百奧家庭互動有限公司
BAIOO Family Interactive Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code：2100

Annual Report 2024

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Dai Jian *(Chairman)*

Mr. Wu Lili

Mr. Li Chong

Independent Non-executive Directors

Ms. Liu Qianli

Dr. Wang Qing

Mr. Ma Xiaofeng

Mr. Wei Kevin Cheng

AUDIT COMMITTEE

Ms. Liu Qianli *(Chairperson)*

Dr. Wang Qing

Mr. Ma Xiaofeng

Mr. Wei Kevin Cheng

NOMINATION COMMITTEE

Mr. Dai Jian *(Chairperson)*

Mr. Ma Xiaofeng

Ms. Liu Qianli

REMUNERATION COMMITTEE

Dr. Wang Qing *(Chairperson)*

Mr. Ma Xiaofeng

Mr. Wu Lili

CHIEF EXECUTIVE OFFICER

Mr. Dai Jian

ACTING CHIEF FINANCIAL OFFICER

Ms. Chen Xiao Hong

COMPANY SECRETARY

Ms. Lau Yee Wa

AUTHORIZED REPRESENTATIVES

Mr. Wu Lili

Mr. Dai Jian

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants and Registered PIE Auditor

22/F, Prince's Building

Central

Hong Kong

COMPANY'S WEBSITE

www.baioo.com.hk

STOCK CODE

2100

HEADQUARTERS IN THE PRC

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Guangzhou, Guangdong

China 510640

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Hutchins Drive
Cricket Square
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

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

REGISTERED OFFICE

Hutchins Drive
Cricket Square
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands
British West Indies

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1912
19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

PRINCIPAL BANKS

China Minsheng Bank, Guangzhou Branch
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Tianhe District
Guangzhou
Guangdong 510620
PRC

China Merchants Bank Guangzhou
Ti Yu Dong Road Sub Branch
30/F, Goldlion Centre, No. 138 Ti Yu Dong Road
Tianhe District
Guangzhou
Guangdong 510620
PRC

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Central
Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAW

DLA Piper Hong Kong
25/F, Three Exchange Square
8 Connaught Place
Central
Hong Kong

LEGAL ADVISORS AS TO CAYMAN ISLANDS LAW

Conyers Dill & Pearman (Cayman) Limited
Hutchins Drive
Cricket Square
P.O. Box 2681
Grand Cayman KY1-1111
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INVESTOR RELATIONS

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Company Profile

Founded in 2009 and listed on the Hong Kong Stock Exchange in 2014, BAIOO Family Interactive Limited is a leading internet content and service provider in China. BAIOO primarily focuses on developing in accumulated advantageous areas, including niche game genres such as female-oriented games, pet collection and raising games. BAIOO has achieved a leading position in its targeted niche game segments in China and built a gaming brand that is popular among Generation Z users.

Since its establishment, BAIOO has been committed to developing and operating online content of various types, and has successfully launched a number of major self-developed IP products with cumulative registered users exceeding 100 million. Leveraging its track record of business growth and the emergence of the mobile internet market, BAIOO has launched a series of hit game titles in China. The Company's games have also been well-received by users in Mainland China, Hong Kong, Macau, Taiwan, Japan, South Korea, Europe and the United States.

Looking ahead, BAIOO will continue to focus on developing its accumulated advantages in niche game segments. Through its unique IP strategy, BAIOO will continue to leverage the IPs that have been developed and accumulated throughout the years to launch a series of innovative, differentiated and attractive products, provide young users with differentiated IP-based experiences and services, and become a platform that brings great joy to young people.

Financial Summary

INCOME STATEMENT HIGHLIGHT

	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Continuing operations					
Revenue	**545,294**	782,764	938,759	883,908	1,128,967
Gross Profit	**252,062**	318,054	360,628	400,559	429,347
Operating (Loss)/Profit	**(42,845)**	(55,126)	(37,082)	29,706	281,624
Non-International Financial Reporting ("**IFRS**") Accounting Standards Measures					
— Adjusted Net (Loss)/Profit (unaudited) [(1)]	**(21,102)**	(10,081)	61,744	79,176	289,214
— Adjusted EBITDA (unaudited) [(2)]	**(23,070)**	(12,279)	37,485	105,828	317,056

Notes:

(1) Adjusted net (loss)/profit consists of (loss)/profit for the year plus share-based compensation. Adjusted net (loss)/profit eliminates the effect on non-cash share-based compensation expenses. The term of adjusted net (loss)/profit is not defined under the IFRS Accounting Standards. The use of adjusted net (loss)/profit has material limitations as an analytical tool, as adjusted net (loss)/profit does not include all items that impact our net profit/(loss) for the year.

(2) Adjusted EBITDA means adjusted net (loss)/profit less finance income-net, plus income tax expense/(credit), depreciation of property and equipment and right-of-use assets and amortization of intangible assets.

BALANCE SHEET HIGHLIGHT

	As at 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	**819,906**	585,242	476,709	442,420	355,011
Current assets	**1,055,145**	1,334,857	1,579,558	1,571,922	1,725,873
Total assets	**1,875,051**	1,920,099	2,056,267	1,994,342	2,080,884
Equity and Liabilities					
Total equity	**1,599,085**	1,651,035	1,698,084	1,682,640	1,734,329
Non-current liabilities	**11,330**	29,846	52,574	63,270	81,075
Current liabilities	**264,636**	239,218	305,609	248,432	265,480
Total liabilities	**275,966**	269,064	358,183	311,702	346,555
Total Equity and Liabilities	**1,875,051**	1,920,099	2,056,267	1,994,342	2,080,884

Chairman Letter

Dear Shareholders,

In 2024, the game industry maintained a steady and positive trend overall, although market competition remained fierce, and players' demand for high-quality content continued to grow. Amid this environment combined with both challenges and opportunities, BAIOO has remained steadfast in its commitment to its core principles and has dedicated to implementing long-term life cycle operational strategy of IP refinement. We have placed a strong focus on user needs, fully committed to driving gameplay innovation and advancing content iteration. By elaborately crafting each game, we strive to meet the increasingly diverse and ever-changing gaming demands of our users with exceptional quality.

LEADING INNOVATION: ADVANCING GAMEPLAY AND CONTENT SYNERGY TO UNLOCK THE BOUNDLESS POTENTIAL OF IPs

Over the past year, BAIOO has boldly explored and consistently experimented, maintaining unwavering efforts in gameplay innovation and content optimization. On one hand, BAIOO has devoted itself to refining gameplay mechanics, introducing diverse gameplay models, and delivering high-frequency version content updates to continually inject vitality into its games. This has significantly enhanced players engagement in the game community and empowered its IPs to flourish with robust energy through ongoing iteration.

On the other hand, adhering to its pursuit of excellence in game quality, BAIOO has actively embraced the trend of cross-border collaborations between IPs and brands. Over the past year, BAIOO has partnered with numerous renowned IPs and brands to meticulously create a series of rich and vibrant crossover-themed versions. These versions seamlessly combined the unique elements of various IPs with core gameplay mechanics, delivering players with unprecedented and innovative experiences, earning widespread acclaims and recognitions, and further extending the boundaries of IP value.

MARKETING EMPOWERMENT: DEEP INTEGRATION OF ONLINE AND OFFLINE CHANNELS TO STRENGTHEN PLAYERS' EMOTIONAL CONNECTIONS

While continuing to deepen its focus on game content and gameplay development, BAIOO has also strengthened its efforts in brand marketing and promotion. Over the past year, BAIOO has planned and implemented a series of uniquely creative events centered around its classic IPs. Online, it leveraged diverse channels such as social media and live streaming platforms to comprehensively enhance game visibility and drive promotion. Offline, it hosted exclusive meet-and-greet events for players, offering opportunities to interact directly with the development team and experience the stories and passion behind the games. Other activities, such as cross-over themed restaurants featuring immersive decor and specialty dishes, brought the game world into real-life settings. By tightly integrating this diverse online and offline promotional matrix, BAIOO has not only enhanced player immersion but also strengthened user engagement, effectively amplifying the brand influence of its IPs and leaving a lasting impression on its audience.

OUTLOOK

Looking ahead to 2025, BAIOO will remain true to its core values and uphold its user-centric philosophy by consistently uncovering user needs and accurately identifying market trends. In terms of game content creation, we will further increase investment in innovation, integrating more diverse cultural elements to craft high-quality game worlds with greater depth and breadth. Additionally, BAIOO will continue to explore and apply cutting-edge AI technologies to enhance development efficiency and significantly enrich players' immersive experiences. Moreover, BAIOO will consistently innovate its marketing strategies and approaches to strengthen emotional links with users and elevate every aspect of their gaming experiences. Simultaneously, BAIOO will strengthen its investment in technology research and development, optimize its operational processes, and reinforce its leading position in niche segments such as female-oriented games, pet collection, and raising games, thereby bolstering its market barriers and ensure a steady and sustainable progress.

ACKNOWLEDGEMENTS

On behalf of the management team, I would like to extend my heartfelt gratitude to our steadfast partners, passionate users, and trusted investors for their unwavering support to BAIOO over the years. I would also like to express my deepest respect and appreciation to every staff member and colleague who has worked tirelessly and contributed selflessly to the Company's growth. Looking ahead, BAIOO will continue to innovate, further enhance the influence of its IPs and brands, and create more high-quality games, striving to deliver greater value to our shareholders.

DAI Jian
Chairman, Chief Executive Officer and Executive Director
BAIOO Family Interactive Limited
27 March 2025

Definitions and Glossaries

DEFINITIONS

"AGM"	the annual general meeting of the Company to be convened and held in accordance with the Articles of Association
"AI"	artificial intelligence
"Articles of Association"	the articles of association of the Company as amended, supplemented or revised from time to time
"associate"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Board" or "Board of Directors"	the board of Directors
"BVI"	the British Virgin Islands
"CEO" or "Chief Executive Officer"	the chief executive officer of the Company
"Chairman"	the chairman of the Board
"Company" or "us" or "our Company"	BAIOO Family Interactive Limited (百奧家庭互動有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 25 September 2009 with its Shares listed on the Main Board of the Stock Exchange on 10 April 2014
"Company Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Contractual Arrangements"	a series of agreements entered into among Guangzhou WFOE, Guangzhou Baitian and the Registered Shareholders on 4 December 2013 and amended on 20 March 2014
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, collectively refers to Mr. DAI Jian and Stmoritz Investment Limited
"Corporate Governance Code" or "CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules

Definitions and Glossaries

"DAE Trust"	a discretionary trust set up by Mr. DAI Jian for which TMF (Cayman) Ltd. acts as the trustee, and the beneficiaries of which are Mr. DAI and his family members
"Director(s)" or "our Director(s)"	the director(s) of our Company or any one of them
"ESG"	Environmental, Social and Governance
"Group" or "our Group" or "BAIOO"	our Company, its subsidiaries and the PRC Operating Entity (the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements), or, where the context so requires, in respect of the period before our Company became the holding company of its current subsidiaries, our Company's current subsidiaries or the business operated by such subsidiaries or their predecessors (as the case may be)
"Guangzhou Baitian" or "PRC Operating Entity"	Guangzhou Baitian Information Technology Ltd.* (廣州百田信息科技有限公司), a company incorporated on 2 June 2009 and existing under the laws of the PRC. As of the date of this annual report, Mr. DAI Jian, Mr. WU Lili, Mr. LI Chong, Mr. CHEN Ziming and Mr. WANG Xiaodong hold 46.92%, 28.37%, 12.9%, 7.08% and 4.73% equity interests in Guangzhou Baitian, respectively
"Guangzhou Tianti"	Guangzhou Tianti Network Technology Co., Ltd.* (廣州天梯網絡科技有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Guangzhou Baitian
"Guangzhou WFOE"	Baiduo (Guangzhou) Information Technology Limited* (百多(廣州)信息科技有限公司), a company incorporated on 29 October 2013 under the laws of the PRC, an indirect wholly-owned subsidiary of the Company
"independent third party"	any entity or party which is not connected (as defined in the Listing Rules) to any of our Directors, substantial shareholders or chief executives of our Company or its subsidiaries, or any of their respective associates
"IP"	intellectual property
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on 10 April 2014
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Memorandum and Articles of Association"	the memorandum and articles of association of the Company

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“Nomination Committee”	the nomination committee of the Company
“Option(s)”	an option or right to purchase Shares under the Pre-IPO Share Option Scheme
“PC(s)”	personal computer(s)
“Post-IPO RSU Scheme”	the post-IPO restricted share unit scheme adopted by the Company on 18 March 2014, which took effect on 10 April 2014 (as amended on 19 June 2015 and 17 December 2020) and was terminated by the Board’s resolution passed on 3 March 2023, effective on 27 June 2023 following the adoption of the 2023 RSU Scheme
“PRC” or “China”	the People’s Republic of China
“Pre-IPO RSU Scheme”	the restricted share unit plan approved and adopted by the Company on 30 September 2013 and was terminated by the Board’s resolution passed on 3 March 2023, effective on 27 June 2023 following the adoption of the 2023 RSU Scheme
“Pre-IPO Share Option Scheme”	the share option plan approved and adopted by the Company on 18 June 2010, details of which are set out in the prospectus of the Company dated 28 March 2014, and expired on 18 June 2020
“Prospectus”	the prospectus of the Company dated 28 March 2014
“R&D”	research and development
“Register of Members”	the register of members of the Company
“Registered Shareholders”	the registered shareholders of Guangzhou Baitian, namely Mr. DAI Jian, Mr. WU Lili, Mr. LI Chong, Mr. CHEN Ziming and Mr. WANG Xiaodong
“Remuneration Committee”	the remuneration committee of the Company
“Reporting Period” or “Year”	the year ended 31 December 2024
“RSU(s)”	restricted share unit(s), being a contingent right to receive Shares which is granted pursuant to the Pre-IPO RSU Scheme and/or the Post-IPO RSU Scheme and/or the 2023 RSU Scheme

Definitions and Glossaries

"2023 RSU Scheme"	the Company's restricted share unit plan adopted by the Company on 3 March 2023 and approved by the Shareholders by passing an ordinary resolution at the AGM held on 27 June 2023
"SFO"	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)" or "Ordinary Share(s)"	ordinary share(s) in the share capital of our Company with par value US$0.0000005 each (or of such other nominal amount as shall result from capitalization, subdivision, consolidation, re-classification or re-construction of the share capital of the Company from time to time) with the rights ascribed in the Articles of Association
"Shareholder(s)"	holder(s) of our Share(s)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"The Zhen Family Trust"	a discretionary trust set up by Mr. LI Chong for which TMF (Cayman) Ltd. acts as the trustee, and the beneficiaries of which are Mr. LI and his family members
"WHZ Trust"	a discretionary trust set up by Mr. WU Lili for which TMF (Cayman) Ltd. acts as the trustee, and the beneficiaries of which are Mr. WU and his family members
"WSW Family Trust"	a discretionary trust set up by Mr. WANG Xiaodong for which TMF (Cayman) Ltd. acts as the trustee, and the beneficiaries of which are Mr. WANG and his family members

GLOSSARY

"ARQPA"	average revenue per QPA, which is revenue from our virtual worlds in a particular quarter divided by the number of quarterly paying accounts in that quarter
"average quarterly ARQPA"	average quarterly average revenue per QPA, which is revenue from our virtual worlds in a particular period divided by the total number of QPA in that period
"QAA"	quarterly active accounts, which is the number of active accounts for our virtual worlds in the relevant quarter. A quarterly active account is defined as a registered account that was accessed at least once during a quarter. An account that logged into two virtual worlds in the same quarter is counted as two QAA. Average QAA for a particular period is the average of the QAA in each quarter during that period
"QPA"	quarterly paying accounts, which is the number of paying accounts in the relevant quarter. An account that paid subscription fees or for virtual items in two virtual worlds in the same quarter is counted as two QPA. Average QPA for a particular period is the average of the QPA in each quarter during that period

Management Discussion and Analysis

BUSINESS OVERVIEW

Keeping abreast of market demands and focusing on core content optimization and innovation

For the year ended 31 December 2024, BAIOO continued to focus on developing in its advantageous niche game genres, namely female-oriented games, pet collection and raising games. Leveraging keen insights into user needs and utilizing cutting-edge technologies such as AI, BAIOO made every effort to reduce costs and enhance efficiency while driving iterative innovation in gameplay and content, delivering an unparalleled, immersive, and diverse high-quality gaming experiences to users.

During the Year, BAIOO remained closely aligned with user needs, conducting comprehensive and in-depth exploration across multiple dimensions, including game content, innovative gameplay, and IP collaborations, while actively driving continuous advancements in gameplay and content. Our core mobile game Legend of Aoqi (「奧奇傳説」), which has been in operation for over three years, achieved continuous year-on-year revenue growth during the Year, driven by its relentless pursuit of excellence in game content. The mobile game Aobi Island: Dreamland (「奧比島: 夢想國度」), which has been in operation for more than two years, consistently introduced high-quality and unique version content throughout the Year. It conducted cross-border collaboration with ten well-known IPs, including the Forbidden City Palace Culture IP "The World of the Palace" (「宮裡的世界」), trend toy IP ShinWoo, EMMA, and Laura, as well as animation IP Flying MOCO, which successfully integrated IP content with gameplay, earning user appreciation and recognition. "Xinghai Anniversary" (「星海週年」), the 2nd anniversary version of the game, was launched in July, which featured a collaboration with the popular TV IP "Balala the Fairies" (「巴啦啦小魔仙」), introducing a brand new underwater exploration and fishing gameplay that delivered outstanding performance. The web game Legend of Aoqi (「奧奇傳説頁遊」), which has been in operation for more than twelve years, has continuously innovated the gameplay mechanism based on player experience needs, focusing on enhancing artistic quality. With increasingly refined content, core user engagement remained stable.

During the Year, BAIOO consistently drove version innovation while creating fresh experiences for users through diverse online and offline activities, continually enhancing its brand influence and market competitiveness. The core mobile game Legend of Aoqi (「奧奇傳説手遊」) successively launched the New Year version "Advent of the Apocalyptic Holy Dragon" (「降臨，終焉之聖龍！」), the 3rd anniversary version "Blazing Flames Return to Heart" (「熾炎歸心」) and the National Day version "Sun and Moon Coronation" (「日月華冕」) during the Year, all of which delivered outstanding results. Rich new gameplay features such as script murder, home-themed match-three puzzles, and King's Arena received widespread acclaim from players. The mobile game Aobi Island: Dreamland (「奧比島: 夢想國度」) launched the crossover version "Majestic Forbidden Splendor" (「紫禁風華」) in collaboration with "The World of the Palace" (「宮裡的世界」) during the Year. This version featured a large-scale recreation of the scene of Forbidden City, a "Riverside Scene at Qingming Festival" (「清明上河圖 • 幻景」) virtual landscape, and imperial court cats, with exquisite themed outfits designed using the colors and elements of cultural relics, consistently promoting the integration of Chinese cultural elements into gaming and enriching the game's cultural depth. Additionally, three distinctive updates in the fourth quarter (v3.4 "Doll Manor" (「人偶莊園」), v3.5 "Mistmoon Encounter" (「霧月逢妖」) and v3.6 "Winter Wonderland" (「凜冬綺夢」)) during the Year further stabilized user activity and boosted player confidence. To precisely meet user needs, BAIOO leveraged offline activities such as clock in offline, themed restaurants, and player meetups, to seamlessly integrate diverse online and offline promotional strategies to generate viral UGC content, heighten player enthusiasm, and create an immersive gaming experience for our players.

INDUSTRY TRENDS

A demand-driven long-term strategy focusing on quality refinement and efficiency optimization through technology empowerment

In 2024, China's game industry demonstrated robust growth alongside the steady recovery of the macroeconomy. According to the "China Game Industry Report 2024" (《2024年中國遊戲產業報告》), the ecosystem of the Chinese game industry continued to improve, driven by the intensive promotion of supportive policies at various government levels. In 2024, the Chinese game market recorded actual sales revenue of RMB325.783 billion, representing a year-on-year increase of 7.53% and hitting a historical high. The number of game users was 674 million, representing a year-on-year increase of 0.94%, which also achieving a record high. At the same time, as products have become increasingly homogenized, industry competition has further intensified. Gaming companies have shifted toward differentiated and quality-focused business strategies, prioritizing user gaming experiences as a key focus in their strategic planning and product development. By continuously advancing research and development innovation, they aim to deliver game content with depth, more creative, and higher quality. The concept of long-term operations has emerged as a significant trend in the industry's current development.

The surge of the digital and intelligent transformation wave has brought rapid and profound changes to the game industry, driving its development to new heights. AI tools have been rapidly implemented across various key areas of the game industry, offering extensive applications in content creation and gameplay optimization. These tools have significantly enhanced game development efficiency, making the creative process more flexible and efficient, while further raising the game industry's potential and market capacity. During the Year, BAIOO seized the opportunities presented by this digital and intelligent transformation, continuously exploring and applying cutting-edge technologies such as AI-generated content ("**AIGC**") in the latest application scenarios. By leveraging such technology, BAIOO introduced richer and more diverse gameplays and experiences for users, further strengthening its brand influence. At the same time, the Company continuously improved its game development and operational efficiency, effectively achieving cost reduction and efficiency enhancement in its business operations.

OUTLOOK FOR 2025

Adhering to IP refined long-term operation strategy and continuously enhancing product competitiveness

Looking ahead to 2025, BAIOO will continue to focus on niche gaming segments, deepening IP refined operation initiatives and consistently exploring user needs to deliver exceptional gaming experiences. At the same time, BAIOO will further explore the creative integration of gaming and traditional Chinese culture, introducing fresh cultural elements into its core IPs to extend the lifecycle of its existing flagship games. Through innovative marketing approaches, BAIOO aims to provide players with more diverse and enriching gaming experiences, further consolidating its leading position in niche markets.

Meanwhile, BAIOO will focus on building a rich and varied product development matrix. Several products are currently in active preparation and are poised for launch. Looking ahead, BAIOO will continue to explore technological empowerment, strengthen its global presence, and actively seek new growth opportunities. With the successive introduction of more products worldwide, BAIOO aims to further enhance its competitive edge in niche markets and strengthen its position in the global game market.

OPERATION INFORMATION

The following table sets out average quarterly active accounts ("**QAAs**"), average quarterly paying accounts ("**QPAs**") and average quarterly average revenue per quarterly paying accounts ("**ARQPA**") for our online virtual worlds for the years indicated below:

	For the year ended		
	31 December 2024[1]	31 December 2023	Year-over-year Change
	(QAA & QPA in millions, ARQPA in RMB)		
average QAA[2]	**6.3**	7.3	(13.7%)
average QPA[3]	**0.8**	1.1	(27.3%)
average quarterly ARQPA[4]	**163.0**	176.1	(7.4%)

Notes:

1. As of 31 December 2024, our online virtual worlds under commercial operation mainly included Aobi Island, Aola Star, Dragon Knights, Light of Aoya, Legend of Aoqi, Shiwuyu (「食物語」), Aola Star Mobile (「奧拉星手遊」), Legend of Aoqi Mobile (「奧奇傳説手遊」) and Aobi Island Mobile (「奧比島手遊」).

2. The average QAA for online virtual worlds was approximately 6.3 million for the year ended 31 December 2024, representing a decrease of approximately 13.7% compared with the year ended 31 December 2023. The decrease was primarily due to some of the games with a longer launch period have shown a natural decline in the growth of their life cycles.

3. The average QPA for online virtual worlds was approximately 0.8 million for the year ended 31 December 2024, representing a decrease of approximately 27.3% compared with the year ended 31 December 2023. The decrease was primarily due to decrease of QAA.

4. The average quarterly ARQPA for online virtual worlds was approximately RMB163.0 for the year ended 31 December 2024, representing a decrease of approximately 7.4% compared with the year ended 31 December 2023. The decrease was primarily due to the decrease of revenue.

OVERALL BUSINESS AND FINANCIAL PERFORMANCE

The following table sets forth the details of our consolidated income statement for the years ended 31 December 2024 and 2023, respectively:

	For the year ended			
	31 December 2024 RMB'000	% of Revenue	31 December 2023 RMB'000	% of Revenue
Revenue	545,294	100.0	782,764	100.0
Online entertainment business	545,130	100.0	782,519	100.0
Other businesses	164	—	245	—
Cost of revenue	(293,232)	(53.8)	(464,710)	(59.4)
Gross profit	252,062	46.2	318,054	40.6
Selling and marketing expenses	(57,508)	(10.5)	(63,731)	(8.1)
Administrative expenses	(57,762)	(10.6)	(76,184)	(9.7)
Research and development expenses	(177,042)	(32.5)	(231,137)	(29.5)
Net impairment losses on financial assets	(3,804)	(0.7)	(3,999)	(0.5)
Other income	1,106	0.2	3,366	0.4
Other gains/(losses) — net	103	—	(1,495)	(0.2)
Operating loss	(42,845)	(7.9)	(55,126)	(7.0)
Finance income — net	24,453	4.5	33,000	4.2
Share of losses of an associate	(7,797)	(1.4)	(1,302)	(0.2)
Loss before income tax	(26,189)	(4.8)	(23,428)	(3.0)
Income tax expense	(1,767)	(0.3)	(7,974)	(1.0)
Loss for the year	(27,956)	(5.1)	(31,402)	(4.0)

The following table sets forth the details of our consolidated statement of comprehensive income for the years ended 31 December 2024 and 2023 respectively:

	For the year ended			
	31 December 2024 RMB'000	**% of Revenue**	31 December 2023 RMB'000	% of Revenue
Loss for the year	**(27,956)**	**(5.1)**	(31,402)	(4.0)
Other comprehensive income, net of tax	**—**	**—**	—	—
Total comprehensive loss for the year	**(27,956)**	**(5.1)**	(31,402)	(4.0)
Other financial data				
Adjusted net loss[1] (unaudited)	**(21,102)**	**(3.9)**	(10,081)	(1.3)
Adjusted EBITDA[2] (unaudited)	**(23,070)**	**(4.2)**	(12,279)	(1.6)

Notes:

1. Adjusted net loss consists of loss for the year plus share-based compensation. Adjusted net loss eliminates the effect on non-cash share-based compensation expenses. The term of adjusted net loss is not defined under the IFRS. The use of adjusted net loss has material limitations as an analytical tool, as adjusted net loss does not include all items that impact our net loss for the year.

2. Adjusted EBITDA consists of adjusted net loss less finance income-net, plus income tax expenses, depreciation of property and equipment and right-of-use assets and amortization of intangible assets.

Revenue

Our revenue for the year ended 31 December 2024 was RMB545.3 million, representing a 30.3% decrease from RMB782.8 million for the year ended 31 December 2023.

Online Entertainment Business: Our online entertainment business revenue for the year ended 31 December 2024 was RMB545.1 million, a 30.3% decrease from RMB782.5 million for the year ended 31 December 2023. The decrease was primarily due to the natural decline in the growth of life cycles of some of the Company's games with a longer launch period, and no new core game was launched during the Year.

Other Businesses: Revenue from other businesses for the year ended 31 December 2024 was RMB0.2 million, similar to 2023, which mainly consists of the sales of peripheral products.

Cost of Revenue

Our cost of revenue for the year ended 31 December 2024 was RMB293.2 million, a 36.9% decrease from RMB464.7 million for the year ended 31 December 2023.

Online Entertainment Business: Our online entertainment business cost for the year ended 31 December 2024 was RMB293.1 million, a 36.9% decrease from RMB464.6 million for the year ended 31 December 2023. The decrease was mainly driven by the decrease of third-party revenue sharing.

Other Businesses: Cost of other businesses for the year ended 31 December 2024 was RMB0.09 million, which is similar to the amount of 2023.

Gross Profit

As a result of the foregoing, our gross profit for the year ended 31 December 2024 was RMB252.1 million, compared with RMB318.1 million for the year ended 31 December 2023. Gross profit margin was 46.2% for the year ended 31 December 2024, compared with 40.6% for the year ended 31 December 2023. The gross profit margin increased was mainly due to the proportion of revenue from entrusted third parties mobile games with high revenue sharing decreased.

Selling and Marketing Expenses

Our selling and marketing expenses for the year ended 31 December 2024 were RM57.5 million, a 9.7% decrease from RMB63.7 million for the year ended 31 December 2023. This was primarily due to the decrease in employee benefit expenses.

Administrative Expenses

Our administrative expenses for the year ended 31 December 2024 were RMB57.8 million, decreased 24.1% from RMB76.2 million for the year ended 31 December 2023. This decrease was primarily due to the decrease in employee benefit expenses relating to restricted shares units granted to employees.

Research and Development Expenses

Our research and development expenses for the year ended 31 December 2024 were RMB177.0 million, decreased 23.4% from RMB231.1 million for the year ended 31 December 2023. This decreases was primarily driven by the decrease in employee benefit expenses.

Net Impairment Losses on Financial Assets

We recorded net impairment losses of financial assets of RMB3.8 million for the year ended 31 December 2024, which compared to RMB4.0 million net impairment losses for the year ended 31 December 2023. The net impairment loses on financial assets mainly comprised impairment on trade and other receivables.

Other Income

The Company recognized RMB1.1 million in other income for the year ended 31 December 2024, representing a decrease by 67.6% from RMB3.4 million for the year ended 31 December 2023. The other income was generated from government grants.

Other Gains/(Losses) — net

The Company recognized net other gain of RMB0.10 million and it was primarily due to the disposal gain of property, plant and equipment and foreign exchange losses for the year ended 31 December 2024, compared with net other losses of RMB1.5 million for the year ended 31 December 2023.

Operating Loss

As a result of the foregoing, our operating loss for the year ended 31 December 2024 was RMB42.8 million, compared with operating loss of RMB55.1 million for the year ended 31 December 2023.

Finance Income — net

We had net finance income of RMB24.5 million for the year ended 31 December 2024, compared with net finance income of RMB33.0 million for the year ended 31 December 2023. Net finance income for the year ended 31 December 2024 primarily consisted of interest income on bank deposits, as well as foreign exchange gains on cash and bank balances, which was partly offset by interest expenses on lease liabilities.

Share of Loss of an Associate

The Company recognized share of loss of an associate of RMB7.8 million for the year ended 31 December 2024, compared with share of loss of an associate of RMB1.3 million for the year ended 31 December 2023.

Loss before Income Tax

As a result of the foregoing, we had a loss of RMB26.2 million for the year ended 31 December 2024, compared with a loss of RMB23.4 million for the year ended 31 December 2023.

Income Tax Expense

Our income tax expense for the year ended 31 December 2024 was RMB1.8 million, compared with the income tax expense of RMB8.0 million for the year ended 31 December 2023. The change was primarily due to less deferred tax assets realized for the year ended 31 December 2024.

Loss for the Year

As a result of the foregoing, we had a loss of RMB28.0 million for the year ended 31 December 2024, compared with a loss of RMB31.4 million for the year ended 31 December 2023.

Non-IFRS Accounting Standards Measure — Adjusted Net Loss/EBITDA

Our adjusted net loss for the year ended 31 December 2024 was RMB21.1 million, representing a 109.3% increase from net loss of RMB10.1 million for the year ended 31 December 2023. Our adjusted EBITDA for the year ended 31 December 2024 was loss of RMB23.1 million, representing an 87.9% increase from loss of RMB12.3 million for the year ended 31 December 2023.

The following table reconciles our adjusted net loss and adjusted EBITDA for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS Accounting Standards, which is net loss:

	Unaudited For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Loss for the year	**(27,956)**	(31,402)
Add:		
Share-based compensation	**6,854**	21,321
Adjusted net loss	**(21,102)**	(10,081)
Add:		
Depreciation and amortization	**20,718**	22,828
Finance income — net	**(24,453)**	(33,000)
Income tax expenses	**1,767**	7,974
Adjusted EBITDA	**(23,070)**	(12,279)

LIQUIDITY AND CAPITAL RESOURCES

In 2024, we met our working capital and other capital requirements principally from cash flow generated from our operating activities.

The Group's gearing ratios as of the dates below were as follows:

	As of 31 December 2024	As of 31 December 2023
	RMB'000	RMB'000
Total liabilities	**275,966**	269,064
Total assets	**1,875,051**	1,920,099
Gearing ratio[1]	**15%**	14%

Note:

(1) Gearing ratio is calculated by dividing total liabilities by total assets.

Cash and Cash Equivalents, Short-Term Deposits and Long-Term Deposits

As of 31 December 2024, our cash and cash equivalents consisted of cash in bank and cash on hand, which amounted to RMB495.7 million, compared with RMB966.0 million as of 31 December 2023. We had short-term deposits of RMB449.0 million as of 31 December 2024, compared with RMB261.8 million as of 31 December 2023, representing bank deposits which we intend to hold for over three months but less than one year. We had long-term deposits of RMB245.0 million as of 31 December 2024 compared with RMB135.0 million as of 31 December 2023, representing bank deposits which we intend to hold for over one year but less than three years.

As of 31 December 2024, The Group had no restricted cash.

The effective interest rate per annum for cash in bank balances and deposits as of 31 December 2024 was 1.88% compared with 1.94% as of 31 December 2023. Our policy is to place our cash in interest-bearing principal-protected call deposits or deposits with reputable domestic or international banks.

Our cash and cash equivalents, short-term deposits and long-term deposits are denominated in the following currencies:

Group	**As of 31 December 2024 RMB'000**	As of 31 December 2023 RMB'000
RMB	**1,035,547**	1,214,942
US$	**80,999**	73,227
HK$	**73,053**	74,580
Others	**76**	81
	1,189,675	1,362,830

Bank Loans and Other Borrowings

The Group had no bank loans or other borrowings as of 31 December 2024.

Treasury Policies

As of 31 December 2024, the Group had conservative treasury policies in terms of cash and financial management. The Group does not use any financial instruments for hedging purposes.

Foreign Currency Risk

As of 31 December 2024, RMB154.1 million of our financial resources were held in deposits in non-RMB currencies. Since there are no cost-effective hedges against the fluctuations of the RMB, there is a risk that we may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with our cash in bank balances.

Capital Expenditures and Investments

Our capital expenditures consist of payment of construction in progress and purchases of property and equipment, such as servers and computers, and intangible assets, such as computer software. For the year ended 31 December 2024, our total capital expenditures were RMB86.6 million, compared with RMB88.5 million for the year ended 31 December 2023. The following table sets out our expenditures for the years indicated:

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Capital Expenditures		
— Payment of construction in progress	**84,114**	84,966
— Purchase of property and equipment	**569**	1,633
— Purchase of intangible assets	**1,916**	1,939
Total	**86,599**	88,538

Contingent Liabilities

As of 31 December 2024, the Group did not have any material contingent liabilities, guarantees or litigation against it.

Charges on Assets

As of 31 December 2024, there were no charges on the Group's assets.

Material Acquisitions and Future Plans for Major Investment

The Group had no major acquisition and disposal relating to its subsidiaries, associates and joint ventures during the Reporting Period. The Group had no significant investment activity during the Reporting Period.

The Group currently has no specific plan for other major investments or acquisitions for significant capital assets or other businesses. However, the Group will continue to look for new opportunities for business development.

Employees and Staff Costs

As of 31 December 2024, the Group had 644 full-time employees. The following table sets forth the number of full-time employees by function as of 31 December 2024:

	As of 31 December 2024	
	Number of Employees	% of Total
Operations	20	3.1
Operations for R&D	193	30.0
Development and research	330	51.2
Sales and Marketing	43	6.7
General and administration	58	9.0
Total	644	100

In addition to salary, we also provide various incentives, including share-based awards, such as RSUs granted pursuant to the share incentive schemes of the Company, and performance-based bonuses to better motivate our employees. As required by the PRC law, we contribute to housing funds and maintain mandatory social insurance plans for our employees, covering pension, medical, unemployment, work injury and maternity leave. We are required by the PRC law to make contributions to these social insurance plans at specified percentages of the compensation of each employee, up to a maximum amount as may be specified by the local government from time to time. Such social insurance plans include defined contribution retirement benefit plans organized by the relevant governmental authorities. Forfeited contributions by the Group to these plans may not be used by the Group to reduce the existing level of contributions. The total amount of contributions we made for employee social insurance plans for the year ended 31 December 2024 were approximately RMB66.5 million, compared with RMB88.9 million for the year ended 31 December 2023. We incurred staff costs of approximately RMB281.0 million and RMB359.4 million, for the years ended 31 December 2024 and 2023, representing 51.5% and 45.9% of our revenue for those years respectively.

We will continue to grant RSUs to our employees to incentivize them pursuant to the 2023 RSU Scheme. The maximum number of Shares which we may grant pursuant to the 2023 RSU Scheme and all other share schemes as adopted by the Company from time to time shall not exceed 282,284,400 Shares, representing approximately 10% of our issued share capital as of the date of the AGM in 2023.

Under the previous restricted share unit plan which was terminated on 27 June 2023, there were a total of 20,640,000 RSUs outstanding as of 31 December 2024.

During the Reporting Period, there were no RSUs granted under the 2023 RSU Scheme. As of 31 December 2024, there was no outstanding RSU under the 2023 RSU Scheme.

Dividend

At the Company's annual general meeting on 26 June 2024, the Shareholders approved the Board-recommended special dividend of HK$0.012 (equivalent to approximately RMB0.011) per share for the year ended 31 December 2023. The special dividend was paid to the Shareholders on 30 July 2024.

The Board is pleased to recommend the payment of a special dividend of HK$0.012 (equivalent to RMB0.011) per share for the year ended 31 December 2024 out of our share premium account, subject to the approval of the Shareholders at the forthcoming AGM to be held on Friday, 27 June 2025. The proposed special dividend will be payable on Thursday, 31 July 2025 to the Shareholders of whose names appear on the register of members of the Company (the "**Register of Members**") on Tuesday, 15 July 2025.

CHANGES SINCE 31 DECEMBER 2024

There were no other significant changes in the Group's financial position or from the information disclosed under management discussion and analysis in this annual report for the year ended 31 December 2024.

Biographies of the Directors and Senior Management

DIRECTORS

Executive Directors

DAI Jian (戴堅), aged 57, is a co-founder of our Group and was appointed as our Chairman in November 2011, Executive Director in April 2012 and Chief Executive Officer in mid-October 2016. He is responsible for the overall management, corporate development and strategic planning of our Group.

Mr. DAI has more than 24 years of experience in the information and technology industry. From March 2013 to the date of this annual report, he has been serving as the chairman of the board of Altratek Guangdong, a wireless telecommunication product and service provider, where he is responsible for the overall management, resources integration and strategic planning of the company. From December 2004 to March 2013, he was the executive director and chief executive officer of Altratek Guangdong. Prior to that, he co-founded and was the chairman of Guangzhou Elite Enterprise Management Corporation* (廣州市伊萊哲企業管理有限公司) ("**Guangzhou Elite**") from November 1999 to November 2004, where he was responsible for the overall management, resources integration and strategic planning of the company.

Mr. DAI received his bachelor's degree in computer application from Hunan University (湖南大學) in July 1990.

Saved as disclosed above, Mr. DAI is not or has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

WU Lili (吳立立), aged 57, is a co-founder of our Group and was appointed as Executive Director in September 2009. Mr. WU was appointed as our Chief Executive Officer in March 2010 and relinquished such position in March 2015. He is responsible for overseeing the Company's growth strategies, mergers and acquisitions and other business opportunities.

Mr. WU has more than 24 years of experience in the information technology industry. From March 2013 to the date of this annual report, he has been serving as the director of Altratek Guangdong. From September 2007 to June 2009, he was the deputy director of the marketing department of Altratek Guangdong, where he was responsible for resources integration and capital operation, as well as strategic planning and new project development, including the overall management of the company's new Internet business and the integration of the telecom value added services. Prior to that, he was the vice chairman of marketing of Guangzhou Elite from November 1999 to August 2007, where he managed the company's various production lines and marketing agencies in the PRC, and was responsible for the implementation of the company's marketing strategies of the company.

Mr. WU received his MBA degree from the China Europe International Business School (中歐國際工商學院) in September 2004. He also received his master's degree in computer application and bachelor's degree in computer communications from Beijing University of Posts and Telecommunications (北京郵電大學), formerly known as (北京郵電學院) in April 1992 and July 1989, respectively.

Saved as disclosed above, Mr. WU is not or has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

LI Chong (李沖), aged 56, is a co-founder of our Group and was appointed as our Chief Operating Officer from September 2009 to August 2021, and Executive Director since September 2009. He is responsible for developing middle and long-term development strategies of the Group and identifying and securing high-end talents for the Group.

Mr. LI has more than 24 years of experience in the information technology industry. From March 2013 to the date of this annual report, he has been serving as the chairman of the supervisory board of Altratek Guangdong. From January 2008 to July 2009, he was one of the new project leaders of Altratek Guangdong, where he was responsible for the design and operations of the company's products. In particular, he was a key participant in the feasibility study and development of Aobi Island. Prior to that, he was the President of Guangzhou Aochuang Information Technology Co., Ltd.* (廣州市奧創信息技術有限公司) from October 2000 to December 2008, where he was responsible for the overall operations and management of the company.

Mr. LI received his master's degree in business management from Jinan University (暨南大學) in June 2000. He also received his master's degree in communications and electric systems and bachelor's degree in telecommunications engineering from Beijing University of Posts and Telecommunications (北京郵電大學) in April 1992 and July 1989, respectively.

Saved as disclosed above, Mr. LI is not or has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Independent Non-Executive Directors

LIU Qianli (劉千里), aged 49, was appointed as our Independent Non-Executive Director on 18 March 2014.

Ms. LIU has over 21 years of experience in investment banking and corporate finance, including holding senior management positions at Phoenix New Media Limited (NYSE Stock Symbol: FENG), ChinaEdu Corp. and MainOne Information Technology Company Ltd. previously. She is currently an independent director of Luckin Coffee Inc. (OTC Symbol: LKNCY), and an independent non-executive director of XD Inc. (HKEX Stock Code: 2400) and Feiyu Technology International Company Limited (HKEX Stock Code: 1022).

Ms. LIU obtained her bachelor's degree of arts from Dartmouth College in 1997 and her MBA from the Massachusetts Institute of Technology Sloan School of Management in 2003.

Saved as disclosed above, Ms. LIU is not or has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

WANG Qing (王慶), aged 56, was appointed as our Independent Non-Executive Director on 18 March 2014.

