversea operating subsidiaries are US$, while the functional currencies of the Company's subsidiaries in the PRC are RMB. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated), which is 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 recognized in the statement of profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within "finance income, net". All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within "Other gains/(losses), net".

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.5 Foreign currency translation *(Continued)*

(b) Transactions and balances *(Continued)*

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

(c) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognized in OCI.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in OCI.

2.6 Property, plant and equipment

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.6 Property, plant and equipment *(Continued)*

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

Office equipment	4 years
Furniture	4 years
Leasehold improvements	Estimated useful lives or remaining 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 (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other gains/(losses), net" in the consolidated statement of profit or loss.

2.7 Intangible assets

(a) Software

Acquired computer software are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three to fifteen years, and recorded in amortization within operating expenses in the consolidated statement of profit or loss. Length of estimated useful life is determined to be the shorter of the period of contractual rights or estimated period during which such software can bring economic benefits to the Group.

(b) Copyrights and game licenses

Copyrights are initially recorded at cost and are amortized on a straight-line basis over their estimated useful lives of one to five years.

Under certain online mobile games arrangements entered between the Group and the intellectual property ("**IP**") holders, the Group pays non-refundable upfront licensing fees to the IP holders as the Group is entitled to use such IP to develop online mobile games. The Group recognizes the licensing fee as an intangible asset. This intangible asset is amortized on a straight-line basis upon the commercial launch of the related online mobile games over the shorter of the expected economic life or license period of the relevant online mobile games ranging from two to ten years.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.7 Intangible assets *(Continued)*

(c) Trademark and domain names

Trademark and domain names are initially recognized and measured at costs incurred to acquire and bring to use them. The costs are amortized on a straight-line basis over the trademark and domain names' estimated useful lives of five to ten years and recorded in amortization within operating expenses in the consolidated statement of profit or loss. Length of estimated useful life is determined to be the period of effective registration during which such trademark and domain names can bring economic benefits to the Group.

2.8 Impairment of non-financial assets

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

2.9 Investments and other financial assets

(i) Classification

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

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and

- those to be measured at amortized cost.

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. 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 FVOCI.

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.9 Investments and other financial assets *(Continued)*

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

Debt instruments

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

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.9 Investments and other financial assets *(Continued)*

(iii) Measurement (Continued)

Equity instruments

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

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

(iv) Impairment

Trade receivables and other receivables are subject to IFRS 9's new expected credit loss ("**ECL**") model. While cash and cash equivalents, term deposits and other financial assets at amortized cost are also subject to the impairments requirements of IFRS 9, the identified impairment losses were immaterial.

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

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 3.1(b) for further details.

For other receivables, management makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement patterns and past experience. Management used four categories for other receivables to reflect their credit risk. The ECL model was applied to determine the loss provision (Note 3.1(b)).

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.11 Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss and are included in "Other gains/(losses), net".

2.12 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other 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 recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 19 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital

Ordinary shares are classified as equity.

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

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are 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 payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.16 Borrowings and borrowing costs

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

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

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

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

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statements of profit or loss, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is also recognized in OCI 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 balance sheet date in the countries where the Company's subsidiaries 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(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 financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss 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 substantially 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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.17 Current and deferred income tax *(Continued)*

(b) Deferred income tax *(Continued)*

Deferred tax assets are recognized 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 recognized 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.

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

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

2.18 Employee benefits

(a) Pension and social obligations

The Group companies operate various defined contribution plan in accordance with the local conditions and practices in which they operate. Defined contribution plans are pensions and the other social benefit plans under which the Group pay fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as labor costs when they are due. There were no forfeited contributions (by employees on behalf of employees who leave the plans prior to vesting fully in such contributions) to offset existing contributions under the defined contribution plans.

(b) Employee leave entitlements

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

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

(c) Bonus plans

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.19 Equity-settled share-based payments arrangements

Share-based payments arrangement represents the Group 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 the equity instruments (such as restricted share or options) is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

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

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

In case it is an option arrangement, when the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

2.20 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for 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 recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.21 Revenue recognition

The Group evaluated and recognized revenue based on a five-step approach:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to each performance obligation
- Recognize revenue when each performance obligation is satisfied

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services provided, stated net of discounts, returns and value added taxes. Revenue is recognized when or as the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

(a) Online game revenue

The Group is a mobile game developer and also a publisher. The Group's online game revenue are generated primarily from its integrated game publishing and operation business, i.e. game publishing by the Group's own distribution channels or other distribution channels, and from its development and licensing business.

The Group's online games are operated under free-to-play model whereby game players can play the games free of charge and are charged for the purchase of in-game tokens, which entitle the game players to exchange for in-game virtual items, including those consumable and durable virtual items.

The Group reports revenue on a gross or net basis depending on whether the Group is acting as a principal or an agent in a transaction. The Group is a principal if it controls the specified product or service before that product or service is transferred to a customer or it has a right to direct others to provide the product or service to the customer on the Group's behalf. Indicators that the Group is a principal include but not limited to whether the Group (i) is the primary obligor in the arrangement; (ii) has latitude in establishing the selling price; (iii) has discretion in supplier selection; (iv) changes the product or performs part of the service, and (v) has involvement in the determination of product or service specifications.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.21 Revenue recognition *(Continued)*

(a) Online game revenue *(Continued)*

The Group acts as an agent

(i) Revenue from development and licensing

The Group derives revenue from licensing its self-developed games to third-party game publishers ("**Publishers**"), who operate the Group's online games in defined regions or countries within a specific period. The licensing fees normally comprise of non-refundable fixed licensing fees (either up-front or under specific payment schedule) and variable licensing fees calculated based on prescribed terms.

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.21 Revenue recognition *(Continued)*

(a) Online game revenue *(Continued)*

The Group acts as a principal

(ii) Revenue from integrated game publishing and operation

The Group also operates its self-developed games through its own distribution channels, or other distribution channels, including various mobile application stores and software website (collectively referred to as "**Distribution Channels**"). The Group sells the in-game tokens to its game players via payment channels and Distribution Channels. Therefore, the payment channels and Distribution Channels are entitled to commissions which are withheld and deducted from the gross proceeds collected from the game players, with the net amounts remitted to the Group.

The Group takes primary responsibilities of game development and updates, price determination of in-game virtual items, game operation, including providing customer services, hosting game servers. The Group considered itself as a principal in this arrangement and records the online game revenue on a gross basis. Commissions paid to Distribution Channels and payment channels are recorded as cost of revenue.

Upon the sales of in-game virtual items, the Group typically has an implied obligation to provide the service which enables the in-game virtual items to be displayed and consumed in the respective games. As a result, the proceeds from the sales of in-game virtual items are initially recorded in contract liability and are then recognized as revenue subsequently only when the services have been rendered either upon consumption or ratably over the average playing period of Paying Players ("**Player Relationship Period**"). For the purposes of determining when services have been rendered to the respective Paying Players, the Group has determined the following:

- Consumable items represent in-game virtual items that can be consumed by game player actions or expire over a predetermined expiration time. The Group keeps track of the consumption or expiration of all the consumable items in the game. Revenue in relation to consumable items are recognized (as a release from contract liability) after they are consumed or over the period that they are expiring, as the Group's obligations in connection with such items have been fully rendered to the players after their consumption or expiration.

- Durable items represent in-game virtual items that are accessible by the players as long as they play the game. The Group will provide continuous services in connection with these durable items until these items are no longer used by the game players. Revenue in relation to the durable items are recognized over Player Relationship Period, which represents the best estimates of the average lifespan of durable virtual items for the applicable game.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.21 Revenue recognition *(Continued)*

(a) Online game revenue *(Continued)*

The Group acts as a principal *(Continued)*

(ii) Revenue from integrated game publishing and operation (Continued)

The Group estimates the Player Relationship Period and re-assesses such periods semi-annually. If there is insufficient data to determine the Player Relationship Period, such as in the case of a newly launched game, it estimates the Player Relationship Period based on other similar types of games developed by the Group until the new game establishes its own patterns and history. The Group also considers the games profile, target audience, and its appeal to players of different demographics groups in estimating the Player Relationship Period. Adjustments arising from changes in the estimated useful lives of durable virtual items are applied prospectively.

(b) Contract liabilities and contract costs

A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group's contract liabilities mainly comprise of revenue share received in advance from customers, the unamortized revenue from sales of in-game virtual items for online games and the non-refundable fixed licensing fee paid by licensees, where there is still an implied obligation to be provided by the Group and will be recognized as revenue when all of the revenue recognition criteria are met.

Contract costs are mainly related to contract fulfilment costs, which primarily consist of unamortized commissions charged by the Distribution Channels. They are capitalized as contract fulfilment costs and amortized over the period that they are expiring or their respective Player Relationship Periods, which is consistent with the pattern of recognition of the associated revenue.

2.22 Interest income

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

Interest income on financial assets at amortized cost calculated using the effective interest method is recognized in profit or loss. 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 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.23 Research and development costs

The expenditure on an internal research and development project is classified into research cost and development cost based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

Research cost is recognized in profit or loss in the period in which it is incurred. Development cost is capitalize only if all of the following conditions are satisfied:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset, and use or sell it;
- There is ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate economic benefits;
- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development phase can be reliably measured.

The development cost of an internally generated intangible asset is the sum of the expenditure incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The development costs capitalized in connection with the intangible asset include costs of materials and services used or consumed and employee costs incurred in the creation of the asset.

Capitalized development costs are amortized using the straight-line method over their estimated useful lives.

Development costs not satisfying the above criteria are recognized in the profit or loss as incurred.

Development costs previously recognized as expenses are not recognized as an asset in a subsequent period.

During the years ended 31 December 2024 and 2023, the Group did not capitalize any development costs.

2.24 Government grants

Grants from the government are recognized 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 recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.25 Leases

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

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

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

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

To determine the incremental borrowing rate, the Group:

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

2.25 Leases *(Continued)*

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

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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

2.26 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally through overseas publishers and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the RMB and US$. Foreign exchange risk primarily arises from recognized assets and liabilities denominated in a currency other than the functional currency of the Group's subsidiaries. The Group does not hedge against any fluctuation in foreign currency.

The carrying amount in RMB equivalents of the mainly financial assets and liabilities held by the Group denominated in the currencies other than their respective functional currencies are summarised below:

	As at 31 December							
	2024				2023			
	US$	**HK$**	**RMB**	**JPY**	US$	HK$	RMB	JPY
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	**71,931**	**6,319**	**25,864**	**194**	15,341	17,957	26,037	90
Term deposits	**–**	**–**	**–**	**–**	49,579	–	–	–
Restricted cash	**–**	**–**	**–**	**–**	26,399	–	–	–
Trade receivables	**147**	**4,739**	**–**	**–**	254	5,173	–	–
Trade payables	**(30)**	**(8)**	**(118)**	**(6)**	(13,513)	–	(220)	(139)
	72,048	**11,050**	**25,746**	**188**	78,060	23,130	25,817	(49)

If foreign currencies had strengthened/weakened by 5% against RMB with all other variables held constant, the loss for the year would have been approximately RMB250,000 lower/higher and RMB110,000 higher/lower for the years ended 31 December 2024 and 2023, respectively, as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in currencies other than RMB.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

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

(ii) *Price risk*

The Group is exposed to price risk in respect of investments held by the Group that are classified on the consolidated balance sheet at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The sensitivity analysis is determined based on the exposure to price risk of financial assets at fair value through profit or loss at the end of the reporting period. If the fair values of the respective instruments held by the Group had been 1% higher/lower, the loss for the years ended 31 December 2024 and 2023 would have been approximately RMB5,930,000 lower/higher, and RMB8,256,000 lower/higher, respectively.

(iii) *Cash flow and fair value interest rate risk*

As the Group has no significant interest-bearing assets and liabilities other than cash and cash equivalents, term deposits and other financial assets at amortized cost, the Group's income and cash flows are substantially independent of changes in market interest rates.

(b) ***Credit risk***

Credit risk arises from cash and cash equivalents, term deposits and other financial assets at amortized cost placed with banks, trade receivables and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) *Risk management*

Credit risk is managed on group basis. Finance team is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. If the customers experience financial difficulties in paying the Group, the Group's corresponding trade receivables might be adversely affected in terms of recoverability. The Group assesses the credit quality of its customers and other debtors by taking into account various factors including their financial position, past experience and other factors.

Cash and cash equivalents, term deposits and other financial assets at amortized cost, are mainly placed with state-owned financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions. The ECL is close to zero.

The Group is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

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

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to the ECL model:

- trade receivables; and
- other receivables

While cash and cash equivalents, term deposits, and other financial assets at amortized cost are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and credit rating.

The expected loss rates are based on the historical payment profiles, historical loss rates and data published by external credit rating institution, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified Gross Domestic Product ("**GDP**") and Customer Price Index ("**CPI**") of the countries in which it provides its services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowances as at 31 December 2024 and 2023 were determined as follows:

	As at 31 December 2024		
	Gross carrying amount RMB'000	**Expected credit loss rate**	**Credit loss allowance RMB'000**
For credit loss allowance measured individually (Note (a))	**19,547**	**69.88%**	**(13,659)**

Note:

(a) The reason for credit loss allowance measured individually is the reasonable estimation of the likelihood of recovery made by management based on the customers' historical payment profiles and future business plans.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

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

(ii) Impairment of financial assets (Continued)

Trade receivables *(Continued)*

Credit rating as at 31 December 2024	**ECL rate**	**Gross carrying amount at default RMB'000**	**Allowance for impairment of trade receivables RMB'000**
AAA	**0.14%**	**81,752**	**(118)**
A+	**0.72%**	**8,044**	**(58)**
A	**1.45%**	**16,990**	**(246)**
A-	**2.92%**	**8,005**	**(234)**
C	**100.00%**	**39**	**(39)**
		114,830	**(695)**

Credit rating as at 31 December 2023	ECL rate	Gross carrying amount at default RMB'000	Allowance for impairment of trade receivables RMB'000
AAA	0.13%	83,803	(111)
A+	0.77%	777	(6)
A	0.92%	5,962	(55)
A-	1.38%	6,103	(84)
CC	45.85%	25,287	(11,595)
C	100.00%	39	(39)
		121,971	(11,890)

Loss allowances for trade receivables as at 31 December reconcile to the opening loss allowances as disclosed in Note 19.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and indicators of severe financial difficulty.

Impairment losses on trade receivables are presented as "Net impairment losses on financial assets" within operating loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

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

Other receivables

The Group considers the probability of default upon initial recognition of the assets and whether there has been significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition.

Management makes periodic collective assessments as well as individual assessments on the recoverability of other receivables based on historical settlement records and past experience. A summary of the assumptions underpinning the Group's ECL model for other receivables is as follows:

Category	**Counterparty definition of category**	**Basis for recognition of ECL provision**
Performing	Credit risk is in line with original expectations.	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (stage 1).
Under – performing	A significant increase has occurred compared to original expectations, presumably due to a counterparty's failure to make a contractual payment more than 30 days past the due date.	Lifetime expected losses (stage 2).
Non-performing	Either a counterparty fails to make contractual payments within 90 days of when they fall due, or it becomes probable a counterparty will enter bankruptcy.	Lifetime expected losses (stage 3).
Write-off	There is an evidence indicating that a counterparty is in severe financial difficulty and the Group has no reasonable expectation of recovery.	Asset is written off.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

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

Other receivables *(Continued)*

As at 31 December 2024, the Group has individually assessed the loan to related parties and categorized them as non-performing category. Details of the counterparties and losses are disclosed in Note 31(c). Impairment losses on other receivables are presented as "Net impairment losses on financial assets" within operating loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other than the loan to related parties, with reference to their sound collection history of receivables due from them and forward-looking estimates, the Group considered that the ECL rates of other receivables are not significant.

(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 analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date 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	Over 5 years RMB'000	Total contractual cash flows RMB'000
Group					
At 31 December 2024					
Trade and other payables (excluding payroll liabilities and tax payables) (Note 28)	**115,893**	**–**	**–**	**–**	**115,893**
Lease liabilities	**15,752**	**–**	**–**	**–**	**15,752**
	131,645	**–**	**–**	**–**	**131,645**
At 31 December 2023					
Trade and other payables (excluding payroll liabilities and tax payables) (Note 28)	77,912	–	–	–	77,912
Lease liabilities	30,735	14,887	329	–	45,951
	108,647	14,887	329	–	123,863

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 owners and benefits for other owners and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to owners, return capital to owners, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group's capital risk is low.

3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at 31 December 2024 and 2023 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined 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.

- 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 unlisted equity securities.

As at 31 December 2024 and 2023, none of the Group's financial liabilities and financial assets are measured at fair value using level 1 or level 2 inputs.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

The following table presents the Group's financial assets that are measured at fair value as at 31 December 2024, none of the Group's financial liabilities is measured at fair value.

As at 31 December 2024	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Current				
Investments in wealth management products (Note 21)	–	–	244,330	244,330
Other fund investments (Note 21)	–	–	199,178	199,178
	–	–	443,508	443,508
Non-current				
Investments in private equity funds and venture capital funds (Note 21)	–	–	152,076	152,076
Structured investments (Note 21)	–	–	48,242	48,242
Preferred shares investments (Note 21)	–	–	31,471	31,471
Other ordinary share investments (Note 21)	–	–	3,528	3,528
	–	–	235,317	235,317
	–	–	678,825	678,825

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

As at 31 December 2023	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Current				
Investments in wealth management products (Note 21)	–	–	433,293	433,293
Other fund investments (Note 21)	–	–	157,361	157,361
Structured investments (Note 21)	–	–	199,617	199,617
	–	–	790,271	790,271
Non-current				
Investments in private equity funds and venture capital funds (Note 21)	–	–	135,935	135,935
Preferred shares investments (Note 21)	–	–	2,868	2,868
Other fund investments (Note 21)	–	–	7,815	7,815
Other ordinary share investments (Note 21)	–	–	3,528	3,528
	–	–	150,146	150,146
	–	–	940,417	940,417

The changes in level 3 instruments of financial assets at fair value through profit or loss for the years ended 31 December 2024 and 2023 have been disclosed in Note 21. There were no transfers among Levels 1, 2 and 3 during the years ended 31 December 2024 and 2023.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The net asset value of the investments;
- The latest round financing, i.e. the prior transaction price or the third-party pricing information;
- Other techniques, such as discounted cash flow analysis and comparable company approach, are used to determine fair value for financial instruments.

The Group has a team that manages the valuation of level 3 instruments for financial reporting purpose. The team manages the valuation exercise of the investments on a case by case basis. At least once a year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

The components of the level 3 instruments include investments in wealth management products, preferred share investments, other ordinary share investments, investments in private equity funds and venture capital funds, other fund investments, structured investments. As these instruments are not traded in an active market, their fair values have been determined by using applicable methodologies.

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurement of the investments in wealth management products, preferred share investments, other ordinary share investments, investments in private equity funds and venture capital funds and other fund investments.