Dr. WANG has over 24 years of experience in investment banking and corporate finance. Dr. WANG is the president and a partner of Shanghai Chongyang Investment Management Co., Ltd ("**Chongyang Investment**"), a privately managed fund in China. Before joining Chongyang Investment in April 2013, Dr. WANG was deputy head of the Investment banking department at China International Capital Corporation ("**CICC**") from June 2011 to April 2013. Dr. WANG joined CICC from Morgan Stanley, where he served as managing director and chief economist for Greater China in the research division in Hong Kong from May 2007 to June 2011. Prior to that, Dr. WANG spent 6 years, from June 1999 to October 2005, in Washington, D.C. as an economist with the International Monetary Fund.

Dr. WANG has been appointed as an independent director of China Continent Property & Casualty Insurance Co., Ltd (中國大地財產保險股份有限公司) since March 2019. In addition, he has been appointed as an independent director of Ant Bank (Hong Kong) Limited (螞蟻銀行(香港)有限公司) since May 2019. Dr. WANG has been appointed as an independent director of Bank of Taizhou Co., Ltd. since April 2022.

Dr. WANG received his Ph.D. in economics from the University of Maryland at College Park, U.S. in August 2000. He received his bachelor's degree and master's degree in economics from Renmin University of China (中國人民大學) in July 1991 and January 1994, respectively.

Saved as disclosed above, Dr. WANG is not or has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

MA Xiaofeng (馬肖風), aged 61, was appointed as our Independent Non-Executive Director on 18 March 2014.

Mr. MA is the co-founder, chairman and chief executive officer of ATA Creativity Global (Stock Symbol: AACG), formerly known as ATA Inc. (Stock Symbol: ATAI), a professional services provider for testing, assessment and related services in China, and a public company listed on NASDAQ. Since July 2015, Mr. MA has been serving as the chairman of the board of directors of ATA Online (Beijing) Education Technology Co., Ltd.* (全美在線(北京)教育科技股份有限公司) whose shares were listed on the NEEQ since 21 December 2015 and were delisted since 11 October 2017.

Save as disclosed above, Mr. MA is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

WEI Kevin Cheng (蔚成), aged 57, was appointed as our Independent Non-Executive Director on 27 June 2023.

Mr. WEI is currently a partner of a company focused on corporate finance advisory business. Mr. WEI served as the chief financial officer from December 2007 to September 2013 of IFM Investments Limited, a real-estate services company headquartered in Beijing. IFM Investments Limited was delisted from NYSE in 2015. From 2006 to 2007, Mr. WEI served as the chief financial officer of Solarfun Power Holdings Co., Limited (ticker symbol: SOLF), a NASDAQ listed solar company (now known as Hanwha Q CELLS Co., Ltd. (ticker symbol: HQCL) (privatised in 2019)). From 1999 to 2005, Mr. WEI worked in the internal audit and risk management functions with the Asia Pacific regional or global coverage for multinational companies including LG Philips Displays International Ltd. (2003 to 2005) headquartered in Hong Kong. From 1991 to 1999, Mr. WEI worked with KPMG LLP and Deloitte Touche LLP in various audit and consulting roles between the United States of America and China.

Mr. WEI graduated from Central Washington University in June 1991, where he received his bachelor's degree (cum laude) with a double major in accounting and business administration. He is also a member of the American Institute of Certified Public Accountant.

Mr. WEI currently serves as an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee of the board of Alphamab Oncology (stock code: 9966), a company listed on the Main Board of the Stock Exchange, since 12 December 2019. Prior to that, Mr. Wei served as an independent non-executive director, the chairman of the audit and compliance committee of the board of Nexteer Automotive Group Limited (stock code: 1316), a company listed on the Main Board of the Stock Exchange, from June 2013 to June 2022.

Save as disclosed above, Mr. WEI is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

SENIOR MANAGEMENT

DAI Jian (戴堅), aged 57, is our Chairman, Executive Director and Chief Executive Officer. Please refer to the section headed "— Executive Directors — DAI Jian" for his biography.

WANG Xiaodong (王曉東), aged 59, is a co-founder of our Group and was appointed as Executive Vice President in September 2009. Mr. WANG was also appointed as our Executive Director from September 2009 to March 2010 and from December 2013 to January 2022.

Mr. WANG has more than 26 years of experience in the information technology industry, as well as extensive experience in the education industry. Prior to joining the Group, he was one of the new project leaders of Altratek Guangdong from September 2007 to July 2009, where he was a key participant in the feasibility study and development of Aobi Island. He was specifically responsible for managing human resources, administration and the cooperation with primary schools and other education agencies for the product. He was the director of human resources and vice president of Guangzhou Elite from August 2001 to December 2008, where he was in charge of the company's operations in northern China, as well as the management and development of the company's human resources department.

From January 1998 to August 2001, he was the associate dean of Hunan University College of Civil Engineering (湖南大學土木工程學院), where he was responsible for the overall student education and management. Prior to that, he was the associate director of the department of mechanical engineering of Hunan University (湖南大學) from February 1997 to January 1998, where he was responsible for the overall student education and management of the department.

Mr. WANG received his master's degree in industrial international trade and bachelor's degree in machine design and manufacturing from Hunan University (湖南大學) in December 1998 and July 1988, respectively.

CHEN Xiao Hong (陳小紅), aged 58, was appointed as Acting Chief Financial Officer of the Company in October 2016. Ms. CHEN was appointed as the Financial Controller of the Company in September 2009 and Vice President of Finance of the Company in July 2014. Ms. CHEN is responsible for corporate finance, investor relations and financial management of our Group. She has over 16 years of experience in finance management.

Ms. CHEN has undertaken the Certified General Accountants Association of Canada (CGA) course and professional manager training in Peking University (北京大學). Ms. CHEN received her bachelor's degree in meteorology from the Beijing Institute of Meteorology (北京氣象學院).

COMPANY SECRETARY

LAU Yee Wa (劉綺華), aged 52, has been appointed as our Company Secretary since August 2018.

Ms. LAU is a director of the corporate services division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. LAU has over 26 years of experience in the corporate services field and has been providing professional corporate secretarial to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. LAU is a Chartered Secretary, a Chartered Governance Professional and an associate member of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

She holds a bachelor's degree in business administrative management from the University of South Australia.

Directors' Report

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are developing and publishing mobile and PC games. Details of the principal activities of the Group are set out in note 14 to the section headed "Notes to the Consolidated Financial Statements" of this annual report. The analysis of the Group's revenues and contribution to results by business segments are set out in note 5 to the section headed "Notes to the Consolidated Financial Statements" of this annual report. There were no other significant changes in the nature of the Group's principal activities during the year ended 31 December 2024.

BUSINESS REVIEW AND KEY FINANCIAL PERFORMANCE INDICATORS

A review of the business of the Group during the year ended 31 December 2024 (including particulars of important events affecting the Company that have occurred during the year ended 31 December 2024, an analysis of the Group's performance during the year ended 31 December 2024 using financial key performance indicators and a discussion on the Group's future business development) is provided in the sections headed "Chairman Letter" and "Management Discussion and Analysis" of this annual report. A description of the principal risks and uncertainties that the Group may be facing and compliance with relevant laws and regulations which have a significant impact on the Group can be found in this directors' report. In addition, the financial risk management objectives and policies of the Group are available in note 3 to the section headed "Notes to the Consolidated Financial Statements" of this annual report. These discussions form part of this directors' report.

Considering the principal activities of the Group, less destruction has been made directly to the environment, but protecting the environment has always been essential to the Group and this has guided our actions to minimize the impact of the Group. Going forward, continuous efforts will be made by the Group and our employees in promoting sustainability in environment, social and corporate governance.

RESULTS

The results of the Group for the year ended 31 December 2024 are set out in the sections headed "Consolidated Income Statement", "Consolidated Statement of Comprehensive Income", "Consolidated Balance Sheet", "Consolidated Statement of Changes in Equity" and "Consolidated Statement of Cash Flows" of this annual report.

DIVIDENDS

The Board recommended the payment of a special dividend of HK$0.012 (equivalent to approximately RMB0.011) per Share for the year ended 31 December 2024, subject to the approval of the Shareholders at the forthcoming AGM to be held on Friday, 27 June 2025. The proposed special dividend is expected to be payable on Thursday, 31 July 2025 to the Shareholders whose names appear on the Register of Members as of Tuesday, 15 July 2025.

DIVIDEND POLICY

The Group adopted a dividend policy (the "**Dividend Policy**") on 20 December 2018. A summary of this policy is disclosed as below.

In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its Shareholder value.

The Company does not have any pre-determined dividend payout ratio. The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Articles of Association and all applicable laws and regulations and factors, including, inter alia, the Group's financial results, cash flow situation, business conditions and strategies, future operations and earnings and capital requirements and expenditure plans, interests of Shareholders, any restrictions on payment of dividends and any other factors that the Board may consider relevant.

The Dividend Policy will be reviewed by the Board as appropriate from time to time.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the upcoming AGM, the Register of Members will be closed from Tuesday, 24 June 2025 to Friday, 27 June 2025, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 23 June 2025. In addition, subject to the Shareholders' approval of the proposed special dividend at the AGM, the Register of Members will be closed from Friday, 11 July 2025 to Tuesday, 15 July 2025, both days inclusive, for the purpose of ascertaining the Shareholders' entitlement to the proposed special dividend. In order to qualify for the proposed special dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, no later than 4:30 p.m. on Thursday, 10 July 2025.

USE OF PROCEEDS FROM THE COMPANY'S GLOBAL OFFERING

The Shares of the Company were listed on the Main Board of the Stock Exchange on 10 April 2014 with net proceeds from the initial public offering of approximately RMB1,121.2 million, after deducting underwriting fees and commissions and other expenses paid by the Company in connection with the initial public offering.

As of 31 December 2023, unutilised proceeds from the abovementioned issuances amounted to RMB398.5 million. During the Reporting Period, a total of RMB0.02 million had been utilised in accordance with the intended use as disclosed in the Prospectus. Unutilised proceeds from the aforementioned issuances as of 31 December 2024, being RMB398.5 million, are intended to be applied in the manner consistent with the intended use as disclosed in the Prospectus in the coming financial year.

FINANCIAL SUMMARY

The Company has been listed on the Main Board of the Stock Exchange since 10 April 2014. A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out in the section headed "Financial Summary" of this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year ended 31 December 2024 are set out in note 16 to the section headed "Notes to the Consolidated Financial Statements" of this annual report.

SHARE CAPITAL AND SHARE INCENTIVE SCHEMES

Details of movements in the Company's share capital and share incentive schemes are set out in notes 24 and 26 to the section headed "Notes to the Consolidated Financial Statements" of this annual report and the below paragraph headed "Share Incentive Schemes", respectively.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders, under the Articles of Association, although there are no restrictions against such rights under the laws in the Cayman Islands being the jurisdiction in which the Company is incorporated.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2024, the Company has repurchased a total of 5,670,000 Shares on the Stock Exchange at an aggregate consideration (before expenses) of HK$1,178,970. All the repurchased Shares were subsequently cancelled. Particulars of the repurchases during the year ended 31 December 2024 are as follows:

Month	Number of Shares repurchased	Purchase price per Share		Aggregate consideration (before expenses)
		Highest (HK$)	Lowest (HK$)	(HK$)
September	**5,670,000**	**0.215**	**0.20**	**1,178,970**
Total	**5,670,000**			**1,178,970**

The Directors believe that the repurchases of Shares are in the best interests of the Company and its Shareholders and would lead to an enhancement of the earnings per Share. Save as disclosed above, neither the Company nor any member of the Group has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2024.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2024 are set out in note 25 to the sections headed "Notes to the Consolidated Financial Statements" and "Consolidated Statement of Changes in Equity" of this annual report, respectively.

DISTRIBUTABLE RESERVES

As of 31 December 2024, the Company had distributable reserves amounting to RMB434,619,000 (2023: RMB464,853,000).

CHARITABLE CONTRIBUTIONS

The Group had no charitable contributions during the year ended 31 December 2024.

MAJOR CUSTOMERS AND SUPPLIERS

The customers of the Group consisted of end users/customers from online entertainment business and other businesses of the Group.

For the year ended 31 December 2024, the top five sources of cash proceeds from sales of physical and virtual prepaid cards and sales of AoCoins through other payment channels accounted for 79.9% of our total cash proceeds from these sales.

The top source of cash proceeds from these sales for the year ended 31 December 2024 was our online payment channel and virtual prepaid cards and accounted for 47.1% of our total cash proceeds from these sales.

None of the Directors, their close associates or any Shareholders that, to the knowledge of the Directors, own more than 5% of the Company's issued share capital had any interests in any of the five largest revenue contributors during the year ended 31 December 2024.

For the year ended 31 December 2024, charges from the five largest suppliers accounted for 51.0% of our cost of revenues.

The charges from the largest supplier accounted for 36.5% of our cost of revenues.

None of the Directors, any of their close associates or any Shareholders that, to the knowledge of the Directors, own more than 5% of the issued share capital of the Company had any interests in any of the five largest suppliers during the year ended 31 December 2024.

For the year ended 31 December 2024, there was no material dispute between the Group and its suppliers and/or customers.

DIRECTORS

The Directors during the year ended 31 December 2024 and up to the date of this annual report are:

Executive Directors
Mr. DAI Jian *(Chairman and Chief Executive Officer)*
Mr. WU Lili
Mr. LI Chong

Independent non-executive Directors
Ms. LIU Qianli
Dr. WANG Qing
Mr. MA Xiaofeng
Mr. WEI Kevin Cheng

The Board has received annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and as at the date of this annual report still considers them to be independent.

ROTATION AND RE-ELECTION OF DIRECTORS

In accordance with article 84(1) of the Articles of Association, at each AGM not less than one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. Mr. WU Lili, Dr. WANG Qing and Mr. MA Xiaofeng will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

The Board recommended the re-appointment of the Directors standing for re-election at the forthcoming AGM.

CHANGES IN DIRECTORS' INFORMATION

The Company is not aware of any changes in the Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management members of the Group are set out in the section headed "Biographies of the Directors and Senior Management" of this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the aforesaid retiring Directors proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any member of the Group within one year without payment of compensation, other than under normal statutory obligations.

Save as disclosed in note 39 to the section headed "Notes to the Consolidated Financial Statements" of this annual report, there were no other emoluments, pension and any compensation arrangements for the Directors and past Directors which are required to be disclosed under the Listing Rules, or section 383 of the Companies Ordinance or the Companies (Disclosure of Information about Benefits of Directors) Regulation (Chapter 622G, Laws of Hong Kong). Save as disclosed above, none of the Directors has a service contract with the Company or any member of the Group which is not determinable within one year without payment of compensation, other than statutory obligations.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any member of the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year ended 31 December 2024.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

None of the Controlling Shareholders or his/its subsidiary has or had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the business of the Group to which any member of the Group was a party during the year ended 31 December 2024.

DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors and those of the five highest paid individuals for the year ended 31 December 2024 are set out in notes 9 and 39 to the section headed "Notes to the Consolidated Financial Statements" of this annual report, respectively. The remunerations of the Directors are determined based on the market price and contributions made by such Directors to the Company. There has been no arrangement under which any Director has waived or agreed to waive any emoluments during the year ended 31 December 2024.

PERMITTED INDEMNITY

Permitted indemnity provisions (as defined in section 469 of the Companies Ordinance) for the benefit of the Directors are currently in force and were in force during the year ended 31 December 2024. Pursuant to article 164(1) of the Articles of Association, each Director and the officers of the Company shall be entitled to be indemnified by the Company out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur or about the execution and discharge of his/her duties or in relation thereto.

The Company has maintained appropriate Directors' and officers' liability insurance coverage for the Directors in respect of any legal actions which may be taken against the Directors in the execution and discharge of their duties or in relation thereto during the year ended 31 December 2024.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2024.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2024, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name	Position	Relevant company (including associated corporation)	Capacity/ Nature of interest	Number of Shares/ underlying Shares held	Approximate percentage of shareholding[9]
DAI Jian (戴堅)[1]	Chairman, Executive Director and Chief Executive Officer	The Company	Founder of a discretionary trust Interest of controlled corporation	687,944,180(L)[8]	23.99%(L)
		The Company	Beneficial owner	10,000,000(L)	0.35%(L)
WU Lili (吳立立)[2]	Executive Director	The Company	Founder of a discretionary trust Interest of controlled Corporation	365,596,180(L)	12.75%(L)
LI Chong (李沖)[3][4]	Executive Director	The Company	Founder of a discretionary trust Interest of controlled Corporation	114,816,360(L)	4.00%(L)
		The Company	Beneficial owner	15,000,000(L)	0.52%(L)
LIU Qianli (劉千里)[5]	Independent Non-Executive Director	The Company	Beneficial owner	200,000(L)	0.007%(L)
WANG Qing (王慶)[6]	Independent Non-Executive Director	The Company	Beneficial owner	200,000(L)	0.007%(L)
MA Xiaofeng (馬肖風)[7]	Independent Non-Executive Director	The Company	Beneficial owner	200,000(L)	0.007%(L)

Notes:

(1) Mr. DAI established DAE Trust on 27 December 2013 for the benefit of himself and his family members, and acts as its settlor and protector. The trustee of DAE Trust is TMF (Cayman) Ltd., an independent third party and sole shareholder of DAE Holding Investments Limited, a trust holding company owns 100% of equity interest in Stmoritz Investment Limited. In addition, 10,000,000 RSUs were granted to Mr. DAI under the Pre-IPO RSU Scheme entitling him to receive 10,000,000 Shares and subject to vesting. As at 31 December 2024, all the RSUs granted to Mr. DAI were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.

(2) Mr. WU established WHZ Trust on 27 December 2013 for the benefit of himself and his family members, and acts as its settlor and protector. The trustee of WHZ Trust is TMF (Cayman) Ltd., an independent third party and sole shareholder of WHEZ Holding Ltd., a trust holding company owns 100% of equity interest in Bright Stream Holding Limited.

(3) Mr. LI established The Zhen Family Trust on 27 December 2013 for the benefit of himself and his family members, and acts as its settlor and protector. The trustee of The Zhen Family Trust is TMF (Cayman) Ltd., an independent third party and sole shareholder of Golden Water Management Limited, a trust holding company owns 100% of equity interest in LNZ Holding Limited.

(4) Mr. LI was interested in 15,000,000 RSUs granted to him under the Post-IPO RSU Scheme entitling him to receive 15,000,000 Shares subject to vesting. For details, please refer to the Company's announcements dated 12 April 2021 and 30 March 2022, the circulars dated 21 May 2021 and 27 April 2022 and the poll results announcements dated 25 June 2021 and 6 June 2022. As at 31 December 2024, 77.5% of the RSUs granted to Mr. LI on 12 April 2021 and 47.5% of the RSUs granted to Mr. LI on 30 March 2022 under the Post-IPO RSU Scheme were vested.

(5) Ms. LIU was interested in 200,000 RSUs granted to her under the Pre-IPO RSU Scheme entitling her to receive 200,000 Shares subject to vesting. As at 31 December 2024, all the RSUs granted to Ms. LIU were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.

(6) Dr. WANG was interested in 200,000 RSUs granted to him under the Pre-IPO RSU Scheme entitling him to receive 200,000 Shares subject to vesting. As at 31 December 2024, all the RSUs granted to Dr. WANG were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.

(7) Mr. MA was interested in 200,000 RSUs granted to him under the Pre-IPO RSU Scheme entitling him to receive 200,000 Shares subject to vesting. As at 31 December 2024, all the RSUs granted to Mr. MA were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.

(8) The Letter "L" denotes the person's Long position in such Shares.

(9) These percentages are calculated on the basis of 2,867,174,000 Shares in issue as at 31 December 2024.

Save as disclosed above, as at 31 December 2024, none of the Directors nor chief executive of the Company and their respective associates had registered an interest or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that are required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix C3 to the Listing Rules.

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

As at 31 December 2024, the following persons have interests or short positions in the Shares or underlying Shares or debentures of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding in the total issued share capital of the Company[8]
TMF (Cayman) Ltd.[1]	Trustee of trusts	1,193,824,720(L)[7]	41.64%(L)
DAE Holding Investments Limited[2]	Trust holding company	687,944,180(L)	23.99%(L)
Stmoritz Investment Limited[2]	Registered owner	687,944,180(L)	23.99%(L)
DAI Jian (戴堅)[2][5]	Founder of a discretionary trust Interest of controlled corporation	687,944,180(L)	23.99%(L)
	Beneficial owner	10,000,000(L)	0.35%(L)
Bright Stream Holding Limited[3]	Registered owner	365,596,180(L)	12.75%(L)
WHEZ Holding Ltd.[3]	Trust holding company	365,596,180(L)	12.75%(L)
WU Lili (吳立立)[3]	Founder of a discretionary trust Interest of controlled corporation	365,596,180(L)	12.75%(L)
THL H Limited[4]	Registered owner	326,063,280(L)	11.37%(L)
Tencent Holdings Limited[4]	Interest of controlled corporation	326,063,280(L)	11.37%(L)
The Core Trust Company Limited[6]	Trustee of a trust	269,637,163(L)	9.40%(L)

Notes:

(1) TMF (Cayman) Ltd. is the trustee of DAE Trust, WHZ Trust, The Zhen Family Trust and WSW Family Trust.

(2) The entire share capital of Stmoritz Investment Limited is wholly-owned by DAE Holding Investments Limited and ultimately owned by TMF (Cayman) Ltd. as the trustee of the DAE Trust, which is a discretionary trust set up by Mr. DAI Jian ("**Mr. DAI**") on 27 December 2013 for the benefit of himself and his family members, and Mr. DAI is a settlor and protector. As at 31 December 2024, Mr. DAI (as founder of the DAE Trust), DAE Holding Investments Limited and TMF (Cayman) Ltd. are taken to be interested in 687,944,180 Shares held by Stmoritz Investment Limited (without taking into account any Shares to be issued upon exercise of any share options and/or any vesting of the RSUs under the Pre-IPO Share Option Scheme, Pre-IPO RSU Scheme, Post-IPO RSU Scheme and/or the 2023 RSU Scheme) pursuant to Part XV of the SFO.

(3) The entire share capital of Bright Stream Holding Limited is wholly-owned by WHEZ Holding Ltd. and ultimately owned by TMF (Cayman) Ltd. as the trustee of the WHZ Trust, which is a discretionary trust set up by Mr. WU Lili ("**Mr. WU**") on 27 December 2013 for the benefit of himself and his family members, and Mr. WU is a settlor and protector. As at 31 December 2024, Mr. WU (as founder of the WHZ Trust), WHEZ Holding Ltd. and TMF (Cayman) Ltd. are taken to be interested in 365,596,180 Shares held by Bright Stream Holding Limited (without taking into account any Shares to be issued upon exercise of any share options and/or any vesting of the RSUs under the Pre-IPO Share Option Scheme, Pre-IPO RSU Scheme, Post-IPO RSU Scheme and/or the 2023 RSU Scheme) pursuant to Part XV of the SFO.

(4) The entire share capital of THL H Limited is owned by Tencent Holdings Limited, which is a company listed on the Main Board of the Stock Exchange (stock code: 700). Tencent Holdings Limited is taken to be interested in 326,063,280 Shares held by THL H Limited pursuant to Part XV of the SFO.

(5) 10,000,000 RSUs were granted to Mr. DAI under the Pre-IPO RSU Scheme entitling him to receive 10,000,000 Shares subject to vesting. As at 31 December 2024, all the RSUs granted to Mr. DAI were vested in accordance with the vesting schedule as specified under the relevant grant letter and the rules relating to the Pre-IPO RSU Scheme.

(6) The Core Trust Company Limited is the trustee to administer the Pre-IPO Share Option Scheme, the Pre-IPO RSU Scheme, the Post-IPO RSU Scheme and the 2023 RSU Scheme.

(7) The Letter "L" denotes the person's Long position in such Shares.

(8) These percentages are calculated on the basis of 2,867,174,000 Shares in issue as at 31 December 2024.

Save as disclosed above, as at 31 December 2024, the Directors and the chief executive of the Company are not aware of any other persons who had an interest or short position in the Shares or underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE INCENTIVE SCHEMES

In order to incentivize the Directors, senior management and other employees of the Group for their contribution to the Group and to attract and retain suitable personnel of our Group, the Company adopted the Pre-IPO RSU Scheme, the Post-IPO RSU Scheme and the 2023 RSU Scheme, respectively.

Summaries of the terms of the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme have been disclosed in the sections headed, "Statutory and General Information — Pre-IPO RSU Scheme" and "Statutory and General Information — Post-IPO RSU Scheme" in Appendix IV to the Prospectus, the historical annual reports of the Company, the circular of the Company dated 24 April 2015 and the supplementary circular of the Company dated 14 May 2015 and the circular of the Company dated 26 November 2020.

1) Pre-IPO RSU Scheme

The eligible participants under the Pre-IPO RSU Scheme includes existing employees, Directors, or officers of the Group and any other persons as selected by the Board at its discretion.

Unless otherwise duly approved by the Shareholders, the total number of Shares underlying RSUs under the Pre-IPO RSU Scheme shall not exceed 188,733,600 Shares (excluding Shares underlying RSUs that have lapsed or been cancelled in accordance with this Pre-IPO RSU Scheme). There is no requirement regarding the maximum entitlement of each participant under the Pre-IPO RSU Scheme. The Board has sole discretion to determine the vesting period and verting criteria (if any) for any grant of RSUs under the Pre-IPO RSU Scheme, which may also be adjusted and re-determined by the Board from time to time. The grantee(s) shall not be required to bear or pay any price or fee for the grant of RSUs under the Pre-IPO RSU Scheme. Prior to its termination, the Pre-IPO RSU Scheme had been valid and effective until 30 September 2023. It was terminated by the Board's resolution on 3 March 2023, effective on 27 June 2023 following the adoption of the 2023 RSU Scheme.

No more RSUs were granted after the Listing under the Pre-IPO RSU Scheme. As at 31 December 2024, there were no outstanding RSUs under the Pre-IPO RSU Scheme.

Prior to the Listing on 10 April 2014, the Company appointed The Core Trust Company Limited as the trustee (the "**Pre-IPO RSU Trustee**") and Peto Holding Limited, a company incorporated in the BVI and an independent third party, as its nominee (the "**Pre-IPO RSU Nominee**") to administer the Pre-IPO RSU Scheme. To increase the public float, the Company further engaged The Core Services Limited, as the new trustee (the "**New RSU Trustee**"), and ZEA Holding Limited, a company incorporated in the BVI and an independent third party, as the new nominee (the "**New RSU Nominee**"), to administer certain RSUs granted to the Directors and the senior management under our Pre-IPO RSU Scheme on 10 June 2014. As at 31 December 2024, the Pre-IPO RSU Nominee holds 74,959,620 Shares and the New RSU Nominee holds 22,802,000 Shares respectively, underlying the RSUs granted under the Pre-IPO RSU Scheme for the benefit of eligible participants pursuant to the Pre-IPO RSU Scheme.

2) **Post-IPO RSU Scheme**

The eligible participants under the Post-IPO RSU Scheme includes existing and former employees, directors or officers of the Company, Guangzhou Baitian Information Technology Ltd. (廣州百田信息科技有限公司) or other companies in the Group, or any other persons as selected by the Board or the Remuneration Committee at its sole discretion.

The maximum number of Shares which may be awarded under the Scheme may not exceed 2% of the issued share capital of the Company as of the date of approval of the refreshed scheme limit. The maximum number of Shares which may be awarded to any one grantee under the Post-IPO RSU Scheme may not exceed 2% of the issued share capital of the Company as of the date of approval of the refreshed scheme limit. The Board or the Remuneration Committee has the sole discretion to determine the vesting schedule and vesting criteria (if any) for any grant of RSUs to any grantees, which may also be adjusted and re-determined by the Board from time to time. The grantees shall not be required to bear or pay any price or fee for the grant of RSUs under the Post-IPO RSU Scheme. Prior to its termination, the Post-IPO RSU Scheme shall be valid and effective until 1 October 2030. It was terminated by the Board's resolution on 3 March 2023, effective on 27 June 2023 following the adoption of the 2023 RSU Scheme.

During the year ended 31 December 2024, there were no RSUs granted under the Post-IPO RSU Scheme. No more RSUs were and will be granted under the Post-IPO RSU Scheme following its termination. As at 31 December 2023 and 31 December 2024, there were a total of 57,511,250 and 20,640,000 RSUs outstanding (i.e. granted but unvested) under the Post-IPO RSU Scheme, respectively. If all the outstanding RSUs under the Post-IPO RSU Scheme are vested according to the relevant vesting schedules, there would be a dilution effect on the issued share capital of the Company of approximately 0.58% as at 31 December 2024.

The Company appointed The Core Trust Company Limited as the trustee and Baiduo Investment Holding Limited, a company incorporated in the BVI and an independent third party, as the nominee to administer the Post-IPO RSU Scheme pursuant to its scheme rules. On 27 May 2021, the Company further appointed Ms. Zhang Xiaoting as the trustee and Gusto Limited, a limited liability company incorporated under the laws of the BVI and an independent third party as the nominee to administer the RSUs granted to the Directors and CEO under the Post-IPO RSU Scheme. As at 31 December 2024, Baiduo Investment Holding Limited and Gusto Limited held 171,875,543 Shares and 40,000,000 Shares, respectively, underlying the RSUs granted under the Post-IPO RSU Scheme for the benefit of eligible participants pursuant to the Post-IPO RSU Scheme.

3) **2023 RSU Scheme**

Since 1 January 2023, Chapter 17 of the Listing Rules governs both share option schemes and share award schemes.

According to their respective scheme rules, the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme (collectively, the "**Previous RSU Schemes**") were valid and effective until 30 September 2023 and 1 October 2030, respectively, unless terminated. The Board considered that (i) the Pre-IPO RSU Scheme would expire soon; and (ii) any amendments to the Post-IPO RSU Scheme to comply with Chapter 17 of the Listing Rules would be costly and unduly burdensome and such amendments will result in the Post-IPO RSU Scheme expiring on or before 10 April 2024 under Chapter 17 of the Listing Rules. Accordingly, the Board resolved on 3 March 2023 to terminate the Previous RSU Schemes, effective upon the approval of the 2023 RSU Scheme by the Shareholders. The Previous RSU Schemes remain in full force and effect to the extent necessary to give effect to the exercise of any awards granted prior to its termination or otherwise as may be required in accordance with the provisions of the Previous RSU Schemes. All awards granted prior to such termination and not vested on the date of termination shall remain valid.

As approved by the Shareholders an ordinary resolution at the annual general meeting of the Company dated 27 June 2023 ("**2023 AGM**"), the 2023 RSU Scheme was adopted. The objectives of the 2023 RSU Scheme are (i) to recognise the contributions by the grantees and to give incentives thereto in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. Eligible persons under the 2023 RSU Scheme include any employee participants, related entity participants or service providers who are selected by the Board or the Remuneration Committee at its sole discretion from time to time and permissible under applicable laws and regulations (including Listing Rules), but excluding excluded persons as defined under the 2023 RSU Scheme. The Core Trust Company Limited has been appointed by the Board to administer the granting and vesting of RSUs pursuant to the 2023 RSU Scheme. Subject to the conditions therein, the 2023 RSU Scheme shall be valid and effective for ten (10) years from the adoption date (i.e. 27 June 2023), and has a remaining life of about 8.5 years as at the date of this annual report.

The aggregate number of Shares underlying all grants made pursuant to the 2023 RSU Scheme (excluding awards that have lapsed or been cancelled in accordance with the rules of the same scheme) and all other share schemes as adopted by the Company from time to time for a three-year period from the date of approval of the limit by the Shareholders at the 2023 AGM (unless otherwise refreshed within such three-year period by the Shareholders' prior approval) shall not exceed 282,284,400 Shares, representing 10% of the number of Shares in issue as at the same date. The total number of Shares available for issue under the 2023 RSU Scheme was 282,284,400, representing approximately 9.8% of the issued shares of the Company as at the date of this annual report.

The aggregate number of Shares underlying all grants made to the service providers pursuant to the 2023 RSU Scheme (excluding awards that have lapsed or been cancelled in accordance with the rules of the 2023 RSU Scheme) and all other share schemes as adopted by the Company granting options and/or awards to the service providers as adopted by the Company from time to time for a three-year period from the date of approval of the limit by the Shareholders at the 2023 AGM (unless otherwise refreshed within such three-year period by the Shareholders' prior approval) shall not exceed 28,228,440 Shares, representing 1% of the number of Shares in issue as at the same date (the "**Service Provider Sub-limit**").

The maximum number of Shares which may be awarded to any one selected person under the scheme may not exceed 1% of the issued share capital of the Company, taking into account of the Shares issued and to be issued in respect of all options and awards granted to such grantee under all share schemes as adopted by the Company in aggregate (excluding any awards lapsed in accordance with terms of the scheme) in the 12-month period up to and including the date of relevant grant, unless such grant is otherwise separately approved by the Shareholders in general meeting, with such grantee and his close associates (or associates if the participant is a connected person) abstaining from voting.

The vesting period for the awards shall not be less than twelve (12) months, subject to the terms and conditions of the 2023 RSU Scheme. Awards granted to employee participants may be subject to a shorter vesting period at the discretion of the Board or the Remuneration Committee under circumstances as specified under the relevant scheme rules. The grantees shall not be required to bear or pay any price or fee for the application or acceptance of the grant of the awards, or the vesting of the RSUs under the 2023 RSU Scheme. The basis of determining such purchase price of the awards aligns with the purposes of the 2023 RSU Scheme as the eligible persons will receive an award at no cost, which is much more competitive than purchasing Shares in the market, thus incentivising them to contribute to the Group's development.

During the year ended 31 December 2024, there were no RSUs granted under the 2023 RSU Scheme. As at 31 December 2023 and 31 December 2024, there were no RSUs outstanding (i.e. granted but unvested) under the 2023 RSU Scheme, respectively. If all the outstanding RSUs under the 2023 RSU Scheme are vested according to the relevant vesting schedules, there would be no dilution effect on the issued share capital of the Company as at 31 December 2024.

The number of Shares underlying RSUs available for grant under the share schemes' mandate as adopted by the Company as at 31 December 2023 and 31 December 2024 was 282,284,400 and 282,284,400, respectively. The number of Shares underlying RSUs available for grant under the Service Provider Sub-limit adopted by the Company as at 31 December 2023 and 31 December 2024 was 28,228,440 and 28,228,440, respectively. The number of Shares that may be issued in respect of the RSUs granted under the share schemes as adopted by the Company for the year ended 31 December 2024, divided by the weighted average number of Shares for the year ended 31 December 2024, is 10.38%.

Movements of the RSUs under the Post-IPO RSU Scheme during the year ended 31 December 2024

Name of Grantees	Nature	RSUs held/ number of Shares underlying the RSUs as at 31 December 2023	Granted during the year (note 10)	Date of grant	Vesting Schedule	Consideration (US$)(note 11)	Vested during the year	Lapsed during the year	RSUs held/ number of Shares underlying the RSUs as at 31 December 2024	Approximate percentage of issued Shares of the Company (note 9)	The weighted average closing price of the shares immediately before the dates on which the RSU were exercised or vested
Post-IPO RSU Scheme											
(a) Director											
Mr. LI Chong	RSUs	5,250,000	–	12 April 2021	Note 1	–	3,000,000	–	2,250,000	0.08%	HK$0.24
	RSUs	4,000,000	–	30 March 2022	Note 2	–	1,375,000	–	2,625,000	0.09%	HK$0.24
	Sub-total	9,250,000	–			–	4,375,000	–	4,875,000	0.17%	
(b) Senior management											
Mr. WANG Xiaodong	RSUs	7,875,000	–	12 April 2021	Note 1	–	4,500,000	–	3,375,000	0.12%	HK$0.24
	RSUs	8,000,000	–	30 March 2022	Note 2	–	2,750,000	–	5,250,000	0.18%	HK$0.24
	Sub-total	15,875,000	–			–	7,250,000	–	8,625,000	0.30%	
(c) Other grantees											
30 employees	RSUs	6,855,000	–	2 April 2020	Note 3	–	6,855,000	–	–	–	HK$0.25
10 employees	RSUs	5,771,250	–	11 September 2020	Note 4	–	5,771,250	–	–	–	HK$0.25
34 employees	RSUs	7,065,000	–	11 June 2021	Note 5	–	4,125,000	1,110,000	1,830,000	0.06%	HK$0.24
28 employees	RSUs	6,015,000	–	3 September 2021	Note 6	–	3,330,000	750,000	1,935,000	0.07%	HK$0.24
13 employees	RSUs	6,080,000	–	12 May 2022	Note 7	–	2,482,500	582,500	3,015,000	0.11%	HK$0.23
2 employees	RSUs	600,000	–	9 December 2022	Note 8	–	120,000	120,000	360,000	0.01%	HK$0.25
	Sub-total	32,386,250	–			–	22,683,750	2,562,500	7,140,000	0.25%	
	Total	57,511,250	–			–	34,308,750	2,562,500	20,640,000	0.72%	

Notes:

1) The RSUs granted to the subjected RSU grantees under the Post-IPO RSU Scheme shall be vested in accordance with the vesting schedule as follow:
   - 20% of the RSUs granted shall vest on 1 July 2022;
   - 20% of the RSUs granted shall vest on 1 July 2023;
   - 30% of the RSUs granted shall vest on quarterly basis from 1 July 2023 to July 2024; and
   - 30% of the RSUs granted shall vest on quarterly basis from 1 July 2024 to July 2025.

2) The RSUs granted to the subjected RSU grantees under the Post-IPO RSU Scheme shall be vested in accordance with the vesting schedule as follow:
   - 20% of the RSUs granted shall vest on 1 July 2023;
   - 20% of the RSUs granted shall vest on 1 July 2024;
   - 30% of the RSUs granted shall vest on quarterly basis from on 1 July 2024 to July 2025; and
   - 30% of the RSUs granted shall vest on quarterly basis from on 1 July 2025 to July 2026.

3) The RSUs granted to the subjected RSU grantees under the Post-IPO RSU Scheme shall be vested in accordance with the vesting schedule as follow:
   - 20% of the RSUs granted shall vest on 2 April 2021;
   - 20% of the RSUs granted shall vest on 2 April 2022; and
   - 7.5% of the RSUs granted shall vest on a quarterly basis commencing from 2 April 2022 to 2 April 2024.

4) The RSUs granted to the subjected RSU grantees under the Post-IPO RSU Scheme shall be vested in accordance with the vesting schedule as follow:
   - 20% of the RSUs granted shall vest on 1 July 2021;
   - 20% of the RSUs granted shall vest on 1 July 2022; and
   - 7.5% of the RSUs granted shall vest on a quarterly basis commencing from 1 July 2022 to 1 July 2024.

5) The RSUs granted to the subjected RSU grantees under the Post-IPO RSU Scheme shall be vested in accordance with the vesting schedule as follow:
   - 20% of the RSUs granted shall vest on 11 June 2022;
   - 20% of the RSUs granted shall vest on 11 June 2023; and
   - 7.5% of the RSUs granted shall vest on a quarterly basis commencing from 11 June 2023 to 11 June 2025.

6) The RSUs granted to the subjected RSU grantees under the Post-IPO RSU Scheme shall be vested in accordance with the vesting schedule as follow:
   - 20% of the RSUs granted shall vest on 1 July 2022;
   - 20% of the RSUs granted shall vest on 1 July 2023; and
   - 7.5% of the RSUs granted shall vest on a quarterly basis commencing from 1 July 2023 to 1 July 2025.

7) The RSUs granted to the subjected RSU grantees under the Post-IPO RSU Scheme shall be vested in accordance with the vesting schedule as follow:
   - 20% of the RSUs granted shall vest on 1 April 2023;
   - 20% of the RSUs granted shall vest on 1 April 2024; and
   - 7.5% of the RSUs granted shall vest on a quarterly basis commencing from 1 April 2024 to 1 April 2026.

8) The RSUs granted to the subjected RSU grantees under the Post-IPO RSU Scheme shall be vested in accordance with the vesting schedule as follow:
   - 20% of the RSUs granted shall vest on 9 December 2023;
   - 20% of the RSUs granted shall vest on 9 December 2024; and
   - 7.5% of the RSUs granted shall vest on a quarterly basis commencing from 9 December 2024 to 9 December 2026.

9) Approximate percentage of issued Shares of the Company is calculated by dividing the RSUs held by the relevant grantees by the issued and outstanding Shares of the Company (as enlarged by the vest in full of all the RSUs granted under the Post-IPO RSU Scheme) as at 31 December 2024. The closing price of the Shares immediately before 30 March 2022, 12 May 2022 and 9 December 2022 are HK$0.465, HK$0.425 and HK$0.435, respectively.

10) The grantees are not required to bear or pay any price or fee for the grant of RSUs under the Post-IPO RSU Scheme.

11) No performance targets were set out for the above grants during the year of 2024.

12) There were no RSUs cancelled during the year of 2024.

Further details of the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme are set out in note 26 to the section headed "Notes to the Consolidated Financial Statements" of this annual report and the Prospectus. Further details of the 2023 RSU Scheme are set out in the announcement and the circular of the Company dated 3 March 2023 and 27 April 2023, respectively.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that 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 year ended 31 December 2024.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above under the paragraphs headed "Share Incentive Schemes" and "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company" above, at no time during the year ended 31 December 2024 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any of the Directors or chief executive of the Company or their respective associates, or were any such rights exercised by them; nor was the Company or a specified undertaking (within the meaning of the Companies Ordinance) of the Company, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS

The Board confirmed that none of the related party transactions as set out in note 36 to the section headed "Notes to the Consolidated Financial Statements" of this annual report constituted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules during the year ended 31 December 2024. Further, save as disclosed below, the Group has not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this annual report pursuant to the Listing Rules during the year ended 31 December 2024. The Directors confirmed that they have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions entered into by the Group for the year ended 31 December 2024

On 25 January 2021, Tencent Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 700) ("**Tencent**", together with its subsidiaries, "**Tencent Group**") had, through its wholly-owned subsidiary, THL H Limited, agreed to acquire an aggregate of 81,515,820 Shares from various Shareholders of the Company (the "**Investment**"). Tencent has become a substantial Shareholder of the Company since the completion of the Investment. Accordingly, Tencent (and its associates) are connected persons of the Company with effect from the completion of the Investment. Further details of the Investment are set out in the announcement of the Company dated 25 January 2021.