Description	Fair value As at 31 December 2024 RMB'000	Fair value As at 31 December 2023 RMB'000	Significant unobservable inputs	Range of inputs (probability weighted average) As at 31 December 2024	Range of inputs (probability weighted average) As at 31 December 2023	Relationship of unobservable inputs to fair value
Investments in wealth management products	**244,330**	433,293	Expected rate of return	**1.47% to 3.41%**	2.14% to 6.00%	Increasing/decreasing expected rate of return by 50 basis points would increase/decrease fair value by RMB1,851,743 and RMB1,350,868 as at 31 December 2024 and 31 December 2023.
Preferred share investments (Note 4(c))	**31,471**	2,868	Expected volatility	**44.80% to 50.76%**	35.80% to 38.89%	The higher the expected volatility, the lower the fair value.
			Risk-free rate	**1.10% to 4.64%**	2.23% to 2.40%	The higher the risk-free rate, the higher the fair value.
			Discount for lack of marketability ("**DLOM**")	**29.00% to 30.00%**	26.00%	The higher the DLOM, the lower the fair value.
Other ordinary share investments (Note 4(c))	**3,528**	3,528	Expected volatility	**50.41% to 56.07%**	51.77% to 54.88%	The higher the expected volatility, the higher the fair value.
			Risk-free rate	**0.94% to 1.19%**	2.03% to 2.30%	The higher the risk-free rate, the higher the fair value.
			DLOM	**31.00%**	33.00%	The higher the DLOM, the lower the fair value.
Investments in private equity funds and venture capital funds (Note 4(d))	**152,076**	135,935	Net asset value	**N/A**	N/A	The higher the net asset value, the higher the fair value.
Other fund investments (Note (a))	**199,178**	165,176	Net asset value	**N/A**	N/A	The higher the net asset value, the higher the fair value.
Structured investments (Note (a))	**48,242**	199,617	Net asset value	**N/A**	N/A	The higher the net asset value, the higher the fair value.
	678,825	940,417				

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

Note:

(a) Other fund investments and structured investments at fair value through profit or loss as at the reporting date based on the reported net asset values of the respective instruments as provided by fund managers or their issuers.

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 expected Player Relationship Period in the Group's self-operated online game revenue

As described in Note 2.21, the Group recognizes certain revenue derived from durable in-game virtual items ratably over the lifespan of in-game virtual items with reference to the expected Player Relationship Period, on a game by game basis. The determination of Player Relationship Period in each game is made based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. These judgements and estimates include (i) the determination of key assumptions applied in the expected Player Relationship Period, including but not limited to the games profile (including the observation of historical paying players' behaviour with reference to their log-in records, churn rates, and games life-cycle), target audience and players of different demographics groups; and (ii) the identification of events that may trigger changes in the expected Player Relationship Period. Such estimates are subject to re-evaluation on a semi-annual basis. Any adjustments arising from changes in the Player Relationship Period as a result of new information will be accounted for as a change in accounting estimate.

(b) Revenue recognition

Pursuant to online game licensing and operation arrangements signed between the Group and the third-party game publishers or Distribution Channels, the Group's responsibilities in game development and self-developed games operation vary for each game. The Group recognizes revenue on a gross or net basis depending on whether the Group is acting as a principal or an agent in a transaction. Indicators that the Group is a principal include but not limited to whether the Group (i) is the primary obligor in the arrangement; (ii) has latitude in establishing the selling price; (iii) has discretion in supplier selection; (iv) changes the product or performs part of the service, and (v) has involvement in the determination of product or service specifications.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(c) Fair value of preferred shares and other ordinary share investments

The fair values of preferred shares and other ordinary share investments that are not traded in an active market (for example, investment in private company) are determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these investments.

(d) Fair value of private equity funds and venture capital funds

The fair value of investments in private equity funds and venture capital funds that are not quoted in an active market is primarily valued based on the latest available consolidated financial statements and valuation reports provided by their general partners. The Group reviews the details of the reported information and may make adjustments, if applicable, to the reported net asset value based on considerations such as:

(i) the valuation of private equity funds and venture capital funds underlying investments;

(ii) the management and incentive fee compensated for investment managers;

(iii) cash flows (calls/distributions) since the latest value date; and

(iv) the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information provided by fund's general partner.

The models used to determine fair values are validated and periodically reviewed by the Group. The carrying values of the private equity funds and venture capital funds may be significantly different from the values ultimately realised on an exit via a secondary market sale.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(e) Recognition of share-based compensation expenses

The Group modified the original share options on 7 January 2022. The fair value of the share options before and after the modification date was determined by using binomial pricing model with certain significant estimates on assumptions, including risk-free interest rate, volatility and dividend yield. Details of the key assumptions and inputs used are disclosed in Note 26(a).

(f) Impairment provision for trade and other receivables

The allowance for impairment of trade and other are based on assumptions about risk of default and expected loss rates. The Group uses judgement 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. Details of the key assumptions and inputs used are disclosed in Note 3.1(b).

(g) Income tax

The Group is subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

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 and no segment information is presented, accordingly.

As at 31 December 2024 and 2023, substantially all of the non-current assets of the Group are located in the PRC.

Revenue for the years ended 31 December 2024 and 2023 are as follows: the Group considered itself as an agent in arrangements of "development and licensing business", and recorded revenue on a net basis; whereas, the Group considered itself as a principal in arrangements of "integrated game publishing and operation business", and recorded revenue on a gross basis.

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Online game revenue		
– Development and licensing		
Revenue share	**101,879**	146,470
Non-refundable fixed licensing fees	**3,617**	39,426
– Integrated game publishing and operation	**1,034,972**	709,300
– Others	**611**	13,293
	1,141,079	908,489
Timing of revenue recognition		
– At a point in time	**101,879**	173,520
– Over time	**1,039,200**	734,969
	1,141,079	908,489

5 SEGMENT INFORMATION AND REVENUE *(Continued)*

Revenues of approximately RMB105,027,000 and RMB185,706,000 for the years ended 31 December 2024 and 2023 respectively were derived from five largest single external customers.

During the year ended 31 December 2024, the revenue from the group's largest customer amounted to approximately RMB81,769,000 (2023: RMB145,144,000), representing 7.2% (2023: 16.0%) of the total revenue.

The amount of its revenue from external customers broken down by location of the customers is shown in the table below.

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Revenue segment by geography		
Chinese mainland	**884,536**	592,142
Areas outside Chinese mainland	**256,543**	316,347
	1,141,079	908,489

The Group has recognized the following assets and liabilities related to contracts with customers:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Contract costs		
Current		
Costs to fulfil contracts for online game revenue	**54,377**	45,225
Contract liabilities		
Current		
Unamortized revenue from sales of in-game virtual items	**233,201**	176,869
Revenue share received in advance	**5,093**	4,577
Unamortized balance of the non-refundable fixed licensing fees	**13,427**	12,741
	251,721	194,187
Non-Current		
Unamortized balance of the non-refundable fixed licensing fees	**23,697**	9,915
	275,418	204,102

5 SEGMENT INFORMATION AND REVENUE *(Continued)*

Contract costs are mainly related to contract fulfilment costs, which primarily consist of unamortized commissions charged by the Distribution Channels. They are capitalized as contract fulfilment costs and amortized over their respective Player Relationship Periods, which is consistent with the pattern of recognition of the associated revenue.

Contract liabilities primarily represented the unamortized revenue from sales of in-game virtual items in the Group's online game services, the non-refundable fixed licensing fees and revenue share received in advance from customers, which the Group continued to have obligations as at the reporting date.

Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Unamortized revenue from sales of in-game virtual items	**176,869**	47,598
Revenue share received in advance	**1,714**	1,816
Unamortized balance of the non-refundable fixed licensing fees	**3,617**	15,022
	182,200	64,436

5 SEGMENT INFORMATION AND REVENUE *(Continued)*

Unsatisfied long-term online game licensing contracts

The following table shows unsatisfied performance obligations resulting from the transaction price allocated to long-term online game licensing arrangement.

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Aggregate amount of the transaction price allocated to long-term online game licensing arrangements that are partially or fully unsatisfied as at year end	**37,124**	22,656

Management expects that RMB13,427,000, RMB7,479,000, RMB6,368,000, RMB4,925,000, and RMB4,925,000 of the transaction price allocated to the unsatisfied contracts as at 31 December 2024 will be recognized as revenue in 2025, 2026, 2027, 2028 and 2029 financial year.

The amount disclosed above does not include variable consideration which is constrained.

All other online game licensing arrangements are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6 OTHER INCOME

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Interest income on other financial assets at amortized cost	**5,327**	–
Government grants	**2,823**	7,552
	8,150	7,552

Government grants represented various subsidies granted by and received from local government authorities in the PRC. There are no unfulfilled conditions or contingencies related to the above government grants.

7 OTHER GAINS/(LOSSES), NET

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Gains/(losses) on financial assets at fair value through profit or loss (Note 21)	**46,638**	(30,049)
Foreign exchange losses, net	**(27,329)**	(6,088)
Others	**3,164**	(1,779)
	22,473	(37,916)

8 EXPENSES BY NATURE

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Employee benefit expenses (Note 9)	**551,220**	589,812
Promotion and advertising expenses	**500,666**	208,791
Commissions charged by Distribution Channels and payment channels	**239,213**	175,288
Outsourced technical services	**70,764**	74,729
Depreciation and amortization charges (Note 15, 16(a), 17(b))	**51,088**	58,843
Revenue share to the IP holders	**28,471**	15,221
Bandwidth and servers custody fee	**26,055**	23,537
Utilities and office expenses	**21,359**	22,885
Other professional consulting fees	**6,517**	7,737
Travelling expenses	**4,492**	4,852
Auditors' remuneration	**3,350**	3,800
– Audit services	**3,300**	3,800
– Non-audit services	**50**	–
VAT input transfer out and tax surcharges	**4,494**	5,854
Net impairment losses on financial assets	**830**	15,273
Allowance for impairment on intangible assets	**–**	22,304
Others	**4,579**	6,228
	1,513,098	1,235,154

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Wages, salaries and bonuses	**395,061**	433,961
Other social security costs, housing benefits and other employee benefits	**93,319**	76,335
Pension costs – defined contribution plans	**45,669**	46,792
Share-based compensation (Note 26(c))	**17,171**	32,724
	551,220	589,812

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for each of the years ended 31 December 2024 and 2023 include 2 directors whose emoluments are reflected in analysis shown in note (b) below. The emoluments payable to the remaining 3 individuals for each of the years ended 31 December 2024 and 2023 are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Basic salaries	**9,618**	8,906
Bonuses	**3,550**	1,490
Other social security costs and housing benefits	**303**	297
Pension costs – defined contribution plans	**230**	208
	13,701	10,901

The emoluments fell within the following bands:

	Number of individuals	
	Year ended 31 December	
	2024	2023
Emolument bands (in HK$)		
HK$1,000,001 – HK$2,000,000	**–**	–
HK$2,000,001 – HK$3,000,000	**–**	–
HK$3,000,001 – HK$4,000,000	**–**	2
HK$4,000,001 – HK$5,000,000	**1**	1
HK$5,000,001 – HK$6,000,000	**2**	–
	3	3

9 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(a) Five highest paid individuals *(Continued)*

For the year ended 31 December 2024, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2023: nil).

(b) Benefits and interests of directors

The remuneration of each director for the year ended 31 December 2024 is set out as below:

Name	Fee	Salary	Bonuses	Pension costs – defined contribution cost	Other social security costs and housing benefits and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Li Qing	–	7,206	1,200	83	110	8,599
Bai Wei	–	3,606	580	97	116	4,399
Non-executive directors						
Liu Ming (Note (i))	–	–	–	–	–	–
Li Nachuan (Note (ii))	–	–	–	–	–	–
Lu Xiaoyin	–	–	–	–	–	–
Independent non-executive directors						
Bai Kun (Note (i))	64	–	–	–	–	64
Wang Jing (Note (ii))	36	–	–	–	–	36
Zhu Lin	100	–	–	–	–	100
Ding Zhiping	100	–	–	–	–	100
	300	10,812	1,780	180	226	13,298

9 EMPLOYEE BENEFIT EXPENSES *(Continued)*

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

The remuneration of each director for the year ended 31 December 2023 is set out as below:

Name	Fee RMB'000	Salary RMB'000	Bonuses RMB'000	Pension costs – defined contribution cost RMB'000	Other social security costs and housing benefits and other employee benefits RMB'000	Total RMB'000
Executive directors						
Li Qing	–	7,209	500	66	106	7,881
Bai Wei	–	3,609	600	79	111	4,399
Non-executive directors						
Liu Ming	–	–	–	–	–	–
Lu Xiaoyin	–	–	–	–	–	–
Independent non-executive directors						
Bai Kun	100	–	–	–	–	100
Zhu Lin	100	–	–	–	–	100
Ding Zhiping	100	–	–	–	–	100
	300	10,818	1,100	145	217	12,580

Notes:

(i) Resigned on 23 August 2024;

(ii) Appointed on 23 August 2024.

During the year ended 31 December 2024, no retirement or termination benefits have been paid to the Company's directors (2023: nil).

During the year ended 31 December 2024, no emoluments were paid by the Group to any of the Company's directors as an inducement to join or upon joining the Group or as compensation for loss of office (2023: nil).

During the year ended 31 December 2024, there were no loans, quasi-loans and other dealing arrangement in favour of directors, or controlled body corporates and connected entities of such director (2023: nil).

9 EMPLOYEE BENEFIT EXPENSES *(Continued)*

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

During the year ended 31 December 2024, no share-based compensation were granted by the Group to any of the Company's directors (2023: nil).

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 ended 31 December 2024 (2023: nil).

10 FINANCE INCOME, NET

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Finance income		
Interest income	**53,137**	51,561
Finance costs		
Interest expenses on lease liabilities (Note 17(b))	**(1,545)**	(3,394)
Interest expense on bank borrowings	**–**	(334)
Others	**(901)**	(543)
	(2,446)	(4,271)
Finance income, net	**50,691**	47,290

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Investments in associates using the equity method	**64,598**	60,982

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Beginning of the year	**60,982**	78,087
Addition	**–**	1,000
Share of operating results	**3,616**	(18,105)
End of the year	**64,598**	60,982

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

As at 31 December 2024 and 2023, the Group invested in three associates, respectively. In the opinion of the directors of the Company, none of the associates is material to the Group.

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates	**64,598**	60,982
Aggregate amounts of the Group's share of:		
Gains/(losses) from continuing operations	**3,616**	(18,105)
Total comprehensive income/(losses)	**3,616**	(18,105)

12 INCOME TAX EXPENSE/(CREDIT)

The income tax expense/(credit) of the Group for the years ended 31 December 2024 and 2023 is analyzed as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Current income tax expense	**2,359**	1,097
Deferred income tax	**(2,202)**	(13,380)
	157	(12,283)

(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

The entity incorporated in Hong Kong is subject to Hong Kong profits tax of which the tax rate is 8.25% for assessable profits in the first HK$2 million and 16.5% for any assessable profits in excess of HK$2 million for the years ended 31 December 2024 and 2023, based on the existing legislation, interpretations and practices in respect thereof.

12 INCOME TAX EXPENSE/(CREDIT) *(Continued)*

(c) Enterprise Income Tax ("EIT")

The income tax provision of the Group in respect of its operations in Chinese mainland was calculated at the tax rate of 25% on the assessable profits for the years ended 31 December 2024 and 2023, based on the existing legislation, interpretations and practices in respect thereof.

Tianjin Loong qualified as a "High and New Technology Enterprise" ("**HNTE**") under the EIT law in 2017. In November 2023, Tianjin Loong renewed its qualification. Tianjin Loong is entitled to a preferential income tax rate of 15% on its assessable profits for three-year periods from November 2023 to November 2026.

Huai'an Loong Technology Co., Ltd. ("**Huai'an Loong**") is qualified as a HNTE for a three-year period since 2018 and renewed its qualification in November 2021 for another three-year period. Huai'an Loong is entitled to a preferential income tax rate of 15% on its assessable profits for a three-year period from November 2021 to November 2024. In December 2024, Huai'an Loong no longer applies for the HNTE, and the applicable corporate income tax rate has therefore been set at 25%.

Shanghai Zu Yun Technology Co., Ltd. is qualified as small and micro enterprise in 2024. According to the Announcement of the Ministry of Finance and the Taxation Administration on Further Implementing the Income Tax Preferential Policies for Small and Micro Enterprises (Cai Shui [2023] No. 12), the assessable profits shall be calculated at a reduced rate of 25%, and the enterprise income tax shall be paid at a tax rate of 20%.

Beijing Fantasy Mermaid is qualified as a HNTE for a three-year period since 2019 and renewed its qualification in December 2022 for another three-year period. Beijing Fantasy Mermaid is entitled to a preferential income tax rate of 15% on its assessable profits for a three-year period from December 2022 to December 2025.

Chengdu Fantasy Mermaid Technology Limited, Beihai Loong Venture Capital Co., Ltd. and Beihai Longhao Venture Capital Co., Ltd. met the requirements of the revised catalogue of industries whose development are to be encouraged in the country's western regions. They are entitled to a preferential income tax rate of 15% on their assessable profits.

According to a policy promulgated by the Ministry of Finance and State Taxation Administration of the PRC that was effective from 2023 onwards, enterprises engaging in research and development activities are entitled to claim 200% of their research and development expenses incurred as tax deductible expenses in determining tax assessable profits ("**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.

12 INCOME TAX EXPENSE/(CREDIT) *(Continued)*

(c) Enterprise Income Tax ("EIT") *(Continued)*

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the Chinese mainland statutory income tax rate as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Loss before income tax	**(287,089)**	(327,844)
Tax calculated at Chinese mainland statutory income tax rate of 25%	**(71,772)**	(81,961)
Tax effects of:		
Effects of preferential income tax benefits of certain subsidiaries	**28,525**	36,883
Effects of different tax rates applicable to different subsidiaries of the Group	**(10,418)**	(9,666)
Tax losses for which no deferred income tax asset was recognised	**126,476**	117,678
Additional deduction for research and development expenses	**(59,322)**	(70,690)
Expenses not deductible for tax purposes (Note (a))	**2,934**	4,847
Offshore income not subject to Hong Kong profit tax	**(15,895)**	(10,935)
Others	**(371)**	1,561
Income tax (credit)/expense	**157**	(12,283)

Note:

(a) Expenses not deductible for tax purposes mainly include share-based compensation expense and other expenses that exceed the deduction limitation.

13 LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the Group's loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years.

	Year ended 31 December	
	2024	2023
Loss attributable to owners of the Company (RMB'000)	**(287,246)**	(315,561)
Weighted average number of ordinary shares in issue (in thousands)	**785,532**	785,142
Less: weighted average number of treasury shares (in thousands)	**(627)**	–
Weighted average number of issued ordinary shares for calculating basic loss per share (in thousands)	**784,905**	785,142
Basic loss per share (in RMB/share)	**(0.37)**	(0.40)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the years ended 31 December 2024 and 2023, the Company has two categories of dilutive potential ordinary shares: the restricted share units ("**RSUs**") and the Share Options as described in Note 26.