During the year ended 31 December 2024, the Group has entered into a number of continuing transactions with Tencent Group. A summary of such continuing transactions of the Group with Tencent Group with the respective aggregate transaction amounts during the Reporting Period is set out as follows:

	Amount (in RMB)
Service fee charged by Tencent arising from Aola Star Mobile Cooperation Agreement (tax inclusive) *(Note a)*	1,175,657
Service fee charged by Tencent arising from Legend of Aoqi Mobile Cooperation Agreement (tax inclusive) *(Note b)*	2,565,210
Provision of Tencent Cloud service (tax inclusive) *(Note c)*	5,834,545
Provision of WeChat Pay service (tax inclusive) *(Note d)*	1,801,366

Notes:

(a) Before the completion of the Investment, Guangzhou Tianti and Shenzhen Tencent Computer Systems Company Limited* (深圳市騰訊計算機系統有限公司) ("**Tencent Company**") (a subsidiary and hence an associate (as defined under Chapter 14A of the Listing Rules) of Tencent) had entered into the continuing transaction under a mobile online game cooperation access agreement in relation to the mobile game "Aola Star Mobile" (「奧拉星手遊」) ("**Aola Star Mobile Cooperation Agreement**") in Mainland China. On 1 February 2024, the then subsisted Aola Star Mobile Cooperation Agreement was renewed by entering into a renewed online game cooperation access agreement ("**2024 Aola Star Mobile Cooperation Agreement**") with Tencent Computer, which is for a term of one year commencing from 1 February 2024 and ending on 31 January 2025.

Pursuant to the 2024 Aola Star Mobile Cooperation Agreement, Guangzhou Tianti releases and operates the mobile game "Aola Star Mobile" (「奧拉星手遊」) on Tencent's mobile game platform. The amount payable to Tencent Computer by Guangzhou Tianti is calculated in the following manner:

Amount payable to Tencent Computer = (A × 25%) + (B × 40%)

Notes:

A = revenue received from game players when they recharge their game accounts; and

B = A × 75%

The proposed annual cap of the 2024 Aola Star Mobile Cooperation Agreement for the period from 1 February 2024 to 31 January 2025. is RMB2,200,000. The continuing connected transaction under the 2024 Aola Star Mobile Cooperation Agreement did not exceed the disclosed annual cap as at 31 December 2024. The service fee (tax-inclusive) as charged by Tencent arising (i) from the 2023 Aola Star Mobile Cooperation Agreement entered on 16 February 2023 for the period from 1 March 2023 to 31 January 2024 were RMB1,104,151 and (ii) from the 2024 Aola Star Mobile Cooperation Agreement for the period from 1 February 2024 to 31 December 2024 were RMB1,104,762. Further details of the 2024 Aola Star Mobile Cooperation Agreement are set out in the announcement of the Company dated 1 February 2024.

(b) On 1 April 2021, Guangzhou Tianti and Tencent Computer entered into the continuing transaction under a mobile online game cooperation access agreement in relation to the mobile game "Legend of Aoqi Mobile" (「奧奇傳説手遊」) ("**Legend of Aoqi Mobile Cooperation Agreement**") in Mainland China. On 1 February 2024, the then subsisted Legend of Aoqi Mobile Cooperation Agreement was renewed by entering into a renewed mobile online game cooperation access agreement ("**2024 Legend of Aoqi Mobile Cooperation Agreement**") with Tencent Computer, which is for a term of one year commencing from 1 February 2024 and ending on 31 January 2025.

Pursuant to the 2024 Legend of Aoqi Mobile Cooperation Agreement, Guangzhou Tianti releases and operates the mobile game "Legend of Aoqi Mobile" (「奧奇傳説手遊」) on Tencent's mobile game platform. The amount payable to Tencent Computer by Guangzhou Tianti is calculated in the following manner:

$$\text{Amount payable to Tencent Computer} = (A \times 25\%) + (B \times 40\%)$$

Notes:

A = revenue received from game players when they recharge their game accounts; and

B = A × 75%

The proposed annual cap of the 2024 Legend of Aoqi Mobile Cooperation Agreement for the period from 1 February 2024 to 31 January 2025. is RMB3,200,000. The continuing connected transaction under the 2024 Legend of Aoqi Mobile Cooperation Agreement did not exceed the disclosed annual cap as at 31 December 2024. The service fee (tax-inclusive) charged by Tencent arising (a) from the 2023 Legend of Aoqi Mobile Cooperation Agreement entered on 16 February 2023 for the period from 16 February 2023 to 31 January 2024 were RMB2,630,567 and (b) from the 2024 Legend of Aoqi Mobile Cooperation Agreement for the period from 1 February 2024 to 31 December 2024 were RMB2,274,588. Further details of the 2024 Legend of Aoqi Mobile Cooperation Agreement are set out in the announcement of the Company dated 1 February 2024.

(c) Before the completion of the Investment, Guangzhou Baitian and Tencent Cloud Computing (Beijing) Company Limited* (騰訊雲計算(北京)有限責任公司) ("**Tencent Cloud**") (a subsidiary and hence an associate (as defined under Chapter 14A of the Listing Rules) of Tencent) had entered into the continuing transaction under a Tencent cloud service agreement ("**Tencent Cloud Service Agreement**"). On 24 July 2024, the then subsisted Tencent Cloud Service Agreement was further renewed by entering into a renewed Tencent cloud service agreement ("**2024 Tencent Cloud Service Agreement**"), which is for a term of one year commencing from 25 July 2024 and ending on 24 July 2025.

Pursuant to the 2024 Tencent Cloud Service Agreement, Guangzhou Baitian purchases and uses certain Tencent cloud services provided by Tencent Cloud, including system services composed of various products and services such as computing and network, storage and content delivery network, cloud database, cloud security, monitoring and management, domain name service, mobile and communication, video service, big data and artificial intelligence. The service fee payable to Tencent Cloud by Guangzhou Baitian for each service provided is denominated in RMB and calculated according to the standard service charges published on the official website of Tencent Cloud (www.qcloud.com) (the "**Tencent Cloud Published Rates**") and it is subject to a negotiable discount of approximately between 20% to 55% to the Tencent Cloud Published Rates per each service provided. Such discount shall be determined based on the type of service and the size of service fee we will pay to Tencent Cloud for such service provided, which shall be agreed in separate underlying orders.

The proposed annual cap of the 2024 Tencent Cloud Service Agreement for the period from 25 July 2024 to 24 July 2025 is RMB9,000,000. The continuing connected transaction under the 2024 Tencent Cloud Service Agreement did not exceed the disclosed annual cap as at 31 December 2024. The service fees (tax-inclusive) for the provision of Tencent cloud services arising (a) from the Tencent Cloud Service Agreement entered on 24 July 2023 for the period from 25 July 2023 to 24 July 2024 were RMB5,504,226 and (b) from the 2024 Tencent Cloud Service Agreement for the period from 25 July 2024 to 31 December 2024 were RMB2,519,638. Further details of the 2024 Tencent Cloud Service Agreement are set out in the announcement of the Company dated 24 July 2024.

(d) Before the completion of the Investment, Tenpay Payment Technology Co., Ltd.* (財付通支付科技有限公司) ("**Tenpay**") (a subsidiary and hence an associate (as defined under Chapter 14A of the Listing Rules) of Tencent) had entered into the continuing transactions under the respective WeChat Pay user service agreements with Guangzhou Baitian and Guangzhou Tianti. During the year ended 31 December 2023, (i) Guangzhou Baitian further renewed the then subsisted WeChat Pay user service agreement by entering into a renewed WeChat Pay user service agreement ("**2023 Guangzhou Baitian — WeChat Pay Service Agreement**") with Tenpay on 16 February 2023 for a term of one year commencing from 24 February 2023 to 23 February 2024; and (ii) Guangzhou Tianti further renewed the then subsisted WeChat Pay user service agreement by entering into a renewed WeChat Pay user service agreement ("**2023 Guangzhou Tianti — WeChat Pay Service Agreement**", together with the 2023 Guangzhou Baitian — WeChat Pay Service Agreement, "**2023 WeChat Pay Service Agreements**") with Tenpay on 28 June 2023 for a term of one year commencing from 29 June 2023 to 28 June 2024.

During the year ended 31 December 2024, (i) Guangzhou Baitian further renewed the then subsisted WeChat Pay user service agreement by entering into a renewed WeChat Pay user service agreement ("**2024 Guangzhou Baitian — WeChat Pay Service Agreement**") with Tenpay on 1 February 2024 for a term of one year commencing 24 February 2024 and ending on 23 February 2025; and (ii) Guangzhou Tianti further renewed the then subsisted WeChat Pay user service agreement by entering into a renewed WeChat Pay user service agreement ("**2024 Guangzhou Tianti — WeChat Pay Service Agreement**", together with the 2024 Guangzhou Baitian — WeChat Pay Service Agreement, "**2024 WeChat Pay Service Agreements**") with Tenpay on 28 June 2024 for a term of one year commencing from 29 June 2024 and ending on 28 June 2025.

The service fee payable to Tenpay by Guangzhou Baitian and Guangzhou Tianti for each service provided is denominated in RMB and calculated according to the standard service charges published on the official website (www.tenpay.com) or the relevant product pages of Tenpay and as amended by notices and announcements issued by Tenpay from time to time (the "**Tenpay Published Rates**"). The Tenpay Published Rates are generally a fixed percentage of the transaction amount settled through Tenpay's platform by Guangzhou Baitian and Guangzhou Tianti.

The proposed annual cap pursuant to the 2024 WeChat Pay Service Agreements is RMB4,000,000. The continuing connected transactions under the 2024 WeChat Pay Service Agreements did not exceed the disclosed annual cap as at 31 December 2024. The aggregate service fees (tax-inclusive) as paid by Guangzhou Tianti and Guangzhou Baitian to Tenpay for the WeChat Pay service for the year ended 31 December 2023 and 2024 were RMB1,975,900 and RMB1,801,366, respectively. Further details of the 2024 WeChat Pay Service Agreements are set out in the announcements of the Company dated 1 February 2024 and 28 June 2024.

The transactions contemplated under the 2024 Aola Star Mobile Cooperation Agreement, the 2024 Legend of Aoqi Mobile Cooperation Agreement, the 2024 Tencent Cloud Service Agreement and the 2024 WeChat Pay Service Agreements constitute continuing connected transactions of the Group with Tencent Group during the Reporting Period (collectively, the "**Tencent Continuing Connected Transactions**"), which are subject to the reporting, annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. The independent non-executive Directors have reviewed the Tencent Continuing Connected Transactions with Tencent Group and confirmed that these transactions were entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better (as defined in the Listing Rules); and

(3) on the terms of the respective transaction agreements, which are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the Company's external auditor, PricewaterhouseCoopers ("**PwC**"), to report on the Group's disclosed continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed as above in accordance with Rule 14A.56 of the Listing Rules.

Contractual Arrangements

Reference is made to the Prospectus, historical Company's interim reports and annual reports since the Listing and page 71 of the Company's 2024 interim report for the six months ended 30 June 2024 in relation to the Contractual Arrangements. The Company wishes to provide further information in relation to the Contractual Arrangements for the year ended 31 December 2024.

1) Reasons for using the Contractual Arrangements

Details of the reasons for using the Contractual Arrangements are set out in sections headed "Contractual Arrangements" and "Connected Transactions — Non-exempt Continuing Connected Transactions" in the Prospectus.

2) Operating entity of the Group controlled through the Contractual Arrangements

The online children's interactive entertainment and e-learning services provided by the Group are respectively prohibited and restricted to foreign investment in the PRC pursuant to the applicable PRC laws and regulations. Accordingly, the Group has entered into the Contractual Arrangements narrowly tailored to provide the Group with supervision and control over Guangzhou Baitian which holds the licenses and regulatory approvals that are essential to the Group's business operations.

During the year ended 31 December 2024, the following entity was controlled by the Group through the Contractual Arrangements:

Name of the PRC Operating Entity	Kind of legal entity/place of establishment and operation	Registered owners	Business activities
As at 31 December 2024			
Guangzhou Baitian Information Technology Ltd.* (廣州百田信息科技有限公司)	Limited liability company/ the PRC	46.92% by Mr. DAI Jian 28.37% by Mr. WU Lili 12.90% by Mr. LI Chong 7.08% by Mr. CHEN Ziming 4.73% by Mr. WANG Xiaodong	Operating the virtual worlds and e-learning products of the Group

On 9 July 2015, Guangzhou Baitian established Guangzhou Tianti which is principally engaged in providing software and information technology services to facilitate Guangzhou Baitian's role and function under the Contractual Arrangements.

On 15 June 2017, Guangzhou Baitian established Guangzhou Xiaoyunxiong Interactive Education Limited ("**Xiaoyunxiong**") which is principally engaged in providing education service for children to facilitate Guangzhou Baitian's role and function under the Contractual Arrangements.

On 22 June 2020, Guangzhou Baitian established Guangzhou Baitian Culture Development Company Limited ("**Baitian Culture**") which is principally engaged in providing culture and art services to facilitate Guangzhou Baitian's role and function under the Contractual Arrangement.

None of Guangzhou Tianti, Xiaoyunxiong nor Baitian Culture is a party to any of the Contractual Arrangements. For details, please see note 14 to the section headed "Notes to the Consolidated Financial Statements" of this annual report.

3) Revenue and Assets subject to the Contractual Arrangements

The revenue, profit and total assets of Guangzhou Baitian which subject to the Contractual Arrangements are set out as follows:

	Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000
Revenue	**216,207**	307,378
Profit for the year	**26,293**	41,885

	As of 31 December 2024 RMB'000	As of 31 December 2023 RMB'000
Total assets	**1,570,224**	1,559,761

For the year ended 31 December 2024, the revenue and profit of Guangzhou Baitian which subject to the Contractual Arrangements amounted to approximately 39.6% (2023: 39.3%) and -94.10% (2023: -133.40% of the revenue and loss for the year of the Group, respectively.

As at 31 December 2024, the total assets of Guangzhou Baitian which subject to the Contractual Arrangements amounted to approximately 83.7% (2023: 81.2%) of the total assets of the Group.

Transactions carried out during the year ended 31 December 2024, which have been eliminated in the consolidated financial statements of the Group, are set out as follows:

- For the year ended 31 December 2024, the consulting service fees (tax-exclusive) provided by Guangzhou WFOE to Guangzhou Baitian pursuant to the Contractual Arrangements amounted to RMB4,600,194 (2023: RMB4,660,194).

4) Contractual Arrangements in place

For the year ended 31 December 2024, the Contractual Arrangements consist of four agreements: (a) the exclusive business consultation and service agreement, (b) the proxy agreement, (c) the share pledge agreement and (d) the exclusive option agreement. The PRC legal advisers of the Company have advised that the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements are legal, valid and binding on the parties and are enforceable under applicable PRC laws and regulations. For the year ended 31 December 2024, there were no new Contractual Arrangements entered into, renewed or reproduced among Guangzhou Baitian, its shareholders and Guangzhou WFOE. There was no change in the Contractual Arrangements under which they were adopted for the year ended 31 December 2024.

Further details of the major terms of the Contractual Arrangements have been set out in the sections headed "Connected Transactions" and "Contractual Arrangements" in the Prospectus, "Directors' Report — Connected Transactions" in the 2016 Annual Report and "Other Information — Compliance with the Qualification Requirement" in the 2017 Interim Report, respectively.

Change in the Contractual Arrangements and/or Circumstances and Latest Regulatory Development in Using Contractual Arrangements

There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended 31 December 2024.

Draft Foreign Investment Law

On 15 March 2019, the Foreign Investment Law of the PRC (中華人民共和國外商投資法) (the "**Foreign Investment Law**") was formally passed by the 13th National People's Congress of the PRC and took effect on 1 January 2020. The Foreign Investment Law replaced the Law on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law on Sino-Foreign Contractual Joint Ventures (《中華人民共和國中外合作經營企業法》) and the Law on Foreign Capital Enterprises (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC.

The Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment. Since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, administrative regulations and provisions of the State Council of the PRC do not incorporate contractual arrangements as a form of foreign investment, then the Foreign Investment Law would not apply to, or have any impact on, the Contractual Arrangements, and it would not substantially change the identification of foreign investors in the context of foreign investment and the principle of recognition and treatment of Contractual Arrangements compared with the current PRC laws and regulations, therefore the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties.

As at the date of this annual report, the Company is not aware of any non-compliance with the Foreign Investment Law.

New Internet Publication Regulations

In addition, the Board noted that on 4 February 2016, as approved by the General Administration of Press and Publication (the "**GAPP**"), the Ministry of Industry and Information Technology issued the Regulations on Administration of Internet Publication Services (《網絡出版服務管理規定》) (the "**New Internet Publication Regulations**") which came into force from 10 March 2016 and the Interim Regulations on Administration of Internet Publication (《互聯網出版管理暫行規定》) issued on 27 June 2002 was superseded. The New Internet Publication Regulations reiterated that foreign enterprises are prohibited to invest in the internet publication business and preserved the license requirement for any company that engages in internet publication activities which includes the publication of online games through the internet. Guangzhou Baitian, as an internet content provider, holds a valid network cultural business permit issued by the Ministry of Culture and a valid internet publication license issued by the GAPP in relation to publication of all games currently operated by the Group through the internet. The Group has complied with the New Internet Publication Regulations in all material respects during the year ended 31 December 2024.

Risks associated with the Contractual Arrangements and actions taken by the Company to mitigate the risks associated with the Contractual Arrangements

Details of the risks associated with the Contractual Arrangements and actions taken by the Company to mitigate the risks associated with the Contractual Arrangements are set out in section headed "Other Information — Requirements related to Contractual Arrangements (other than Relevant Foreign Ownership Restrictions)" in the 2015 Interim Report.

5) The extent to which the Contractual Arrangements relating to requirements other than the foreign ownership restriction (the "Qualification Requirements")

As at 31 December 2024, the Company has no updates to disclose in relation to the Qualification Requirements as required under the Regulations on the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》), which were promulgated by the State Council on 11 December 2001 and amended on 10 September 2008, 6 February 2016 and 29 March 2022. Despite the lack of clear guidance or interpretation on the Qualification Requirements, the Group has been gradually building up its track record of overseas business operations to comply with the Qualification Requirements. Details of the extent to which the Contractual Arrangements relating to the requirements other than the foreign ownership restrictions are set out in section headed "Other Information — Requirements related to Contractual Arrangements (other than Relevant Foreign Ownership Restrictions)" in the 2015 Interim Report.

6) Unwinding of the Contractual Arrangements

Up to the date of this annual report, there has not been any unwinding of any Contractual Arrangements, nor has there been any failure to unwind any Contractual Arrangements when the restrictions that led to the adoption of the Contractual Arrangements are removed.

Waiver from Strict Compliance with the Listing Rules

As disclosed in the sections headed "Waivers from Strict Compliance with the Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver in respect of Non-exempt Connected Transactions" and "Connected Transactions" in the Prospectus, the Company had applied for, and had been granted a specific waiver to the Company from strict compliance with the continuing connected transactions requirements of Chapter 14A of the Listing Rules in respect of the Contractual Arrangements.

7) Directors' View

The Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to the Group's legal structure and business operations, that such transactions are on normal commercial terms and are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Company and the Shareholders as a whole.

The independent non-executive Directors reviewed the Contractual Arrangements and confirmed that (i) the continuing connected transactions carried out during the year ended 31 December 2024 (the "**Continuing Connected Transactions**") have been entered into in the ordinary and usual course of business of the Group, (ii) the Continuing Connected Transactions have been entered into on normal commercial terms or better, (iii) the Continuing Connected Transactions have been entered into according to the Contractual Arrangements governing each of the Continuing Connected Transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole, (iv) no new agreements within the Group have been entered into from the Listing Date till the end of the year ended 31 December 2024, and (v) no dividends or other distributions have been made by Guangzhou Baitian to the relevant holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.

8) Auditor's view

Further, the Company's external auditor, PricewaterhouseCoopers ("**PwC**"), was engaged to report on the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. PwC has issued its unqualified letter containing its findings and conclusions in respect of the Continuing Connected Transactions as disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company has identified principal risks and uncertainties that the Group faces with respect to economic risks, operational risks, regulatory risks, financial risks, and specific risks related to the Group's corporate structure. The Group's business, future results of operations and prospects could be materially and adversely affected by those risks and uncertainties. The following highlights the principal risks and uncertainties of the Group and it is not meant to be exhaustive. There may be other risks and uncertainties which are not known to the Group or which may not be material now but turn out to be material in the future.

Economic Risks

— A severe or prolonged downturn of the PRC economy due to various reasons, including without limitation the outbreak of global COVID-19 pandemic in 2020 which has imposed negative impacts over the PRC economy.

— Negative effect on the operational, financing or investing activities of the Group due to fluctuations in foreign currency exchange rates, inflation, fluctuations of interest rates and other measures relating to financial policies in the PRC.

Operational Risks

— Failure to compete in the competitive environment which the Group operates in or to keep up with technological developments.

— If the Group fails to continuously strengthen its existing games and launch new games, or if its top games lose their popularity, the Group may not be able to retain existing players and attract new players, which will adversely affect the business and results of the operation of the Group.

Regulatory Risks

— Failure to adhere to laws, regulations and rules, or to obtain or maintain all applicable permits and approvals.

Financial Risks

— Details of financial risks are set out in note 3 to the section headed "Notes to the Consolidated Financial Statements" of this annual report.

Risks related to the Contractual Arrangements

— Details of risks related to the corporate structure of the Group are set out in the above paragraph headed "Risks associated with the Contractual Arrangements and actions taken by the Company to mitigate the risks associated with the Contractual Arrangements" above under the paragraph headed "Connected Transactions".

RELATED PARTY TRANSACTIONS

Details of related party transactions during the year ended 31 December 2024 are set out in note 36 to the section headed "Notes to the Consolidated Financial Statements" of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, the Board confirms that the Company has maintained the amount of public float as required under the Listing Rules during the year ended 31 December 2024.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year ended 31 December 2024, none of the Directors nor their respective associates has engaged in or has any interests in any business which competes or may compete, either directly or indirectly, with the business of the Group.

RETIREMENT BENEFIT SCHEME

Details of retirement benefit scheme of the Group are set out in note 9 to the section headed "Notes to the Consolidated Financial Statements" of this annual report.

IMPORTANT EVENTS AFTER THE YEAR ENDED 31 DECEMBER 2024

There were no other significant changes in the Group's financial position nor from the information disclosed under the management discussion and analysis section of this annual report for the year ended 31 December 2024.

CORPORATE GOVERNANCE

Information on the corporate governance practices as adopted by the Company is set out in the section headed "Corporate Governance Report" of this annual report.

MATERIAL LITIGATION AND COMPLIANCE MATTERS

For the year ended 31 December 2024, the Company was not involved in any material litigation nor arbitration and the Directors were not aware of any material litigation nor claims that were pending or threatened against the Company.

For the year ended 31 December 2024 and up to the date of this annual report, to the best knowledge of the Directors, the Group has complied with applicable laws, rules and regulations in all material respects.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As one of the top online entertainment destinations designed for young teens in China, the Group's businesses do not involve in production-related air, water and land pollutions which are regulated by the applicable laws and regulations in the PRC. No hazardous waste was produced by the Group in its course of business for the year ended 31 December 2024.

The Group complies with the relevant laws and regulations in environmental protection and the impact on the environment has always been a major focus of the Group. The Group adheres to the principle and practice of recycling and conservation. The Group encourages all employees to be eco-friendly and participate in energy and resources saving, such as encouraging two-sided printing and the use of scratch papers, saving water and electricity to reduce energy consumption. The Group will continually make efforts to put emphasis on environmental protection and sustainable development.

For details, please see the section headed "Environmental, Social and Governance Report" of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended 31 December 2024, as far as the Directors are aware, the Group has complied with all relevant laws and regulations that have significant impacts on the Group. For details of such laws and regulations, please refer to the section headed "Change in the Contractual Arrangements and/or Circumstances and Latest Regulatory Development in Using Contractual Arrangements" of this annual report.

STAFF RELATIONSHIP AND HUMAN RESOURCES

The Company views employees as our most valuable assets. The Company recognizes that the skill, dedication and enthusiasm of our team are critical to our success in the face of ever-evolving market challenges. The Company strives to build an energetic working environment and to offer competitive remuneration packages, various incentives, promotion opportunities and training courses to its staff.

WORKPLACE QUALITY

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics. The Group has employee handbooks outlining the terms and conditions of employment, expectations for employees' conduct and behavior, employees' rights and benefits. The Group has established and implemented policies that promote a harmony and respectful workplace.

The Group believes that employees are the valuable assets of an enterprise and regards human resources as its corporate wealth. We provide on-the-job trainings and development opportunities to enhance our employees' career progression. Through different trainings, staff's professional knowledge in corporate operations, occupational and management skills are enhanced.

HEALTH AND SAFETY

The Group prides itself on providing a safe, effective and congenial work environment. Adequate arrangements, trainings and guidelines are implemented to ensure the working environment is healthy and safe. The Group provides health and safety communications for employees to present the relevant information and raise awareness of occupational health and safety issues.

The Group values the health and well-being of staff. In order to provide employees with health coverage, all staff members are entitled to medical insurance benefits as well as other health awareness programs.

For details, please see the section headed "Environmental, Social and Governance Report" of this annual report.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and policies as adopted by the Group and discussed the Group's auditing, internal controls and financial reporting matters with the management. The Audit Committee has also reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2024.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Shares, they are advised to consult an expert.

APPRECIATION

The Group would like to express its appreciation to all the staff for their outstanding contributions towards the Group's development. The Board wishes to sincerely thank the management for their dedication and diligence, and they are the key factors for the Group to continue its success in the future. Also, the Group wishes to extend its gratitude for the continued support from its Shareholders, customers, and business partners. The Group will continue to deliver sustainable business development, so as to meet its business objectives for 2025 and realize higher values for its Shareholders and other stakeholders.

AUDITOR

PricewaterhouseCoopers retired and a resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming AGM. There have been no other changes of auditor in the past three years.

ON BEHALF OF THE BOARD
DAI JIAN
Chairman, Chief Executive Officer and Executive Director

Hong Kong
27 March 2025

Corporate Governance Report

The Board of the Company is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 December 2024.

CORPORATE GOVERNANCE CULTURE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that the Shareholders' wealth will be maximized in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs the management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

— satisfactory and sustainable returns to the Shareholders;
— that the interests of those who deal with the Company are safeguarded;
— that overall business risk is understood and managed appropriately;
— the delivery of high-quality products and services to the satisfaction of customers; and
— that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of the Shareholders and to enhance the corporate value and accountability. The Board is committed to achieving high corporate governance standards.

Throughout the Reporting Period, the Company has applied the principles and complied with all the Code Provisions as set out in Part 2 of the Corporate Governance Code (the "**CG Code**") as set forth in Appendix C1 to the Listing Rules, save and except for the Code Provision C.2.1 with details as below.

Code Provision C.2.1

Code Provision C.2.1 of Part 2 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. DAI Jian currently acts as the Chairman and the CEO. Mr. DAI, as one of the founders of the Group, is instrumental to the Group's growth and business expansion since 2009. The Board believes that vesting the roles of both the Chairman and the CEO in the same person has the benefit of ensuring a consistent leadership within the Group and enabling a more effective and efficient overall strategic planning for the Group. The Board further believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own securities dealing code to regulate Directors' dealings in the Company's securities and other matters as covered by the Model Code.

Specific enquiry has been made to all Directors of the Company and all of them have confirmed that they have complied with the Model Code during the Reporting Period.

The Company has also established written guidelines no less exacting than the Model Code (the "**Employees Written Guidelines**") to regulate securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by any employee was noted by the Company during the Reporting Period.

BOARD OF DIRECTORS

The Company advocates the culture of "integrity" and has adopted as its core values the principles of integrity, honesty, fairness, impartiality, and ethical business practices in its operations. The Company is committed to high probity standards and ethical business practices, and it encourages whistleblowing of concerns and actual or suspected misconducts or malpractices by any staff and/or external parties in any matters related to the Company. The Board is also committed to adopting ethical and anti-corruption business practices, high standard of integrity and zero tolerance to corruption.

The Company is headed by an effective Board which acts in good faith and in the best interests of the Company. The Board assumes responsibility for its leadership and control and is collectively responsible for promoting the success of the Company by making strategic decisions and supervising the management of the Company's affairs while ensuring that the Company meets its statutory obligations. Board diversity is critical to strong governance and decision making. The Board of the Company has a balance of skills, experiences and diversity of perspectives appropriate to the requirements of the Company's business. It regularly conducts board evaluation on its performance to ensure Directors have devoted sufficient time to make contributions to the Company that are commensurate with their roles and responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element among the Board, which can effectively exercise independent judgements.

The Board of the Company during the Reporting Period comprises the following Directors:

Executive Directors

Mr. DAI Jian *(Chairman of the Board, Chief Executive Officer and Chairman of Nomination Committee)*

Mr. WU Lili *(Member of Remuneration Committee)*

Mr. LI Chong

Independent Non-executive Directors

Ms. LIU Qianli *(Chairperson of Audit Committee and Member of Nomination Committee)*

Dr. WANG Qing *(Chairperson of Remuneration Committee and Member of Audit Committee)*

Mr. MA Xiaofeng *(Member of Audit Committee, Remuneration Committee and Nomination Committee)*

Mr. WEI Kevin Cheng *(Member of Audit Committee)*

The biographical information of the Directors is set out in the section headed "Biographies of the Directors and Senior Management" of this annual report.

To the knowledge of the Directors, the Board members have no financial, business, family or other material/relevant relationship with each other.

Independent Non-executive Directors

During the Reporting Period, the Board at all times has met the requirements of the Listing Rules 3.10(1)(2) and 3.10A relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received confirmation from each of the four independent non-executive Directors in respect of his/her independence and the Company considers each of them to be independent in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules.

Appointment and Re-election of Directors

The non-executive Directors, including the independent non-executive Directors, are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

Code Provision B.2.2 of Part 2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company adopts these practices that each of the Directors is appointed for a specific term of three years with clear indication of his/her authorities and responsibilities in the service agreement/letter of appointment and subject always to re-election as and when required under the Articles of Association. The Articles of Association of the Company requires that at each AGM one-third of the directors for the time being (or, if the number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. Every Director shall be subject to retirement at an AGM at least once every three years and the Directors to retire shall be those who have been the longest in office since their last re-election or appointment.

The Articles of Association of the Company also requires that all Directors appointed to fill a casual vacancy shall hold office until the first AGM after the appointment and shall then be eligible for re-election.

Board Independence Evaluation

Code Provision B.1.4 of Part 2 of the CG Code stipulates that the Company should establish mechanism(s) (the "**Mechanism**") to ensure that independent views and input are available to the Board and the Board should review the implementation and effectiveness of the Mechanism on an annual basis. In connection with the Mechanism, the Company has adopted the following new or revised policies (collectively, the "**Board Independence Evaluation Policies**") on 1 January 2022 to satisfy the Code Provision B.1.4 of Part 2 of the CG Code:

- Director Nomination Policy;
- Board Diversity Policy;
- Risk Management Policy; and
- Director and Senior Management Remuneration Policy.

The independence of the Board shall be promoted and further enhanced by the Company, and the Mechanism shall be reviewed on an annual basis.

During the Reporting Period, the Board has conducted the independence evaluations with reference to the measures and procedures as set out in the Mechanism and the evaluation results were satisfactory.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control and overseeing 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. Directors of the Board take decisions objectively in the interests of the Company.

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.

All Directors, including the independent non-executive Directors, shall bring a wide spectrum of valuable business experiences, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors shall have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board shall regularly review the contributions as required from each Director to perform his/her responsibilities to the Company.

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

Continuous Professional Development of Directors

Directors shall always keep abreast of their responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director of the Company will receive a formal, comprehensive and tailored induction on the first occasion of his/her appointment and thereafter will receive any necessary professional development to ensure he/she has appropriate understanding of the business and operations of the Company and has full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements from time to time.

In accordance with Code Provision C.1.4 of Part 2 of the CG Code with regards to continuous professional development, directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contributions to the Board remain informed and relevant. Internally-facilitated briefings for Directors will be arranged by the Company and reading materials on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

Records of trainings as received by each Director of the Company during the Reporting Period is summarized as below:

Directors	Types of Training
Executive Directors	
Mr. DAI Jian	C
Mr. WU Lili	C
Mr. LI Chong	C
Independent Non-Executive Directors	
Ms. LIU Qianli	B, C
Dr. WANG Qing	B, C
Mr. MA Xiaofeng	A, B, C
Mr. WEI Kevin Cheng	C

Note:

Types of Training

A Attending in-house briefing(s)

B Attending seminar(s) and training(s)

C Reading materials relating to directors' roles, functions and duties

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request. Each of the Board committees is provided with sufficient resources to perform its duties.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" of this annual report.

Audit Committee

The Company established the Audit Committee on 19 March 2014 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of Part 2 of the CG Code. The Audit Committee currently comprises four members namely, Ms. LIU Qianli (as Chairperson), Dr. WANG Qing, Mr. MA Xiaofeng and Mr. WEI Kevin Cheng (including one independent non-executive Director who possesses appropriate professional qualifications or accounting or related financial management expertise). The primary duties of the Audit Committee are to assist the Board by providing an independent view on the effectiveness of the financial reporting system, risk management and internal control systems of the Group, monitoring the integrity of the Company's financial statements and interim and annual reports, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

During the Reporting Period, the Audit Committee has met with the senior management of the Group to review the interim and annual financial results and reports of the Company as well as other financial, internal control, corporate governance and risk management matters of the Group. It received, considered and discussed the reports and presentations as provided by the senior management, the Group's internal audit department and external auditor, to ensure that the Group's consolidated interim and annual financial statements were prepared in accordance with the International Accounting Standard (IAS) and International Financial Reporting Standards (IFRSs) respectively and in compliance with the applicable disclosures as required by the Companies Ordinance and the Listing Rules, and for such internal control as the Directors determine is necessary to enable the preparation of the Group's consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Audit Committee held two meetings to review the interim and annual financial results and reports of the Company in respect of the Reporting Period and all other significant issues on the financial reporting and compliance procedures, risk management and internal control systems, scope of work and appointment of external auditor, connected transactions and arrangements for employees to raise concerns about possible improprieties.

Pursuant to Code Provision D.3.3(e)(i) of Part 2 of the CG Code, the Audit Committee has also met the external auditor twice without the presence of the executive Directors during the Reporting Period.

Remuneration Committee

The Company established the Remuneration Committee on 19 March 2014 with written terms of reference in compliance with paragraph E.1 of Part 2 of the CG Code. The Remuneration Committee comprises three members, namely Dr. WANG Qing (as Chairperson), Mr. MA Xiaofeng and Mr. WU Lili. The primary functions of the Remuneration Committee include, but not limited to the following: (i) making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving the performance-based remuneration with reference to the corporate goals and objectives as resolved by the Board from time to time.

The Remuneration Committee has met once to review and make recommendations to the Board on the remuneration policy and structure of all Directors and senior management of the Company during the Reporting Period.

Details of the remuneration of each Director and members of the senior management by band of the Company for the year ended 31 December 2024 are set out in notes 9 and 39 to the Consolidated Financial Statements as contained in this annual report.

Directors and Senior Management Remuneration Policy

The Company has adopted a Directors and Senior Management Remuneration Policy, which took effect on 1 January 2022, setting out the Company's practices on the remuneration of the Directors and the senior management. The policy stipulates that the levels of remuneration should be sufficient to attract and retain the Directors and the senior management as required to successfully operate the Company. The Company should avoid paying more remuneration than that is necessary for such purpose. No Director nor the senior management should be involved in deciding their own remunerations.

The remuneration packages of executive Directors are determined with reference to the Company's performance and profitability, the prevailing market conditions and the performance or contributions of each executive Director. The remuneration of the executive Directors comprises basic salary, pensions and discretionary bonus. Executive Directors shall receive share options and restricted share units to be granted under the Company's share incentive schemes. The remuneration of the independent non-executive Directors mainly comprises Director's fee which is determined with reference to their duties and responsibilities. The independent non-executive Directors generally should not be granted with equity-based remuneration (e.g. share options or grants) with performance-related elements, which may lead to bias in their decision-making and may compromise their objectivity and independence.

Nomination Committee

The Company established the Nomination Committee on 19 March 2014 with defined terms of reference in compliance with paragraph B.3 of Part 2 of the CG Code. The Nomination Committee comprises three members namely, Mr. DAI Jian (as Chairperson), Mr. MA Xiaofeng and Ms. LIU Qianli. The primary functions of the Nomination Committee include, without limitation, reviewing annually the structure, size and composition (including the skills, knowledge and experiences) of the Board, making recommendations on any proposed changes to the Board with reference to the business strategy of the Company, reviewing the Board Diversity Policy and the Director Nomination Policy, assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment or re-appointment of Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as set out in the Board Diversity Policy, including but not limited to character and integrity, qualification including professional qualifications, skills, knowledge and experiences and diversity aspects. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Nomination Committee has met once to review the independence of the independent non-executive Directors and structure, size and composition of the Board during the Reporting Period.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee.

The Company has adopted a revised Director Nomination Policy, which took effective on 1 January 2022, setting out the criteria and process in relation to the nomination and appointment of Directors of the Company. It aims to provide a clear guideline to the Company to select right candidates to be part of the Board and to ensure that the Board has a balance of skills, experiences and diversity of perspectives appropriate to the Company. At the same time, it aims to enhance the Board continuity and to sustain an appropriate leadership at the Board level. In identifying and selecting suitable candidates to become a member of the Board, the ultimate decision will be based on, including but not limited to, the potential contributions that the selected candidates could bring to the Board in terms of qualifications, skills, experiences, independence, gender and cultural diversity and such other perspectives that are appropriate to the Company's business and succession plan with reference to the Board Diversity Policy and the Director Nomination Policy.

The nomination process as set out in the Director Nomination Policy is as follows:

Appointment of New Director

(i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other members of the management and external recruitment agents.

(ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of a new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out in the Director Nomination Policy to determine whether such candidate is qualified for directorship.

(iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(v) For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out in the Director Nomination Policy to determine whether such candidate is qualified for directorship.

(vi) Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders of the Company in respect of the proposed election of Director at the general meeting.

(vii) In the selection process of an independent non-executive Director, the Nomination Committee and/or the Board should consider factors which may affect a candidate's time commitment to the Company, including by not limited to:

- directorship at another issuer undergoing a period of particularly increased activity, such as an acquisition or a takeover;
- chairing an issuer's board and/or board committees;
- membership of board committees;
- acting as chief executive officer or full-time executive director for another issuer; and
- being an independent non-executive director for multiple boards and taking up significant commitments at government or non-profit making bodies.

Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contributions and services of the retiring Director to the Company and the level of his/her participation and performance on the Board. The non-executive Director and independent non-executive Director are expected to:

- keep up to date with the Company's business affairs and be involved in scrutinizing the Company's performance in achieving agreed corporate goals and objectives, and monitor performance reporting;
- bring independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct, and help review some of the Board's major decisions, the Company's performance in relation to corporate goals, and monitor performance reporting;
- take the lead where potential conflicts of interest arise; and
- serve on the audit, remuneration, nomination and other governance committees of the Company, if invited.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out in the Director Nomination Policy.

(iii) The Nomination Committee and/or the Board should then make recommendation to the Shareholders in respect of the proposed re-election of Director at the general meeting.

(iv) Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to the Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations. Such information shall include but not limited to (a) the process used for identifying the individual and why the Board believes the individual should be elected and the reasons why it considers the individual to be independent; (b) if the proposed independent non-executive Director will be holding their seventh (or more) listed company directorship, why the Board believes the individual would still be able to devote sufficient time to the Board; (c) the perspectives, skills and experiences that the individual could bring to the Board; and (d) how the individual contributes to the diversity of the Board.

Director Selection Criteria

The selection criteria as set out in the Director Nomination Policy is as follows:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experiences and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- Any measurable objectives adopted for achieving the diversity on the Board;
- Requirement for the Board to have independent Directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines as set out in the Listing Rules;
- Any potential contributions the candidate could bring to the Board in terms of qualifications, skills, experiences, independence, gender and cultural diversity and diversity of perspectives;
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of Directors and succession planning.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Board Diversity Policy

The Company has adopted a revised Board Diversity Policy which took effect on 1 January 2022, setting out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance and sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

Pursuant to the Board Diversity Policy, the Nomination Committee considers several aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experiences, skills, knowledge and length of service (collectively, the "**Measurable Objectives**"). All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board composition will not be considered diverse if its composition consists of a single category of one of the Measurable Objectives, including but not limited to gender, ethnicity, or work experience.

Selection of candidates will be based on the Measurable Objectives. The ultimate decision will be based on merit and contributions that the selected candidates would bring to the Board.

The Company shall develop and maintain pipeline of potential successors to the Board to maintain diversity, based on the Measurable Objectives.

The Nomination Committee and the Board are of the view that the current composition of the Board has achieved the objectives as set in the Board Diversity Policy.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and the senior management as at the date of this annual report:

	Female	Male
	Percentage (number)	Percentage (number)
Board	14% (1)	86% (6)
Senior Management	33% (1)	67% (2)
Other employees	45% (290)	55% (348)
Overall workforce	45% (292)	55% (352)

The Board had targeted to achieve and had achieved to have at least 14% (1) female Director, 33% (1) female senior management and 45% (290) female employees of the Group and considers that the above current gender diversity is satisfactory.

Note: The number of overall workforce excluded the independent directors.

Corporate Governance Functions

The Board is responsible for performing the functions as set out in Code Provision A.2.1 of Part 2 of the CG Code.

During the Reporting Period, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and the senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code and the Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in its corporate governance report.

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

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

	Board	Nomination Committee	Remuneration Committee	Audit Committee	AGM
Executive Directors					
Mr. DAI Jian	4/4	1/1	—	—	1/1
Mr. WU Lili	4/4	—	1/1	—	1/1
Mr. LI Chong	4/4	—	—	—	1/1
Independent Non-Executive Directors					
Ms. LIU Qianli	4/4	1/1	—	2/2	1/1
Dr. WANG Qing	4/4	—	1/1	2/2	1/1
Mr. MA Xiaofeng	4/4	1/1	1/1	2/2	1/1
Mr. WEI Kevin Cheng	4/4			2/2	1/1

Apart from the regular Board Meetings, the Chairman has also held a meeting with the independent non-executive Directors without the presence of executive Directors during the Reporting Period pursuant to Code Provision C.2.7 of Part 2 of the CG Code.

The independent non-executive Directors have attended the annual general meeting of the Company to gain and develop a balanced understanding of the views of the Shareholders.

BOARD MEETINGS

Pursuant to Code Provision C.5.1 of Part 2 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. It is expected that the regular Board meetings will normally involve the active participation, either in person or through electronic means of communication, of a majority of Directors entitled to be present. The Board held four meetings during the Reporting Period.

For each regular Board meeting, notice is delivered to each member of the Board at least 14 days in advance to ensure that Directors can have sufficient time to arrange for attending the meeting, either in person or through electronic means. Agenda, full board papers and related materials in form of quality are sent to all Directors 3 days before the meeting as agreed to ensure that Directors can make informed decisions during the meeting. Minutes which record all the matters being considered and decisions reached at each Board meeting are circulated among all Directors thereafter for comments within a reasonable time to make certain that sufficient and accurate details are being recorded. Minutes of each Board meeting duly signed by the Chairman is kept by the Company Secretary and they are open for inspection at any reasonable time upon receipt of a reasonable notice from any Director.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

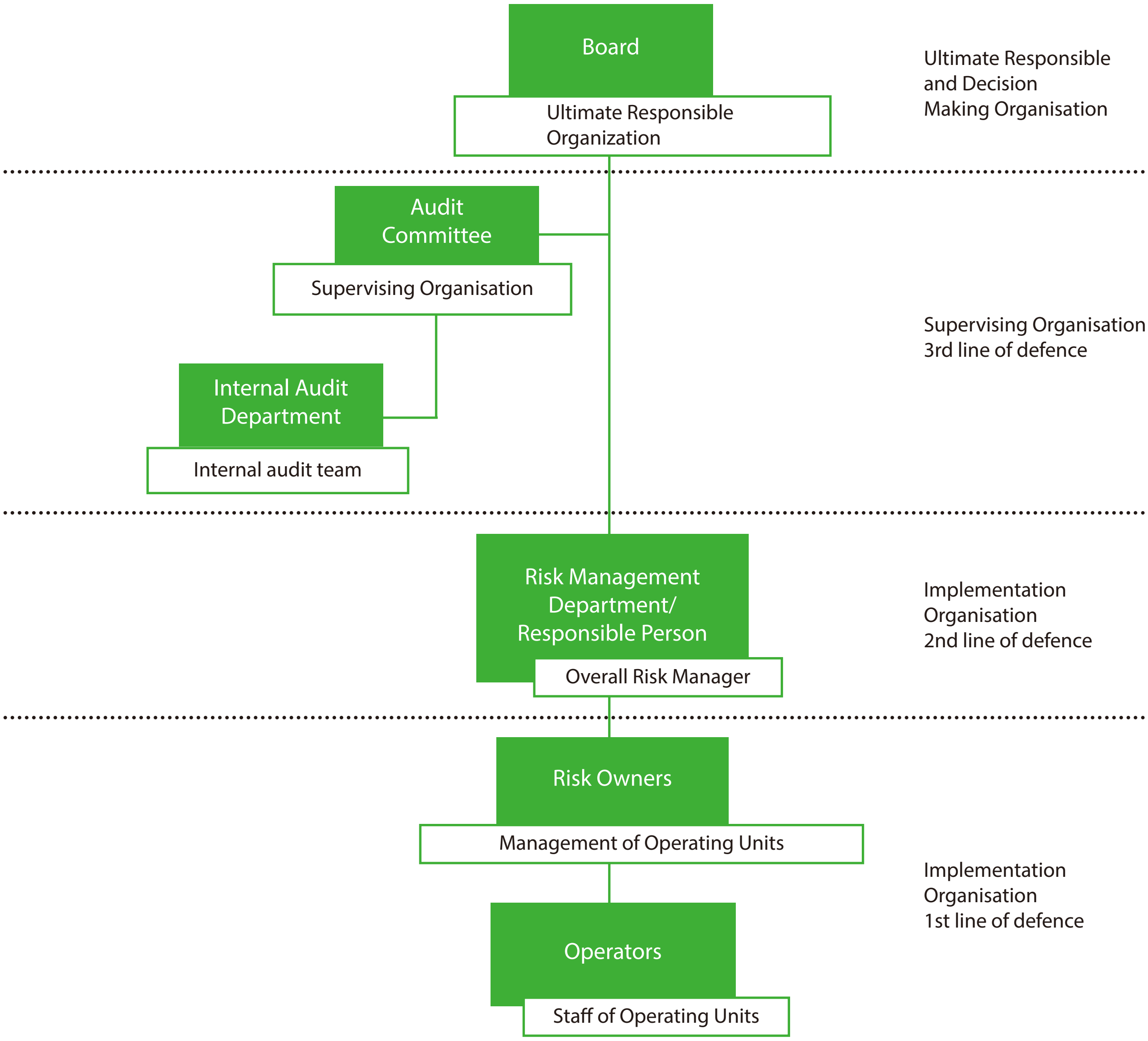
The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Board is also responsible for carrying out an annual review on any changes in the nature and extent of significant risks (including ESG risks), identifying any significant control failings or weakness and also the extent to which they have results in unforeseen outcomes or contingencies that have had, could have had, or may in the future have a material impact on the Company's financial performance or conditions.

The Audit Committee and the Internal Audit Department of the Company which was established under the supervision of the Audit Committee are responsible for assisting the Board in leading the management and overseeing the design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted a Risk Management Policy with defined principles, procedures, roles and responsibility of each level in the risk management framework (see below diagram) and implementation details.

RISK MANAGEMENT FRAMEWORK



The Company's risk management and internal control systems have been developed with the following features and process:

Features

1) facilitates risk identification and escalation whilst providing assurance to the Board;

2) assigns clear roles and responsibilities and facilitates implementation with guidelines and tools; and

3) adopts a "Three Lines of Defence" model, with oversight and directions from the Board.

Process

1) the operating units of the Group, as risk owners, implement the risk management policy, identify, alert, evaluate, mitigate and monitor their own risks and the management of the operating units report such risk management activities to the Risk Management Department/Responsible Person;

2) the Risk Management Department/Responsible Person, in coordination with the management of the operating units, identify the internal/external risks of the Group at least annually and establish/update the risk database. At the same time, they assess the risk issues and put forward proposals to the Audit Committee/Board to mitigate and/or transfer the identified risks; and

3) the Audit Committee and the Internal Audit Department are responsible for providing guidance and performing independent review of the adequacy and effectiveness of the risk management and internal control systems of the Company, and reporting to the Board in a timely manner. Their duties and responsibilities include persistently monitoring the operation of the risk management system to ensure the system is able to identify, assess, respond, trace and monitor corporate risks; reviewing the risk management framework; making regular discussions with the senior management on the Group's risk management and internal control systems so as to ensure effective internal control systems being established; reviewing and/or preparing annual report of risk management for review by the Board. Special reviews are also performed at management's request.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management (including ESG risks) and internal control systems for the year ended 31 December 2024.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, has reviewed the risk management (including ESG risks) and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2024, and considered that such systems are effective and adequate. The annual review has also covered, among other things, the financial reporting and internal audit function, staff qualifications and experiences, adequacy of relevant resources, training programmes, budget of the Company's accounting, internal audit, financial reporting functions, as well as those relating to the Company's ESG performance and reporting.

Arrangements are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

Anti-Fraud, Anti-Corruption and Whistleblowing Policy

The Company has adopted the Anti-Fraud, Anti-Corruption and Whistleblowing Policy, which took effect on 1 January 2022, setting out the purposes of preventing fraud, reducing risks, standardizing business behaviour, safeguarding legitimate rights and interests of the Company and protecting legitimate rights and interests of its shareholders, whilst aligning with the actual circumstances of the Company.

The desired corporate culture of the Company includes the element of “integrity”. Integrity, honesty, fairness, impartiality, and ethical business practices are all the core values of the Company. The Company is committed to high probity standards and ethical business practices, and encouraging whistleblowing of concerns and actual or suspected misconduct or malpractice by any staff and/or external parties in any matters related to the Company. The top-level management is also committed to adopt ethical and anti-corruption business practices, high standard of integrity and zero tolerance to corruption.

This Policy applies to the Company, directors and employees of the Company at all levels, external parties with whom the Company does business, and persons acting on behalf of the Company in agency or fiduciary capacity (such as agents, consultants and contractors). The whistleblowing mechanism further covers external parties, including business counterparts (such as customers and suppliers), who may be victims of misconduct by Company’s employees.

Disclosure of Inside Information

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Group:

- has conducted its affairs with close regard to the disclosure requirements under the Listing Rules as well as the Guidelines on Disclosure of Inside Information as published by the Securities and Future Commission in June 2012 in company with Part XIVA of the SFO;

- has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;

- has included in its code of conduct a strict prohibition on unauthorized use of confidential or inside information; and

- has established and implemented procedures for responding to external enquiries about the Group’s affairs so that only the executive Directors and corporate communications and investor relations general manager are authorized to communicate with parties outside the Group.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2024.

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

Pursuant to Code Provision D.1.1 of Part 2 of the CG Code, the management has provided to the Board with such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.

AUDITOR'S REMUNERATION

The remuneration paid/payable to the external auditor of the Company, PricewaterhouseCoopers, in respect of the audit services and non-audit services for the Reporting Period is set out below:

Service Category	Fees Paid/Payable RMB'000
Audit Services	3,635
Non-audit Services	137
Total	3,772

The non-audit services provided by external auditor mainly include tax related services.

COMPANY SECRETARY

Ms. LAU Yee Wa has been appointed as the Company's Company Secretary. Ms. LAU is currently a director of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

Ms. LAU reports to the Chairman and the CEO. All Directors have access to the advice and services of the Company Secretary on corporate governance and board practices and matters. Ms. CHEN Xiao Hong, the Acting Chief Financial Officer of the Company, has been designated as the primary contact person at the Company which would work and communicate with Ms. LAU on the Company's corporate governance and secretarial and administrative matters.

During the Reporting Period, Ms. LAU has undertaken not less than 15 hours of relevant professional trainings in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

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

Convening an Extraordinary General Meeting ("EGM") and Putting Forward Proposals at EGM

Pursuant to article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an EGM to be called by the Board for the transaction of any business as specified in such requisition, including making proposals or moving a resolution at the EGM.

The requisitionists who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "**Requisition**") signed by the requisitionist(s) concerned to the head office of the Company at 10th Floor, Baioo Headquarters Building 123 Tiankun 3rd Road, Tianhe, Guangzhou, Guangdong, China 510640 or at the office of Tricor Investor Services Limited, the Hong Kong Share Registrar of the Company, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for the attention of the Company Secretary.

The Requisition must state clearly the name of the requisitionist(s) concerned, his (their) shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included, the details of the business(es) proposed to be transacted in the EGM, signed by the requisitionist(s) concerned.

The Company will check the Requisition and verify the identity and the shareholding of the requisitionist(s) with the Company's Hong Kong Share Registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM within 2 months and/or include the proposal or the resolution as proposed by the requisitionist(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the requisitionist(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution as proposed by the requisitionist(s) at the EGM.

If within 21 days of the deposit of the Requisition the Board has not advised the requisitionist(s) of any outcome to the contrary and fails to proceed to convene such EGM, the requisitionist(s) himself (themselves) may do so in accordance with the Articles of Association, and all reasonable expenses incurred by the requisitionist(s) concerned as a result of the failure of the Board shall be reimbursed to the requisitionist(s) concerned by the Company.

Putting Forward Enquiries to the Board

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

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	(Head Office) 10th Floor, Baioo Headquarters Building, 120 Tiankun 3rd Road, Tianhe, Guangzhou, Guangdong, China 510640 or (Hong Kong Share Registrar) the office of Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (For the attention of the Company Secretary)
Fax:	(852) 2117 0869
Email:	baioo@christensencomms.com

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an ongoing dialogue with its Shareholders and in particular, through AGM and other general meetings. At the annual general meeting held on 26 June 2024, the Directors were available to meet the Shareholders and answer their enquires.

Shareholders' Communication Policy

The Company has adopted a Shareholders' Communication Policy, which took effect on 1 January 2022. The policy aims at promoting effective communication with the Shareholders and other stakeholders, encouraging the Shareholders to engage actively with the Company and enabling the Shareholders to exercise their rights as Shareholders effectively. During the Reporting Period, the Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were considered satisfactory.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(i) Corporate Communication

"Corporate Communication" as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; (f) a proxy form; (g) an application proof; and (h) a post hearing information pack. The Corporate Communication of the Company will be published on the Stock Exchange's website (www.hkexnews.hk) in a timely manner as required by the Listing Rules. Corporate Communication will be provided to Shareholders and non-registered holders of the Company's securities in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the Listing Rules. Shareholders are encouraged to provide, amongst other things, their contact details, in particular, their email address to the Hong Kong Share Registrar of the Company in order to facilitate timely and effective communications.

(ii) Announcements and Other Documents pursuant to the Listing Rules

The Company shall publish announcements (on price sensitive information, corporate actions and transactions etc.) and other documents (e.g. Memorandum and Articles of Association) on the Stock Exchange's website in a timely manner in accordance with the Listing Rules.

(iii) Corporate Website

The Company's website (www.baioo.com.hk) provides the Shareholders with corporate information and other relevant financial and non-financial information available electronically and on a timely basis about the Group. Any information or documents of the Company posted on the Stock Exchange's website will also be published on the Company's website under the "Investor Relations" section. Other corporate information about the Company's business developments, overview, corporate governance and contractual arrangements will also be available on the Company's website. The Shareholders' Communication Policy, as amended from time to time, shall be made available on the Company's website in the "Investor Relations" section. The Company will review this policy on an annual basis to ensure its continued effectiveness.

(iv) Shareholders' Meetings

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its Shareholders. The Company shall provide the Shareholders with relevant information on the resolution(s) as proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable the Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Appropriate arrangements for the general meetings shall be in place to encourage the Shareholders' participation. Where appropriate or required, the Chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditor should attend general meetings of the Company to answer the Shareholders' questions (if any). The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve connected transaction(s) or any other transactions that are subject to the independent Shareholders' approval.

(v) Shareholders' Enquiries

Enquiries about Shareholdings

Shareholders should direct their enquiries about their shareholdings to the Company's Hong Kong Share Registrar, Tricor Investor Services Limited, via its online holding enquiry service at srhk.vistra.com, or send email to is-enquiries@vistra.com or call its hotline at (852) 2980 1333, or go in person to its public counter at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Enquiries about Corporate Governance or Other Matters to be put to the Board and the Company

The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send written enquiries to the Company, for the attention of the Company Secretary, by email: baioo@christensencomms.com, fax: (852) 2117 0869, or mail to the following:

Address: (Head Office) 10th Floor, Baioo Headquarters Building 123 Tiankun 3rd Road, Tianhe Guangzhou, Guangdong China 510640;

or

(Hong Kong Share Registrar) the office of Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Note: Shareholders' information may be disclosed as required by law.

Other Investor Relations Communication Platforms

Investor/analysts briefings, roadshows (both domestic and international), media interviews, marketing activities for investors and specialist industry forums etc. will be launched on a required basis.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the Reporting Period, the Company has not made any changes to its Memorandum and Articles of Association. An up-to-date version of the Company's Memorandum and Articles of Association is available on the Company's website and the Stock Exchange's website.

2024 Environmental, Social and Governance Report

I. ABOUT THE REPORT

1 Report summary

This report is the ninth environmental, social and governance report (the "**Report**") issued by BAIOO Family Interactive Limited (the "**Group**" or "**BAIOO**" or "**We**"). The Report discloses in a transparent and open manner the resources invested, the initiatives adopted and the results achieved by the Group in Environmental, Social and Corporate Governance ("**ESG**") in 2024, in order to respond to the concerns and expectations of the stakeholders and the social public on the Group's sustainable development, to join hands with parties with the value chain to continuously promote sustainable development and governance, and to respond to and contribute to the country's "dual carbon" goal of reaching carbon peak by 2030 and becoming carbon neutral by 2060.

2 Scope and boundary of the Report

The Report covers the period from January 1, 2024 to December 31, 2024, and some of its contents can be traced back to previous years. The contents of the Report cover the principal businesses of the Group, including the provision and distribution of internet content and services. For the details of the businesses of the Group, please refer to the 2024 annual financial report of the Group.

3 Standards for preparing the Report

The Report is prepared in strict compliance with the "Environmental, Social and Governance Reporting Guide" (the "**ESG Reporting Guide**") as set out in Appendix C2 to the Listing Rules of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The last part of the Report contains detailed information about the index of the ESG Reporting Guide, which will help readers to find and retrieve relevant information more efficiently. The Report is compiled in accordance with the four principles of materiality, quantitative, balance and consistency to ensure its authenticity and accuracy, and fully demonstrate the Group's current management status and work results in the ESG field.

Principle of the Report	Definition	Response of the Group
Materiality	The issues covered in the Report shall reflect the significant impact of the Group on the economy, environment and society, or the scope of stakeholders' assessment and decision.	The Group identifies, assesses and analyzes its materiality issues through assessing materiality issues by maintaining communication with stakeholders in combination with the Group's strategic development and business operation.
Quantitative	The report shall disclose key performance indicators in a measurable manner.	The Group makes quantitative disclosure of the Group's key performance indicators for environment and society, and illustrates the standards, methods and emission factors adopted for disclosure of the emission data.

Principle of the Report	Definition	Response of the Group
Balance	The report shall reflect the overall sustainable development performance of the Group in an impartial manner.	The Group has explained in detail the sustainable development issues that have a significant impact on its business, including work results and challenges.
Consistency	The Group shall ensure that the Report is disclosed in a consistent manner.	The Group will ensure that the disclosure scope and reporting method of the Report are generally consistent every year and comparative.

4 Sources of the Report

The information and source of data in the Report are sourced from the internal formal documents, internal data and related public information of the Group.

II. THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRATEGY AND OBJECTIVE OF THE GROUP

1 Managing Sustainable Development

During the Year, the Group continued to focus on the three niche game genres of female-oriented games, pet collection and raising games and "nijigen" games, continued to focus on the development and operation of internet products and deployed the business development in web games ("**Web Games**"), mobile games ("**Mobile Games**"), and comic intellectual properties ("**IPs**"), and actively practiced our three core values of IP companionship, immersive experience and casual socializing, conveying the vision of "Green Entertainment, Healthy Interaction and Joyful Companion". In addition, the Group actively invested in R&D, kept abreast of the development of cutting-edge technologies, enhanced our product development pipeline and engineering capabilities for high-quality games. Meanwhile, we strictly controlled product quality, attached importance to customer service, and strived to create a green, happy and healthy network environment and were committed to bringing more high-quality IP games to global users.

The Group is fully aware of the importance of corporates actively undertaking environmental and social responsibilities. We place great concern on the health and career development of our employees and implement their well-being by providing diversified welfare facilities and communication and care mechanisms. We put into practice the green and low-carbon operation mode with respond to the national dual carbon goal, develop and regularly review environmental protection objectives, proactively adapt to climate change challenges, and integrate environmental protection concepts into game products to actively cultivate users' awareness of environmental responsibility. We enthusiastically participate in social welfare undertakings and spread positive energy through our caring actions. In terms of corporate ESG governance, the Board of Directors (the "**Board**") of the Group, as the highest responsible organization for the management and public disclosure of ESG matters, is informed of and discusses the annual ESG work status through board meetings and other channels, and is responsible for the Group's ESG management policies, ESG strategies, and ESG-related target formulation, target progress review and ESG performance.

The Group has established a complete ESG governance structure, formulated and issued the "Terms of Reference of the ESG Management Committee", clarified the personnel composition, division of responsibilities, reporting procedures, etc. at all levels of the ESG governance structure, and actively integrated ESG concepts into daily operating activities.

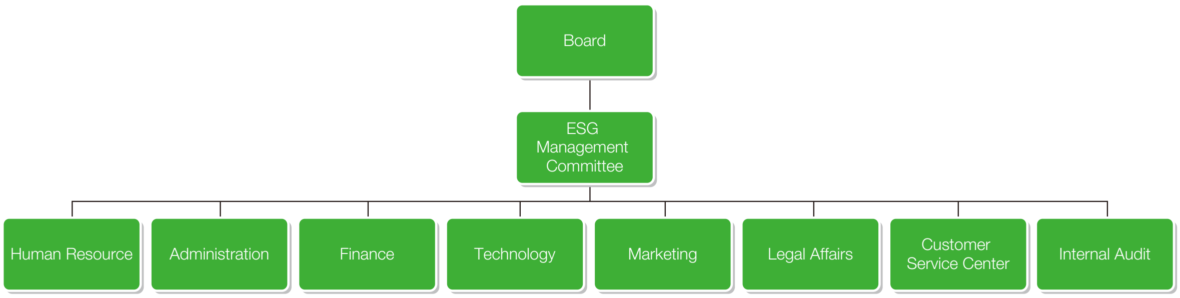


Chart of the Composition Structure of the ESG Management Committee of the Group

The division of responsibilities at all levels of the Group's ESG governance structure includes:

Board

- The Board has overall responsibility for the Group's ESG strategy and reporting, and is responsible for supervising the revision and implementation of relevant strategies of the Group, allocating resources and ensuring the effective operation of ESG risk management;

- The Board is responsible for assessing and determining ESG related risks and opportunities, ensuring that an appropriate and effective ESG risk management and internal control system is in place. It formulates the Group's ESG management policies, strategies, priorities and objectives, and reviews the Group's performance on ESG-related objectives by formulating indicators; reviews and formally approves the annual environmental, social and governance report; and

- The Board authorizes the ESG Management Committee to coordinate and manage ESG issues in accordance with its terms of reference.

ESG Management Committee	• The chairman of the ESG Management Committee is the executive director of the Group, and the member is composed of the heads of each functional center; • The ESG Management Committee is responsible for formulating and reviewing the Group's environmental, social and governance responsibilities, vision, objectives, strategies and policies, and strengthening the importance assessment and reporting process to ensure the consistent execution and implementation of the environmental, social and governance policies adopted by the Board; and • The ESG Management Committee shall hold a meeting at least once a year and report its decisions or suggestions to the Board.
All Function Centers	• All function centers are responsible for implementing the specific work of the Group's ESG management strategy and supervising the ESG work process; and • All function centers arrange the person in charge to regularly collect and count relevant quantitative indicators and data, so as to provide an information basis for the Board and management to review the ESG management progress and ESG report disclosure.

2 Internal Control

The Group has established a perfect risk management and internal control system and set up a risk management framework comprising of the Board, Audit Committee, Internal Audit Department and Risk Management Department. This framework features a model of "three lines of defense", i.e. Risk Supervising Organization, Risk Management Department/Responsible Person, Management of Operating Units, to identify, assess, respond, trace and monitor the Group (including ESG) risks.

During the Year, the Group continued to improve the internal control mechanism, constantly improved risk management to cope with and resist material risks, and enhanced the corporate governance level and risk prevention and control ability. The Group continued to improve compliance operations and anti-corruption mechanisms, conducted anti-corruption training, supervised and urged all the staff to abide by laws and to act honestly and uprightly, created a business environment with honesty, integrity, cleanness and uprightness; continued to strengthen close contact and exchanges with government authorities, industry associations and other organizations, strictly implemented the latest industry laws and regulations, continued to promote the establishment of a healthy and green network ecological environment, and fully safeguarded the legitimate rights and interests of users.

III. STAKEHOLDER ENGAGEMENT PLAN AND MATERIALITY ASSESSMENT

1 Communication with Stakeholders

The Group attaches considerable emphasis on exchanges and communications with stakeholders, always adheres to the principles of true, accurate, comprehensive and timely information disclosure, and ensures the openness and transparency of the information of the Group by establishing all-round and diversified communication channels, in order to promote stakeholders' in-depth understanding and continuous trust in the Company.

The Group has established the Investor Relationship Department to hold annual general meetings and performance sharing meetings, provides stakeholders with detailed interpretation of financial reports, operating strategies and business development, and thoroughly communicate with shareholders by means of presentation, questions and answers, etc. Meanwhile, stakeholders may understand the relevant dynamics about the Group through the Group's official investor relationship website, official account, hotline, email, offline investor exchange and other various channels and methods. The Group actively organizes and participates in online and offline activities, carries out technological communications and information sharing with industry associations and listens to the opinions of the market and stakeholders by ways of visits, salons, annual meetings and participation in industry seminars, investment summits, etc. For stakeholders within the Group, the Group listens to the voice of the staff and maintains close and effective communication with them through WeChat groups and the labor union. Through multi-dimensional communications with investors, the Group has effectively enhanced the stickiness and mutual trust with stakeholders, thereby laying a solid foundation for the Group's stable development in the capital market.

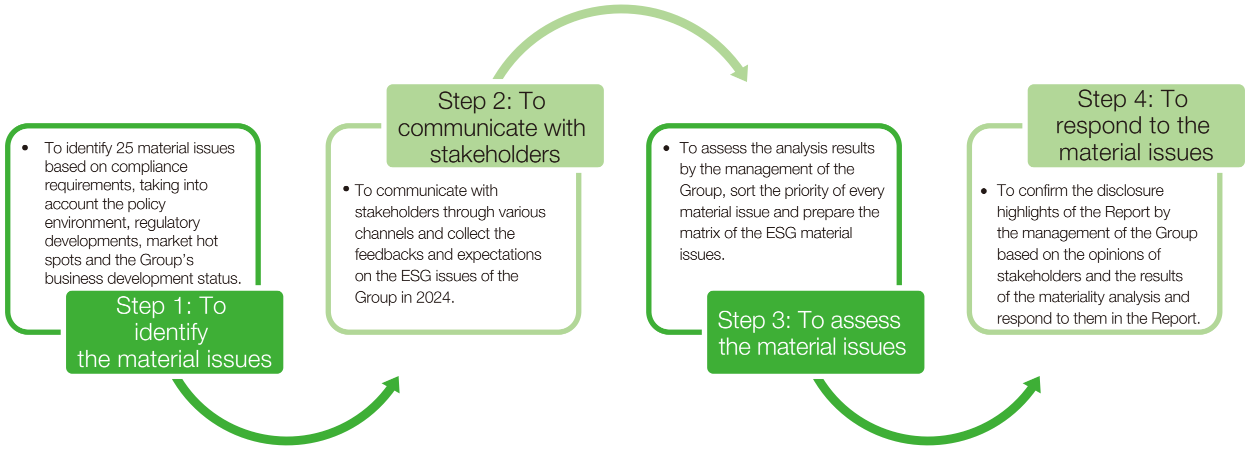
Stakeholders	Expectation and Proposition	Communication and Response
Investors and shareholders	Business growth Scientific governance Compliance operations Information disclosure	Improvement in profitability Creation of long-term earnings Strengthened risk management and control Regular information disclosure
Government and regulatory authorities	Promoting social employment Compliance with national policies Fulfilling tax payment obligations Strengthening the construction of clean governance	Participation in the regional common construction Regulatory compliance in business operations Timely and proactive tax payment Cooperation in government's supervision and examination

Stakeholders	Expectation and Proposition	Communication and Response
Customers	Customers' demand Pursuit of quality Privacy safety Business integrity	Improvement of customer communication mechanism Enhancement of product and service quality Protection of customers' privacy Optimization of internal control system
Staff	Smooth career development Protection of legitimate rights and interests Remuneration and benefit protection Good working environment	Construction of a reasonable promotion mechanism Compliance with laws and regulations Improvement of the remuneration and benefit system Employee care and rights protection
Suppliers and partners	Openness and fairness Cooperation and win-win solutions Coordinated development	Standardization of procurement process Perfection of communication mechanisms Establishment of a long-acting management mode
Communities	Eco-friendly community Devotion to social welfare Promotion of the development of the community	Implementation of green operation Launch of public welfare projects Cross-industry collaboration
Industry association	Promotion of growth in the industry Fair competition	Participation in industry discussions and communications Improvement of R&D capabilities

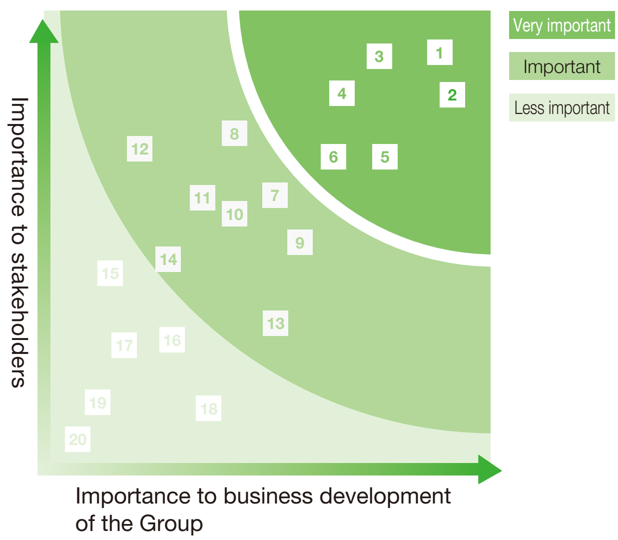
2 Materiality Assessment of Issues

The Group strictly followed the procedures for analyzing and assessing the material issues and comprehensively assessed and determined the sequence of the material issues through means of close contact with stakeholders, collecting feedback and industry characteristics analysis, taking into account changes in national laws and regulations, regulatory developments, stakeholders' expectations, industry developments and the actual situation of the Group.

The steps of materiality assessment that consistently adopted by the Group are as follows:



During the Year, due to no significant changes in the business and operating conditions of the Group, we will continue to use the results of materiality assessment in 2023, as follows:



2024 material issues matrix

Very important	1	Product contents and product responsibility
	2	Create a green and healthy cyberspace
	3	User information and privacy protection
	4	Focus on users' needs and improve user experience
	5	Maintenance and protection of intellectual property rights
	6	Compliance in business operation and anti-corruption
Important	7	Staff's occupational health and safety
	8	Staff recruitment and performance-based remuneration
	9	Reasonable marketing and promotion
	10	Staff training and development
	11	Protection of labor interests
	12	Contribution and dedication to communities
	13	Responding to climate change
	14	Management of the sustainable development of suppliers
Less important	15	Customers' satisfaction and handling of complaints
	16	Green office and environmental awareness promotion
	17	Energy consumption and resource utilization
	18	Energy conservation and emission reduction and environmental protection measures
	19	Emission of greenhouse gases and exhaust gases
	20	Management of hazardous and non-hazardous wastes

Ranking of the 2024 material issues

The ranking of the 2024 material issues indicate that the issues that are most concerned among stakeholders are still centred on the aspects including product contents and product responsibility, creating a green and healthy cyberspace, and users' information and privacy protection. The Group has fully respected the opinions of both internal and external stakeholders and proactively responded to the propositions of all parties concerned.

During the Year, the Group adhered to strict product R&D processes and quality control mechanism. Through a series of measures including strengthening technical support, adopting a middle-office deployment mechanism, and improving game testing standards and processes, the Group strictly controlled product quality and adhered to high-quality content creation and R&D to convey positive values and traditional culture. In addition, the Group strictly abided by the relevant laws and regulations such as the Law of the People's Republic of China on Protection of Minors, the Provisions on the Administration of Online Publishing Services, the Personal Information Protection Law of the People's Republic of China, and Notice by the General Administration of Press and Publication of Preventing Minors from Indulging in Online Games, guided users to access the internet healthily and protect the healthy growth of teenagers through a series of measures such as anti-addiction measures, parental supervision projects, information content review and monitoring. We attach importance to user privacy and security and protect users' legitimate rights and interests.

The Group is well aware that communications with stakeholders are a driver of its sustainable development. In the future, the Group will continue to improve the communication mechanism with stakeholders, listen to the voice of all parties, and take their feedback as an important reference for the Group's ongoing management for sustainable development.

IV. PRODUCT RESPONSIBILITY

The Group adheres to the spirit of craftsmanship, conducts in-depth studies on users' needs and pays attention to the development trend of the industry. Through the implementation of stringent product R&D processes and quality control, the Group adheres to the creation and R&D of high-quality content and strives to create outstanding game products that can convey positive values and traditional culture. At the same time, the Group actively listens to the voice of its users and protects their basic rights and interests through sound complaint handling mechanism, user satisfaction surveys, and the continuous enhancement of user privacy protection.

1 Product quality management

The Group adheres to strict product R&D processes and quality control mechanisms, and achieves full-process product quality control through a series of measures such as optimizing the management structure, strengthening technical support, adopting a middle-office deployment mechanism, and improving game testing standards and processes, and continuing to strengthen the Group's product quality control platform and the application of the big data analysis system.

1) Product quality control mechanism

The Group adheres to high quality content creation and R&D and has formulated and implemented internal systems such as the "In-Project Inspection and Acceptance Regulations", the "Table of Risk Assessment for Server Technology" and Regulations on Product and Technical Review Process, and set up stringent product R&D and acceptance testing process to implement the quality control throughout its full process. The process of R&D and marketing of our products covers the following steps:

Product approval	DEMO development	Functional R&D stage	Testing stage
The responsible person for products puts forward the basic worldview, storyline, artistic style and playing rules of products and presents to the product assessment and approval committee for review.	The Group establishes a basic configuration team to develop DEMO, sets the core game play and the artistic style, and primarily establishes the technical and artistic norms according to the product concept after obtaining the project approval.	The Group enlarges the team size to conduct massive functional R&D. The Group organizes product assessment and review committee and core players' meeting for product review according to the product progress.	The Group conducts the processes including elite test, retention test and paying test according to the In-Project Inspection and Acceptance Regulations before the launch of products in the market once all the indicators are qualified.

The Group has set up Product Quality Control Team responsible for controlling the quality throughout all stages of developing the products. The Product Quality Control Team carries out overall quality evaluation from the dimensions of function, safety, adaptability, fault tolerance and weak network. For products with evaluation results failing to meet the standards, the Product Quality Control Team will request the project team to rectify the relevant issue until the products pass the subsequent evaluation, after which the Product Quality Control Team can proceed to the next stage, so as to provide assurance of the product quality throughout its full process.

The Group adhered to the focus on users' needs and continued to improve quality management. In order to further strengthen product quality control, we focused on the optimization of product R&D management and product quality acceptance.

In terms of product R&D management:

- Set up a company-level R&D technology center and an independent technical art department to provide technical support for various projects in terms of effect and performance;

- Adopt a middle-stage deployment mechanism to flexibly schedule and promptly support breakthroughs and performance optimization of key projects;

- Independent integration and engine departments for unified management and component reuse to improve production efficiency; and

- Set clear game development goals for each project, including gameplay, user experience, performance, etc., to ensure that the product meets player expectations.

In terms of product quality acceptance:

- The test center has established an infrastructure team to focus on developing test automation tools (such as UI automation tools, cloud real machine platform), strengthening indicator quantification, and furthering improvement of acceptance efficiency and quality;

- Improve game testing standards and processes, add acceptance criteria for PC and mini-game categories to ensure the stable operation of games;

- Conduct stress tests for new projects and agency projects, and ensure the stability of project quality through a high focus on review and assistance processes;

- Improve and strengthen performance acceptance process, benchmark different performance standards for different game categories, use competitive product comparison + performance parameter evaluation method to comprehensively evaluate product performance to ensure product quality;

- Optimize the compatibility acceptance process, enable different models lists and standards for compatibility testing in different distribution regions, different distribution networks and other circumstances, and ensure product process operation and guarantee user experience through multiple tests of time + scenarios;

- Continuously and repeatedly calculate the standards and processes for special tests such as protocol security tests and business quality tests; and

- Organize user experience testing and focus group discussions to obtain users' feedback and solve users' needs and problems in a timely manner.

2) Product quality control platform

The Group continues to strengthen the coordination of the four self-developed core management platforms, namely the project management platform, the file management platform, the online operation platform, and the online supervision platform, to regulate the workflow and provide a strong guarantee for the improvement of production quality, product R&D and operational efficiency.

During the Year, the Group continued to strengthen digital operations and empower high-quality business development with high-quality operations, and has taken measures including but not limited to:

- Build a quality analysis platform for R&D management of new project based on Feishu to analyze the quality of each game version and improve team collaboration and development efficiency;

- Implement solution for multi-version concurrency management and support the corresponding automated construction and management system to ensure the consistency and traceability of multi-version concurrency R&D and multi-regional distribution of the game; and

- The project management system has changed from Jira[1] to Tapd[2], lowering the accessibility threshold and improves collaboration efficiency.

3) Data analysis and supervision

In order to ensure the stable operation of the games that have been launched, the Group continued to apply a third-party big data system in data collection, modeling, storage, analysis and intelligent application at the operation stage of products, so as to conduct real-time and comprehensive operational analysis, and thus timely identify problems and adjust the operational strategy. The Group has actively taken response measures for the problems that have been discovered and the content that needs to be optimized, and adjusted the game content in accordance with relevant procedures such as the Requirements of Game Updating and Maintenance and the Emergency Treatment Procedures Process to ensure the stable operation and smooth update of the game. In addition, the Group achieved complementing and expansion of the functions of external data system through the internal self-developed data system, thereby carrying out more comprehensive and efficient product quality analysis and control. At the same time, in order to improve the feedback flow of games that have been launched and ensure the efficiency and smooth operation of version upgrades, the Group has introduced professional software and AI in game development, painting style design, multi-language copywriting output, 3D model application, smart assistants and other aspects.

The Group has established the data monitoring and alarm system, which works in conjunction with internal self-developed data systems, to strengthen the monitoring of release of project operation data and stability of online operation, and to shorten the time for incident response and processing. At the same time, the Group continues to strengthen refined operations and has set up dedicated data analysis positions to assist in research and development, distribution, and operation improvement and optimization of products by mining and analyzing data.

1 Jira is a tracking tool for projects and transactions, and is widely used in work areas such as defect tracking, customer service, requirements gathering, process approval, task tracking, project tracking and agile management.

2 Tapd (Tencent Agile Product Development) is a software R&D management platform that provides solutions for the entire product R&D life cycle and supports full-process R&D practices such as agile demand planning, iterative plan tracking, testing and quality assurance, and continuous construction and delivery.

2 Positive cultural promotion

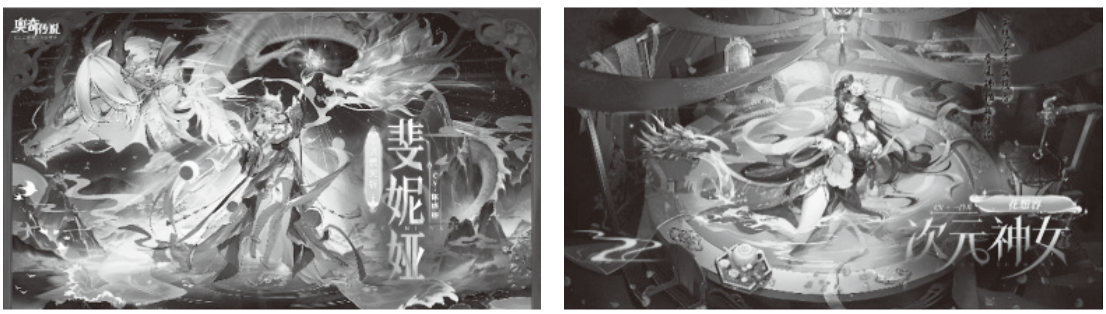
By creating a positive IP image in games and linking it with traditional Chinese culture, the Group actively explored cross-border collaboration opportunities, spread positive values and built its games into a new carrier for disseminating positive values and traditional culture. In the future, the Group will continue to innovate linkage products, so as to share positive values to users imperceptibly and build cultural confidence.

1) Legend of Aoqi

"Legend of Aoqi" is a spirit-themed strategic battle mobile game, which tells the story of spirits fighting against the invasion of the evil shadow army. Players incarnate as a spirit trainer and cooperate with the spirit partners to jointly resist the threats of the evil forces and shoulder the important task of maintaining peace in the world of Aoqi.

- ***Case sharing: Legend of Aoqi — Chinese style theme skin***

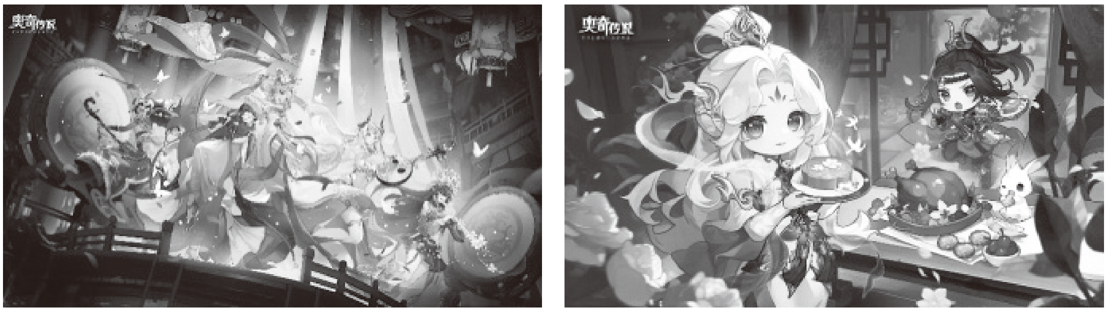
  In 2024, the game "The Legend of Aoqi" under the Group launched a series of themed skins based on Chinese mythological and historical figures, incorporating traditional Chinese elements such as poetry, songs, and Chinese ink painting. These skins combined traditional culture with modern aesthetics, showcasing the unique charm of traditional Chinese culture to players in a vivid and lively way, highlighting the endless vitality of intangible cultural heritage.



Legend of Aoqi — Chinese style theme skin in 2024

- ***Case sharing: Legend of Aoqi — Traditional festival activities***

  In 2024, "The Legend of Aoqi" launched a series of collaborative activities in conjunction with traditional Chinese festivals, integrating traditional festivals, customs, and cultural elements into festival activities to celebrate traditional festivals with players. Through a series of holiday activities, "The Legend of Aoqi" fully stimulated players' enthusiasm for participation and enhanced their activity level.