For the purpose of calculating diluted loss per share for the years ended 31 December 2024 and 2023, RSUs and Share Options are assumed to have been converted into ordinary shares with no corresponding change in net loss attributable to ordinary shareholders. This potential adjustment resulted in an anti-dilutive effect in the calculation of diluted loss per share for the years ended 31 December 2024 and 2023.

14 DIVIDENDS

No dividend has been declared or paid by the Company for the years ended 31 December 2024 and 2023.

15 PROPERTY, PLANT AND EQUIPMENT

	Office equipment RMB'000	Furniture RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2023				
Cost	41,889	608	25,633	68,130
Accumulated depreciation	(22,912)	(417)	(15,493)	(38,822)
Net book amount	18,977	191	10,140	29,308
Year ended 31 December 2023				
Opening net book amount	18,977	191	10,140	29,308
Additions	1,227	26	218	1,471
Disposals	(223)	(6)	–	(229)
Depreciation charge	(7,285)	(61)	(5,300)	(12,646)
Closing net book amount	12,696	150	5,058	17,904
At 31 December 2023				
Cost	38,884	500	25,851	65,235
Accumulated depreciation	(26,188)	(350)	(20,793)	(47,331)
Net book amount	12,696	150	5,058	17,904
Year ended 31 December 2024				
Opening net book amount	**12,696**	**150**	**5,058**	**17,904**
Additions	**1,139**	**–**	**–**	**1,139**
Disposals	**(156)**	**(24)**	**–**	**(180)**
Depreciation charge	**(6,320)**	**(53)**	**(3,086)**	**(9,459)**
Closing net book amount	**7,359**	**73**	**1,972**	**9,404**
At 31 December 2024				
Cost	**38,066**	**429**	**25,851**	**64,346**
Accumulated depreciation	**(30,707)**	**(356)**	**(23,879)**	**(54,942)**
Net book amount	**7,359**	**73**	**1,972**	**9,404**

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expenses have been charged to the consolidated statement of profit or loss as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Cost of revenue	**830**	845
Research and development expenses	**5,586**	7,177
Selling and marketing expenses	**770**	2,154
Administrative expenses	**2,273**	2,470
	9,459	12,646

16 INTANGIBLE ASSETS

	Software RMB'000	Copyrights and game licenses RMB'000	Trademark and domain names RMB'000	Total RMB'000
At 1 January 2023				
Cost	69,282	112,556	274	182,112
Accumulated amortization	(32,205)	(21,365)	(225)	(53,795)
Net book amount	37,077	91,191	49	128,317
Year ended 31 December 2023				
Opening net book amount	37,077	91,191	49	128,317
Additions	4,027	13,594	–	17,621
Impairment charge	–	(22,304)	–	(22,304)
Amortization charge (Note (a))	(6,535)	(6,139)	(18)	(12,692)
Currency translation differences	534	24	–	558
Closing net book amount	35,103	76,366	31	111,500
At 31 December 2023				
Cost	74,023	103,871	274	178,168
Accumulated amortization and impairment	(38,920)	(27,505)	(243)	(66,668)
Net book amount	35,103	76,366	31	111,500

16 INTANGIBLE ASSETS *(Continued)*

	Software RMB'000	Copyrights and game licenses RMB'000	Trademark and domain names RMB'000	Total RMB'000
Year ended 31 December 2024				
Opening net book amount	**35,103**	**76,366**	**31**	**111,500**
Additions	**2,552**	**2,358**	**–**	**4,910**
Amortization charge (Note (a))	**(6,454)**	**(7,761)**	**(18)**	**(14,233)**
Currency translation differences	**413**	**–**	**–**	**413**
Closing net book amount	**31,614**	**70,963**	**13**	**102,590**
At 31 December 2024				
Cost	**77,269**	**105,622**	**274**	**183,165**
Accumulated amortization	**(45,655)**	**(34,659)**	**(261)**	**(80,575)**
Net book amount	**31,614**	**70,963**	**13**	**102,590**

Note:

(a) Amortization charges were expensed in the following categories in the consolidated statement of profit or loss:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Cost of revenue	**1,944**	743
Research and development expenses	**11,887**	11,705
Administrative expenses	**402**	244
	14,233	12,692

17 LEASES

(a) Amounts recognized in the consolidated balance sheet

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Right-of-use assets		
Properties	**18,361**	42,597
Vehicles	**–**	106
	18,361	42,703

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Lease liabilities		
Current	**15,549**	29,293
Non-current	**–**	15,002
	15,549	44,295

Additions to the right-of-use assets during the years ended 31 December 2024 and 2023 were RMB3,720,000 and RMB892,000, respectively.

17 LEASES *(Continued)*

(b) Amounts recognized in the consolidated statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Properties	**27,290**	33,252
Vehicles	**106**	253
	27,396	33,505

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Interest expenses (included in finance costs)	**1,545**	3,394
Expense relating to short-term leases (included in cost of revenue, research and development expenses, selling and marketing expenses and administrative expenses)	**702**	827
	2,247	4,221

The total cash outflow for leases in the years ended 31 December 2024 and 2023 were RMB32,549,000 and RMB37,868,000, respectively.

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices and vehicles. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options as described in (d) below. 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 other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(d) Extension options

Extension options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension options held are exercisable only by the Group and not by the respective lessor.

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Assets as per balance sheet		
Financial assets at fair value through profit or loss (Note 21)	**678,825**	940,417
Financial assets at amortized cost		
– Other financial assets at amortized costs (Note 22)	**142,705**	–
– Trade receivables (Note 19)	**120,023**	110,081
– Deposits and other receivables	**52,931**	39,119
– Restricted cash	**–**	26,399
– Term deposits (Note 23(b))	**876,355**	750,721
– Cash and cash equivalents (Note 23(a))	**433,689**	555,033
	2,304,528	2,421,770
Liabilities as per balance sheet		
Financial liabilities at amortized cost		
– Trade and other payables (excluding payroll liabilities and tax payables) (Note 28)	**115,893**	77,912
– Lease liabilities (Note 17)	**15,549**	44,295
	131,442	122,207

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

19 TRADE RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade receivables	**134,377**	121,971
Less: allowance for impairment of trade receivables	**(14,354)**	(11,890)
Trade receivables – net	**120,023**	110,081

19 TRADE RECEIVABLES *(Continued)*

The following table sets forth the gross carrying amount of trade receivables by customer types:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Related parties (Note 31(c))	**24,130**	42,654
Third parties	**110,247**	79,317
	134,377	121,971

The gross carrying amount of the Group's trade receivables is dominated in the following currencies:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
RMB	**89,529**	62,419
US$	**40,034**	54,279
HK$	**4,739**	5,173
Others	**75**	100
	134,377	121,971

The Group allows a credit period of 90 – 150 days to its customers. An aging analysis of trade receivables based on revenue recognition date is as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Up to 3 months	**106,562**	84,254
3 to 6 months	**7,821**	11,755
6 months to 1 year	**421**	24,851
Over 1 year	**19,573**	1,111
	134,377	121,971

19 TRADE RECEIVABLES *(Continued)*

Movements on the Group's provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Beginning of the year	**(11,890)**	(2,510)
Provision for impairment	**(2,464)**	(9,421)
Reversal of impairment	**–**	41
End of the year	**(14,354)**	(11,890)

The creation and release of provision for impaired receivables have been included in "Net impairment losses on financial assets" in the consolidated statement of profit or loss.

The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables. The Group does not hold any collateral as security.

20 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Included in non-current assets		
Rental deposits	**8,714**	8,675
Interest receivable	**2,212**	1,551
Others	**3,725**	3,910
	14,651	14,136
Included in current assets		
Contract fulfilment costs	**54,377**	45,225
Interest receivable (Note (a))	**28,091**	18,815
Recoverable value-added tax	**15,778**	12,802
Loan to related parties (Note 31(c))	**4,259**	5,893
Prepayments to stockbrokers for share repurchase	**4,098**	4,006
Prepaid revenue share to IP holders (Note (b))	**2,994**	3,092
Others	**14,051**	16,027
	123,648	105,860
Less: allowance for impairment (Note 31(c))	**(4,259)**	(5,893)
	119,389	99,967

20 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(Continued)*

Note:

(a) As at 31 December 2024, interest receivable includes interest income on other financial assets measured at amortized cost.

(b) Prepaid revenue share to IP holders will be amortized to cost when the gross billings generated from games meet the pre-agreed threshold.

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Current		
Investments in wealth management products (Note (a))	**244,330**	433,293
Other fund investments (Note (b))	**199,178**	157,361
Structured investments (Note (c))	**–**	199,617
	443,508	790,271
Non-current		
Investments in private equity funds and venture capital funds (Note (d))	**152,076**	135,935
Structured investments (Note (c))	**48,242**	–
Preferred shares investments (Note (e))	**31,471**	2,868
Other fund investments (Note (b))	**–**	7,815
Other ordinary share investments (Note (f))	**3,528**	3,528
	235,317	150,146
	678,825	940,417

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Movements in financial assets at fair value through profit or loss during the years ended 31 December 2024 and 2023 are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Beginning of the year	**940,417**	729,495
Addition-investments in wealth management products	**236,000**	1,190,500
Addition-structured investments	**147,443**	553,000
Addition-preferred shares investments	**14,826**	–
Addition-investments in private equity funds and venture capital funds	**14,006**	11,400
Addition-other fund investments	**20,886**	–
Disposal	**(741,391)**	(1,513,929)
Changes in fair value	**46,638**	(30,049)
End of the year	**678,825**	940,417
Net unrealised gains/(losses) recognised in the consolidated statement of profit or loss included in the above balance	**39,516**	(36,982)

Note:

(a) The Group purchased certain wealth management products issued by certain major commercial banks in the PRC. The Group has classified its investments in such wealth management products as financial assets at fair value through profit or loss. Fair values of these investments were estimated based on expected return of each wealth management products held by the Group.