Legend of Aoqi — Traditional festival activities in 2024

- ***Case sharing: Cross-border collaboration of "The Legend of Aoqi": Ele.me Little Blue Box x Wallace x The Legend of Aoqi | "Good things come in pairs; Light up the miracle"「好柿成雙　點燃奇跡」***

  In 2024, the IP of "The Legend of Aoqi" collaborated with Ele.me Little Blue Box and fast food chain brand Wallace to launch a comprehensive collaboration, and the three parties worked together to create a new cross-border integrated business model. In this collaboration, various benefits were promoted both online and offline for the web and mobile games of "The Legend of Aoqi": the event launched the "The Legend of Aoqi X Wallace" exclusive package, and 20,000 offline takeaway stores of Wallace were launched on the Ele.me app; three parties jointly created numerous customized peripherals products. During the event, players participated in the Ele.me Little Blue Box activity or went to the linkage theme stores to check in would have the opportunity to obtain linkage limited edition peripherals. In-game, "The Legend of Aoqi" introduced linkage skins, linkage cute pets, linkage avatars, and a limited edition of 200,000 Ele.me Wallace vouchers. This cross-border linkage realized a new business model of deep binding between IP and offline platforms, enabling the "nijigen" ("二次元") culture.

Ele.me Little Blue Box x Wallace x The Legend of Aoqi | "Good things come in pairs; Light up miracle" Linkage activity

2) Aobi Island

"Aobi Island" is a community raising game aimed at teenagers. Players will play as a happy little Aobi, become the owner of the island, experience different leisure gameplays, interact with diverse characters, together form the society and culture of Aobi Island, and enjoy the warm and cheerful community atmosphere.

- ***Case sharing: New Year cross-border linkage: Aobi Island x The World of the Palace (「宮裡的世界」)***

  In 2024, the Chinese New Year version of the mobile game "Aobi Island" held a special live broadcast of the Spring Festival Gala and released a joint PV titled "Aobi Island x The World of the Palace". "The World of the Palace" is the IP under the palace culture of the Forbidden City, which takes traditional Chinese culture as the carrier, combines traditional culture with modern lifestyle, and creates China-Chic life aesthetics. In this collaboration, a brand new spectacular "Forbidden City" scene has been specially launched in the game, which restores the real scenes of the Forbidden City such as Square of Gate of Supreme Harmony (太和門廣場), Hall of Supreme Harmony (太和殿) area, Imperial Garden (御花園), East Six Halls (東六宮), West Six Halls (西六宮), etc. Bring the highly popular royal cat in the Palace to the island; and based on the four treasures of the Forbidden City — Gold Cup of Eternal Stability (金甌永固杯), powder-blue ground gilt-decorated rouleau vase (灑藍描金小棒槌瓶), Thousand Miles of Mountains and Rivers (千里江山圖) and the yarn and silk flower and fruit painting dyeing carved bone handle fan (紗貼絨絹花果圖面染雕骨柄團扇) to design linkage clothing, which aims to allow players to experience "The World of the Palace" in person.

Aobi Island x The World of the Palace Linkage activity

- ***Case sharing: "Aobi Island" cross-border linkage: Aobi Island x Balala the Fairies***

  In 2024, the second anniversary celebration of the mobile game "Aobi Island" was cross linked with the film and television work "Balala the Fairies", featuring fantasy elements such as seas of stars and whales. Players can receive the same furniture and limited parts as the Magic Fairy Castle (魔仙堡) just by sing in online. In addition, the game will also feature storyline and challenges related to the journey of fairy, and the players will unlock multiple sets of Fairy's linkage suits once the activity completed.

"Aobi Island x Balala the Fairies" Linkage activity

3) Aola Star

"Aola Star" is a role-playing game in the genre of pet raising. Players will play the role of an "Aola Star" trainer, leading the magic pets to jointly explore the vast universe and the world of stars. After experiencing battles and challenges, they will gradually grow into the guardians of the universe, and take on the mission of protecting the world and keeping the peace.

- ***Case sharing: "Aola Star" cross-border linkage: Aola Star x Fruity Robo***

  The web game of "Aola Star" has always focused on spreading and promoting positive culture. In 2024, "Aola Star" linked with the well-known domestic anime IP "Fruity Robo" to bring players a new gaming experience and promote the integration of cultural heritage and commercial expansion. The linkage introduces well-known characters from "Fruity Robo" into the game, allowing players to deeply participate through interactive gameplay, relive childhood memories, and experience the charm of Chinese comic culture during the game.

"Aola Star x Fruity Robo" Linkage activity

3 Environmental, natural, and ecological education

The Group believes that games can be used as a medium to spread environmental awareness and respect for nature. We consciously integrate elements related to the environment, nature and ecology into games. By building vibrant natural scenes and adding small tasks related to ecology protection, we subtly inspire players' enthusiasm for environmental protection and guide them to start doing so from their own side and contribute to environmental protection together. Through game scenarios, we transform complex environmental knowledge into easily understandable and acceptable forms, making environmental education more vivid and interesting. In addition, we can also simulate real environmental protection scenarios and challenges to allow players to experience the urgency and importance of environmental protection actions in the game, thereby enhancing their sense of environmental responsibility and mission.

The Aola Star, one of the flagship products of the Group, tells an adventure story in the "Aola Star Planet" where advanced eco-friendly technology and green energy are used. The game has embedded a lot of environmental protection knowledge in the storyline and scenarios, including garbage sorting and resource recycling, which arouses users' interests and awareness of environmental protection through fun, cultivates their sense of responsibility and action for environmental education, and obtains a positive effect in environmental education and promotion.

- ***Case sharing: the gameplay of "Eternal Paradise" and the popularization of "Spirit of Nature" in "Aobi Island"***

  In the mobile game "Aobi Island", players can unlock the "Eternal Paradise" mode after reaching the island building level of 30, where they can cultivate the unique creature "Spirit of Natural" in the paradise. The "Spirit of Natural" is the animals in the world of Aobi Island designed with reference to animals in the real world. "Aobi Island" has set up a popular science column called "Nature Spirit Encyclopedia" for "Spirit of Natural" to introduce players the contents like profiles, names, and habits of animals, cultivate players' interests, and spread values of caring for animals and respecting life.

"Eternal Paradise" of "Aobi Island" — Nature Spirit Encyclopedia

4 Create a Green and Healthy Cyberspace

The Group has carefully protected the healthy growth of teenagers and strictly complied with the Law of the People's Republic of China on Protection of Minors, the Provisions on the Administration of Online Publishing Services, the Personal Information Protection Law of the People's Republic of China, Regulation on the People's Republic of China on the Protection of Minors in Cyberspace, the Notice on Further Strict Management to Effectively Prevent Minors from Indulging in Online Games, Guidelines for the Establishment of Minors' Modes for the Mobile Internet, Provisions on Governance of Cyber Violence Information and other related laws and regulations. The Group has also made continuous efforts to improve its internal systems and optimize its network management mechanism of game products. Meanwhile, the Group has guided users to surf the internet healthily through a series of measures such as anti-addiction system, parent monitoring project, information content audit and monitoring in order to help create a clear, healthy, civilized and orderly network environment.

In December 2024, the Group was awarded the title of "2024 Excellent Enterprise in Network Ecological Governance in Guangzhou Game Industry (2024年度廣州市遊戲行業網路生態治理遊戲優秀企業)" issued by the Guangzhou Games Industry Association.

Honored with the title of "2024 Excellent Enterprise in Network Ecological Governance in Guangzhou Game Industry"

1) Anti-addiction system for juveniles

The Group actively implemented the real-name registration system for online game user accounts, connected all the games published and operated by the Group to the "national online game anti-addiction real-name authentication system", and set the limit on the duration of minors' games and the amount of recharging, set the age-appropriate prompt for the game download and registration login interface, and turned off the tourist experience mode. In the daily operation of the game, the Group strengthened the monitoring and maintenance of minors' activities in all aspects to ensure the effective operation of various anti-addiction measures.

During the Year, the Group's anti-addiction measures for minors adopted mainly include:

Strict implementation of the real name registration system and login requirements	Strict restriction of the time for providing online game services to minors	Regulation of providing paid online game services to minors by levels
• The Group strictly abides by the requirements under the Notice on Further Strict Management to Effectively Prevent Minors from Indulging in Online Games, deactivates the tourist experience mode, implements the real name registration system and login requirements of online game user accounts; and • Set prompts for age appropriateness through distribution platform and restricts the login of non-age appropriate players.	• The Group strictly limits the time for providing online game services to minors, and only provides services to minors from 20:00 to 21:00 every day on Friday, Saturday, Sunday and legal holidays, so as to guide the minors to experience games appropriately and allocate after-class time in a reasonable manner.	• Users under 8: no game-related paid services are provided to them; • Users between 8 and 16: a single payment is limited to no more than RMB50 and the cumulative payment in a month is limited to no more than RMB200; and • Users between 16 and 18: a single payment is limited to no more than RMB100 and the cumulative payment in a month is limited to no more than RMB400.

2) Parent monitoring program

The Group has strictly implemented the relevant provisions of the "Parent Monitoring Program for Juveniles in Online Games". By setting up the web page of "Important Notes for Parents" on its official website and parental monitoring hotline, parents are provided with free online game monitoring service to help parents correctly learn and understand the internet and the products of the Group, so as to prevent minors from being addicted to online games.

The Group has expressly listed out the application conditions and methods for guardianship services on its official website, and has also taken relevant measures to avoid unlawful acts such as malicious guardianship of users. Upon confirmation of guardianship between the applicants and the persons under guardianship by us through the information review process, the guardians will be provided with the account guardianship service. The login details of the persons under guardianship will be provided to the guardians to offer them technical support. The guardianship solutions such as suspension or termination of accounts of the persons under guardianship by request will also be provided to assist parents in correcting the behavior of game addiction in some of the minor children and guiding their minor children to surf the internet healthily, actively and moderately to avoid and prevent internet addiction as much as possible.

3) Review and monitoring of contents and information

The Group believes that safe and positive information dissemination has an important impact on the stable operation of games and the building of a harmonious and warm gaming community environment and has established a sound mechanism and process for review of information content. Through various means including the filtering system of sensitive words, the introduction of Netease's shield, the launching of customer service review, listening to user reporting, the review and monitoring of information content strictly manages user statements, protects user text and image content security, filters bad contents related to pornography, gambling and drug abuse in online communities, actively prevent and resist the spread of bad information, ensures the legal compliance of all online information, and creates a high-quality gaming community environment.

Sensitive word screening system

- The Group has developed a powerful filtering system of sensitive word and regularly updated and maintained the sensitive word library.
- All information published by users shall be filtered by sensitive thesaurus, and it is prohibited to publish seriously sensitive words.

Netease's shield

- The Group adopts the industry-leading network security protection system Netease's shield. Relying on Netease's rich security experience and the accumulation of artificial intelligence, the Group intelligently filters the information released by users to ensure content security, business security and mobile security.

Review by customer service

- Through the filtering system of sensitive word and the column content of Netease's shield, the game community can be accessed only after the strict review by customer service. If any violation is found, the customer service will promptly ban or freeze the account to ensure the harmony and health of the online community.

User report

- The Group provides convenient channels for users to report violations, and immediately enable them offline when they are found. For accounts that publish violating contents, customer service will promptly ban or freeze the account according to the violations.

5 Information Safety and User Privacy Protection

The Group highly values information safety construction and user privacy protection. The Group strictly follows the relevant laws and regulations including the Personal Information Protection Law of the People's Republic of China, the Cybersecurity Law of the People's Republic of China and the Cyber Data Security Regulation. The Group has formulated and implemented the internal polices and guidelines including the "Engine Room Patrol Inspection System", the "Remote Access System", the "Cloud Management System", the "Customer Information Safety and Privacy Protection System" and the "Management Measures for the Filing of Network Accounts", to continuously improve the information safety and management system and protect information safety and user privacy.

In order to strengthen information safety and management, the measures taken by the Group include but are not limited to:

- **Firewall system and online behavior control system:** Authorization updates of the security library of firewall system and online behavior control system are followed up continuously to improve the safety and reliability of the system; at the same time, the monitoring of abnormal VPN traffic operations in remote office environments is strengthened.

- **Protection of production environment:** Enhanced web application defense systems to block crawlers, robots and other cyber-attacks so that high-risk 0day vulnerabilities[3] could be effectively defended and the risk of invasion and data leakage of the distribution platform could be mitigated.

- **Data disaster recovery system and emergency drill:** In cooperation with the top domestic cloud service providers, off-site disaster recovery of core data is carried out in the cloud. The office data that needs to be backed up is fully accessible by the data disaster recovery system. Different backup strategies are formulated according to the priority of data security. Data recovery emergency drill and result analysis are carried out monthly.

- **Security vulnerability library:** The Group realizes the automatic sorting of current security vulnerabilities, timely sorting out the security vulnerability library, and timely notify the project team to upgrade and repair components if major security vulnerabilities are found.

- **Equipment security protection:** Regular health testing of storage device are implemented to ensure normal operation of all storage media and prevent any security risk.

- **Safety components update:** The host safety components and cloud server safety detection components are upgraded in timely manner. Most of the current high-risk attacks could be prevented if they are found and blocked immediately.

- **Terminal security management:** The channels for uploading to cloud storage are strictly limited and the access of storage peripheral devices is effectively prohibited through terminal management strategies to avoid data exchange between unauthorized devices and the system and reduce potential risks of data leakage.

- **Optimization of database function:** Audit log function is added to the database to prevent the execution of sensitive structured query language in advance and the risk of sensitive audit data leakage afterwards, and to comprehensively prevent the data from being illegally accessed and leaked.

3 0day vulnerabilities, also known as zero-day vulnerabilities or zero-hour vulnerabilities, are security loopholes that have not yet been discovered by the public and for which no official patch has been released.

- **Optimization of the handover process for resignation files:** Upon exit of an employee, the Company files are automatically handed over to superiors to ensure that important assets of the Company will not be lost with the personnel changes; the information security of project management software (TAPD) is enhanced, and authority is automatically removed after exit of the personnel to ensure that all sensitive data is processed properly, preventing any information leakage after exit of the employee.

- **Admin authorities separation control:** Admin authorities separation control is implemented for regular employees and outsourced employees to ensure that sensitive data is not illegally accessed; the management of admin authorities is strengthened to restrict the use of default access policies and prevent document leakage.

- **Information Security Awareness Publicity and Implementation:** During the Year, a total of 6 cyber security trainings were conducted to help employees establish correct security awareness of cyber information content, and ensure that the entire process of product development, publishing, and operation is legitimate and compliant.

In order to strengthen user privacy protection, the measures taken by the Group include but are not limited to:

- **Improvement of the Privacy Agreement:** The Privacy Agreement is supplemented with instructions for collecting new device identifiers, such as WiFi parameters and User Agent; it is supplemented with the instructions for device sensor information with visually enhanced labelling of sensitive information-related content; it is also supplemented with the usage of channel SDKs to clearly convey the purpose of collecting private information to users.

- **Set the switch for personalized push:** Users are given the freedom to choose whether personal information is collected and push notifications are received.

- **Restriction of access rights:** Employees' access to user information is restricted and monitored, with their qualifications and authorities for accessing information and data classified, and punitive measures against violations are taken.

- **APP permission application detection tool:** The Group continued to use its own APP permission application detection tool, which will automatically scan during mobile game operation to ensure the legitimate and compliant use of user information.

The measures taken by the Group to enhance the security protection of user accounts include but are not limited to:

- **Pushing mobile phone binding activities in the game:** A variety of mobile phone binding rewards are set up in the game, which are pushed to the users through activities to remind them to bind their phones, claim rewards, and ensure account security.

- **Self-serviced verification and retrieval function provided by the account center:** For users who have not bound their mobile phones, a self-serviced verification and retrieval function has also been launched. Users can retrieve their accounts by themselves in the account center by verifying real-name information, previously used passwords, recharge orders and other information.

The Group's current product releases meet all the compliance requirements of all domestic distribution platforms and related channels, and through the above systems and measures, the Group avoids penalties or take-downs due to issues such as the collection of sensitive information. At the same time, the Group's products strive to communicate the purpose of privacy information collection and related explanations to users in a more transparent manner in order to enhance user experience, user confidence and willingness to use. In the future, we will continue to summarize our experience in information security protection, keep abreast with the latest information protection technologies, and actively apply them to our products and services.

6 Listen to the Voice of Users

The Group strictly follows the relevant laws and regulations including the Law of the People's Republic of China on Protection of Consumer Rights and Interests. The Group has formulated internal regulations such as the Business Process and Work Specifications of the Customer Service Center and Measures for Performance Assessment Management of Customer Service Representatives, and continued to improve the service working mechanism. At the same time, the Group has established a sound complaint handling mechanism, listen to the voice of users through user satisfaction and demand surveys on a continuous basis, and enhance user satisfaction as well as comprehensively protect customers' rights and interests.

1) User service and management

The Group attaches great importance to the quality of user services. The customer service provides 365-day online services from 08:00 a.m. to 10:00 p.m. every day to meet customers' needs timely. In order to further improve quality of user service and enhance user experience, the Group focused on the following key areas to define the work content and standards for the customer service team:

Formulate assessment indicators

- Quantified assessment of customer service representatives by the customer service center is performed according to six dimensions, namely, monthly actual workload, work quality, professional skills, attitudes towards system operation and service attitude, to comprehensively and objectively assess and evaluate the overall performance of customer services representatives, and to motivate customer services representatives to continuously improve their service levels.

Formulate FAQ standards

- Prepare an FAQ document and timely update the contents according to business adjustments and feedback from users and the customer service representatives in actual practice to help the customer service representatives to answer users' questions in a faster and accurate way and to enhance user service experience.

Broaden communication channels

- During the Year, the Group continued to use the web games qq qidian online system, broadened the feedback and communication channels for the general customers of web games aiming at enhancing the customer service experience of the general users of web games.

Service evaluation tips

- After providing services to users, the customer service representative shall immediately obtain objective comments on the service through the service evaluation prompts, for summarizing potential problems and improve service quality.

Quality monitoring mechanism

- The customer service team is equipped with professional quality inspection staff who will inspect on a random basis the telephone-call recording, online chat, users' feedback and emails of the customer service representative, and evaluate their service language, service attitude, reply skills and operation of the system, so as to ensure that the quality of services provided by the customer service representative.

2) User satisfaction survey

During the Year, the Group's customer service center continued to conduct user satisfaction surveys through four channels, namely, telephone hotline, web games qidian, baixing qidian and mobile game qidian. The results of the satisfaction survey improved slightly compared with the previous year, with the details as follows:

Channel	Total number of persons consulted	Satisfaction rate
Telephone hotline	33,690	97.21%
Web games qidian	221,083	94.29%
Baixing qidian	81,890	93.60%
Mobile game qidian	55,870	90.51%

3) User demand survey

In order to gain in-depth insight into user demands and enhance product satisfaction, the Group actively invites domestic and overseas users to participate in user surveys. The survey is based on the business requirements of the products, and requires preliminary preparatory work such as identifying key issues, formulating discussion plans and identifying the target users of the products, recruiting experiential users and conducting research communication, and finally collating and analyzing the information and data obtained, and then feeding back the conclusions to the relevant business departments to assist in the optimization and upgrading of the relevant products. The Group regularly conducts offline CE (Customer Engagement) on users of domestic mobile games with three methods, i.e. customer engagement ("**CE**"), questionnaire and return visit, which provide strong support for the continuous optimization of products.

Offline CE Survey

- The CE survey of the Group is usually carried out before the first elite test. By inviting target players to try the game and conducting in-depth interviews with them, the Group can get an in-depth understanding of the views and suggestions of the target customers on the game and thus optimize the content of the game products. During the Year, the Group accumulated over 400 hours of offline CE research.

Questionnaire Survey

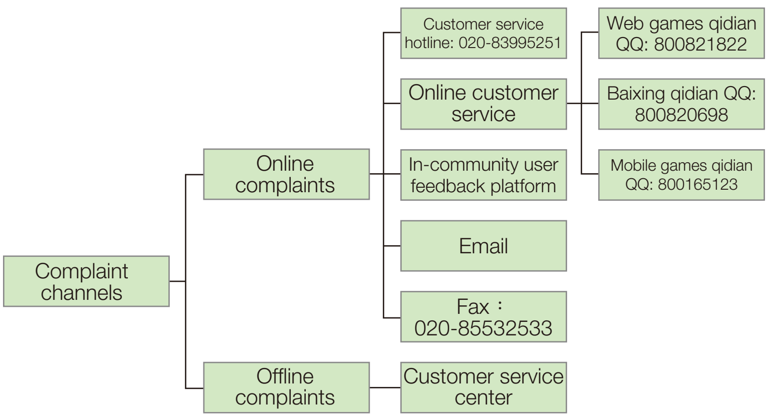
- During the development and update for each version of a game project, regular questionnaire survey is carried out, mainly in the form of online questionnaire embedded in the game or platform to understand their satisfaction with the entire product and provide support for subsequent game test and operation.

Online Return Visit

- Upon play testing for game products, an audio or written interview invitation is sent to the selected target players; feedbacks and outcomes of the interviewed players are used to evaluate the play testing effect and improve the product quality. During the Year, the Group accumulated over 150 hours of online return visit.

4) Handling of users' complaints

The Group attaches great importance to user complaint management, maintains both online and offline complaint channels, standardizes complaint handling processes to timely receive user feedback in a timely manner. Users can provide feedback and complaints by ways of telephone hotline, online customer service, email, the in-community user feedback platform, mail, fax and visits.



Main complaint channels for users

The Group requires its customer service staff to actively handle user complaints and to respond to and record complaints received from users in a timely manner. Through the assessment of the content of the complaints, complaints are classified into Level 1, Level 2 and Level 3 (the most serious level) based on severity, and the corresponding responsible department will follow up and handle them in a timely manner in strict accordance with the process, and inform the user of the handling results within the specified time limit. The response time required by the Group for Level 1, Level 2, and Level 3 complaints shall be no later than 2 hours, 30 minutes, and 15 minutes, respectively. The time for replying with a solution or dealing with the problem shall be no later than 4 hours, 3 hours, and 3 hours respectively. In serious cases, the processing time should be within 1 hour. During the Year, the Group's customer service center received 5,766 complaints, and the customer complaint resolution rate reached 100%.

The Group actively optimizes customer service tools, conducts practical research on AI customer service for newly launched products during the Year, and incorporates it into future product planning to further optimize customer service efficiency and quality, fulfill customer's needs, and enhance customer's satisfaction.

7 Exchange and Cooperation and Industry Recognition

During the business development, the Group always adheres to the concept of achieving mutual growth with industry peers, discusses with the industry professionals on the innovation challenges and opportunities faced by the industry, and strives to promote technological innovation, to facilitate the sustained and high-quality development of the industry.

- ***Case sharing: 2024 Shanghai ChinaJoy event***

  In July 2024, the Group attended the ChinaJoy event in Shanghai, participated in a number of exhibitions and conferences, and had extensive and in-depth exchanges with industry peers. Among them, the China Game Developers Conference (CGDC) is one of the most forward-looking, international and professional R&D technical conferences for the game industry in China. Through visiting the ChinaJoy exhibition and participating in authoritative conferences, the Group actively learned about the latest achievements in game development technology, explored new trends in game development technology with industry professionals, and actively participated in the internationalized game developers' event where global game developers exchange, learn and cooperate with each other.

2024 ChinaJoy Shanghai Event

- ***Case sharing: Tokyo Game Show 2024***

  In September 2024, the Group participated in the Tokyo Game Show, where it actively visited various exhibition areas and had profound exchanges with outstanding enterprises, professional brands, potential partners and players.

Tokyo Game Show 2024

- ***Case Sharing: Awards "Aola Star II" won in 2024***
  In 2024, the Group's mobile game "Aola Star II" was awarded "2024 Honor Developer Conference's Most Anticipated Game" "Vivo's Most Anticipated Game for 2024" and "OPPO Developer Conference's Players' Anticipated Game for 2024", which fully demonstrated the players' recognition of "Aola Star II" and the Group.

Awards of "Aola Star II"

8 R&D and Innovation

The Group is fully aware of the role of R&D and innovation capacity in supporting the sustainable development of the Group's business. We actively invest funds, manpower and resources to ensure the steady implementation of new product development plans, continuously improve in our areas of expertise, and provides customers with better games. In order to encourage the business team for continuous creation, the Group has formulated numerous incentive measures, including providing the business team with expansion training and development opportunities, and holding creative competitions to showcase and implement innovative ideas.

9 Intellectual Property Management

The Group highly values the management and protection of intellectual property rights, strictly complies with the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Copyright Law of the People's Republic of China and other laws and regulations, and proactively conducts the intellectual property right reporting work. The Group has formulated the internal systems such as the "Guidelines for Legal Affairs of BAIOO" and the Copyright Management Measures to clarify the intellectual property management processes, reaffirm the scope and content of intellectual property rights, and set out relevant regulations and arrangements regarding the use of the Group's intellectual property, the use of external intellectual property, and the handling of violations, in order to strengthen the protection of the Group's intellectual property and control the lawful use of external materials.

During the Year, the Group established important cooperation with professional rights protection platforms to proactively conduct infringement searches and fight against infringement, thereby enhancing the strength and professional effect of rights protection and largely saving the economic costs and labor costs of rights protection. The legal affairs department formulated and issued the "Guidelines on the Operation of Patent Application Process", which was implemented in the operation of the Technology Center. Meanwhile, the Group's application to the China national patent office for patent fee waiver was approved, which has helped the Company to secure favorable conditions for future patent applications, such as partial waiver of application fee for future patent applications. The reduction or exemption of patent application fees further encourages the business team of the Group to conduct R&D and innovation and apply for patents. In response to the doubts raised by the business team of the Group regarding patent applications, the legal affairs department plans to continuously invite professional patent application agencies to conduct special training to resolve doubts for the employees.

The handling of intellectual property infringement of the Group is led by the legal affairs department and coordinated by the business departments. After receiving clues of material infringement, the Group quickly understood the facts of infringement, collected evidence of infringement, communicated with various departments to determine solutions, claimed rights to the infringer in time, and handled the case with the help of various platforms, external service providers, government rights protection agencies and other forces. The intellectual property rights of the Group were effectively protected.

At the same time, all online games and website pages of the Group were equipped with infringement reporting channels to encourage users and players to provide infringement clues and fully protect the legitimate rights and interests of the Group. In addition, the Group controlled the leakage of trade secrets by signing confidentiality agreement; developed a trademark application plan in advance, applied for new game trademarks in a timely manner, and carried out trademark monitoring work to protect the Group's game trademark rights from infringement; and increased its internal publicity on the legal and effective use of trademarks and the original design of trademarks, so that employee's awareness of trademark protection and practical operational skills could be strengthened to provide solid support for the long-term development of the enterprise.

As of December 31, 2024, the Group had possessed 3 patents for invention, 719 certificates for registration of copyrights of works, 119 certificates for registration of copyrights of software, 1,064 registered mainland trademarks and 127 registered oversea trademarks.

10 Publicity on Compliance

The Group highly values the compliance of publicity and marketing of products and services, strictly complied with laws and regulations such as Advertising Law of the People's Republic of China and strictly checked the contents of publicity of game products, advertising materials, and community posts, so as to completely eradicate false and exaggerated advertising. The main steps of review and management of publicity materials of the Group include:

Implement primary review and rectify problems

When setting the requirements for relevant publicity materials and copywriting in the preliminary stage, the person in charge of acceptance shall coordinate the relevant departments to jointly check whether the content contains risk issues of non-compliance. If the acceptance fails, it must be rectified.

Monitor after release and quickly respond to problems

After passing the acceptance, secondary review will be conducted, and can only be released on the platform after passing the review. After the release, we will monitor the public opinion. In case of risk problems, we will immediately communicate with the person in charge of acceptance and respond within 30 minutes.

Strictly follow new policies and make timely adjustment

The Group strictly follow new policies of the internet game industry, conduct tracking and internal review of uploaded materials at any time, and make timely adjustment.

Coordinate among departments for active implementation

The person in charge of acceptance and the release must participate in the relevant training meetings regularly organized by the Group to improve the awareness of compliance.

At the same time, the Group has formulated and implemented the Administrative Measures for Filing Online Accounts to uniformly register and manage the official online accounts published, including websites, official account, online stores and Tiktok account, and to clarify the procedures for opening account and changing administrators. The Group continues to strengthen the review of text, pictures and other contents, and constantly improves the content review mechanism. The legal affairs department regularly inspects the posts on each account and will immediately delete any content of non-compliance once discovered.

V. EMPLOYMENT MANAGEMENT

The Group adheres to the people-oriented development concept and continues to contact, communicate with and attract fully qualified professionals through multiple channels, and establishes a sound training system and assessment and promotion mechanism for all the employees to promote talent development and efficient management. At the same time, the Group strives to create a humanistic, diverse and stable working environment, actively builds a variety of friendly communication platforms, pays due attention to the physical and mental health and needs of staff, and formulates a career development plan for employees that meets their personal growth characteristics.

1 Construction of a Talent Team

The Group strictly follows the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Employment Promotion Laws of the People's Republic of China and other laws and regulations, upholds the principle of fair, justice and indiscrimination, and continues to optimize the staff management measures regarding recruitment, performance assessment, remuneration and benefits, etc., so as to prompt the joint development of the staff and the Group.

1) Staff Recruitment Management

During the Year, the Group continued to implement internal policies including the Employee Handbook and the Administration Measures on Recruitment, to standardize the employee recruitment process and improve the talent selection mechanism. The Group adheres to the principles of open recruitment, fair competition, recruitment on merits, staffing management, so as to ensure that recruitment operations are not affected by factors such as nationality, ethnicity, marital status, age, gender and religious belief. The Group actively carries out talent introduction and cooperation, explores the construction of a diversified talent pool, and introduces outstanding talents through on-campus recruitment, social recruitment and internal recommendation.

As of December 31, 2024, the Group had a total of 688 employees, details of which by category are set out as follows:

Type of employees		Number of employees in 2024	Number of employees in 2023
By gender	Male	372	401
	Female	316	331
By type	Full-time	644	714
	Internship	44	18
By age group	Under 30	325	375
	30–50	356	350
	Above 50	7	7
By geographical region	Mainland China	688	732
Total		688	732

During the Year, the turnover rate of the Group was 39.10%, details of which by category are set out as follows:

Type of employees		Turnover rate in 2024
By gender	Male	37.63%
	Female	40.82%
By age group	Under 30	57.54%
	30–50	23.03%
	Above 50	0.00%
By geographical region	Mainland China	39.10%

2) Remuneration and Benefits and Performance Assessment

The Group has formulated and consistently implemented the "BAIOO's Staff Remuneration Management System" and has established a multi-layer remuneration system of "fixed salary + floating wage + shares" to formulate a competitive remuneration package for the staff at different levels and the functional departments. Meanwhile, in March and September every year, the heads of the departments and the human resource department will review the remuneration of staff. Staff members meeting the standards may apply for a pay rise with their heads of the department and the human resource department and relevant heads will consider their applications, enabling the staff to obtain the ideal remuneration. In addition, the Group has established a sound staff benefits system, including five social insurances and one housing provident fund, commercial insurance, annual body check, festive activities and gift packages, paid annual leave, cash gifts for weddings and newborn babies, meal benefits and settlement for household registration system. The staff benefits system covers various aspects of basic necessities in life, including clothing, food, residence and travel, showing our concern for the vital interests of our employees.

The Group has formulated and consistently implemented the "Human Resource Management System of the BAIOO Group" and conducted periodic appraisal on work performance of employees under the principles of openness, fairness and impartiality. The appraisal is conducted quarterly and annually in terms of their work performance, capability and quality, work ethics etc. The results of the appraisal are classified into five levels, i.e. excellent, good, satisfactory, qualified and unqualified, and serve as an important basis for passing probation, salary increase and promotion of employees. Upon completion of the appraisal, the Human Resources Department and the department supervisor are required to communicate with the employee regarding the results of their performance appraisal, summarize the employee's performance and assist in the planning of the employee's future development plan, so as to help the employee make best use of their strengths while avoiding their shortcomings, make continuous progress, and promote the Group's continuous advancement.

3) Young Teams and Orderly Management

The Group comprises of young teams and actively builds a relaxed and open workplace atmosphere. At the same time, the Group leads its harmonious and steady development of employees and the Group by establishing and carrying forward a corporate culture of "innovation, passion, curiosity, initiative, result-oriented and efficiency-centered". The Group proactively provides guidance in building a dynamic and orderly office environment and reminds our staff to pay attention to meeting duration and keeping the meeting room clean by placing creative items such as hourglass and placards in the meeting room. The Group has developed a comprehensive and integrated OA system, covering multiple segments such as personnel management, system announcement, staff activities, contract approval, and leave application to streamline workflow, application process and approval process for staff in each department and improve work efficiency.

- ***BAIOO SPACE***

  The Group has created its internal official account "BAIOO SPACE" and established various segments such as BAIOO School, Dynamic Community and Intimate Assistants to provide employees with comprehensive push messages about latest trainings, record of activities, introduction of surrounding facilities, dining guide and administrative guidance, thus focusing on the needs of employees and facilitating the work and life of employees.

BAIOO SPACE feeds

- ***House-journal, "BAIOO@YOU" (《百奥@你》)***
  "BAIOO@YOU", which is the largest house medium of the Group. Since its publication 9 years ago, BAIOO@YOU has shouldered the dual mission of internal cultural communication and external brand building. It adheres to the original intention of being employee-oriented and speaking for employees, and conveys the developments of the Group in the most stylish and friendly way, expressing the voice of the Group and the expectations of employees. As of December 31, 2024, BAIOO@YOU has a total of 66 editions, extensively and comprehensively covering corporate culture and people of BAIOO, and deepening employees' sense of identity and belonging to the Group's culture, which gives strong impetus to the stable development of the Company.

The covers of journals of "BAIOO@YOU" in 2024

4) Talent Reassessment

In order to fully explore high potential talents at all levels and focus on their training and empowerment, the Group conducts an annual talent reassessment. From April to July 2024, the Group initiated a talent reassessment of all its employees, assessing their competence, performance and personal potential based on their current positions, and outputting a nine-grid talent map with competence + performance as the vertical axis and potential as the horizontal axis. Through the talent reassessment, the Group has comprehensively sorted out the status of talents, explored high-potential talents for sustainable cultivation, and provided the basis for staff development, team building and the Group's strategic layout, which helps optimize the allocation of talents and resources, enhance the Group's overall competitiveness, and safeguard the Group's sustainable and stable development.

2 Promotion Blueprint and Training Mechanism

The Group deeply recognizes the significance of staff growth to the Group's sustainable and steady development and strives to build a fair and transparent promotion blueprint. Meanwhile, the Group caters to staff's needs and customizes training courses and provides quality learning opportunities that meet their needs, so as to enhance their professional expertise and teamwork, help its staff members grow and progress together so as to create a bright future together with the Group.

1) "Double-ladder" promotion blueprint

The Group has a clearly delineated rank system, which is divided into five categories: products, technical, arts, functional and management. Each rank of each category has specific competency standards and staff members can advance vertically through the ranks, but also move horizontally across to another category. For technical and management talents, the Group has established a "Double-ladder" talent development mechanism to promote employees to advance in the "Profession Ladder" of technical talents or the "Management Ladder" of management talents based on the employees' own conditions and career planning, while equal amounts of resources, attention and respect will be given to the staff members. In addition, the Group provides exceptional promotion qualifications to staff members who have made significant contribution, so as to maximize their potential and motivation.

From November to December 2024, based on the results of the Talent Review, the Group initiated a rank promotion project, under which some of its core staff, excellent staff with outstanding capability, performance and potential were comprehensively assessed in terms of performance, working ability and overall quality, and those who met the requirements were promoted, so as to stimulate the motivation and creativity of our staff, provide them with an upward path for career development, and rationally optimize the Group's talent structure and ensure that the promotion plan is in line with the future development strategy of the Group. Besides, the Group identified and promoted employees with outstanding abilities and potential, laying a solid foundation for the Group's sustainable development.

2) Diversified training system

The Group is committed to providing employees with rich learning resources and broad development space. The Group formulated and implemented the "BAIOO Training Management System", developing a comprehensive diversified training system covering management to new staff members. We conducted in-depth research on the key capabilities required for employees at various stages, developed relevant learning and training courses, and systematically promoted talent development and management.

The human resources department of the Group is responsible for coordinating the preparation of monthly and annual training plans, training courses and training materials of each department, and at the same time understanding the actual implementation of training in each department. The Group encourages employees to share high-quality learning resources and enhance their personal abilities through systematic training and independent learning. The Group supports employees to explore high-quality learning resources on their own, employees can apply to the Group for financial subsidies, participate in external courses, industry forums and apply for examinations for professional qualifications related to their career development, to stimulate and ensure employees' enthusiasm for continuous learning and self-improvement.

Training program for new staff

- It is oriented to new staff development for social recruitment and on-campus recruitment to conduct social recruitment training and on-campus recruitment training
- Social recruitment training includes courses on introduction of the Group and basic HR processes
- On-campus recruitment training is for a period of one year, which includes intensive lectures, outdoor training, tutorials and professional training
- This program facilitates the integration of new staff into the team and development of a clear direction

Training program for management position

- It is mainly divided into training on system and workflow and management knowledge and skills
- System and workflow training is mainly carried out for newly-promoted managers, introducing functional system and office process
- Management knowledge and skills training is oriented to key management positions or reserve management positions, and is provided by external vendors
- This program empowers relevant staff members to learn and master management ability quickly

Professional skill training program

- It is divided into two categories: in-house and external training
- Open to all staff, covering five categories of distribution, product, technology, art and function
- The in-house trainer program runs twice a week, and external trainers are regularly invited to conduct training
- This program has effectively improved the professional competence and the working efficiency of the staff

Online learning platform

- BAIOO online learning platform "Wiki" shares valuable training materials with all staff
- Approximately 700 online courses in "Wiki" are open to all members, covering professional knowledge of different positions, management skills, case study, tips for new staff, market consultation and general workplace qualities
- Employees can post "essays", job summaries and case analyses in "Wiki", and discuss with department colleagues to fully stimulate innovative thinking and enthusiasm for learning

Diversified training system

- ***Case Sharing: 2024 new staff training program for fresh graduates***

  Between July and September 2024, the Group carried out a 2024 new staff training program for fresh graduates. The training consisted of three parts: intensive training, tutorial and professional training. The intensive training courses were conducted by the Company's senior management and human resources department, who focused on topics such as introduction of the Company, overview of the internet game industry, corporate culture, the Company's career development path and workplace literacy, to help new employees understand and integrate into the Company. Through online professional courses, we helped new employees understand their job and business collaboration, in order to get into work quickly. We also arranged one-on-one tutorials for new employees to formulate tailor-made growth and training plans, to help them to grow fast. This program effectively helped new staff to quickly understand the Group and integrate into the Company, improved their capabilities in target management, resource control, risk management, team collaboration, and facilitated the transition from school to workplace.

New staff training program for fresh graduates

- ***Case Sharing: HarmonyOS Next training program***

  The Group pays attention to the innovation and development of emerging technologies, and actively understands the key optimization points, characteristics and application cases of HarmonyOS Next, and provides themed training for related technical personnel. The training started from the successful adaptation of HarmonyOS Next application cases, and analyzed the excellent practices, problems encountered and relevant solutions during the adaptation process.

The HarmonyOS Next training program

- ***Case sharing: MTSC2024 China Internet Testing and Development Conference sharing training***

  The Group encourages external training and exchanges for its outstanding staff. During the Year, three specialized testers from the Group were dispatched to attend the MTSC conference to have in-depth exchanges with outstanding external testers and actively learn innovative technologies and practical experiences. Through attending the conference, the testers fully understood the application of large model AI in small program automation test scenarios, the construction of a quality system for large model application platforms, and the construction of a full-link positioning ecosystem for large-scale 3D rendering platforms. Based on the experience and learning outcomes gained from attending the conference, the testers conducted a sharing training with the relevant technical personnels of the Group.

MTSC2024 China Internet Testing and Development Conference sharing training

3) In-house trainer system

The Group has established an internal trainer system, which serves as an important mechanism for the exchange of experience and technology among internal employees, and also a vital platform for employees to express themselves and explore their "other aspect". The Group has formulated and implemented the Measures of Managing In-house Trainers, encouraged the staff to share internally on a regular basis to promote mutual learning and exchanging of ideas among them. The Group focuses on building a team of in-house trainers and encourages staff to apply for in-house trainer qualification on their own initiative. Employees are required to go through a series of qualification processes to become in-house trainers. Their teaching and training work will be assessed, and they are entitled to relevant rights and interests.

In order to continue to give full play to the vitality and potentiality of the in-house trainer mechanism, the Group provides multi-faceted support to internal trainers and regularly provides training relevant courses and trainings for them, such as courseware development and teaching skills, to improve their teaching ability and teaching quality. Meanwhile, the Group optimized the rating criteria of instructors by assessing their competence based on the three criteria of teaching hours, course satisfaction and number of participants, and divided them into junior, intermediate and senior instructors, and enhanced the incentive level of trainers. During the Year, the number of the in-house trainer team of the Group has reached 125.

During the Year, the Group conducted 521.11 hours of training for a total of 244 persons. The decrease in training hours and number of trained employees during the Year was mainly due to the adjustment of annual course schedule, which shortened the course hours as a whole; and the decrease in the proportion of fresh graduates enrolled in the Year, resulting in the decrease in duration and number of specialized training sessions for fresh graduates. Besides, the Group has invested a total of RMB45,010.94 in external on-the-job education and training, to broaden their horizons and enhance their professional skills and management capabilities.

	2024	Percentage of the trained employees	Average training hours per person
By gender	Male	38.92%	0.98
	Female	36.64%	0.60
By rank	Middle and senior management	11.11%	0.19
	First-line management	34.00%	0.80
	General staff	40.00%	0.84

3 Occupational Health and Humanistic Care

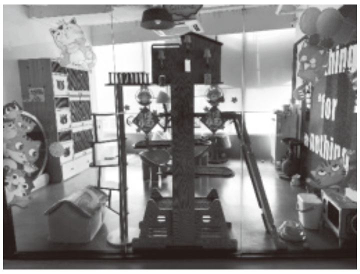
The Group has paid great attention to the occupational health and safety of its employees, and strictly complied with laws and regulations such as the Law of the People' Republic of China on Prevention and Control of Occupational Disease and the Production Safety Law of the People' Republic of China. It adopted a series of measures such as occupational disease protection, care for employees and drills for workplace safety to protect the physical and mental health and safety of employees. At the same time, the Group advocated the work philosophy of "combination of work and rest", and actively carried out a variety of employee care and team-building activities to enhance the employees' cohesion and sense of belonging and guide employees to pursue a better life in a healthy and sustainable way. In the past three years including the Year, there was no work-related fatalities occurrence. In the Reporting Period, there was zero lost day due to work injury.