(b) Other fund investments represent the Group's investment in various securities funds, which were offered by several international financial institutions.

(c) The Group purchased structured investments issued by several PRC and international financial institutions. The returns on all of these investments are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore they are measured at fair value through profit or loss. None of these investments are past due.

(d) Investments in private equity funds and venture capital funds represent the Group's investment in certain venture funds as a limited partner. As the Group didn't have control or significant influence on these funds, the investments were classified as financial assets at fair value through profit or loss. These funds were established to obtain capital appreciation and investment income.

(e) Preferred shares investments on unlisted companies represent the Group's investment in ordinary shares with preferential rights to require and demand the investee to redeem all of the shares held by the Group at guaranteed predetermined fixed amount upon redemption events which are out of control of issuers. Hence, these investments are accounted for as debt instruments and are measured at financial assets at fair value through profit or loss.

(f) Other ordinary share investments on unlisted companies represent the Group's investment in ordinary shares without preferential rights. As the Group didn't have control or significant influence on these companies, the investments were classified as financial assets at fair value through profit or loss.

22 OTHER FINANCIAL ASSETS AT AMORTIZED COST

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Fixed-rate notes	**74,255**	–
US Treasury Note	**72,670**	–
	146,925	–
Less: Current assets (Note 20(a))	**(4,220)**	–
Non-current assets	**142,705**	–

These investments are held for collection of contractual cash flows and the contractual cash flows of these investments qualify for solely payments of principal and interest, hence they are measured at amortized costs. None of these investments are past due.

23 BANK BALANCES AND CASH

(a) Cash and cash equivalents

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Cash at bank and on hand	**430,679**	552,480
Due from other financial institutions	**3,010**	2,553
	433,689	555,033

Cash and cash equivalents are dominated in the following currencies:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
RMB	**143,388**	167,995
US$	**281,519**	364,848
HK$	**6,754**	18,012
Others	**2,028**	4,178
	433,689	555,033

The conversion of the RMB denominated balances maintained in the PRC into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

23 BANK BALANCES AND CASH *(Continued)*

(b) Term deposits

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Current		
Term deposits with initial term over three months	**705,470**	635,105
Non-Current		
Term deposits with initial term over one year	**170,885**	115,616
	876,355	750,721

Term deposits are dominated in the following currency:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
US$	**856,355**	730,721
RMB	**20,000**	20,000
	876,355	750,721

The interest rates on term deposits with the original maturity over three months as at 31 December 2024 and 2023 were in the range of 0.48%-5.49% and 1.05%-5.91%, per annum, respectively. The interest rates on term deposits with the original maturity over one year as at 31 December 2024 were in the range of 3.25%-3.89%, per annum (2023: 3.25%-5.20%).

24 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares US$
Authorized		
At 1 January and 31 December 2024	**5,000,000,000**	**50,000**
Authorized		
At 1 January and 31 December 2023	5,000,000,000	50,000

	Number of ordinary shares	Nominal value of ordinary shares US$'000	Equivalent Nominal value of ordinary shares RMB'000	Share premium RMB'000
Issued				
At 1 January 2024	**786,651,812**	**8**	**55**	**6,964,953**
Vesting of RSUs (Note (a))	**3,968,380**	**–**	**–**	**20,728**
Cancellation of treasury shares (Note 25(a))	**(4,371,000)**	**–**	**–**	**(5,056)**
At 31 December 2024	**786,249,192**	**8**	**55**	**6,980,625**
Issued				
At 1 January 2023	788,368,470	8	55	6,946,624
Vesting of RSUs (Note (a))	4,674,342	–	–	36,854
Cancellation of treasury shares (Note 25(a))	(6,391,000)	–	–	(18,525)
At 31 December 2023	786,651,812	8	55	6,964,953

Note:

(a) During the year ended 31 December 2024, 3,968,380 ordinary shares of the Company were transferred to the share awardees upon vesting of the awarded shares under the scheme which is disclosed in Note 26(b) (2023: 4,674,342).

25 OTHER RESERVES

	Capital reserve RMB'000	Statutory reserve RMB'000	Share-based compensation reserve RMB'000	Currency translation differences RMB'000	Others RMB'000	Total RMB'000
At 1 January 2024	**(1,851,237)**	**5,000**	**250,946**	**(12,681)**	**(23,291)**	**(1,631,263)**
Share-based compensation (Note 26)	**–**	**–**	**17,171**	**–**	**–**	**17,171**
Vesting of RSUs	**–**	**–**	**(20,728)**	**–**	**–**	**(20,728)**
Repurchase and cancellation of shares (Note (a))	**–**	**–**	**–**	**–**	**(3,111)**	**(3,111)**
Currency translation differences	**–**	**–**	**–**	**49,593**	**–**	**49,593**
At 31 December 2024	**(1,851,237)**	**5,000**	**247,389**	**36,912**	**(26,402)**	**(1,588,338)**
At 1 January 2023	(1,851,237)	5,000	255,076	(42,536)	(38,502)	(1,672,199)
Share-based compensation (Note 26)	–	–	32,724	–	–	32,724
Vesting of RSUs	–	–	(36,854)	–	–	(36,854)
Repurchase and cancellation of shares (Note (a))	–	–	–	–	15,211	15,211
Currency translation differences	–	–	–	29,855	–	29,855
At 31 December 2023	(1,851,237)	5,000	250,946	(12,681)	(23,291)	(1,631,263)

Note:

(a) During the year ended 31 December 2024, the Group repurchased a total of 6,563,000 ordinary shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK$8,935,950 (approximately RMB8,167,231). A total of 4,371,000 treasury shares have been cancelled in 2024.

During the year ended 31 December 2023, the Group repurchased a total of 659,000 ordinary shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK$3,744,880 (approximately RMB3,314,415). A total of 6,391,000 treasury shares have been cancelled in 2023.

26 SHARE-BASED PAYMENTS

(a) Share Option Scheme

The Company adopted the share option scheme at the extraordinary general meeting on 5 February 2021 ("the **Adoption Date**") ("the **Share Option Scheme**"). The purpose of the Share Option Scheme is to provide incentive or reward to employees (excluding any director) of the Group for their contribution to, and continuing efforts to promote the interests of, the Group, and to incentive them to remain with the Group.

Upon the Share Option Scheme, the aggregate number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not exceed 40,775,500 shares representing 5% of the total number of shares in issue as at the Adoption Date.

26 SHARE-BASED PAYMENTS *(Continued)*

(a) Share Option Scheme *(Continued)*

On 14 April 2021, 8,155,100 share options were granted to eligible grantees under the Share Option Scheme. Pursuant to the Share Option Scheme, subject to grantees' employment or service to the Group through the applicable vesting date, the share options shall become vested with respect to 40%, 30% and 30% of the share options on each of the first trading day after 12, 24 and 36 months from the grant date. Each share option entitles the holder to subscribe for one share upon exercise of such share option at an exercise price of HK$14.756 per share.

On 7 January 2022 ("**modification date**"), the Company cancelled the existing 6,764,377 exercisable share options (the "**Outstanding share options**") and offered to grant 6,764,377 new share options to the existing holders to subscribe for 6,764,377 ordinary shares at a lower exercise price, which are served as replacement of the cancelled Outstanding share options under the Share Option Scheme. The exercise price was reduced from HK$14.756 to HK$8.72. The terms of the original share options are otherwise the same. This arrangement is treated as if the original share options had been modified. As a result, the incremental fair value granted should be expensed over the new vesting period since the modification date in addition to the Company continuing to charge for the original share options over the original vesting period.

The options may be exercised at any time after they have vested subject to the terms and conditions described in the offer letter until the last day of the 10-year period after the modification date.

Movements in the number of share options granted are as follows:

	Number of share options
Outstanding as at 1 January 2024	**1,318,163**
Vested	**(1,251,533)**
Forfeited	**(66,630)**
Outstanding as at 31 December 2024	**–**

	Number of share options
Outstanding as at 1 January 2023	3,079,845
Vested	(1,434,925)
Forfeited	(326,757)
Outstanding as at 31 December 2023	1,318,163

26 SHARE-BASED PAYMENTS *(Continued)*

(a) Share Option Scheme *(Continued)*

No share option was expired or exercised during the year ended 31 December 2024 and the remaining contractual life of the share options was 7 years as at 31 December 2024.

The Company used binomial pricing model to determine the fair value of the share option granted, which is to be expensed over the vesting period.

Management estimated the risk-free interest rate based on the yield of Hong Kong government bond with a maturity life equal to the remaining time to maturity of the share options. Volatility was estimated at grant date and modification date based on the average of historical volatilities of the comparable companies with length commensurable to the remaining time to maturity of the share options. Dividend yield is based on management estimation at the grant date and modification date.

Key parameters and results in applying the binomial model on original grant date and modification date of share options are summarized as below:

	Grant date	Modification date As at 7 January 2022	
	As at 14 April 2021	Before modification	After modification
Risk-free interest rate	1.30%	**1.74%**	**1.81%**
Volatility	56.00%	**55.73%**	**55.54%**
Dividend yield	0.52%	**0.85%**	**0.85%**
Fair value per share option (HK$)	6.02	**2.22**	**3.38**

(b) Restricted Share Unit Scheme

On 1 April 2020, to incentivize directors, senior management and employees, a RSU scheme was approved and adopted by the Company ("**Pre-IPO RSU Scheme**"). Smooth Ebony Limited ("**Smooth Ebony**") was incorporated to hold 5,000,000 ordinary shares (in equivalent to 29,400,000 underlying shares upon the completion of the Capitalization Issue). Smooth Ebony acts as the holding company to hold the shares on trust under the Pre-IPO RSU Scheme. Smooth Ebony was consolidated by the Company as to the Company is able to execute power over the control and management over Smooth Ebony.