1) Occupational Disease Prevention and Fitness Facilities

The Group attaches great importance to the health and safety of its employees. Our businesses do not involve any occupational hazards of high dangerousness or risks, but the Group provides employees with annual physical examination and additional commercial insurance. At the same time, in order to ward off occupational diseases such as damaged cervical vertebra and painful waist and legs arising from long-term working at a desk in the office, the Group encouraged the staff to relieve fatigue by standing, walking and stretching.

The Group is well-aware of the importance of employees' physical and mental health to work, and creates a comfortable and free working atmosphere for employees by providing a space for leisure and relaxation. In the meantime, the Group provided a variety of welfare facilities, such as the purchase of multi-functional massage chairs and the setting of exclusive preferential prices, which can be used by employees after work to alleviate muscle strain. We have also hired external teachers to provide various courses such as yoga, fitness training, and kickboxing at free gyms and yoga rooms at each weeknight. We encourage employees to actively participate in physical exercise. We have also built a cat room, a library and a manual cabinet to stimulate creative inspiration of employees.

Fitness classes



Lulala cat house

Display cabinet

The Group highly values employees' dining experience. It created a comfortable dining environment for employees by providing spacious, bright, exquisite restaurants and café. In addition, it has taken rigorous food safety measures to ensure that employees eat safely and healthily. At the same time, allergy warning labels were provided in the restaurants to ensure the food safety of employees. The Group also launched "online order + call for meal" mode. After placing an order online, the staff can directly go to the food counter to pick up the meal, reducing the queuing time. In order to further expand the variety of dishes, restaurants continued to introduce a total of 62 new products this year, including special meals and limited meals for festivals and seasons. In addition, employees can submit complaints and claims for wrong or problem dishes through the "restaurant suggestion box" function, the "online star evaluation of dishes" function and the online complaint channel on the enterprise's WeChat mobile terminal, and the supplier will communicate and follow up with them, thus further improving the staff's dining experience.

Staff canteen

2) Workplace Safety Maintenance

The Group believes that workplace safety is critical to the safety of lives and health of its employees and has a direct impact on the Group's productivity and economic efficiency. The Group endeavors to reduce the probability of accidents by implementing effective safety management measures, such as providing a safe working environment for its employees and training employees to master safe operating procedures. The Group strictly complies with relevant laws and regulations including the Fire Prevention Law of the People's Republic of China and the Emergency Response Law of the People's Republic of China, and installs AED emergency equipment for cardiopulmonary resuscitation in the office to cope with emergencies. It also conducts fire safety inspections on a regular basis and organizes and participates in fire safety lectures and training to continuously enhance the awareness of its employees on fire safety and emergency response capabilities.

- ***Case sharing: Fire drills***

  In order to enhance the fire safety education of our staff, improve their basic knowledge of fire-fighting, safety awareness and fire-fighting skills, and learn the proper use of fire extinguishers and various types of fire-fighting equipment, devices and facilities, on 28 June 2024, the Group participated in a fire drill organized by the Goldchi Building Property, after which the firefighters emphasized on how to check and eliminate safety hazards, how to correctly report a fire alarm, how to put out an initial fire, how to escape correctly, and how to use fire extinguishing equipment, and other major aspects. Through this fire drill and fire knowledge popularization, the staff further strengthened their ability to respond and protect themselves in emergency situations and familiarized themselves with the fire escape skills and precautions.

Fire drill

- ***Case sharing: AED first aid training***

  On May 29, 2024, the Group invited AED first aid professionals to conduct AED first aid training to its employees. During the training, the AED professionals explained in detail how to determine whether the rescuer needs CPR, including the judgment of consciousness, breathing, heartbeat, and the operation process of CPR, showed the location of the Company's AED equipment, and with the help of videos, pictures and on-site practice on dummies, they explained and demonstrated the correct operation and precautions of the AED equipment. Finally, under the demonstration and guidance of the professionals, all the participating employees carried out the operation of the first aid process. This AED first aid training further strengthened the employees' ability to respond to emergencies and mastered the skills of self-rescue and mutual rescue.

AED first aid training

3) Care for Females

The Group attaches great importance to the care and protection of female employees. The Group facilitates female employees to adapt to the work environment and promotes gender equality in the workplace by providing facilities and benefits for female employees such as convenient washrooms, nursery rooms and "Channel for Mothers-to-be" in staff restaurants.

Convenient washrooms

- The Group renovated and relocated the original women's toilet room in the office building to the interior of the Group's office area, increased access protection, and provided menstrual hygiene products to female employees to ensure their safety and convenience when using the toilet.

Nursery

- The Group provides fully-equipped baby care rooms, including door curtains, tables and chairs, washrooms, refrigerators and other equipment, which fully shows our respect and protection for employees' privacy, and has been unanimously affirmed and praised by many novice mothers of the Group.

"Channel for Mothers-to-be" in staff restaurants

- The Group has also opened the "Channel for Mothers-to-be" in staff restaurants for our pregnant female staff to take food separately without waiting in line. This can prevent mothers-to-be from being bumped in a crowded situation while there are more people at mealtimes, thus enhancing the experience of work and life of the pregnant female employees.

Nursery

"Channel for Mothers-to-be" in staff canteen

4) Staff Activities and Humanistic Care

The Group is an advocate of work-life balance. The Group has established trade union committee and holds various leisure festival activities for the employees regularly. In 2024, the Group enriched employees' spare time cultural life by organizing coffee experience classes and holding activities on Women's Day, Mother's Day, Father's Day, Dragon Boat Festival and Mid-Autumn Festival, and specially set up Programmer's Day, so as to create a lively, positive and healthy atmosphere and improve team cohesion.

- ***Case sharing: coffee experience class***

  In 2024, the Group organized coffee experience classes to explain to employees the basic knowledge of coffee beans, how to use bean grinders and coffee machines, and demonstrated the operations and techniques of coffee making such as extraction, milk frothing, and latte art. Under the guidance of baristas, everyone participated in the coffee making process and experienced the fun of making coffee with his own hands.

Coffee experience classes

- ***Case sharing: Warm Mother's Day and Father's Day***

  During the Year, the Group organized heart-warming activities on Mother's Day and Father's Day respectively, sending exclusive holiday gifts to employees who have become mothers and fathers to convey care and provided physical and mental care to employees, enhancing their sense of belonging to the "big family".

Exclusive presents giveaway on Mother's Day and Father's Day

- ***Case sharing: Traditional festival celebration gift box***

  On the 2024 Dragon Boat Festival, the Group customized special gift boxes for all employees to express the wish that they will throw away their "burdens of adulthood" and become children again, running and exploring freely in nature and enjoying the exciting, tranquil, and free "fun field" experience.

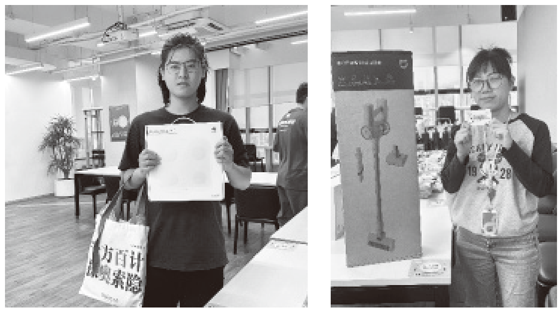
Special gift box on Dragon Boat Festival

On the 2024 Mid-Autumn Festival, the Group launched pampering gift boxes for all employees, expressing the wish that the life of each employee will become warmer due to this pampering, and also including the Group's care for the employees' pets.

Special gift box on Mid-Autumn Festival

- ***Case sharing: Celebrations on Programmer's Day***

  In 2024, the Group specially planned a Programmer's Day, prepared "awesome" holiday gift packages for the Group's programmers, and arranged the celebration site. There were small activities on site for programmers to relax their muscles, as well as a lucky draw, to bring programmers an exclusive holiday experience full of fun and surprises.



Celebrations on Programmer's Day

4 Labor Rights and Interests

The Group formulates and implements the internal management system of "Employee Handbook" and "Personnel Management System", and provides employees with opportunities to speak freely by establishing diversified communication and complaint channels and ensures that employees' voices are effectively conveyed and responded to. Meanwhile, the Group resolutely prohibits the employment of child labor and forced labor, opposes any form of discrimination and harassment, and fully protects the vital interests of employees.

1) Staff Satisfaction and Complaints

The Group encourages and requires all employees to maintain adequate communication, and clarifies employee communication channels and grievance procedures in the "Personnel Management System". The Group hopes to understand employees' opinions and feedback in a timely manner, enhance friendship, help each other, learn from each other, make progress together, and form a good working atmosphere of unity within the department and the entire Group.

Employee communication channels
• Employees are free to join any trade unions or similar organizations; • Employees can learn about the Group's various notices via OA bulletin board, intranet, email and other channels; • Employees can submit suggestions and opinions on various aspects of the Group through email and follow the complaint and appeal procedure; • Employees have the right to express personal opinions or complaints to their direct superiors, higher-level superiors, and human resources department; • To conduct face-to-fact interviews at the critical stages of work career including career entry, promotion and resignation; and • To issue questionnaires regularly to understand the degree of satisfaction and demands of the employees.

2) No Child Labor and Forced Labor

The Group strictly complies with relevant laws and regulations such as the Labor Law of the People's Republic of China, the Employment Contract Law of the People's Republic of China and the Law of the People's Republic of China on Protection of Minors, and strongly prohibits hiring child labor or forced labor. The Group strictly prohibits hiring child labor by verifying the age and other identification information of job applicants, so as to eliminate mis-employment from the root cause. The Group strictly prohibited to employ child labor. If it is found that the management personnel intentionally assist the applicants to conceal their true identity and age and use false identity certificates to enter the Group, the Group will seriously deal with it according to the system. In the meantime, the Group implements flexible working hours and is opposed to working overtime. The employees who need to work overtime should apply in advance and the Group will grant the employees paid leave or overtime compensation. During the Reporting Period, no child labor or forced labor has been employed by or occurred in the Group.

3) Diversity and anti-discrimination

The Group has formulated and implemented the Prohibition of Discrimination and Sexual Harassment System, and strictly maintains a working environment where everyone is equal and respected. In terms of employee recruitment, wages, benefits, training, promotion, etc., the Group does not discriminate on the basis of race, social status, national origin, religious belief, age, disability, gender, marital status, pregnancy, sexual orientation, political affiliation, etc., and abuse and harassment of employees are strictly prohibited. During the Reporting Period, the Group did not receive any complaints regarding infringement of the staff's rights and interests.

VI. COMPLIANCE OPERATIONS AND ANTI-CORRUPTION

The Group has always adhered to the concepts of compliance operations, honesty and integrity, and has formulated and implemented various internal management systems, such as Contract Review Methods and Highlights, Practical Guidelines on Anti-Corruption and Employees' Handbooks, to continue to improve the construction of the compliance system and enhance the level of operation and management as well as risk prevention capabilities. Meanwhile, the Group continues to strengthen the construction of a culture of integrity, improve employees' awareness of integrity, and create an honest and trustworthy, clean and upright business environment.

1 Compliance Operations

The Group strictly complies with the relevant national laws and regulations and obtained relevant official qualifications and licenses such as the Network Culture Operation License, the Online Publishing Service License, and the Publication Operation License of the People's Republic of China. At the same time, all departments of the Group adhere to operating in compliance with the laws, strictly comply with the relevant laws and regulations of the state, actively cooperate with supervision and administration, and strictly comply with relevant requirements to obtain relevant qualifications and licenses in accordance with the law. The Group pays close attention to industry developments and the publication of the latest laws and regulations, making timely comparison and adjustment, self-examination and self-correction. We voluntarily participated in industry self-discipline, maintains close and good communication with competent authorities, industry associations and other organizations, and uses industry associations to integrate resources and information sharing to jointly maintain the healthy development of the game industry.

The Group has a public affairs department that effectively strengthens close communication with government authorities, industry associations and other organizations, tracks and implements the new industrial regulations in a timely manner, and ensures that the Group operates in accordance with laws and regulations; Legal affairs department of the Group strictly implements the Guidelines for the Legal Affairs of BAIOO, and carries out legal affairs such as contract review and approval, legal document review, intellectual property protection, infringement complaints, etc. in accordance with the standard operating specifications to protect the legal rights and interests of the Group; and overseas issuance team cooperates with the legal affairs department and various business departments to identify compliance risk points in overseas regions and is committed to ensuring the compliance operations of the Group's overseas business.

Industry regulation tracking:

During the Year, the Group actively participated in a total of 16 industry conferences and regulatory publicity and implementation activities organized by government authorities or industry associations, exchanged ideas with peer companies to keep abreast with the latest developments, to thoroughly study and implement the Personal Information Protection Law, Regulation on the Protection of Minors in Cyberspace, Provisions on Governance of Cyber Violence Information and other industry-related laws and regulations, establishing an internal ledger of commonly used laws and regulations in the gaming industry, learning about the content of legal and regulatory provisions, conducting self-examination and self-correction, and ensuring the Company's compliant operations.

Publicization and implementation of laws and regulations:

The Group insists on conducting employee training on the theme of "network information content safety" at least once a month, with the aim of promptly publicizing and implementing the latest laws and regulations and network ecological governance requirements, ensuring that our employees fully understand and strictly comply with them, improving their sales capabilities, cultivating a bottom-line mindset and enhancing political sensitivity, so as to ensure the legality and compliance of the entire process of product research and development, launching and operations. The legal affairs department shares legal knowledge and relevant cases with all employees through monthly internal training and sharing sessions, the BAIOO Legal Express subscription account and others, in order to continuously enhance employees' awareness of compliance.

- ***Case sharing: BAIOO Legal Express subscription account tweet shares***

  In 2024, the Group's legal affairs department issued popular science tweets on controversial issues involving players' assets, gaming community environment, and the content of the Service Agreement of the gaming company, such as "banned players who named a game character with the intention of humiliating". At the same time, the Group also issued popular science tweets on content that is vulnerable to infringement, such as intellectual property rights, to remind our sales departments to comply with relevant regulations and enhance the compliance awareness of all our employees.

BAIOO Legal Express subscription account tweet shares

- ***Case sharing: Centralized trainings on learning and studying judicial cases and judgments of great importance in the industry***

  On February 5, 2024, the legal affairs department organized centralized trainings on learning and studying judicial cases and judgments of great importance in the industry. The dispute cases of copyright infringement and unfair competition in "Rise of Kingdoms" and "Commander" were used to start discussions and analysis, focusing on learning the judge's perspective and key points of consideration in analyzing and determining game skin infringement, as well as the latest connotations and denotations of several terms related to re-skinning, and publicizing the law to the leaders of the Company and sales-related departments. Centralized trainings on learning and studying judicial cases and judgments of great importance in the industry have enhanced the Group's business team's awareness of law-abiding, further standardized the project R&D and design processes, and reminded employees to pay attention to legal boundaries.

Network Ecosystem Governance:

The Group fully cooperated with the cyberspace administration in carrying out special governance and related supervision and management works and established and improved the daily operation mechanism for ecological governance. During the Year, the Group carried out a total of 7 special operations in the nationwide campaign to purify the online environment, strictly following the requirements of the special operations to formulate work plans, comprehensively investigate the Company's products and services, implement work tasks one by one, carefully summarize and report to the cyberspace administration department in a timely manner, and effectively maintain the order of publicization of platform information content.

2 Anti-corruption

The Group strictly complies with relevant laws and regulations, such as the Anti-Unfair Competition Law of the People's Republic of China, the Interim Provisions on Banning Commercial Bribery, the Anti-Monopoly Law of the People's Republic of China. The Group has a policy of zero tolerance towards corruption and has formulated and enforced internal systems such as the Anti-Fraud, Anti-Corruption and Report Management System to clarify the specific requirements of anti-corruption, anti-bribery and anti-money laundering work in prevention, control and feedback. During the reporting period, the Group did not involve in any corruption litigation cases or received any related reports.

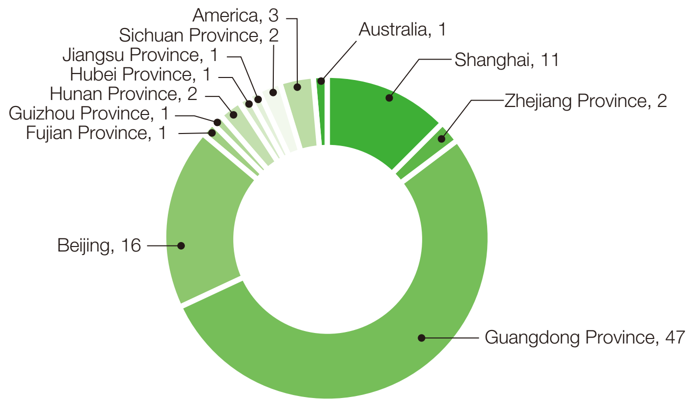
The Group has established multiple reporting channels to receive reporting information via email, reporting telephone, anonymous letters, etc., and will publicize reports received on internal and external network. For the reporting information received, the Group has formulated clear handling procedures, reward and punishment plans and remedial measures. In addition, the Group specified the protection mechanism for whistleblowers, and those who divulge the whistleblower's information, retaliate against the whistleblower, or make false or malicious accusations against the whistleblower will be considered as serious violations of the Company's rules and regulations, and will be dismissed with their employment contract terminated. If the relevant behavior violates the law, the Group will transfer the perpetrator to the judicial organization for handling in accordance with the law. Furthermore, the Group regularly organizes subject talk and training on anti-corruption for all employees and directors of the Group, emphasizing on the Group's "third rail" as well as its management practices and strengthening the awareness of integrity and work ethics of all employees.

The Group has established a comprehensive database on the work platform, which is updated annually, the content of which includes group strategy, group system rules, and guidelines specifically tailored to the needs of inter-departmental collaboration. It creates an open, transparent and efficient working environment, further strengthening our employees' understanding of the Group's internal systems, including anti-corruption systems and related content, and enhancing the Group's overall supervision and risk prevention efforts. During the Year, the average daily usage frequency of the Group's knowledge base is approximately 560 times.

During the Year, the Group organized anti-corruption related training for a total of 644 directors and employees totaling 644 hours. The anti-corruption trainings cover the Group's anti-corruption policy and risk management approach etc., ensuring that the employees are fully aware of the anti-corruption policy, the process of managing corruption risks, and familiarizing with their corresponding roles and responsibilities in anti-corruption and business ethics, to cultivate a good sense of anti-corruption awareness and professional conduct.

VII. RESPONSIBILITY OF THE SUPPLY CHAIN

Adhering to the concept of "win-win cooperation and sunshine procurement", the Group strictly complies with the Bidding Law of the People's Republic of China, Government Procurement Law of The People's Republic of China and other relevant laws and regulations, formulates and implements internal systems such as the "Commerce Management System", the "Supplier Selection Management System", to standardize the selection, evaluation and management of suppliers, and incorporates the supplier's code of conduct into the "Commerce Management System", clarifying the requirements and assessment process of environmental management, labor rights, equality and anti-discrimination and anti-corruption of suppliers, and is committed to creating an open and transparent environment for sunshine procurement. At the same time, the Group gives priority to the selection of products and suppliers that are conducive to the sustainable development of society and the environment, and urges suppliers to jointly promote the development of green supply chain. In 2024, the Group has 88 suppliers, all of whom are subject to supplier admission, evaluation, and management practices. The number of suppliers by region is as follows:



1 Supplier Acceptance

The Group divides existing suppliers into three categories: card suppliers, other procurement suppliers and major contract suppliers, and formulates the corresponding supplier entry rules for each category. The Group has set up an internal assessment team to understand and select suppliers with good reputation through multiple channels, organize site visits, and compare and evaluate the management of operation, manufacturing capability, technical level, quality level, delivery capability, price level, after-sales service and other indicators of suppliers by adhering to the principles of openness, impartiality and merits, and determine the final list of suppliers based on the evaluation results. When selecting catering suppliers, the Group focuses on the source of food, quality of ingredients, the distribution sites, service experience to ensure the safety of food and quality of service.

2 Supplier Assessment

At the end of each year, the finance department and relevant departments are responsible for conducting assessments of suppliers selected by the Group. The assessment criteria include the business scale, quality level, delivery capability, price level, technical capability, service quality, compliance with code of conduct of the supplier, and the assessment team will evaluate by weight for different indicators. The assessment results of the suppliers are divided into three levels: A being the highest level and priority will be given to those so evaluated in future procurement deals, with procurement proportion increased if necessary; for those evaluated the intermediate level of B, normal transactions and procurement proportion can be maintained; for those evaluated the lowest-level of C, our partnership will be terminated and replaced with new suppliers. The results of the assessment are recorded in the Annual Supplier Assessment Form, which is kept by the finance department. After the completion of the annual assessment, the finance department will update the List of Major Suppliers based on the results of the assessment.

3 Environmental and social risk management of the supply chain

The Group attaches great importance to the sustainable development of the supply chain by giving priority to suppliers which can promote social and environmental sustainable development, and formulates requirements of code of conduct for suppliers in selecting suppliers, requiring them to comply with the following codes of conduct at the lowest limit:

- **Compliance with laws and regulations:** All applicable laws and regulations must be observed in the course of operation;

- **Environment:** Appropriate systems should be adopted to assess, measure and reduce the impact of business operations on the environment;

- **Child labor and forced labor:** Workers below the legal working age shall not be employed; no forced labor, coerced labor or bonded labor in any form shall be employed;

- **Salary and working hours:** All employees should sign employment contracts in accordance with local laws; the supplier shall comply with the local applicable statutory minimum wage level and self-discipline code; overtime compensation shall be paid in accordance with the law, and the hours shall be within the legal working hours limit;

- **Labor Relations:** Appropriate communication mechanism and appeal procedures should be in place to enable employees to express their demands and appeal to the management;

- **Health and safety:** Health and safety policies should be formulated, and operation procedures should be clearly listed to reduce the chance of injury or illness of employees and protect their health; Training on occupational safety and relevant codes of practice should be provided for employees to ensure safety for themselves and other employees;

- **Discrimination:** When hiring employees, the main determinant shall be whether the candidate meets the job requirements. No discrimination against employees on the basis of gender, race, nationality, age, marital status, child status, sexual orientation, religion or physical disability will be allowed;

- **Suppliers and subcontractors:** If applicable, code of conduct meeting the requirements of suppliers shall be formulated and salary should be paid to their suppliers and subcontractors on time; and

- **Bribery and corruption:** Policies, codes of conduct and operating procedures should be formulated to eliminate any form of bribery, corruption and fraud and ensure strict implementation.

At the same time, the Group actively responds to the national goal of achieving carbon peak and carbon neutrality, practices green and low carbon concept and promotes the awareness of ESG management to the suppliers, and takes full account of factors such as environmental protection, resource conservation, safety and health, recycling and low carbon and recycling promotion in procurement decisions, for example, priority is given to cloud server providers with the concept of green data center, and we actively build green supply chains. Energy-saving and eco-friendly products, such as LED lighting, split air conditioners and computers with national energy-saving certification, etc., are our first choice in decoration materials and office equipment in the office area of the Group to reduce energy consumption.

4 Supplier Communication and Management

The Group maintains transparent and smooth communication with suppliers on the basis of mutual trust and cooperation to ensure that the demands of both parties are timely addressed to, striving to build a mutually beneficial and win-win cooperative relationship. The finance department requires the existing suppliers to update their qualification information at the beginning of each year to ensure the completeness and accuracy of the suppliers' information. The administrative department holds suppliers' meeting every month and regularly follows up on the daily operation of the suppliers so as to maintain effective communication and solve any problems in a timely manner.

For the catering suppliers, the Group has developed monitoring measures for daily management as follows:

Ensure food safety in restaurant	Maintain sanitation of the restaurant environment	Improve the service quality of the restaurant
• implement a quarterly sampling mechanism for on-site dishes and tableware and send to a third party for testing; and • conduct spot checks at the suppliers' "central kitchens" on an ad hoc basis every month, which includes warehouse inventory, food preservation and production process, environmental sanitation, etc., and maintain the records of the checks.	• regularly conduct the general cleaning every week and arrange professional disinfection companies for door-to-door quarterly treatment; and • check the sanitation of the restaurant environment every day to ensure the comfort of the restaurant environment.	• check the food products every day to ensure the effectiveness of the food supply; • check the dressing of the staff, and check the health certificates regularly; and • implement the punishment mechanism for complaints received into the contract terms and clarify the compensation terms and coverage.

For coffee shop suppliers, the Group has developed the following daily management and monitoring measures:

- The management of products in and out of storage was strengthened to keep the inventory within a reasonable range. When bottled drinks are sold, their remaining shelf life shall not be less than one third of the effective shelf life of the products.

- The administration department strictly supervised and managed the environmental sanitation of the coffee shop, and required the supplier to clean and disinfect the bar before and after business every day; and

- The requirements for mealtime were specified, and the WeChat platform-based online ordering service was provided to ensure that the service meets the expected standards.

For cleaning and greening suppliers, the Group has developed the following daily management and monitoring measures:

- The supplier was required to output the work completion of the day in the form of mini program; and

- Adhering to the long-term cooperation intention, we established a mutual trust mechanism to strengthen information sharing, jointly optimize the office cleaning and greening mechanism and operation process, and improve the service efficiency and quality of suppliers.

VIII. ENVIRONMENTAL RESPONSIBILITY

The Group actively responds to the national dual carbon goal, and incorporates environmental protection concepts into its routine operations and management, strictly follows the laws and regulations including the Environmental Protection Law of the People's Republic of China and Atmospheric Pollution Prevention and Control Law of the People's Republic of China, formulates and implements the Office 5S Management Regulations, the Fixed Asset Management System and other policies on environmental protection, carries out a series of measures such as energy conservation and emission reduction, water conservation and waste classification, etc. to improve the efficiency of energy and resource utilization. At the same time, the Group continues to enhance its ability to respond to risks of climate change, aiming to capitalize on the opportunities created by climate change and help transform contribute to the transition to a low-carbon economy. The Group also organizes environmental campaigns to raise awareness of environmental protection among all sectors of the society.

1 Green Operation

The Group always adheres to the concept of green development, conducts daily operation and management under the principle of "green office, energy saving", identifies energy consumption and emission points of operation management, optimizes green operation measures, and reduces carbon emissions. Meanwhile, the Group implements water resource management and waste management in a planned manner, explores the green circular economy, and strives to create a green and low-carbon office environment.

1) Save energy and resources and reduce carbon emissions

The Group attaches great importance to conserve energy and reduce emissions in its operations. It has formulated energy conservation and emission reduction goals and specific measures, and actively takes measures to promote the realization of the goals.

The Group's objectives: to put into practice the operation mode of low-energy consuming and sustainable development, explore green and low-carbon office, improve energy efficiency and reduce greenhouse gas (the "**GHG**") emissions.

The Group's measures on the management goal include:

- Employees are encouraged to choose public transport mode, green travel and reduce personal carbon footprint;

- The office shall be equipped with LED lamps, and the electric lamps shall be turned off during lunch break, and the energy-saving and environmental protection signs shall be posted. The electric lamps in the meeting rooms, training rooms and other public areas shall be turned on and off at the same time; Arrange personnel to patrol and turn off the power supply after work and before holidays;

- The Group promotes the behavior of green supplies and encourages and advocates the selection of reusable office stationery; electronic office equipment shall be products with energy-saving certification marks, and the maintenance for failure shall adopt the mode of repair or replacement of parts to reduce the waste of resources newly purchased;

- The air conditioning temperature shall not be too low, the room temperature shall be kept at 26°C, and the temperature difference shall not exceed 1°C; fresh air systems are installed on all floors of the Group to lead the outdoor air into the room after purification and discharge the indoor air out of the room after purification;

- The Group completely decommissions the physical computer rooms of online services, leases a cloud server provider with a green data center concept and migrates all services to the cloud-based platform;

- The Group further integrates server iterations, eliminates low-performance servers, enhances the deployment and use of virtualized servers, and reduces energy consumption; and

- The Group adjusts the operating parameters of the rotating ring equipment (precision air-conditioner) in the internal data room quarterly to ensure low-consumption and high-energy operation of the equipment under seasonal changes.

During the Year, the Group's workplace underwent certain changes, which significantly reduced electricity consumption, resulting in a decrease in overall electricity consumption of the Group. During the Year, the key achievements of the Group in promoting the realization of energy saving and emission reduction targets were that the Group's electricity consumption were reduced by 32.18% year-on-year through the implementation of a series of energy saving and emission reduction initiatives.

2) Conservation of water resources

The Group attaches importance to the efficient utilization of water resources in its operations and has formulated and implemented various water conservation measures to enhance the efficiency of water resources. During the Reporting Period, the Group had no water pressure in business operation and no difficulty in sourcing suitable water.

The Group's objectives: Water resource should be used rationally to improve the efficiency of water use.

The Group's measures on the management goal include:

- set up water-saving faucets in toilets, and strengthen daily maintenance and management to reduce the waste of water resources; and

- strengthen internal publicity and implementation by posting environmental protection signs and other ways to improve employees and cleaning personnel's awareness of water conservation.

During the Year, the Group's workplace underwent certain changes, which significantly reduced water consumption, resulting in a decrease in overall water consumption of the Group by 33.40% year-on-year. During the Year, the key achievements of the Group in facilitating the accomplishment of water conservation targets were: employees were guided to form water-saving habits and their water-saving awareness was enhanced by adopting the above water conservation measures.

3) Waste management

In compliance with the Law on the Prevention and Control of Environmental Pollution by Solid Waste and other regulations, the Group adheres to the principles of reduction, recycling and harmlessness and strictly manages the discharge and treatment of waste. Based on business characteristics, the Group's waste discharge mainly consists of waste gas produced by the use of official vehicles, office waste and a small amount of waste electronic equipment, and there is no direct discharge of waste to water and land.

The Group's objectives: Materials recycling should be improved and waste should be reduced.

The Group's measures on the management goal include:

- Garbage classification is advocated to set up special garbage bins for recyclable garbage, other garbage, kitchen waste, and harmful garbage, and the cleaning personnel will pack and transport the classified garbage to the centralized treatment point, and then the property management company will handle it uniformly;

- Garbage recycling is recommended to separate the paper, plastic, glass, metal and electrical appliances with recycling value in office garbage and to store them separately, and submit to the waste recycling agency for comprehensive utilization;

- Hazardous waste is sent to the community centralized collection site for professional treatment according to the regulations. For the waste ink cartridges, toner cartridges and instruments and equipment that cannot be reused, the Group will arrange relevant personnel to collect them uniformly and regularly submit them to the supplier for treatment;

- The "green printing" policy is strictly implemented to set the monthly limit of printing/copying paper for employees, and the administrator of the printing and copying machine regularly monitors the background data, supervises the use of office paper, advocates the reuse of printing paper, recycles daily single-sided paper documents that do not involve confidentiality as secondary paper, and sets up a special secondary environmental protection paper storage cabinet in the printing area; and

- Promote paperless office, launch more approval processes in the OA system, and convert traditional paper approvals into online approvals; use the Feishu Cloud document function to enable multiple people to access and edit at the same time, reducing the need to deliver documents through paper, express delivery, etc., to improve work efficiency and reduce office paper consumption.

During the Year, the total amount of hazardous waste of the Group increased significantly, mainly due to the disposal of a large number of electronic equipment, including more than 100 servers, more than 100 computer hosts, more than 500 monitors, etc. At the same time, the Group's workplace underwent certain changes, which significantly reduced the total amount of non-hazardous waste, resulting in an overall decrease in total amount of non-hazardous waste of the Group. During the Year, the key achievements of the Group in propelling the fulfillment of waste reduction targets were that the Group's non-hazardous waste decreased by 19.84% year-on-year through a series of waste reduction initiatives.

2 Responding to climate change

The Group continues to pay attention to the global impact of climate change. With reference to the proposed framework of TCFD (Task Force on Climate-Related Financial Disclosures), the Group continues to improve resilience and resistance to climate change risks around the four pillars of "Governance, Strategies, Risk Management, Indicators and Targets".

Governance

The ESG Management Committee of the Group is responsible for formulating and reviewing related policies on climate change, and includes "Response to Climate Change" in its annual materiality for continuous assessment. Simultaneously, the ESG Management Committee supervises whether the Group effectively manages the risks in climate change in the process of operation to mitigate the impact of climate change on business, adapt to climate and environmental change, and strengthen the Group's ability to resist climate change.

Strategies

The Group is actively engaged in the identification and assessment of climate-related risks and is concerned about their potential impact. In combination with the TCFD's recommendations, the Group identifies climate change risks that may have a significant impact on the Group from two dimensions, namely transition risks and physical risks, and actively takes response measures.

Risk type		Risk description	Response measures
Transition risks	Policies, regulations and laws	The update of laws, regulations and regulatory requirements related to the gaming industry, and in the context of the national goal of achieving carbon peak and carbon neutrality, regulatory requirements such as carbon emission report and information disclosure, and expansion of carbon trading scope may be generated in the future	• Continue to pay attention to national game-related laws and regulations and system dynamics to ensure compliance operations • Continue to pay attention to the development of national laws and regulations related to climate change to ensure the compliance with disclosure

Risk type	Risk description	Response measures
		• Continue to promote energy conservation and consumption reduction measures to reduce GHG emissions
Market	The market's awareness of climate change has been strengthened, and customer behavior preferences have changed, which will be more inclined to buy products and services with green eco-friendly attributes	• Real-time tracking of customer behavior preferences, and timely increasing efforts to develop green eco-friendly products
	The value of resources such as electricity, fuel and water fluctuates with the impact of climate change	• Strengthen the promotion and management of energy conservation and consumption reduction • Prioritize the use of energy-conserving equipment and reduce unnecessary energy consumption
Reputation	Poor and negative news on environmental protection and climate change may affect the reputation of the Group	• Strengthen brand building, and incorporate green elements into the game • Actively undertake and disclose green environmental protection and climate change response measures and achievements

Risk type		Risk description	Response measures
Physical risks	Acute risk	Daily operation is interrupted due to power failure and water shut-down caused by natural disasters such as typhoon, flood, drought or extreme weather	• Completely shut down online service physical engine room, migrate all relevant service contents to the cloud server and conduct regular inspections • Pay close attention to weather conditions and send early warning information to local employees in case of extreme weather
	Chronic risk	Regional climate change caused by rising average temperature and sea level, and office and data infrastructure may be damaged	• Regularly carry out data validation of data disaster recovery system, establish offline data backup, and ensure the availability and integrity of backup data • Conduct monthly data recovery emergency drill and result analysis • Proactively identify and assess chronic climate risks and incorporate them into workplace selection considerations

Risk management

The Group has established a comprehensive risk management system, and identifies major climate change risks based on the characteristics of its principal business, the characteristics of its industry and the climatic conditions of the geographical areas in which it is located. At the same time, the Group actively adopts response measures to mitigate the identified climate-related risks, and the relevant business departments are responsible for executing and implementing feasible countermeasures.

Indicators and targets

In order to better understand and continuously track the effectiveness of the Group's efforts to address climate change, the Group has set relevant targets covering energy conservation and emission reduction, water conservation, and waste management, and has actively taken measures to promote the achievement of the targets. Meanwhile, the Group continues to disclose the GHG emission data of Scope I and Scope II, and discloses certain GHG emission data of Scope III during the Year. The Group will continue to focus on and identify applicable category of Scope III and keep implementing emission reduction measures. Employees are encouraged to travel in a low-carbon and green way, and give priority to public transportation when traveling, so as to reduce the carbon emissions generated from commuting and travel.

3 Key Environmental Performance Data

ESG Key performance indicators	Unit	Consumption/Emission	
		2023	**2024**
Nitrogen oxides (NOx)	Kg	1.69	**1.59**
Sulfur oxides (SOx)	Kg	0.03	**0.03**
Particulate matter (PM)	Kg	0.12	**0.12**
GHG emissions (Scope I)	Tonne	5.56	**5.29**
GHG emissions (Scope II)	Tonne	1,080.16	**732.58**
Total GHG emissions (Scopes I + II)	Tonne	1,085.72	**737.87**
GHG emissions (Scopes I + II) intensity	Tonne/person	1.48	**1.07**
GHG emissions (Scope III)			
—Business travel	Tonne	/	**5.79**
Total hazardous wastes	Tonne	0.07	**4.24**
Total non-hazardous wastes	Tonne	8.10	**6.49**
Gasoline consumption	'000 kWh	18.53	**19.19**
Electricity consumption	'000 kWh	1,894.02	**1,693.44**
Direct energy consumption	'000 kWh	18.53	**19.19**
Indirect energy consumption	'000 kWh	1,894.02	**1,693.44**
Total energy consumption	'000 kWh	1,912.55	**1,712.63**
Energy consumption intensity	'000 kWh/person	2.61	**2.49**
Office paper consumption	Tonne	0.58	**0.45**
Water consumption	m^3	952.00	**634.00**
Water consumption intensity	m^3/person	1.30	**0.92**

Notes of the environmental data for 2024:

- The collection time of environmental data in 2024 covers from January 1, 2024 to December 31, 2024; the scope of collection includes the Group's office building in Guangzhou, official vehicles and engine room used by administrative office.

- Air emissions in 2024 are generated from the gasoline consumption of the Group's official vehicles.

- The main source of GHG emissions (Scope I) is the above-mentioned consumption of gasoline; GHG emissions (Scope II) are generated from the purchased electricity. GHG emissions (Scope III) mainly include business travel by air. The relevant emission factors are referenced from the Reporting Guidance on Environmental KPIs of the Stock Exchange, the GHG emission coefficient of purchased electricity refers to the Ministry of Ecology and Environment's latest Average Emission Factor of National Power Grid. For GHG emissions from business travel by air, it refers to the ICAO Carbon Emissions Calculator (ICEC).

- The types of energy consumed by the Group in 2024 included purchased electricity and gasoline used in official vehicles; the relevant energy coefficient are referenced from the Reporting Guidance on Environmental KPIs of the Hong Kong Stock Exchange and the national GBT2589-2020 General Principles for Calculation of the Comprehensive Energy Consumption.

- Total hazardous wastes included the volume of the waste electronic products, waste batteries and waste ink cartridges/toner cartridges; with waste electronic products are recycled by professional electronic product recyclers, and waste ink cartridges/toner cartridges are recycled by suppliers so as to reduce the Group's own environmental impact.

- Non-hazardous waste refers to the office garbage generated from office areas.

- Direct energy consumption refers to the use of gasoline.

- Indirect energy consumption refers to the use of the purchased electricity.

- Relevant intensity values are calculated by the total number of employees.

IX. GIVING BACK TO THE SOCIETY

The Group actively contributed to the society and fulfilled its corporate responsibility and created a fair, equal and inclusive social environment by carrying out public welfare activities such as education assistance, rural revitalization initiatives and caring for the elderly. During the Year, the Group has established the "BAIOO Public Welfare" and organized 4 social welfare activities with 51 volunteers participated, the donation amounted to RMB88,247.

1 Education assistance

- ***Case sharing: BAIOO Education Grants***

  In March 2024, "BAIOO Public Welfare" joined hands with the Guangdong Education Foundation to establish the "BAIOO Education Grants" to provide financial assistance to students from poor families in Northwest Guangdong Province. On the 74th International Children's Day, "BAIOO Public Welfare" and Baitian Party Branch, together with the Guangdong Education Foundation visited Wenfu Chuangzhao School in Jiaoling County, Meizhou City, to hold the "Carry love and build dreams for future with the children" BAIOO Education Grants Presentation Ceremony and the International Children's Day Care Activity, where RMB1,000 were distributed to each of the school's 20 students from poor families, and each of the school's 193 students were delivered an exclusive International Children's Day gift, at a total cost of RMB33,624, to accompany the school's children to spend a surprising and unforgettable International Children's Day together.

  This student assistance activity distributed "BAIOO Education Grants" and gifts to each of the 20 benefited students from poor families, to support them to receive good education, achieve all-round development in "ethics, intellect, physique, aesthetics and hard work" and become a productive member in the society.

  Meanwhile, all students at Wenfu Chuangzhao School were presented with an exclusive International Children's Day holiday gift bag containing carefully selected stationery items and BAIOO merchandise. After the presentation ceremony, BAIOO representatives, led by school teachers, visited four families of the gifted students to learn more about the students' families, learning and living conditions, and sent the students and their families souvenirs as well as sincere greetings for the holidays.

"Carry love and build dreams for future with the children" BAIOO Education Grants Presentation Ceremony and the International Children's Day Care Activity

- ***Case sharing: BAIOO Encouragement Grants***

  In March 2024, BAIOO together with the Guangdong Education Foundation, has officially established the "BAIOO Encouragement Grants" to provide care and encouragement to high school students in remote areas of northwestern Guangdong who have outstanding academic performance but whose families have financial difficulties. The project is implemented by the Guangdong Education Foundation, which plans to launch the "BAIOO Encouragement Grants" funding program in Meizhou and Maoming for three consecutive years, subsidizing 10 students with RMB3,600 per student per academic year. In 2024, the total amount of the subsidy program was RMB36,000. The project aims to support the benefited students to receive better education and to achieve their all-round development in "ethics, intellect, physique, aesthetics and hard work", so that they can become a productive member in the society.


Communication of the "BAIOO Encouragement Grants" funding program

2 Caring for the elderly

- ***Case sharing: Visits to the elderly activity for the Mid-Autumn Festival***

  In 2024, as Mid-Autumn Festival was approaching, and in order to show care for the elderly living alone, “BAIOO Public Welfare” and Baitian Party Branch, together with the social worker service station of “Double Hundred Project” of Changxing Street organized the “Love fills the festive day, warming the hearts of the elderly” visit activities for the Mid-Autumn Festival. BAIOO volunteers went to the Xingke Community, Keyi Community and Jianli Community in Changxing Street, Tianhe District, where they visited 10 elderly living alone or with disabilities, extending their sincere holiday greetings and blessings, and delivered daily necessities including rice, noodles, oil, laundry detergent, tissue paper, cereal, winter thick cotton quilt cores and BAIOO 2024 Mid-Autumn Festival Gift Box on behalf of the Company, spending over RMB7,943. Through such visits to the elderly for the Mid-Autumn Festival, we delivered our sincere holiday greetings, and put into practice the corporate responsibility of BAIOO Group.