On 1 April 2020 and 24 June 2020, in exchange for employee services to the Group, 3,180,700 RSUs in equivalent to 3,180,700 shares, or 18,702,516 underlying shares after taking into account the Capitalization Issue, were granted to certain eligible employees selected by the Board of Directors. Pursuant to the Pre-IPO RSU Scheme, subject to grantee's employment or service to the Group through the applicable vesting date, the RSUs shall become vested with respect to 40%, 30% and 30% of the RSUs on each of the first trading day after 12, 24 and 36 months from the Listing date of the Company.

On 1 February 2021, 29 March 2021, 25 August 2021, 25 March 2022 and 30 August 2022, the Company granted RSUs representing an aggregate of 2,521,200 underlying shares to certain eligible employees pursuant to the Pre-IPO RSU Scheme. Subject to grantee's employment or service to the Group through the applicable vesting date, the RSUs shall become vested with respect to 40%, 30% and 30% of the RSUs on each of the first trading day after 12, 24 and 36 months from a certain date.

26 SHARE-BASED PAYMENTS *(Continued)*

(b) Restricted Share Unit Scheme *(Continued)*

On 22 December 2022, the new RSU scheme of the Company was approved and adopted by the shareholders ("**RSU Scheme**").

On 6 April 2023 and 29 August 2023, the Company granted RSUs representing an aggregate of 9,295,000 underlying shares to certain eligible employees pursuant to the RSU Scheme. Subject to grantees' employment or service to the Group through the applicable vesting date, the RSUs shall become vested with respect to 40%, 30% and 30% of the RSUs on each of the first day after 12, 24 and 36 months from a certain date.

On 29 August 2024 and 4 November 2024, the Company granted RSUs representing an aggregate of 350,000 underlying shares to certain eligible employees pursuant to the RSU Scheme. Subject to grantees' employment or service to the Group through the applicable vesting date, the RSUs shall become vested with respect to 40%, 30% and 30% of the RSUs on each of the first day after 12, 24 and 36 months from a certain date.

Movements in the number of underlying shares represented by RSUs under the Pre-IPO RSU Scheme and the RSU Scheme for the years ended 31 December 2024 and 2023 are as follows:

	Number of underlying shares represented by RSUs	**Weighted average fair value per RSU (HK$)**
Outstanding as at 1 January 2024	**9,702,480**	**5.640**
Granted	**350,000**	**1.489**
Vested	**(3,968,380)**	**5.771**
Forfeited	**(880,000)**	**4.667**
Outstanding as at 31 December 2024	**5,204,100**	**5.426**
Outstanding as at 1 January 2023	5,888,780	8.696
Granted	9,295,000	5.420
Vested	(4,674,342)	8.741
Forfeited	(806,958)	7.435
Outstanding as at 31 December 2023	9,702,480	5.640

As the Group will receive employment or service of these employees in exchange for the grant of RSUs, share-based compensation expenses in respect of the employee services received are to be recognized as an expense over the vesting period. The total amount to be expensed is determined by the fair value of the RSUs granted at the grant date and taking into account the number of RSUs that are expected to be vested.

26 SHARE-BASED PAYMENTS *(Continued)*

(b) Restricted Share Unit Scheme *(Continued)*

Prior to the completion of IPO, the Group used the discounted cash flow method to determine the underlying equity fair value of the Company and to determine the fair value of the RSUs granted as at the grant date. Key assumptions, such as discount rate, risk-free interest rate and volatility, are required to be determined by the Group with best estimate.

The fair value of the RSUs granted on 1 February 2021, 29 March 2021, 25 August 2021, 25 March 2022, 30 August 2022, 6 April 2023, 29 August 2023, 29 August 2024, and 4 November 2024 were determined using the market method with reference to the grant date closing share price of the Company. The fair values of the RSUs at the date of grant are HK$21.50, HK$15.56, HK$8.53, HK$7.63, HK$3.84, HK$5.48, HK$3.45, HK$1.45, and HK$1.54 per share.

(c) Expenses arising from share-based payment transactions

For the years ended 31 December 2024 and 2023, share-based compensation expenses arising from the share-based awards granted by the Company have been charged to the consolidated statement of profit or loss as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Cost of revenue	**438**	700
Administrative expenses	**3,374**	5,956
Selling and marketing expenses	**725**	2,471
Research and development expenses	**12,634**	23,597
	17,171	32,724

27 DEFERRED INCOME TAXES

(a) Deferred tax assets

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
The balance comprises temporary differences attributable to:		
Promotion and advertising expenses	**14,115**	8,314
Lease liabilities	**2,389**	6,734
Unrealised investment losses	**2,898**	4,286
Provisions	**751**	919
Total gross deferred tax assets	**20,153**	20,253
Set-off of deferred tax liabilities pursuant to set-off provisions	**(2,383)**	(6,473)
Net deferred tax assets	**17,770**	13,780
Deferred tax assets		
– to be recovered within 12 months	**17,255**	13,657
– to be recovered after more than 12 months	**2,898**	6,596
	20,153	20,253

27 DEFERRED INCOME TAXES *(Continued)*

(a) Deferred tax assets *(Continued)*

The movements in the gross deferred tax assets accounts are as follows:

	Promotion and advertising expenses RMB'000	Lease liabilities RMB'000	Unrealised investment losses RMB'000	Provisions RMB'000	Total RMB'000
At 1 January 2024	**8,314**	**6,734**	**4,286**	**919**	**20,253**
Credited/(Charged) to the consolidated statement of profit or loss	**5,801**	**(4,345)**	**(1,388)**	**(168)**	**(100)**
At 31 December 2024	**14,115**	**2,389**	**2,898**	**751**	**20,153**
At 1 January 2023	–	17,512	–	21	17,533
Credited/(Charged) to the consolidated statement of profit or loss	8,314	(10,778)	4,286	898	2,720
At 31 December 2023	8,314	6,734	4,286	919	20,253

(b) Deferred tax liabilities

	As at 31 December	
	2024 RMB'000	2023 RMB'000
The balance comprises temporary differences attributable to:		
Right-of-use assets	**(2,847)**	(6,489)
Unrealised investment gains	**(2,557)**	(1,217)
Total gross deferred tax liabilities	**(5,404)**	(7,706)
Set-off of deferred tax liabilities pursuant to set-off provisions	**2,383**	6,473
Net deferred tax liabilities	**(3,021)**	(1,233)
Deferred tax liabilities		
– to be recovered within 12 months	**(5,404)**	(5,180)
– to be recovered after more than 12 months	**–**	(2,526)
	(5,404)	(7,706)

27 DEFERRED INCOME TAXES *(Continued)*

(b) Deferred tax liabilities *(Continued)*

The movements in the gross deferred tax liabilities accounts are as follows:

	Right-of-use assets RMB'000	Unrealised investment gains RMB'000	Total RMB'000
At 1 January 2024	**(6,489)**	**(1,217)**	**(7,706)**
Credited/(Charged) to the consolidated statement of profit or loss	**3,642**	**(1,340)**	**2,302**
At 31 December 2024	**(2,847)**	**(2,557)**	**(5,404)**
At 1 January 2023	(15,580)	(2,786)	(18,366)
Credited to the consolidated statement of profit or loss	9,091	1,569	10,660
At 31 December 2023	(6,489)	(1,217)	(7,706)

Deferred income tax assets are recognized for tax losses carried forward and deductible temporary differences to the extent that realisation of the related tax benefits through the future taxable profits is probable. As at 31 December 2024 and 2023, the Group did not recognise deferred income tax assets of RMB126,476,000 and RMB117,678,000 in respect of cumulative tax losses amounting to RMB740,354,000 and RMB730,042,000 that can be carried forward against future taxable income. These tax losses will expire from year 2025 to 2034.

28 TRADE AND OTHER PAYABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade payables	**102,117**	67,186
Payroll liabilities	**60,731**	60,844
Tax payables	**16,259**	15,564
Asset procurement	**1,874**	2,841
Others	**11,902**	7,885
	192,883	154,320

The following table sets forth the carrying amount of trade payables by customer types:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Related parties (Note 31(c))	**20,207**	9,728
Third parties	**81,910**	57,458
	102,117	67,186

The aging analysis of trade payables based on recognition date is as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Up to 6 months	**81,648**	48,595
6 months to 1 year	**7,183**	14,383
Over 1 year	**13,286**	4,208
	102,117	67,186

29 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Loss before income tax	**(287,089)**	(327,844)
Adjustments for:		
Amortization of intangible assets (Note 16(a))	**14,233**	12,692
Depreciation of property, plant and equipment (Note 15)	**9,459**	12,646
Depreciation of right-of-use assets (Note 17)	**27,396**	33,505
Allowance for impairment on intangible assets	**–**	22,304
Net impairment losses on financial assets (Note 8)	**830**	15,273
Share-based compensation (Note 26(c))	**17,171**	32,724
(Gains)/losses on financial assets at fair value through profit or loss (Note 7)	**(46,638)**	30,049
Investment income from disposal of financial assets at fair value through profit or loss	**(2,610)**	–
Interest income from other financial assets at amortized cost (Note 6)	**(5,327)**	–
Finance income, net	**(51,592)**	(47,833)
Share of results of investments accounted for using the equity method (Note 11)	**(3,616)**	18,105
Net exchange differences	**27,736**	6,218
Change in working capital:		
(Increase)/decrease in trade receivables	**(12,406)**	11,887
Increase in prepayments, other receivables and other assets	**(10,606)**	(15,583)
Increase/(decrease) in trade and other payables	**52,781**	(18,306)
Increase in contract liabilities	**71,316**	111,071
Cash used in operating activities	**(198,962)**	(103,092)

29 CASH FLOW INFORMATION *(Continued)*

(b) Reconciliation of liabilities arising from financing activities

	Lease liabilities RMB'000
As at 1 January 2023	102,720
Cash flows	(37,868)
Other non-cash movements-accrue interest	3,394
Other non-cash movements-increase of leasing liabilities	892
Other non-cash movements-other payables and termination of leases	(24,843)
As at 31 December 2023	44,295
Cash flows	**(32,549)**
Other non-cash movements-accrue interest	**1,545**
Other non-cash movements-increase of leasing liabilities	**3,181**
Other non-cash movements-other payables and termination of leases	**(923)**
As at 31 December 2024	**15,549**

30 COMMITMENTS

(a) Capital Commitments

The Group had no significant capital expenditure contracted for but not recognized as liabilities as at 31 December 2024 and 2023.