Visits to the elderly activity for the Mid-Autumn Festival

3 Green promotion

The Group advocates a green and low-carbon lifestyle, actively carries out environmental awareness promotion activities and invites all employees and the public to participate in ecological and environmental protection actions.

- ***Case sharing: Devotion to the environmental conservation and green development of Guangzhou, organizing "Planting tree together in spring breeze (春風十裡，正植有你)" charitable tree-planting activity***
  The Company has actively responded to the call for environmental conservation and green development. On March 17, 2024, the Company's Party Branch and BAIOO Charity organized employee volunteers to go to Nansha Wetland Park to plant trees and outing, and together they planted 20 golden bell tree saplings. Since 2019, BAIOO Charity volunteers have planted, during the tree-planting season in March, a total of four batches of "BAIOO loving forests (百奧愛心林)" in Nansha Wetland Park, using practical actions to implement the ecological and environmental protection concept of "lucid waters and lush mountains are invaluable assets", and jointly contributing to environmental conservation and green development of Guangzhou. This year, the Company also held a photography competition with the theme of "Flower-blossoming city in spring (花城春色)", calling on employees to use cameras to record the beautiful flower-blossoming moments of spring in Guangzhou, while also calling on everyone to pay attention to green environment, join low-carbon life, and build a green Guangzhou where human and nature harmoniously coexist.

"Planting tree together in spring breeze" charitable tree-planting activity

X. MAJOR HONORS AND AWARDS IN 2024

During this Year, the major honors and awards obtained by the Group are as follows:

Award	Presented by	Award Time
2024 Excellent Enterprise in Network Ecological Governance in Guangzhou Game Industry	Guangzhou Games Industry Association	October 2024
Most Anticipated Game for 2024	Honor	October 2024
Most Anticipated Game for 2024	Vivo	October 2024
Anticipated Game for Players for 2024	OPPO	October 2024

XI. INDUSTRY ASSOCIATIONS PARTICIPATED BY THE GROUP

As of December 31, 2024, the industry associations in which the Group had participated and its memberships are as follows:

No.	Name of Association	Membership Level
1	China Audio-video and Digital Publishing Association	Director of the Working Committee on Game Publishing
2	Copyright Society of China	Director
3	Internet Society of China	Member
4	Guangdong Digital Publishing Association	Head Unit of the Professional Committee of Online Games Animation
5	Guangdong Software Industry Association	Director
6	Guangdong Entertainment & Game Industry Association	Director
7	Game Culture Industry Alliance of Tianhe Intelligent City in Guangzhou	Director
8	Guangzhou Industry Alliance of Cultural Listed Companies	Member
9	Guangdong New Social Stratum Association	Member
10	Software and Information Industry Association of Tianhe District of Guangzhou	Vice President
11	Guangzhou Game Industry Association	Vice President
12	Guangzhou Internet Culture Association	Member
13	Guangdong Provincial Internet Federation	Member
14	Guangzhou Internet Society	Member
15	BUPT Alumni Entrepreneurs Association	Director

APPENDIX I: THE CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE STOCK EXCHANGE

ESG Indicators		Disclosure	Corresponding Section
Aspect A1: Emissions			
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Disclosed	VIII. Environmental Responsibility
KPI A1.1	The types of emissions and respective emissions data.	Disclosed	VIII. Environmental Responsibility
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	VIII. Environmental Responsibility
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	VIII. Environmental Responsibility
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	VIII. Environmental Responsibility
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Disclosed	VIII. Environmental Responsibility
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Disclosed	VIII. Environmental Responsibility

ESG Indicators		Disclosure	Corresponding Section
Aspect A2: Use of Resources			
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Disclosed	VIII. Environmental Responsibility
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Disclosed	VIII. Environmental Responsibility
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	VIII. Environmental Responsibility
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Disclosed	VIII. Environmental Responsibility
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Disclosed	VIII. Environmental Responsibility
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable	The Group is a non-production enterprise, which does not use packaging material
Aspect A3: The Environment and Natural Resources			
General disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Disclosed	VIII. Environmental Responsibility
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed	VIII. Environmental Responsibility
Aspect A4: Climate Change			
General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Disclosed	VIII. Environmental Responsibility
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Disclosed	VIII. Environmental Responsibility

ESG Indicators		Disclosure	Corresponding Section
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Disclosed	V. Employment Management
KPI B1.1	Total workforce by gender, employment type (for example, full— or part-time), age group and geographical region.	Disclosed	V. Employment Management
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Disclosed	V. Employment Management
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Disclosed	V. Employment Management
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Disclosed	V. Employment Management
KPI B2.2	Lost days due to work injury.	Disclosed	V. Employment Management
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Disclosed	V. Employment Management

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

ESG Indicators		Disclosure	Corresponding Section
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Disclosed	IV. Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable	The Group's business operations do not involve product recycling
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Disclosed	IV. Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Disclosed	IV. Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Disclosed	IV. Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Disclosed	IV. Product Responsibility
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Disclosed	VI. Compliance Operations and Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Disclosed	VI. Compliance Operations and Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Disclosed	VI. Compliance Operations and Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Disclosed	VI. Compliance Operations and Anti-corruption

ESG Indicators		Disclosure	Corresponding Section
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Disclosed	IX. Giving Back to the Society
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Disclosed	IX. Giving Back to the Society
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Disclosed	IX. Giving Back to the Society

Independent Auditor's Report

羅兵咸永道

To the Shareholders of BAIOO Family Interactive Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of BAIOO Family Interactive Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 169 to 248, comprise:

- the consolidated balance sheet as at 31 December 2024;
- the consolidated income statement 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.

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

Key audit matter identified in our audit is related to revenue recognition — provision of virtual items in online virtual worlds of online entertainment business.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition — provision of virtual items in online virtual worlds of online entertainment business Refer to Notes 4.1(a) and 5 to the consolidated financial statements.	Our procedures, carried out on a sample basis, in relation to management's revenue recognition of provision of virtual items in online virtual worlds included:
• Revenue from online virtual worlds of online entertainment business for the year ended 31 December 2024 amounted to RMB545,130,000, representing 99.97% of the Group's total revenue. Out of the total revenue from online virtual worlds, an amount of RMB519,313,000 is related to the provision of consumable and durable virtual items.	• Understood, evaluated and validated the internal controls of revenue cycle, including the key controls with respect to the assessment of consumption timing of consumable and durable virtual items;
• Consumable virtual items represent items that will be extinguished shortly after consumption by a specific player action. Therefore, revenue from consumable items is recognized when the items are consumed.	• Tested the classification of consumable and durable virtual items by comparing to the features of the corresponding virtual items in revenue recognition;

Key Audit Matter	How our audit addressed the Key Audit Matter
• Durable virtual items represent items that are accessible and available to a player over an extended period of time, and the relating revenue is deferred and recognized in contract liabilities and amortized over the life of the durable items. • The Group has used paying players' relationship with the Group on an individual online virtual world basis ("Player Relationship Period"), as the best estimate, to approximate the period during which paying players use, and thus the life of, durable virtual items. Revenue from durable virtual items of a specific virtual world is recognized on a time-proportion basis over the Player Relationship Period of that virtual world. The determination of Player Relationship Period for relevant online virtual worlds are subject to high degree of judgements and estimates. It is made taking into account all known and relevant information available to the Group at the time of assessment and the inherent risk in relation to the assessment is considered relatively higher due to significant judgements and assumptions used. Given the significant transaction of revenue from online virtual worlds and the involvement of critical accounting estimates, the assessment of Player Relationship Period is considered a key audit matter.	• Evaluated and challenged the considerations made by management in determining the underlying assumptions for expected Player Relationship Period by comparing to historical patterns and market practice; and assessed the inherent risk of material misstatement by considering the degree of estimation judgement and other inherent risk factors; • Tested the integrity of the data with the involvement of our information technology specialist and recalculated the Player Relationship Period based on those data; and • Recalculated the revenue recognition of provision of durable items based on the respective Player Relationship Period. Based on the above, we found that the judgement and estimates applied by management were supportable by the evidence we obtained and procedures performed.

Other Information

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

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

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

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

Responsibilities of Directors and 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 judgement and maintain professional scepticism throughout the audit. We also:

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

- 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 Au Chi Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2025

Consolidated Income Statement

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000
Revenue	5	**545,294**	782,764
Cost of revenue	6	**(293,232)**	(464,710)
Gross profit		**252,062**	318,054
Selling and marketing expenses	6	**(57,508)**	(63,731)
Administrative expenses	6	**(57,762)**	(76,184)
Research and development expenses	6	**(177,042)**	(231,137)
Net impairment losses on financial assets	3.1(b)	**(3,804)**	(3,999)
Other income	7	**1,106**	3,366
Other gains/(losses) — net	8	**103**	(1,495)
Operating loss		**(42,845)**	(55,126)
Finance income	10	**25,530**	35,427
Finance costs	10	**(1,077)**	(2,427)
Finance income — net	10	**24,453**	33,000
Share of loss of an associate	15	**(7,797)**	(1,302)
Loss before income tax		**(26,189)**	(23,428)
Income tax expense	11	**(1,767)**	(7,974)
Loss for the year		**(27,956)**	(31,402)
Attributable to:			
— Shareholders of the Company		**(28,030)**	(31,478)
— Non-controlling interests		**74**	76
		(27,956)	(31,402)
Loss per share for profit attributable to shareholders of the Company (expressed in RMB per share)	12		
Basic loss per share		**(0.0103)**	(0.0117)
Diluted loss per share		**(0.0103)**	(0.0117)

The notes on pages 176 to 248 are integral parts of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Loss for the year	**(27,956)**	(31,402)
Other comprehensive income	**—**	—
Total comprehensive loss for the year	**(27,956)**	(31,402)
Attributable to:		
— Shareholders of the Company	**(28,030)**	(31,478)
— Non-controlling interests	**74**	76
	(27,956)	(31,402)

The notes on pages 176 to 248 are integral parts of these consolidated financial statements.

Consolidated Balance Sheet

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Property and equipment	16	**257,118**	149,884
Right-of-use assets	17	**238,354**	255,163
Intangible assets	18	**2,878**	4,114
Prepayments and other receivables	21	**22,469**	4,560
Long-term bank deposits	23	**245,000**	135,000
Deferred tax assets	31	**13,186**	14,823
Investment in an associate	15	**35,901**	16,698
Financial assets at fair value through profit or loss	22	**5,000**	5,000
		819,906	585,242
Current assets			
Inventories		**113**	114
Contract costs	28	**44,834**	47,820
Trade receivables	20	**30,979**	29,225
Prepayments and other receivables	21	**34,544**	29,868
Short-term bank deposits	23	**449,000**	261,788
Cash and cash equivalents	23	**495,675**	966,042
		1,055,145	1,334,857
Total assets		**1,875,051**	1,920,099
EQUITY			
Share capital	24	**8**	8
Share premium	24	**1,110,449**	1,108,922
Reserves	25	**25,201**	50,526
Retained earnings	27	**456,087**	484,313
Capital and reserves attributable to shareholders of the Company		**1,591,745**	1,643,769
Non-controlling interests		**7,340**	7,266
Total equity		**1,599,085**	1,651,035

Consolidated Balance Sheet (Continued)

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
LIABILITIES			
Non-current liabilities			
Contract liabilities	28	**11,330**	11,869
Lease liabilities	17	**—**	17,186
Other payables and accruals	30	**—**	791
		11,330	29,846
Current liabilities			
Trade payables	29	**6,471**	4,661
Other payables and accruals	30	**100,413**	78,343
Advances from distributors	33	**16,581**	17,889
Contract liabilities	28	**123,224**	121,249
Income tax liabilities		**18**	—
Lease liabilities	17	**17,929**	17,076
		264,636	239,218
Total liabilities		**275,966**	269,064
Total equity and liabilities		**1,875,051**	1,920,099

The notes on pages 176 to 248 are integral parts of these consolidated financial statements.

These consolidated financial statements on pages 169 to 248 were approved by the Board of Directors of the Company (the "Board") on 27 March 2025 and were signed on its behalf.

Li Chong

Wu Lili

Consolidated Statement of Changes in Equity

		Attributable to shareholders of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023		8	1,099,859	75,034	515,993	1,690,894	7,190	1,698,084
Comprehensive loss								
Loss for the year		–	–	–	(31,478)	(31,478)	76	(31,402)
Total comprehensive loss		–	–	–	(31,478)	(31,478)	76	(31,402)
Transactions with owners, recognized directly in equity								
RSU Scheme:								
– Value of employee services	25	–	–	21,321	–	21,321	–	21,321
– Vesting of RSUs	25	–	46,031	(46,031)	–	–	–	–
Special final dividend of 2022	24	–	(36,968)	–	–	(36,968)	–	(36,968)
Profit appropriations to statutory reserves	25	–	–	202	(202)	–	–	–
Total transactions with owners, recognized directly in equity		–	9,063	(24,508)	(202)	(15,647)	–	(15,647)
Balance at 31 December 2023		8	1,108,922	50,526	484,313	1,643,769	7,266	1,651,035

Consolidated Statement of Changes in Equity (Continued)

		Attributable to shareholders of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2024		8	1,108,922	50,526	484,313	1,643,769	7,266	1,651,035
Comprehensive loss								
Loss for the year		–	–	–	(28,030)	(28,030)	74	(27,956)
Total comprehensive loss		–	–	–	(28,030)	(28,030)	74	(27,956)
Transactions with owners, recognized directly in equity								
RSU Scheme:								
– Value of employee services	25	–	–	6,854	–	6,854	–	6,854
– Vesting of RSUs	25	–	32,375	(32,375)	–	–	–	–
Special final dividend of 2023	24	–	(29,775)	–	–	(29,775)	–	(29,775)
Cancellation of ordinary shares	24	–	(1,073)	–	–	(1,073)	–	(1,073)
Profit appropriations to statutory reserves	25	–	–	196	(196)	–	–	–
Total transactions with owners, recognized directly in equity		–	1,527	(25,325)	(196)	(23,994)	–	(23,994)
Balance at 31 December 2024		8	1,110,449	25,201	456,087	1,591,745	7,340	1,599,085

The notes on pages 176 to 248 are integral parts of these consolidated financial statements.

Consolidated Statement of Cash Flows

		Year ended 31 December	
		2024	2023
	Note	**RMB'000**	RMB'000
Cash flows from operating activities			
Cash used in operations	34(a)	**(32,232)**	(15,595)
Interest received from cash and cash equivalents		**10,192**	25,588
Income tax refunded/(paid) — net		**2,399**	(960)
Net cash (used in)/generated from operating activities		**(19,641)**	9,033
Cash flows from investing activities			
Purchase of property and equipment and intangible assets		**(86,599)**	(88,538)
Proceeds from disposals of property and equipment		**65**	—
Interest received from term bank deposits		**6,345**	6,775
Payments for investment in an associate		**(27,000)**	(18,000)
Investment in term bank deposits		**(599,000)**	(530,542)
Maturity of term bank deposits		**301,788**	338,754
Net cash used in investing activities		**(404,401)**	(291,551)
Cash flows from financing activities			
Principal elements of lease payments		**(16,333)**	(17,776)
Interest elements of lease payments		**(1,077)**	(2,427)
Repurchase of ordinary shares		**(1,073)**	—
Dividend paid to the Company's shareholders		**(29,775)**	(36,968)
Net cash used in financing activities		**(48,258)**	(57,171)
Net decrease in cash and cash equivalents		**(472,300)**	(339,689)
Cash and cash equivalents at beginning of the year		**966,042**	1,303,705
Foreign exchange gains on cash and cash equivalents		**1,933**	2,026
Cash and cash equivalents at end of the year	23	**495,675**	966,042

The notes on pages 176 to 248 are integral parts of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

BAIOO Family Interactive Limited (the "Company" or "Baioo") was incorporated in the Cayman Islands on 25 September 2009 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 Hutchins Drive, Cricket Square, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, British West Indies.

The Company and its subsidiaries (collectively the "Group") are principally engaged in the development and operation of online virtual world business in the People's Republic of China (the "PRC"), as well as some other off-line businesses.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 10 April 2014.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and have been approved for issue by the Board of the Company on 27 March 2025.

2 Basis of preparation and changes in accounting policies

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of BAIOO Family Interactive Limited and its subsidiaries.

The consolidated financial statements of the Group have been prepared in accordance with all applicable IFRS Accounting Standards and the disclosure requirements of 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 (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

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

2 Basis of preparation and changes in accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Amended standards adopted by the Group

The Group has applied the following amended standards for the first time for their annual reporting year commencing 1 January 2024:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current liabilities with covenants
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards.

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.

(b) New amendments to standards not yet adopted

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

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

3 Financial risk management

3.1 Financial risk factors

The Group's activities exposed it to a variety of financial risks: market risk (including foreign exchange risk and 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 approved by the Board.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong Dollar (HK$) and US Dollar (US$). Foreign exchange risk arises when future commercial transactions, recognized assets and liabilities and net investment in foreign operations. The finance department of the Group is responsible for monitoring and managing the net position in each foreign currency. The Group currently does not hedge transactions undertaken in foreign currencies but manages its exposure through constant monitoring to limit as much as possible the amount of its foreign currencies exposures.

The Group's foreign exchange risk primarily arose from the cash and cash equivalents, term bank deposits, receivables and payables denominated in HK$ and US$. If RMB had strengthened/weakened by 100 basis points against HK$ and US$ with all other variables held constant, the post-tax loss for the year ended 31 December 2024 would have been approximately higher/lower by RMB1,672,000 (2023: approximately higher/lower by RMB1,385,000).

The Group does not hedge against any fluctuation in foreign currency.

(ii) Interest rate risk

For the years ended 31 December 2024 and 2023, management of the Group is of the opinion that interest rate risk (such as interest rate risk on bank deposits) was not material to the Group.

(b) Credit risk

The carrying amounts of deposits placed with cash and bank balances, term bank deposits, trade receivables and other receivables included in the financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Impairment on cash and bank balances and term bank deposits

As at 31 December 2024, substantially all the Group's bank deposits included in cash and bank balances were deposited with major reputable financial institutions incorporated in the PRC. There has been no recent history of default in relation to these financial institutions. The loss allowance is measured at 12-month expected credit loss and the directors consider that the amount is minimal.

(ii) Impairment on trade receivables

The Group applies the IFRS 9 simplified approach to measure the expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables.

In view of the history of cooperation with the platforms and payment channels and the collection history, trade receivables have been grouped based on shared credit risk characteristics and the days past due to measure ECL. Management collectively assessed the expected credit losses taking into account the ageing analysis and the history of bad debt losses in respect of those groups of platforms and payment channels. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the platforms and payment channels to settle the receivables.

And the recognition and measurement method of loss allowance for each category is measured separately:

— For trade receivables due from customers with specific credit risks or external credit ratings. The Group applies the individual identification method based on the characteristics of credit risk of each individual balance.

— The remaining trade receivables due from customers are grouped based on similar credit risk, the Group calculates the expected credit loss by referring to the historical credit loss experience for each aging bucket, combining with the current situation and the forecast of future economic conditions.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment on trade receivables (continued)

The balance of each category of trade receivables as at 31 December 2024 and 2023 was as follows:

	Trade receivables	Loss allowance	Net carrying amount
31 December 2024			
Customers with specific credit risks or credit ratings	**23,473**	**(127)**	**23,346**
Customers grouped based on similar credit risk	**8,616**	**(983)**	**7,633**
	32,089	**(1,110)**	**30,979**

	Trade receivables	Loss allowance	Net carrying amount
31 December 2023			
Customers with specific credit risks or credit ratings	25,489	(120)	25,369
Customers grouped based on similar credit risk	4,090	(234)	3,856
	29,579	(354)	29,225

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment on trade receivables (continued)

For trade receivables based on individual assessments, the Group assesses the credit quality of the customers, taking into account of their financial positions, past experience and other factors. The expected credit loss considers the customers' external credit ratings.

For trade receivables based on similar credit risk assessments, the loss allowance as at 31 December 2024 and 2023 was determined as follows for trade receivables from customers which have been grouped based on similar credit risk characteristics:

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 180 days past due	Total
31 December 2024						
Expected loss rate	**2.03%**	**3.54%**	**5.50%**	**19.77%**	**100.00%**	
Gross carrying amount						
— trade receivables	**6,558**	**931**	**109**	**258**	**760**	**8,616**
Loss allowance	**133**	**33**	**6**	**51**	**760**	**983**

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 180 days past due	Total
31 December 2023						
Expected loss rate	0.92%	1.50%	2.42%	11.50%	100.00%	
Gross carrying amount						
— trade receivables	2,395	1,203	124	200	168	4,090
Loss allowance	22	18	3	23	168	234

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment on trade receivables (continued)

The loss allowances for trade receivables as at 31 December 2024 and 2023 reconcile to the opening loss allowances as follows:

	2024 RMB'000	2023 RMB'000
Opening loss allowance at 1 January	**(354)**	(328)
Increase in loss allowance recognized in profit or loss during the year	**(756)**	(46)
Receivables written off during the year as uncollectible	**—**	20
Closing loss allowance at 31 December	**(1,110)**	(354)

Trade receivables are written off where 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 a failure to make contractual payments for a period of greater than 180 days past due.

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

(iii) Impairment on other receivables

For other receivables, the Group assessed the credit quality of the counterparties by taking into account their financial position, credit history and other factors. Management also makes periodic collective assessments as well as individual assessment on the recoverability of these receivables and follows up the disputes or amounts overdue, if any. Management assesses the loss allowance for other receivables on an individual basis were recognized and the expected loss for others on collective assessments was immaterial.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Impairment on other receivables (continued)

The loss allowances for other receivables as at 31 December 2024 and 2023 reconcile to the opening loss allowances as follows:

	2024 RMB'000	2023 RMB'000
Opening loss allowance at 1 January	**(9,274)**	(5,321)
Increase in loss allowance recognized in profit or loss during the year	**(3,048)**	(3,953)
Closing loss allowance at 31 December	**(12,322)**	(9,274)

(iv) Net impairment losses on financial assets recognized in profit or loss

During the year, the following losses were recognized in profit or loss in relation to impaired financial assets:

	2024 RMB'000	2023 RMB'000
Increase in loss allowance on trade receivables	**(756)**	(46)
Increase in loss allowance of other receivables	**(3,048)**	(3,953)
Net impairment losses on financial assets	**(3,804)**	(3,999)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

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

The table below analyzes the Group's financial liabilities into the relevant maturity grouping 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	Carrying amount RMB'000
At 31 December 2024						
Trade payables	**6,471**	**–**	**–**	**–**	**6,471**	**6,471**
Other payables and accruals (excluding other tax liabilities and staff costs and welfare accruals)	**54,829**	**–**	**–**	**–**	**54,829**	**54,829**
Lease liabilities	**18,279**	**–**	**–**	**–**	**18,279**	**17,929**
	79,579	**–**	**–**	**–**	**79,579**	**79,229**
At 31 December 2023						
Trade payables	4,661	–	–	–	4,661	4,661
Other payables and accruals (excluding other tax liabilities and staff costs and welfare accruals)	29,837	791	–	–	30,628	30,628
Lease liabilities	17,409	18,279	–	–	35,688	34,262
Trade payables	51,907	19,070	–	–	70,977	69,551

3 Financial risk management (continued)

3.2 Capital management

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

The Group monitors capital by regularly reviewing the capital structure and gearing ratio. This ratio is calculated as total liabilities divided by total assets. As part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. Besides, the Group's strategy, which was unchanged from 2018, was to maintain the gearing ratio within 40%.

The gearing ratios were as follows:

	At 31 December	
	2024	2023
	RMB'000	RMB'000
Total liabilities	**275,966**	269,064
Total assets	**1,875,051**	1,920,099
Gearing ratio	**15%**	14%

3.3 Fair value estimation

(a) Financial instruments are carried at fair value within a fair value hierarchy that categorizes, into three levels, inputs to valuation techniques used to measure the fair value. The three different levels are as follows:

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

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Financial instruments are carried at fair value within a fair value hierarchy that categorizes, into three levels, inputs to valuation techniques used to measure the fair value. The three different levels are as follows: (continued):

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. The quoted market price incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to environmental, social and governance (ESG) risk. These instruments are included in level 1.

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

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 and for instruments where ESG risk gives rise to a significant unobservable adjustment.

Specific valuation techniques used to value financial instruments include:

— Quoted market prices or dealer quotes for similar instruments

— Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate

— The latest round financing, i.e. the prior transaction price or the third-party pricing information

— A combination of observable inputs and unobservable inputs, including discount rate, risk-free interest rate, expected volatility and market multiples

There were no changes in valuation techniques.

(b) Fair value of financial assets at fair value through profit or loss (Note 22)

Investment in a private equity fund ("the Fund")

The Group invested in the Fund which was valued based on the net asset value and included in level 3.

As at 31 December 2024 and 2023, there were no transfers between levels in hierarchy for recurring fair value measurements.

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(c) The carrying amounts of financial assets including cash and cash equivalents, term bank deposits, trade and other receivables and financial liabilities including trade payables and other payables and accruals, approximated their respective fair value due to their short maturities.

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4 Critical accounting estimates and judgments

4.1 Critical accounting estimates and assumptions

(a) Estimates of Player Relationship Period for online business

The Group recognizes revenue from durable virtual items in online virtual worlds of online entertainment business on a time-proportion basis over Player Relationship Period. The determination of Player Relationship Period for the relevant online virtual worlds are made based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a semi-annual basis. Any adjustments arising from changes in Player Relationship Period as a result of new information will be accounted for as a change in accounting estimates.

(b) Current income tax and deferred income tax

Significant judgement is required in determining the provision for income tax, including the amount of the provision for taxations, the timing of payments of the related taxations, and the tax rates that would be applicable when related tax losses and temporary differences that give rise to deferred income tax are recycled for those group entities currently entitling preferential tax rates. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

4 Critical accounting estimates and judgments (continued)

4.1 Critical accounting estimates and assumptions (continued)

(b) Current income tax and deferred income tax (continued)

Deferred tax assets relating to certain temporary differences and tax losses are recognized as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized (see Note 11(a)). Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

Deferred income tax is provided on temporary differences arising on distributions of retained earnings by subsidiaries, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Specifically, for the potential timing differences arising from the distribution of retained earnings of the Company's subsidiaries in the mainland China to the Company, management has assessed the availability of distributable reserves (see Note 11 (e)) and funds held by the Company and concluded that those subsidiaries are unlikely to be required to distribute their retained earnings in the foreseeable future. As a result, no deferred tax liability on PRC withholding tax ("WHT") has been provided as at 31 December 2024 and 2023.

4.2 Critical judgements in applying the Group's accounting policies

Subsidiaries arising from contractual arrangements

The Company's wholly-owned subsidiary, Baiduo (Guangzhou) Information Technology Limited ("Guangzhou WFOE"), has entered into a series of contractual arrangements (the "Contractual Arrangements") with Guangzhou Baitian Information Technology Limited ("Guangzhou Baitian") and its equity holders.

The Contractual Arrangements are irrevocable and enable Guangzhou WFOE, and ultimately the Group, to:

— exercise effective financial and operational control over Guangzhou Baitian;

— exercise equity holders' voting rights over Guangzhou Baitian;

— receive substantially all of the economic interest and returns generated by Guangzhou Baitian in consideration for the business support, technical and consulting services provided by Guangzhou WFOE, at Guangzhou WFOE's discretion;

— obtain an irrevocable and exclusive right to purchase the entire equity interest in Guangzhou Baitian from the equity holders;

— obtain a pledge over the entire equity interest in Guangzhou Baitian from its equity holders as collateral security for all of Guangzhou Baitian's payments due to Guangzhou WFOE and to secure performance of Guangzhou Baitian's obligations under the Contractual Arrangements, respectively.

4 Critical accounting estimates and judgments (continued)

4.2 Critical judgements in applying the Group's accounting policies (continued)

Subsidiaries arising from contractual arrangements (continued)

The Company does not hold equity shares directly or indirectly in Guangzhou Baitian. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with Guangzhou Baitian and the ability to affect those returns through its power over Guangzhou Baitian and is considered to have control over Guangzhou Baitian. Consequently, the Company regards Guangzhou Baitian as an indirect subsidiary under IFRS Accounting Standards. The Group has included the financial position and results of Guangzhou Baitian in the consolidated financial statements.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Guangzhou Baitian and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights to the results, assets and liabilities of Guangzhou Baitian. The Group believes that the Contractual Arrangements are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

5 Segment information

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company that make strategic decisions.

The Group determined that it has operating segments as follows:

— Online entertainment business

— Other businesses

The Group's online entertainment business involves development, operation and exclusive distribution of online virtual world business through its own web-based platform and mobile platforms. Other businesses mainly include sales of peripheral products and other services.

The CODM assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses, administrative expenses, research and development expenses, net impairment losses on financial assets, other income, other gains/(losses) — net, finance income — net, and income tax expense are not included in the measure of the segments' performance.

5 Segment information (continued)

There were no material inter-segment sales during years ended 31 December 2024 and 2023, respectively. The revenues from external customers reported to CODM are measured as segment revenue.

Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in these financial statements. There was no separate segment assets and segment liabilities information provided to the CODM.

(a) Segment results

The segment information provided to the Group's CODM for the reportable segments for the years ended 31 December 2024 and 2023 are as follows:

	Year ended 31 December 2024		
	Online entertainment business RMB'000	Other businesses RMB'000	Total RMB'000
Segment revenue	**545,130**	**164**	**545,294**
Timing of revenue recognition			
At a point in time	**173,095**	**164**	**173,259**
Over time	**372,035**	**—**	**372,035**
Gross profit	**251,985**	**77**	**252,062**

	Year ended 31 December 2023		
	Online entertainment business RMB'000	Other businesses RMB'000	Total RMB'000
Segment revenue	782,519	245	782,764
Timing of revenue recognition			
At a point in time	183,421	245	183,666
Over time	599,098	—	599,098
Gross profit	317,883	171	318,054

5 Segment information (continued)

(a) Segment results (continued)

Out of revenue from online entertainment business, RMB519,313,000 is related to the provision of consumable and durable virtual items for the year ended 31 December 2024 (2023: RMB754,976,000).

Other profit and loss disclosures:

	Year ended 31 December 2024			
	Online entertainment business RMB'000	Other businesses RMB'000	Unallocated Item RMB'000	Total RMB'000
Depreciation	**15,870**	**5**	**2,482**	**18,357**
Amortization	**2,360**	**1**	**—**	**2,361**

	Year ended 31 December 2023			
	Online entertainment business RMB'000	Other businesses RMB'000	Unallocated Item RMB'000	Total RMB'000
Depreciation	18,019	5	2,481	20,505
Amortization	2,322	1	—	2,323

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in the Mainland China and Outside Mainland China. For the years ended 31 December 2024 and 2023, the geographical information on the total revenue is as follows:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Revenue		
— Mainland China	**509,892**	755,855
— Outside Mainland China	**35,402**	26,909
Total	**545,294**	782,764

5 Segment information (continued)

(a) Segment results (continued)

Revenue of the Group is mainly derived from online virtual worlds of online entertainment business operations and the Group depends on the success of a limited number of online virtual worlds to generate revenue. As summarized in the table below, the online virtual worlds contributing more than 10.0% of the Group's total revenue account for 71.5% and 82.6% of the total revenue for the years ended 31 December 2024 and 2023, respectively.

The percentage of revenue contributed by the following online virtual worlds is presented for the years when such amount is more than 10% of the Group's total revenue in a particular period.

	Year ended 31 December	
	2024	2023
Aobi Island Mobile	**27.9%**	35.9%
Legend of Aoqi	**24.6%**	18.4%
Legend of Aoqi Mobile	**19.0%**	11.4%
Shiwuyu	**N/A**	16.9%

The Group has a large number of game players, no individual game players generated revenue which exceeded 10% or more of the Group's revenue for the year ended 31 December 2024 (2023: same).

The games were distributed to individual game players through own web-based platform, and Third Party Platforms including Company A and Group B. The revenue generated through Company A and Group B accounted for 27.9% (2023: 35.9%) and 8.2% (2023: 15.8%) of the Group's revenue for the year ended 31 December 2024, respectively. Besides those, no revenue through a single company or group exceeded 10% or more of the Group's revenue for the reporting period.

As at 31 December 2024, the total non-current assets, other than financial assets and deferred tax assets, all located in Mainland China were RMB534,983,000 (31 December 2023: RMB425,859,000), respectively.

5 Segment information (continued)

(b) Accounting policies of revenue recognition

Online entertainment business

The Group earns revenue primarily through development, operation and exclusive distribution of online virtual worlds through its own web-based platform and mobile platforms. Mobile platforms are collectively referred to the "Third Party Platforms" thereafter. For online virtual worlds, the Group is responsible for hosting them, providing on-going updates of additional online virtual worlds, activity and storyline, sales of virtual items and services, technical support for the operations of the online virtual worlds, etc. Third Party Platforms are responsible for distribution, marketing, payer authentication and payment collections related to the online virtual worlds. For online virtual worlds exclusively licensed by the third party game developers, the Group is responsible for distribution, marketing and operations.

(i) Revenue from operation of online virtual worlds of online entertainment business

The Group's online virtual worlds of online entertainment business are free-to-play and players can pay for virtual items for better in-game experience, through its own web-based platform and Third Party Platforms. Players purchase the Group's virtual currency (namely, Aocoin) and online virtual world tokens ("Paying Players") through various payment channels or Third Party Platform's own charging system, and use them to exchange for virtual items. The Group hosts online virtual worlds which sell virtual items. Paying Players usually exchange their online virtual world tokens for the virtual items shortly after purchases. The monetary value of the virtual items sold is shared between the Group and Third Party Platforms for those online virtual worlds operated in Third Party Platforms, which is pre-determined in individual revenue sharing arrangements ("Revenue Sharing Arrangements"). Third Party Platforms collect the payments made by Paying Players and remit the cash to the Group according to the Revenue Sharing Arrangements.

The Group provides such services to players via its own platforms and Third Party Platforms pursuant to time-based revenue model and item-based revenue model.

For online services using the time-based model, Paying Players pay a membership subscription fee for a certain number of calendar days ("Subscription Period") and enjoy a certain range of privileges during the Subscription Period. Subscription fee income is recognized over the Subscription Period on a straight-line basis.

5 Segment information (continued)

(b) Accounting policies of revenue recognition (continued)

Online entertainment business (continued)

(i) Revenue from operation of online virtual worlds of online entertainment business (continued)

Revenue earned from the sale of virtual items is recognized by applying the item-based model, based on the different features of virtual items. Under the item-based model, revenue is recognized over the estimated lives of the virtual items purchased or consumed. Upon the sales of virtual items, the Group typically has an implied obligation to provide the service which enables the virtual items to be displayed and used in the respective online virtual worlds. As a result, the proceeds from the sales of virtual items are initially recorded in contract liabilities and are recognized as revenue subsequently only when the services have been rendered. For the purposes of determining when services have been rendered to the respective Paying Players, the Group has determined the following:

— Consumable virtual items represent items that will be extinguished shortly after consumption by a specific player action. Paying Players will not continue to benefit from the virtual items thereafter. Revenue is recognized upon consumption.

— Durable virtual items represent virtual items that are accessible to a player over an extended period of time. The life of a durable virtual item approximately equals the period during which Paying Players use it. For the revenue derived from durable items, the Group has adopted a policy of using the period of Paying Players' relationship with the Group on an individual virtual world basis ("Player Relationship Period") to approximate the period during which Paying Players use durable virtual items. Revenue from sales of durable virtual items of a specific online virtual world is recognized ratably over the Player Relationship Period of that online virtual worlds.

For the exclusively licensed online virtual worlds, the Group takes primary responsibilities of game operations, including determining distribution and payment channels, providing customer services, and controlling game and services specifications and pricing. Distribution cost incurred to distribution channels and payment channels are recorded as cost of revenue.

(ii) Other key accounting policies in relation to revenue from online entertainment business

In determining the Player Relationship Period related to the recognition of revenue from sales of durable virtual items of the Group's online virtual worlds, the Group tracks the Paying Players' data, such as log-in data and purchase records. The Group re-assesses such periods semi-annually based on data gathered from paying users up to the date of reassessment and applies the most updated estimated user relationship period for each virtual world for revenue recognition prospectively.

When the Group launches a new virtual world on its platform, it estimates the Player Relationship Period based on other similar types of virtual worlds of the Group or third party developers, taking into account the virtual world profile, target audience and its appeal to Paying Players of different demographic groups, until the new virtual worlds establish their own history, which is normally up to 6 months after launch.

5 Segment information (continued)

(b) Accounting policies of revenue recognition (continued)

Online entertainment business (continued)

(ii) Other key accounting policies in relation to revenue from online entertainment business (continued)

Prepaid cards expire on the expiration date pre-printed thereon, which is generally two years after the date of card production. The Group will estimate the expired rate of prepaid cards and recognizes the revenue from expired prepaid cards together with the sales of virtual items.

The cost of providing free virtual items as a result of promotional activities was insignificant.

The Group allows Paying Players to make payments either by way of purchasing prepaid cards sold through a number of distributors or through online payment channels for those virtual worlds. The Group has evaluated the roles and responsibilities for delivering game experience to the Paying Players and concluded that the Group takes the primary responsibilities in the sales of prepaid cards and collection of payments from Paying Players.

Other businesses

Revenues from the Group's other businesses are mainly income from sales of peripheral products.

Revenues generated under sales of peripheral products are calculated and recognized based on the volume of the merchandise products determined in the agreement (such as sales volume). The sales of the products are derived from the sales reports provided by the merchandisers and the e-commerce platform, the evidence of which is readily available for verification by the Group.

Contract costs and contract liabilities

Contract liabilities primarily consists of the unamortized revenue from sales of virtual items of online virtual worlds, where there is still an implied obligation to be fulfilled by the Group over time.

Contract costs are mainly related to the distribution costs charged by Third Party Platforms.

6 Expenses by nature

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Employee benefit expenses (Note 9)	**281,039**	359,413
Distribution costs and payment handling fees	**193,672**	345,156
Promotion and advertising expenses	**35,079**	33,909
Content expenses	**18,309**	34,055
Depreciation of right-of-use assets (Note 17)	**11,867**	12,830
Bandwidth and server custody fees	**10,565**	8,439
Depreciation of property and equipment and amortization of intangible assets (Notes 16 and 18)	**8,851**	9,998
Professional fees	**6,850**	12,705
Utilities and office expenses	**5,747**	6,796
Auditor's remuneration	**3,772**	4,149
— Audit services	**3,635**	3,858
— Non-audit services	**137**	291
Travelling and entertainment expenses	**3,828**	3,509
Others	**5,965**	4,803
Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses	**585,544**	835,762

7 Other income

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Government grants	**1,106**	2,807
Others	**—**	559
	1,106	3,366

8 Other gains/(losses) — net

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Gain/(loss) on disposals of property and equipment	**65**	(1,189)
Gain on disposal of right-of-use assets	**—**	569
Foreign exchange losses (Note 13)	**(158)**	(590)
Donation	**(80)**	(230)
Others	**276**	(55)
	103	(1,495)

9 Employee benefit expenses

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Wages, salaries and discretionary bonuses	**207,672**	249,177
Pension costs — defined contribution plans (Note (a))	**21,729**	24,915
Other social security costs, housing benefits and other employee benefits	**44,784**	64,000
Share-based compensation expenses	**6,854**	21,321
	281,039	359,413

(a) Pension costs — defined contribution plans

Employees of the Group companies in the Mainland China are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. For the year ended 31 December 2024, the Group contributes funds which are calculated on a fixed percentage of 14% (2023: 14%) of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

In the case of defined contribution schemes, forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) by the Group to these plans may not be used by the Group to reduce the existing level of contributions.

9 Employee benefit expenses (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were highest in the Group for the year include two (2023: one) director whose emoluments are reflected in the analysis shown in Note 39. The emoluments paid and payable to the remaining three (2023: four) individuals during the year are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Wages and salaries	**3,580**	4,743
Discretionary bonuses	**1,145**	1,845
Pension costs — defined contribution plans	**94**	129
Other social security costs, housing benefits and other employee benefits	**126**	193
Share-based compensation expenses	**3,364**	9,365
	8,309	16,275

The emoluments fell within the following band:

	Year ended 31 December	
	2024	2023
	No. of individuals	
HK$9,500,000 to HK$10,000,000	**—**	1
HK$4,000,000 to HK$4,500,000	**1**	—
HK$3,000,001 to HK$3,500,000	**—**	1
HK$2,500,001 to HK$3,000,000	**—**	1
HK$2,000,000 to HK$2,500,000	**1**	1
HK$1,500,000 to HK$2,000,000	**1**	—

10 Finance income — net

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Finance income:		
— Interest income from cash and cash equivalents	**10,192**	25,588
— Interest income from term bank deposits	**13,405**	7,813
— Net foreign exchange gain (Note 13)	**1,933**	2,026
	25,530	35,427
Finance costs:		
— Interest charge for lease liabilities (Note 17)	**(1,077)**	(2,427)
Finance income — net	**24,453**	33,000

11 Income tax expense

The income tax expense 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	**(130)**	(1,118)
Deferred income tax expense	**(1,637)**	(6,856)
	(1,767)	(7,974)

11 Income tax expense (continued)

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Loss before income tax	**(26,189)**	(23,428)
Tax calculated at income tax rates applicable to profits of the consolidated entities in their respective jurisdictions	**3,246**	1,988
Tax effects of:		
Tax losses and temporary differences for which no deferred tax asset was recognized (Note (a))	**(22,081)**	(34,354)
Super deduction for research and development expenses (Note (b))	**18,489**	27,451
Expense not deductible for income tax purposes	**(2,037)**	(3,345)
Others	**616**	286
Income tax expense	**(1,767)**	(7,974)

(a) Tax losses and temporary differences for which no deferred tax asset was recognized

Deferred tax assets relating to certain tax losses and temporary differences are recognized as management considers it is probable that future taxable profit will be available against which the tax losses or temporary difference can be utilized (Note 4.1(b)).

As at 31 December 2024, the tax losses for which no deferred tax asset was recognized amounted to RMB325,150,000, and temporary differences for which no deferred tax asset was recognized amounted to RMB72,313,000.

As at 31 December 2024, the balance of unused tax losses is RMB409,312,000. The tax losses under the PRC enterprise income tax law will expire at various dates up to and including 2034, while the others have no expiry date.

11 Income tax expense (continued)

(b) PRC corporate income tax

Guangzhou Baitian

Guangzhou Baitian was qualified as "High and New Technology Enterprise" in 2022 and was entitled to a preferential income tax rate of 15% on its estimated assessable profits for the year ended 31 December 2024 (2023: same).

Guangzhou Tianti

Guangzhou Tianti was qualified as "High and New Technology Enterprise" in 2022 and was entitled to a preferential income tax rate of 15% on its estimated assessable profits for the year ended 31 December 2024 (2023: same).

Guangzhou WFOE, Guangzhou Xiaoyunxiong Interactive Education Limited ("Xiaoyunxiong")

Guangzhou WFOE and Xiaoyunxiong were qualified as "Small Low-Profit Enterprise" in 2024 and 2023, and the provision for income tax was calculated in accordance with the two-tiered tax rates regime.

Under the two-tiered tax rates regime, the first RMB3 million of profits of qualifying corporations were taxed at 5% and profits above RMB3 million were taxed at 20% for the year ended 31 December 2024 (2023: same).

Other Subsidiaries

Except for subsidiaries of the Group mentioned above, the Group's subsidiaries in mainland China are subject to corporate income tax at the rate of 25%.

Super Deduction

According to a policy promulgated by the State Tax Bureau of the PRC that was effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development ("R&D") expenses incurred as tax deductible expenses in determining tax assessable profits ("Super Deduction"). Certain qualified subsidiaries of the Group have claimed such Super Deduction in ascertaining its tax assessable losses for the years ended 31 December 2024 and 2023.

Based on Public Notice [2023] No. 7 issued by the State Tax Bureau of the PRC on 26 March 2023, the enterprises eligible for 100% deduction of eligible R&D expenses since 1 January 2023. Certain qualified subsidiaries of the Group have claimed such additional super deduction in the 2024 and 2023.

11 Income tax expense (continued)

(c) Cayman Islands income tax

The Company was 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.

(d) Hong Kong profits tax

The provision for Hong Kong profits tax for the year ended 31 December 2024 are calculated in accordance with the two-tiered profits tax rates regime (2023: same). Under the two-tiered profits tax rates regime, the first HK$2 million of profit of a qualifying corporation is taxed at 8.25%, and profit above HK$2 million is taxed at 16.5%.

(e) PRC withholding tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between mainland China and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

As at 31 December 2024, no deferred tax liability had been provided for in respect of the PRC withholding tax that would be payable on the unremitted earnings of approximately RMB1,224,512,000 (2023: RMB1,197,103,000). Such earnings are expected to be retained by the subsidiaries in mainland China and not to be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

12 Loss per share

(a) Basic

Basic loss per share for loss attributable to shareholders of the Company

Basic loss per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue less shares held for Share Option Scheme and Restricted Share Unit ("RSU") Scheme during the year.

	Year ended 31 December	
	2024	2023
Loss attributable to shareholders of the Company (RMB'000)	**(28,030)**	(31,478)
Weighted average number of ordinary shares in issue less shares held for RSU Scheme	**2,720,543,062**	2,680,282,734
Basic loss per share (in RMB/share)	**(0.0103)**	(0.0117)

12 Loss per share (continued)

(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 year ended 31 December 2024, the Company had potential ordinary shares, the RSUs which had to be considered for calculating diluted loss per share. No adjustment was made to basic loss per share to derive the diluted losses per share for the year ended 31 December 2024 as potential ordinary shares was anti-dilutive (2023: same).

13 Net foreign exchange gains

The exchange differences credited to the consolidated income statement are included as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Finance income — net (Note 10)	**1,933**	2,026
Other losses — net (Note 8)	**(158)**	(590)
	1,775	1,436

14 Subsidiaries

The following is a list of the principal subsidiaries as at 31 December 2024:

Name of the company	Place of incorporation and kind of legal entity	Issued and fully paid share capital/ registered capital	Proportion of equity interest held by the Group (%)		Proportion of equity interest held by the non-controlling interests (%)		Principal activities and place of operation
			2024	2023	2024	2023	
Directly held by the Company							
Baitian Technology Limited ("Baitian Hong Kong")	Hong Kong, Limited liability company	HK$10,000	100%	100%	–	–	Online interactive entertainment, Hong Kong
Baioo Technology Limited ("Baitian BVI")	British Virgin Islands, Limited liability company	US$50,000	100%	100%	–	–	Investment holding, British Virgin Islands
Babababoei Commerce Limited ("BCL")	British Virgin Islands, Limited liability company	US$50,000	92.5%	92.5%	7.5%	7.5%	Investment holding, British Virgin Islands
Madfun Game Limited	Hong Kong, Limited liability company	HK$10,000	100%	100%	–	–	Online interactive entertainment, Hong Kong
Indirectly held by the Company							
廣州百田信息科技有限公司 ("Guangzhou Baitian")	The PRC, Limited liability company	RMB10,010,000	100%	100%	–	–	Online interactive entertainment, the PRC
百多（廣州）信息科技有限公司 ("Guangzhou WFOE")	The PRC, Limited liability company	US$500,000	100%	100%	–	–	Research and development of computer software, the PRC
廣州天梯網絡科技有限公司 ("Guangzhou Tianti") Note(c)	The PRC, Limited liability company	RMB2,000,000	100%	100%	–	–	Software and information technology services, the PRC
廣州小雲熊信息科技有限公司 ("Xiaoyunxiong") Note(c)	The PRC, Limited liability company	RMB4,000,000	100%	100%	–	–	Education service for children, the PRC
廣州百田文化發展有限公司 ("Baitian Culture") Note(c)	The PRC, Limited liability company	RMB450,000,000	100%	100%	–	–	Culture and art service, the PRC

14 Subsidiaries (continued)

(a) The directors of the Company considered that the non-controlling interests of any non-wholly owned subsidiaries are not significant to the Group. Therefore, no summarized financial information of the relevant subsidiaries is presented separately.

(b) **Significant restrictions**

Cash and cash equivalents and term bank deposits as at 31 December 2024 amounting to RMB968,365,000 (2023: RMB1,108,742,000) are held in Mainland China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

(c) These are subsidiaries held directly or indirectly by Guangzhou Baitian (Note 4.2).

15 Investment in an associate

Movement of the investment in an associate is analysed as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	**16,698**	—
Addition	**27,000**	18,000
Share of loss	**(7,797)**	(1,302)
At the end of the year	**35,901**	16,698

15 Investment in an associate (continued)

Set out below are the details of an associate of the Group. The associate as listed below has share capital consisting solely of registered capital, which are held directly by the Group.

Name of entity	Place of business/country of incorporation	% of ownership interest 2024	Nature of relationship	Measurement method
上海趣糖網絡科技有限公司 ("Shanghai Qutang")	The PRC	30%	Associate	Equity method

(i) The Group has designated a member in the board of directors which enables the Group to exercise significant influence in Shanghai Qutang through the participation in operational, investing and financing actions. Consequently, Shanghai Qutang has been accounted for as an associate of the Group.

Shanghai Qutang is a private company engaged in game operation and there is no quoted market price available for its equity.

(ii) There were no contingent liabilities relating to the Group's interest in the associate.

16 Property and equipment

	Servers	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress (Note(a))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023						
Cost	12,131	12,727	3,041	33,004	52,357	113,260
Accumulated depreciation	(11,786)	(7,660)	(1,025)	(20,973)	—	(41,444)
Net book amount	345	5,067	2,016	12,031	52,357	71,816
Year ended 31 December 2023						
Opening net book amount	345	5,067	2,016	12,031	52,357	71,816
Additions	225	425	907	76	85,299	86,932
Depreciation charge	(189)	(2,878)	(698)	(3,910)	—	(7,675)
Disposal	—	(1)	—	(1,188)	—	(1,189)
Closing net book amount	381	2,613	2,225	7,009	137,656	149,884
At 31 December 2023						
Cost	12,356	13,148	3,948	28,080	137,656	195,188
Accumulated depreciation	(11,975)	(10,535)	(1,723)	(21,071)	—	(45,304)
Net book amount	381	2,613	2,225	7,009	137,656	149,884
Year ended 31 December 2024						
Opening net book amount	**381**	**2,613**	**2,225**	**7,009**	**137,656**	**149,884**
Additions	**230**	**339**	**—**	**—**	**113,155**	**113,724**
Depreciation charge	**(223)**	**(1,967)**	**(788)**	**(3,512)**	**—**	**(6,490)**
Closing net book amount	**388**	**985**	**1,437**	**3,497**	**250,811**	**257,118**
At 31 December 2024						
Cost	**12,586**	**7,972**	**3,948**	**28,080**	**250,811**	**303,397**
Accumulated depreciation	**(12,198)**	**(6,987)**	**(2,511)**	**(24,583)**	**—**	**(46,279)**
Net book amount	**388**	**985**	**1,437**	**3,497**	**250,811**	**257,118**

16 Property and equipment (continued)

(a) As at 31 December 2024, construction in progress mainly comprised office buildings under construction located in the PRC.

(b) Depreciation charge was included in the following categories in the consolidated income statement:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Cost of revenue	**1,377**	1,777
Administrative expenses	**1,090**	1,229
Research and development expenses	**3,688**	4,398
Selling and marketing expenses	**335**	271
	6,490	7,675

(c) Revaluation, depreciation methods and useful lives:

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Servers	3 years
Office equipment	3 years
Motor vehicles	4 years
Leasehold improvements	Shorter of remaining term of the lease and the estimated useful lives of the assets

The depreciation method, residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period. See Note 40.5 for the other accounting policies relevant to property and equipment.

17 Leases

(a) Amounts recognized in the consolidated balance sheet

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Right-of-use assets		
Land use right	**226,487**	231,428
Office	**11,867**	23,735
	238,354	255,163
Lease liabilities		
Current	**17,929**	17,076
Non-current	**—**	17,186
	17,929	34,262

(b) Amounts recognized in the consolidated income statement

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Land use right	**(4,942)**	(4,942)
Office	**(11,867)**	(12,830)
	(16,809)	(17,772)
Interest expense (included in finance cost)	**(1,077)**	(2,427)
Expense relating to short-term leases (included in cost of revenue and administrative expenses)	**—**	—

The total cash outflow for leases in 2024 was approximately RMB17,410,000 (2023: RMB20,203,000).

During the years ended 31 December 2024 and 2023, the depreciation of land use right was capitalized into construction in progress.

17 Leases (continued)

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

The Group leases various offices. Rental contracts are typically made for fixed periods of 6 months to 10 years.

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.

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and

- makes adjustments specific to the lease, eg term, country, currency and security.

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.

See Note 40.17 for the other accounting policies relevant to leases.

18 Intangible assets

	Software RMB'000
At 1 January 2023	
Cost	6,685
Accumulated amortization	(3,865)
Net book amount	2,820
Year ended 31 December 2023	
Opening net book amount	2,820
Additions	3,617
Amortization charge	(2,323)
Closing net book amount	4,114
At 31 December 2023	
Cost	10,302
Accumulated amortization	(6,188)
Net book amount	4,114
Year ended 31 December 2024	
Opening net book amount	**4,114**
Additions	**1,125**
Amortization charge	**(2,361)**
Closing net book amount	**2,878**
At 31 December 2024	
Cost	**11,427**
Accumulated amortization	**(8,549)**
Net book amount	**2,878**

18 Intangible assets (continued)

Amortization charge was included in the following categories in the consolidated income statement:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Cost of revenue	**121**	382
Administrative expenses	**1,012**	832
Research and development expenses	**837**	773
Selling and marketing expenses	**391**	336
	2,361	2,323

(a) Accounting policies of intangible assets

– **Software**

Software is initially recognized and measured at cost and amortised over their estimated useful lives using the straight-line method, which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed.

19 Financial instruments by category

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Assets as per consolidated balance sheet		
Financial assets at amortized cost:		
— Trade receivables (Note 20)	**30,979**	29,225
— Other receivables (excluding prepayments and tax recoverable) (Note 21)	**23,578**	15,092
— Short-term bank deposits (Note 23)	**449,000**	261,788
— Long-term bank deposits (Note 23)	**245,000**	135,000
— Cash and cash equivalents (Note 23)	**495,675**	966,042
	1,244,232	1,407,147
Assets at fair value through the profit or loss:		
— Financial assets at fair value through profit or loss (Note 22)	**5,000**	5,000
	1,249,232	1,412,147
Liabilities as per consolidated balance sheet		
Financial liabilities at amortized cost:		
— Trade payables (Note 29)	**6,471**	4,661
— Other payables and accruals (excluding other tax liabilities and staff costs and welfare accruals) (Note 30)	**54,829**	30,628
— Lease liabilities (Note 17(a))	**17,929**	34,262
	79,229	69,551

20 Trade receivables

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Receivables from third parties	**32,089**	29,579
Less: allowance for impairment	**(1,110)**	(354)
	30,979	29,225

(a) The credit period for trade receivables was generally 30 days from the date of billing. Ageing analysis based on recognition date of the gross trade receivables at the respective balance sheet dates is as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
0–30 days	**22,843**	19,895
31–60 days	**6,533**	7,064
Over 60 days	**2,713**	2,620
	32,089	29,579

(b) The Group applies the simplified approach to provide for ECL prescribed by IFRS 9. For the year ended 31 December 2024, increase in impairment RMB756,000 was made for the gross amounts of trade receivables (2023: increase in impairment RMB46,000) (Note 3.1(b)).

(c) As at 31 December 2024, trade receivables were mainly denominated in RMB and their fair value approximated their carrying amounts (2023: same).

(d) The maximum exposure to credit risk is the carrying amount of the trade receivable balance. The Group does not hold any collateral as security.

(e) The concentration risk with respect to trade receivables comes from Company A and Group B accounted for 41.2% (2023: 50.8%) and 6.0% (2023: 14.0%) of the Group's trade receivables as at 31 December 2024 and 2023, respectively.

20 Trade receivables (continued)

(f) Classification as trade receivables:

Trade receivables are amounts due from online payment channels and platforms for services performed to customers in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

21 Prepayments and other receivables

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Included in non-current assets		
Input value added tax to be deducted	**19,474**	—
Interests receivable	**2,263**	—
Prepayments for construction in progress	**732**	997
Rental and other deposits	**—**	3,637
	22,469	4,634
Less: allowance for impairment of other receivables	**—**	(74)
	22,469	4,560
Included in current assets		
Prepayments	**12,172**	5,047
Interests receivable	**8,765**	3,968
Input value added tax to be deducted	**1,204**	11,000
Rental and other deposits	**3,810**	—
Others	**22,154**	20,292
	48,105	40,307
Less: allowance for impairment of other receivables	**(12,322)**	(9,200)
Less: allowance for impairment of prepayments	**(1,239)**	(1,239)
	34,544	29,868
	57,013	34,428

As at 31 December 2024, other receivables were mainly donominated in RMB (2023: the same).

The maximum exposure to credit risk at each of the reporting dates is the carrying amount of each class of other receivables mentioned above. The Group does not hold any collateral as security.

22 Financial assets at fair value through profit or loss

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Investment in the Fund	**5,000**	5,000

As at 31 December 2024, the balance comprised the Group's investment in the Fund carrying at fair value within a fair value hierarchy level 3 (2023: same) (Note 3.3).

As at 31 December 2024, the Group keep the Fund at level 3, because the Fund has made investments in unlisted equities, whose valuation was not based on observable inputs but the net asset value evaluated by the Fund's administrator.

23 Cash and cash equivalents and term bank deposits

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Short-term bank deposits (Note (a))	**449,000**	261,788
Long-term bank deposits (Note (b))	**245,000**	135,000
Cash and cash equivalents		
— Cash at banks and on hand	**495,675**	966,042
	1,189,675	1,362,830
Maximum exposure to credit risk (Note (d))	**1,189,600**	1,362,754

(a) Short-term bank deposits represent the Group's deposit placed in banks with an expected maturity of over three months but less than one year.

(b) Long-term deposits represent the Group's deposit placed in a bank with an expected maturity of over one year but less than three years.

23 Cash and cash equivalents and term bank deposits (continued)

(c) The effective interest rate per annum for all bank balances and term deposits as at 31 December 2024 was approximately 1.88% (2023: 1.94%).

(d) As at 31 December 2024, substantially all the Group's bank deposits included in cash and bank balances were deposited with major reputable financial institutions incorporated in the PRC. There has been no recent history of default in relation to these financial institutions.

Cash and cash equivalents and term bank deposits are denominated in the following currencies:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
RMB	**1,035,547**	1,214,942
US$	**80,999**	73,227
HK$	**73,053**	74,580
Others	**76**	81
	1,189,675	1,362,830

24 Share capital and share premium

As at 31 December 2024 and 2023, the authorised share capital of the Company comprises 100,000,000,000 ordinary shares with par value of US$0.0000005 per share. As at 31 December 2024, the total number of ordinary shares of the Company was 2,867,174,000 (2023: 2,872,844,000) shares which included 139,652,011 (2023: 172,811,062) shares held under the RSU Scheme.

	Number of shares	Nominal value of shares US$'000	Share Capital RMB'000	Share Premium RMB'000	Total RMB'000
Issued and fully paid:					
As at 1 January 2023	2,822,844,000	2	8	1,099,859	1,099,867
RSU Scheme:					
— Issuance of shares held for RSUs Scheme	50,000,000	—	—	—	—
— Vesting of RSUs	—	—	—	46,031	46,031
2022 special final dividend payable to shareholders of the Company (Note 32)	—	—	—	(36,968)	(36,968)
As at 31 December 2023	2,872,844,000	2	8	1,108,922	1,108,930
As at 1 January 2024	**2,872,844,000**	**2**	**8**	**1,108,922**	**1,108,930**
RSU Scheme:					
— Vesting of RSUs	**—**	**—**	**—**	**32,375**	**32,375**
2023 special final dividend payable to shareholders of the Company (Note 32)	**—**	**—**	**—**	**(29,775)**	**(29,775)**
Cancellation of ordinary shares	**(5,670,000)**	**—**	**—**	**(1,073)**	**(1,073)**
As at 31 December 2024	**2,867,174,000**	**2**	**8**	**1,110,449**	**1,110,457**

25 Reserves

	Other reserves RMB'000 (Note (a))	Statutory reserves RMB'000 (Note (b))	Share-based compensation reserve RMB'000 (Note 26)	Total RMB'000
As at 1 January 2023	2,069	6,661	66,304	75,034
RSU Scheme:				
— Value of employee services	—	—	21,321	21,321
— Vesting of RSUs	—	—	(46,031)	(46,031)
Profit appropriations to statutory reserves	—	202	—	202
As at 31 December 2023	2,069	6,863	41,594	50,526
As at 1 January 2024	**2,069**	**6,863**	**41,594**	**50,526**
RSU Scheme:				
— Value of employee services	**—**	**—**	**6,854**	**6,854**
— Vesting of RSUs	**—**	**—**	**(32,375)**	**(32,375)**
Profit appropriations to statutory reserves	**—**	**196**	**—**	**196**
As at 31 December 2024	**2,069**	**7,059**	**16,073**	**25,201**

(a) The reserves represent capital contribution injected by Guangzhou Baitian's shareholders into Guangzhou Baitian upon its establishment.

(b) In accordance with the relevant laws and regulations in the PRC and the Articles of Association of subsidiaries with limited liabilities incorporated in the PRC now comprising the Group, it is required to appropriate 10% of the annual net profits of the companies incorporated in the PRC now comprising the Group, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing any net profit. When the balance of the statutory surplus reserve fund reaches 50% of the registered capital of the companies, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be capitalized as capital, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of registered capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly owned foreign subsidiaries in the PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their respective reserve funds. The percentage of net profit to be appropriated to the reserve fund is not less than 10% of the net profit. When the balance of the reserve fund reaches 50% of the registered capital, such transfer need not be made.

26 Share-based payments

(a) RSU Schemes

On 18 March 2014, the Board of the Company resolved and conditionally adopted the Post-IPO RSU Scheme, which took effect on 10 April 2014, pursuant to which, the total number of shares underlying the RSUs that may be granted under the Post-IPO RSU Scheme was 2% of the total number of shares in issue on the listing date of 10 April 2014 which is subject to annual refreshment by shareholder approval.

The Post-IPO RSU Scheme is the share-based incentive scheme that the Company has in place to motivate its employees after its listing.

On 19 June 2015, at the annual general meeting of the Company, the shareholders approved an amendment to the Post-IPO RSU Scheme to increase the limit from 2% of the number of shares of the Company in issue on 10 April 2014 to 4% of the Company's issued share capital as of the approval date.

On 10 July 2015, the Company granted RSUs representing an aggregate of 95,780,000 shares to certain grantees pursuant to the Post-IPO RSU Scheme. Each RSU is conditional on the grantee completing one to four years' service and can be converted into one ordinary share upon vesting.

On 10 November 2017, the Company granted RSUs representing an aggregate of 6,100,000 shares to 6 grantees, pursuant to the Post-IPO RSU Scheme. Each RSU is conditional on the grantee completing one to four years' service and can be converted into one ordinary share upon vesting.

On 2 April 2020, the Company granted RSUs representing an aggregate of 55,700,000 shares to 38 grantees pursuant to the Post-IPO RSU Scheme. Each RSU is conditional on the grantee completing one to four years' service and can be converted into one ordinary share upon vesting.

On 11 September 2020, the Company granted RSUs representing an aggregate of 35,650,000 shares to 12 grantees pursuant to the Post-IPO RSU Scheme. Each RSU is conditional on the grantee completing one to four years' service and can be converted into one ordinary share upon vesting.

On 11 June 2021, the Company granted RSUs representing an aggregate of 19,000,000 shares to 42 grantees pursuant to the Post-IPO RSU Scheme. Each RSU is conditional on the grantee completing one to four years' service and can be converted into one ordinary share upon vesting.

On 25 June 2021, it was approved by shareholders at the annual general meeting that the Company granted RSUs representing an aggregate of 25,000,000 shares to 2 grantees pursuant to the Post-IPO RSU Scheme. Each RSU is conditional on the grantee completing one to four years' service and can be converted into one ordinary share upon vesting.

26 Share-based payments (continued)

(a) RSU Schemes (continued)

On 3 September 2021, the Company granted RSUs representing an aggregate of 14,000,000 shares to 30 grantees pursuant to the Post-IPO RSU Scheme. Each RSU is conditional on the grantee completing one to four years' service and can be converted into one ordinary share upon vesting.

On 12 May 2022, the Company granted RSUs representing an aggregate of 15,300,000 shares to 18 grantees pursuant to the Post-IPO RSU Scheme. Each RSU is conditional on the grantee completing one to four years' service and can be converted into one ordinary share upon vesting.

On 6 June 2022, it was approved by shareholders at the annual general meeting that the Company granted RSUs representing an aggregate of 15,000,000 shares to 2 grantees pursuant to the Post-IPO RSU Scheme. Each RSU is conditional on the grantee completing one to four years' service and can be converted into one ordinary share upon vesting.

On 9 December 2022, the Company granted RSUs representing an aggregate of 1,610,000 shares to 4 grantees pursuant to the Post-IPO RSU Scheme. Each RSU is conditional on the grantee completing one to four years' service and can be converted into one ordinary share upon vesting.

Movements in the number of RSUs outstanding are as follows:

	Number of RSUs
As at 1 January 2023	118,711,250
Forfeited	(12,415,000)
Vested	(48,785,000)
As at 31 December 2023	57,511,250
As at 1 January 2024	**57,511,250**
Forfeited	**(2,562,500)**
Vested	**(34,308,750)**
As at 31 December 2024	**20,640,000**

26 Share-based payments (continued)

(a) RSU Schemes (continued)

The fair value of the RSUs was calculated based on the market price of the Company's shares at the respective grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these RSUs.

There was no RSUs granted arrangement during the year ended 31 December 2024 and 2023.

The fair value is recognized as an expense over the relevant service period, which is the year to which the bonus relates and the vesting period of the shares.

27 Retained earnings

	Retained earnings RMB'000
As at 1 January 2023	515,993
Loss for the year	(31,478)
Profit appropriations to statutory reserves	(202)
As at 31 December 2023	484,313
As at 1 January 2024	**484,313**
Loss for the year	**(28,030)**
Profit appropriations to statutory reserves	**(196)**
As at 31 December 2024	**456,087**

28 Contract costs and contract liabilities

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Current contract costs relating to online virtual worlds	**44,834**	47,820
Non-current contract liabilities		
— Memberships	**729**	816
— Online virtual worlds (Note (a))	**10,601**	11,053
Total non-current contract liabilities	**11,330**	11,869
Current contract liabilities		
— Advances from customers	**10,734**	11,281
— Memberships	**9,786**	11,373
— Online virtual worlds (Note (a))	**102,704**	98,595
Total current contract liabilities	**123,224**	121,249

(a) Contract liabilities of virtual worlds primarily consist of the durable virtual items, and online virtual world tokens held by Paying Players which have not yet been used to purchase virtual items. Contract liabilities will be recognized as revenue when all of the revenue recognition criteria are met.

28 Contract costs and contract liabilities (continued)

(b) 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 recognized that was included in the contract liability balance at the beginning of the year		
— Advances from customers	**11,281**	11,046
— Memberships	**11,373**	9,808
— Online virtual worlds	**98,595**	138,830
	121,249	159,684

Unsatisfied contract liabilities as at 31 December 2024 related to memberships and online virtual worlds are expected to be recognized as revenue in 2 months to 4 years.

29 Trade payables

Trade payables primarily relate to the purchase of services for server custody, distribution costs and the revenue sharing collected by the Group which is payable to cooperated game developers according to the respective cooperation agreements.

The credit period for trade payables was generally 30 days from the date of billing. The ageing analysis of trade payables based on recognition date is as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
0–30 days	**6,280**	4,154
Over 30 days	**191**	507
	6,471	4,661

As at 31 December 2024 and 2023, the fair value of trade payables approximated their carrying amounts.

30 Other payables and accruals

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Current		
Construction cost payable	**46,823**	22,988
Staff costs and welfare accruals	**42,838**	44,627
Professional service fees payable	**3,899**	5,045
Other tax liabilities (Note (a))	**2,746**	3,879
Purchase of intangible assets	**791**	791
Others	**3,316**	1,013
	100,413	78,343
Non-Current		
Purchase of intangible assets	**–**	791

(a) The balances represent liabilities relating to value-add tax and other related taxes in the PRC.

(b) As at 31 December 2024 and 2023, the fair value of other payables and accruals approximated their carrying amounts.

31 Deferred income tax

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Deferred income tax assets:	**21,213**	24,531
Offsetting	**(8,027)**	(9,708)
	13,186	14,823

31 Deferred income tax (continued)

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Deferred income tax liabilities:	**(8,027)**	(9,708)
Offsetting	**8,027**	9,708
	–	–

(i) Movement of deferred tax assets/liabilities

The movement in deferred tax assets/liabilities during the year is as follows:

Movements of deferred tax assets	Lease liabilities RMB'000	Tax losses RMB'000	Provisions RMB'000	Contract liabilities RMB'000	Total RMB'000
As at 1 January 2024	**3,153**	**14,547**	**266**	**6,565**	**24,531**
Charged to profit or loss	**(1,615)**	**(1,898)**	**265**	**(70)**	**(3,318)**
As at 31 December 2024	**1,538**	**12,649**	**531**	**6,495**	**21,213**
As at 1 January 2023	5,180	15,033	433	15,961	36,607
Charged to profit or loss	(2,027)	(486)	(167)	(9,396)	(12,076)
As at 31 December 2023	3,153	14,547	266	6,565	24,531

Movements of deferred tax liabilities	Right-of-use assets RMB'000	Contract costs RMB'000	Total RMB'000
As at 1 January 2024	**(3,143)**	**(6,565)**	**(9,708)**
Credited to profit or loss	**1,611**	**70**	**1,681**
As at 31 December 2024	**(1,532)**	**(6,495)**	**(8,027)**
As at 1 January 2023	(5,117)	(9,811)	(14,928)
Credited to profit or loss	1,974	3,246	5,220
As at 31 December 2023	(3,143)	(6,565)	(9,708)

32 Dividend

The dividends paid in 2024 and 2023 amounted RMB29,775,000 and RMB36,968,000, respectively. The Board of Directors of the Company proposed on 27 March 2025 a special dividend of HK$0.012 (equivalent to approximately RMB0.011) per ordinary share, which will be debited to the share premium account, totalling approximately RMB29,730,000. Such dividend is to be approved by the shareholders at the forthcoming annual general meeting to be held on 27 June 2025. These financial statements do not reflect this dividend payable as a liability as at 31 December 2024.

(a) Dividend paid to ordinary shares

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Special final dividend of 2023 — HK$0.012 (2022: HK$0.015), equivalent to approximately RMB0.011 (2022: RMB0.013), per ordinary share	**31,461**	39,039
Less: dividend for shares held for the RSU Schemes	**(1,686)**	(2,071)
	29,775	36,968

(b) Dividend not recognized as at 31 December 2024

	RMB'000
Proposed special dividend of HK$0.012, equivalent to approximately RMB0.011 per ordinary share	**31,252**
Less: dividend for shares held for the RSU Schemes	**(1,522)**
	29,730

33 Advance from distributors

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Advance for licensing fee	**12,243**	14,022
Advance for royalty fee	**583**	633
Others	**3,755**	3,234
	16,581	17,889

The Group licenses online games to distributors and receives licensing fees and royalty fees from distributors as sharing of proceeds earned from game players. The balance represented the licensing fee and royalty fee prepaid by distributors to the Group before games' launch.

34 Cash flow information

(a) Cash used in operations

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Loss after income tax	**(27,956)**	(31,402)
Adjustments for:		
— Income tax expense (Note 11)	**1,767**	7,974
— Depreciation of property and equipment (Note 16)	**6,490**	7,675
— Depreciation of right-of-use assets (Note 17)	**11,867**	12,830
— Amortization of intangible assets (Note 18)	**2,361**	2,323
— (Gain)/loss on disposals of property and equipment (Note 8)	**(65)**	1,189
— Gain on disposal of right-of-use assets (Note 8)	**—**	(569)
— Share-based compensation expenses (Note 9)	**6,854**	21,321
— Finance income — net (Note 10)	**(24,453)**	(33,000)
— Share of loss of an associate (Note 15)	**7,797**	1,302
— Net impairment losses on financial assets (Note 3.1 (b))	**3,804**	3,999
— Foreign exchange losses on operating activities (Note 8)	**158**	590
Changes in working capital (excluding the currency translation differences on consolidation):		
— Trade receivables	**(2,357)**	42,568
— Prepayments and other receivables	**(21,355)**	(8,769)
— Inventory	**1**	93
— Trade payables	**1,642**	(3,900)
— Other payables and accruals	**(1,901)**	(14,187)
— Advances from distributors	**(1,308)**	(7,453)
— Contract costs	**2,986**	23,813
— Contract liabilities	**1,436**	(41,992)
Cash used in operations	**(32,232)**	(15,595)

34 Cash flow information (continued)

(b) Net cash reconciliation

This section sets out an analysis of net cash and the movements in net cash for each of the periods presented.

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Cash and cash equivalents	**495,675**	966,042
Term bank deposits	**694,000**	396,788
Lease liabilities	**(17,929)**	(34,262)
Net cash	**1,171,746**	1,328,568
Cash and term bank deposits	**1,189,675**	1,362,830
Gross debt — fixed interest rates	**(17,929)**	(34,262)
Net cash	**1,171,746**	1,328,568

	Other assets		Liabilities from financing activities	
	Cash	Term bank deposits	Leases	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash as at 1 January 2023	1,303,705	205,000	(55,976)	1,452,729
Cash flows	(339,689)	191,788	20,203	(127,698)
Accrued interest expense	—	—	(2,427)	(2,427)
Disposal of lease liabilities	—	—	3,938	3,938
Foreign exchange adjustments	2,026	—	—	2,026
Net cash as at 31 December 2023	966,042	396,788	(34,262)	1,328,568
Cash flows	**(472,300)**	**297,212**	**17,410**	**(157,678)**
Accrued interest expense	**—**	**—**	**(1,077)**	**(1,077)**
Foreign exchange adjustments	**1,933**	**—**	**—**	**1,933**
Net cash as at 31 December 2024	**495,675**	**694,000**	**(17,929)**	**1,171,746**

35 Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognized as liabilities is as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Construction in progress	**20,513**	51,747

36 Related party transactions

The ultimate parent and the ultimate controlling party of the Group is TMF (Cayman) Ltd. (incorporated in the Cayman Islands). Interest in subsidiaries and associate are set out in Note 14 and Note 15.

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with related parties:

(a) Key management personnel compensations paid or payable for employee services

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Wages, salaries and bonuses	**6,525**	8,087
Pension costs — defined contribution plans	**210**	235
Other social security costs, housing benefits and other employee benefits	**278**	340
Share-based compensation expense	**4,905**	10,695
	11,918	19,357

(b) Balances with related parties

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Prepayments to the associate	**8,745**	—

37 Contingencies

The Group did not have any material contingent liabilities as at 31 December 2024 and 2023.

38 Balance sheet and reserve movement of the Company

Balance sheet of the Company	Note	As at 31 December 2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries		**400,627**	393,774
		400,627	393,774
Current assets			
Prepayments and other receivables		**8,048**	7,699
Amounts due from subsidiaries		**25,331**	24,801
Short-term bank deposits		**—**	53,457
Cash and cash equivalents		**72,132**	49,684
		105,511	135,641
Total assets		**506,138**	529,415
EQUITY			
Share capital		**8**	8
Share premium		**1,110,449**	1,108,919
Reserves	(a)	**14,127**	39,648
Accumulated losses	(a)	**(689,965)**	(683,722)
Total equity		**434,619**	464,853
LIABILITIES			
Current liabilities			
Other payables and accruals		**2,381**	3,253
Amounts due to subsidiaries		**69,138**	61,309
		71,519	64,562
Total liabilities		**71,519**	64,562
Total equity and liabilities		**506,138**	529,415

The balance sheet of the Company was approved by the Board of Directors on 27 March 2025 and was signed on its behalf:

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Li Chong

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Wu Lili

38 Balance sheet and reserve movement of the Company (continued)

(a) Reserve movement of the Company

	Reserves RMB'000	Accumulated losses RMB'000
At 1 January 2023	64,358	(671,596)
Loss for the year	—	(12,126)
RSU Scheme:		
— Value of employee services	21,321	—
— Vesting of RSUs	(46,031)	—
At 31 December 2023	39,648	(683,722)
At 1 January 2024	**39,648**	**(683,722)**
Loss for the year	**—**	**(6,243)**
RSU Scheme:		
— Value of employee services	**6,854**	**—**
— Vesting of RSUs	**(32,375)**	**—**
At 31 December 2024	**14,127**	**(689,965)**

39 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules)

(a) Directors' and chief executives' emoluments

The remunerations of the directors and the chief executive for each of the years ended 31 December 2024 and 2023 are set out below:

Year ended 31 December 2024:

Name	Fees	Salaries	Discretionary bonus	Employer's contribution to retirement benefit scheme	Other social security costs, housing benefits and other employee benefits	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors							
Mr. Dai Jian ("CEO")	—	1,080	90	44	80	—	1,294
Mr. Wu Lili	—	960	130	73	72	—	1,235
Mr. Li Chong	—	960	80	47	63	1,809	2,959
Independent Non-Executive Directors							
Ms. Liu Qianli	428	—	—	—	—	—	428
Dr. Wang Qing	428	—	—	—	—	—	428
Mr. Ma Xiaofeng	428	—	—	—	—	—	428
Mr. Wei Cheng (Note (f))	428	—	—	—	—	—	428

Year ended 31 December 2023:

Name	Fees	Salaries	Discretionary bonus	Employer's contribution to retirement benefit scheme	Other social security costs, housing benefits and other employee benefits	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors							
Mr. Dai Jian ("CEO")	—	1,080	90	42	80	—	1,292
Mr. Wu Lili	—	960	130	68	71	—	1,229
Mr. Li Chong	—	960	80	43	63	4,105	5,251
Independent Non-Executive Directors							
Ms. Liu Qianli	425	—	—	—	—	—	425
Dr. Wang Qing	425	—	—	—	—	—	425
Mr. Ma Xiaofeng	425	—	—	—	—	—	425
Mr. Wei Cheng (Note (f))	214	—	—	—	—	—	214

39 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) (continued)

(b) Directors' termination benefits

No director's termination benefit subsisted at the end of the year or at any time during the year.

(c) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available directors' services subsisted at the end of the year or at any time during the year.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the year or at any time during the year.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(f) Mr. Wei Cheng was appointed as an independent non-executive director since 27 June 2023.

40 Summary of other material accounting policies

40.1 Subsidiaries

40.1.1 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 in 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.

40 Summary of other material accounting policies (continued)

40.1 Subsidiaries (continued)

40.1.1 Consolidation (continued)

(a) ***Business combinations***

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 interests in the acquiree on an acquisition-by-acquisition basis. The 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 the 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 amount 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 the consolidated income statement.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 in the consolidated income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interests 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, the non-controlling interests recognized and previously held interest measured is lower 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 consolidated income statement.

40 Summary of other material accounting policies (continued)

40.1 Subsidiaries (continued)

40.1.1 Consolidation (continued)

(a) ***Business combinations (continued)***

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

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

Transactions with the 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 in their capacity as owners. The difference between the 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 the non-controlling interests are also recorded in equity.

(c) ***Disposal of subsidiaries***

When the Group ceases to have control over a subsidiary, 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 the consolidated income statement. 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 relation to that entity are accounted for on the same basis as would be required if the Group had directly disposed of the related assets or liabilities. This means if a gain or loss previously recognized in OCI would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss and if a revaluation surplus previously recognized in OCI would be transferred directly to retained earnings on the disposal of the asset, the Group transfers the revaluation surplus directly to retained earnings.

40.1.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also 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 dividends 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.

40 Summary of other material accounting policies (continued)

40.2 Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in OCI is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the consolidated income statement, and its share of post-acquisition movements in OCI is recognized in OCI with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to "share of loss of an associate" in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of an associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in an associate are recognized in the consolidated income statement.

40.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to CODM.

40 Summary of other material accounting policies (continued)

40.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or of the 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 consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "finance income" or "finance costs". All other foreign exchange gains and losses are presented in the consolidated income statement within "other gains/(losses) — net".

(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:

i. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

ii. income and expenses for each income statement 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

iii. 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.

40 Summary of other material accounting policies (continued)

40.5 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. 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 the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Construction in progress represents buildings under construction, which is stated at actual construction costs less any impairment loss. Construction in progress is transferred to property, plant and equipment when completed and ready for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 40.6).

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 income statement.

40.6 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 at least annually for impairment. Assets that are subject to amortization 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.

40 Summary of other material accounting policies (continued)

40.7 Investments and other financial assets

40.7.1 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 fair value through other comprehensive income ("FVOCI").

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

40.7.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

40.7.3 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 the consolidated income statement.

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

40 Summary of other material accounting policies (continued)

40.7 Investments and other financial assets (continued)

40.7.3 Measurement (continued)

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 the consolidated income statement and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the consolidated income statement.

- 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 revenue and foreign exchange gains and losses which are recognized in the consolidated income statement. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses)and impairment expenses are presented as a separate line item in the consolidated income statement.

- 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 the consolidated income statement and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

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

40 Summary of other material accounting policies (continued)

40.7 Investments and other financial assets (continued)

40.7.4 Impairment of financial assets

The Group assesses on a forward looking basis ECL associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

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 trade receivables.

40.8 Trade and other receivables

Trade and other 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 to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 20 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

40.9 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and short-term highly liquid investments with original maturity of three months or less, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown in current liabilities.

40.10 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.

Where any group company purchases the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the shareholders of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs) is included in equity attributable to the shareholders of the Company.

40 Summary of other material accounting policies (continued)

40.11 Trade and other payables

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

40.12 Current and deferred income tax

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

(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 and its 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

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is 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 nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

40 Summary of other material accounting policies (continued)

40.12 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and the associate, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized on deductible temporary differences arising from investments in subsidiaries and the associate only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

40.13 Employee benefits

(a) Defined contribution plan

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organized by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each period. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

(b) 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.

40 Summary of other material accounting policies (continued)

40.14 Share-based payments

(a) Equity-settled share-based payments transactions

The Group operates various equity-settled share-based compensation plans, including the RSU Scheme, under which the Group receives services from employees as consideration for equity instruments (options or RSUs) of the Company. The fair value of the services received in exchange for the grant of the equity instruments is recognized as expense.

For share options and RSUs awarded to employees, the total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

— including any market performance conditions;

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

— including the impact of any non-vesting conditions.

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

At the end of each reporting period, the Group revises its estimates of the number of shares under the share options and the number of RSUs that are expected to vest based on the non-market performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(b) Share-based payments transactions among Group entities

The grant by the Company of share options and/or RSUs to the employees or other service providers of the subsidiaries is treated as a capital contribution. The fair value of services received by the subsidiaries, measured by reference to the grant date fair value of the equity instruments issued, is recognized over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the separate financial statements of the Company.

40 Summary of other material accounting policies (continued)

40.15 Cost of revenue

Amounts recorded as cost of revenue relate to direct expenses incurred in order to generate revenue from online business and other businesses. Such costs are recorded as incurred. Cost of revenues consists primarily of (i) distribution costs and payment handling fees, (ii) employee benefit expenses, (iii) depreciation and amortization of property and equipment, intangible assets and right-of-use assets, (iv) bandwidth and server custody fees; etc.

40.16 Interest income

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

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 10.

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).

40.17 Leases

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

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,

40 Summary of other material accounting policies (continued)

40.17 Leases (continued)

- 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.

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. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

40 Summary of other material accounting policies (continued)

40.17 Leases (continued)

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise electronic equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term (Note 17). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

40.18 Dividend distribution

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

40.19 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 profit or loss over the period necessary to match them with the costs that they are intended to compensate.