(b) Operating lease commitments

The Group has non-cancelable operating lease agreements with initial terms of 12 months or less. The portfolio of short-term leases to which the Group was committed as at 31 December 2024 and 2023 is similar to the portfolio of short-term lease to which the short-term lease expenses is disclosed in Note 17.

31 RELATED PARTY TRANSACTIONS

Save as disclosed in other notes, the following significant transactions were carried out between the Group and its related parties. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Names and relationships with related parties

The following companies are related parties of the Group that had balances and/or transactions with the Group.

Company	Relationship
Shenzhen Tencent Computer Systems Company Limited	Subsidiary of a shareholder that has significant influence on the Group
Beijing Perfect World Software Technology Development Co., Ltd.	Subsidiary of a shareholder that has significant influence on the Group
Chengdu Perfect World Network Technology Co., Ltd.	Subsidiary of a shareholder that has significant influence on the Group
Tencent Cloud Computing (Beijing) Company Limited	Subsidiary of a shareholder that has significant influence on the Group
Sixjoy Hong Kong Limited	Subsidiary of a shareholder that has significant influence on the Group
Shenzhen Tencent Tianyou Technology Company Limited	Subsidiary of a shareholder that has significant influence on the Group
Shanghai Tencent Penguin Film Culture Communication Co., Ltd.	Subsidiary of a shareholder that has significant influence on the Group
Tencent Technology (Shenzhen) Company Limited	Subsidiary of a shareholder that has significant influence on the Group
Beijing Vega Interactive Network Technology Co., Ltd.	Associate of the Group
Huai'an FlameDragon Entertainment Software Co., Ltd.	Associate of the Group

(b) Significant transactions with related parties

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Provision of services:		
Shenzhen Tencent Computer Systems Company Limited	**80,897**	115,168
Sixjoy Hong Kong Limited	**872**	29,608
Shenzhen Tencent Tianyou Technology Company Limited	**–**	368
Huai'an FlameDragon Entertainment Software Co., Ltd.	**–**	30
	81,769	145,174

31 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant transactions with related parties *(Continued)*

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Purchase of services:		
Tencent Cloud Computing (Beijing) Company Limited	**15,558**	9,425
Shanghai Tencent Penguin Film Culture Communication Co., Ltd	**10,849**	–
Shenzhen Tencent Computer Systems Company Limited	**7,340**	2,977
Chengdu Perfect World Network Technology Co., Ltd.	**4,496**	4,558
Beijing Perfect World Software Technology Development Co., Ltd.	**2,248**	2,279
Beijing Vega Interactive Network Technology Co., Ltd.	**51**	1,999
Shenzhen Tencent Tianyou Technology Company Limited	**6**	45
Tencent Technology (Shenzhen) Company Limited	**6**	–
	40,554	21,283

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Purchase of intangible assets:		
Shanghai Tencent Penguin Film Culture Communication Co., Ltd.	**2,358**	–

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Loan granted to related parties:		
Beijing Vega Interactive Network Technology Co., Ltd.	**–**	3,066
Huai'an FlameDragon Entertainment Software Co., Ltd.	**–**	2,827
	–	5,893

31 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant transactions with related parties *(Continued)*

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Repayment of loan from related parties:		
Beijing Vega Interactive Network Technology Co., Ltd. (Note 31(c)(i))	**1,700**	–

(c) Year end balances with related parties

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade receivables from related parties:		
Shenzhen Tencent Computer Systems Company Limited	**24,091**	29,258
Huai'an FlameDragon Entertainment Software Co., Ltd.	**39**	39
Sixjoy Hong Kong Limited	**–**	13,348
Shenzhen Tencent Tianyou Technology Company Limited	**–**	9
	24,130	42,654

The receivables from related parties arise mainly from sale transactions. The receivables are unsecured in nature and interest-free.

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Loan to related parties:		
Beijing Vega Interactive Network Technology Co., Ltd. (Note (i))	**1,432**	3,066
Huai'an FlameDragon Entertainment Software Co., Ltd.	**2,827**	2,827
	4,259	5,893
Less: allowance for impairment	**(4,259)**	(5,893)
	–	–

Note:

(i) During the year ended 31 December 2024, Beijing Vega Interactive Network Technology Co., Ltd repaid the loan of RMB1.7 million.

31 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Year end balances with related parties *(Continued)*

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Contract liabilities to related parties:		
Shenzhen Tencent Computer Systems Company Limited	**1,235**	2,470

The contract liabilities to related parties arise from trade transactions.

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade payables to related parties:		
Shanghai Tencent Penguin Film Culture Communication Co., Ltd	**11,783**	–
Chengdu Perfect World Network Technology Co., Ltd.	**4,623**	5,716
Beijing Perfect World Software Technology Development Co., Ltd.	**2,311**	2,858
Tencent Cloud Computing (Beijing) Company Limited	**1,292**	783
Beijing Vega Interactive Network Technology Co., Ltd.	**198**	363
Shenzhen Tencent Tianyou Technology Company Limited	**–**	8
	20,207	9,728

(d) Key management compensation

Key management includes executive directors and other members of the Company's senior management team. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Basic salaries	**20,856**	20,046
Bonuses	**3,530**	3,600
Other social security costs and housing benefits and other employee benefits	**621**	602
Pension costs – defined contribution plans	**492**	416
Share-based compensation	**443**	823
	25,942	25,487

32 CONTINGENCIES

The Group did not have any material contingent liabilities as at 31 December 2024 and 2023.

33 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Assets		
Non-current assets		
Intangible assets	**31**	56
Investment in subsidiaries	**4,284,502**	4,212,764
	4,284,533	4,212,820
Current assets		
Prepayments, other receivables and other assets	**2,113,522**	2,083,676
Financial assets at fair value through profit or loss	**19,672**	–
Term deposit	**–**	49,578
Cash and cash equivalents	**38,184**	2,240
	2,171,378	2,135,494
Total assets	**6,455,911**	6,348,314
Equity and liabilities		
Equity attributable to owners of the Company		
Share capital	**55**	55
Share premium	**6,980,625**	6,964,953
Other reserves	**174,126**	79,798
Accumulated losses	**(710,853)**	(708,950)
Total equity	**6,443,953**	6,335,856
Current liabilities		
Trade and other payables	**11,958**	12,458
Total liabilities	**11,958**	12,458
Total equity and liabilities	**6,455,911**	6,348,314

The balance sheet of the Company was approved by the Board of Directors on 21 March 2025 and was signed on its behalf.

Li Qing
Director

Bai Wei
Director

33 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Movement of reserves of the Company

The changes in the reserves of the Company during the year ended 31 December 2024 is as follows:

	Share premium RMB'000	Other reserves RMB'000	Total reserves RMB'000	Accumulated losses RMB'000
Balance at 1 January 2024	6,964,953	79,798	7,044,751	(708,950)
Comprehensive loss				
Loss for the year	–	–	–	(1,903)
Other comprehensive income				
Currency translation differences	–	100,996	100,996	–
Total comprehensive loss	–	100,996	100,996	(1,903)
Transactions with owners in their capacity as owners				
Share-based compensation	–	17,171	17,171	–
Vesting of restricted share units	20,728	(20,728)	–	–
Repurchase and cancellation of shares	(5,056)	(3,111)	(8,167)	–
Total transactions with owners in their capacity as owners	15,672	(6,668)	9,004	–
Balance at 31 December 2024	6,980,625	174,126	7,154,751	(710,853)

33 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Movement of reserves of the Company *(Continued)*

The changes in the reserves of the Company during the year ended 31 December 2023 is as follows:

	Share premium RMB'000	Other reserves RMB'000	Total reserves RMB'000	Accumulated losses RMB'000
Balance at 1 January 2023	6,946,624	3,264	6,949,888	(706,637)
Comprehensive loss				
Loss for the year	–	–	–	(2,313)
Other comprehensive income				
Currency translation differences	–	65,453	65,453	–
Total comprehensive loss	–	65,453	65,453	(2,313)
Transactions with owners in their capacity as owners				
Share-based compensation	–	32,724	32,724	–
Vesting of restricted share units	36,854	(36,854)	–	–
Repurchase and cancellation of shares	(18,525)	15,211	(3,314)	–
Total transactions with owners in their capacity as owners	18,329	11,081	29,410	–
Balance at 31 December 2023	6,964,953	79,798	7,044,751	(708,950)

34 SUBSEQUENT EVENTS

There are no material subsequent events undertaken by the Group after 31 December 2024.

祖龙娱乐
ARCHOSAUR GAMES

祖龙娱乐有限公司
Archosaur Games Inc.