



Boyaa Interactive International Limited
博雅互動國際有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code:0434



2023
Annual Report



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Dai Zhikang (*Chairman*)
Ms. Tao Ying (*Acting Chief Executive Officer*)

Independent Non-executive Directors

Mr. Cheung Ngai Lam
Mr. Choi Hon Keung Simon
Mr. Kong Fanwei

AUDIT COMMITTEE

Mr. Cheung Ngai Lam (*Chairman*)
Mr. Choi Hon Keung Simon
Mr. Kong Fanwei

NOMINATION COMMITTEE

Mr. Choi Hon Keung Simon (*Chairman*)
Ms. Tao Ying
Mr. Kong Fanwei

REMUNERATION COMMITTEE

Mr. Cheung Ngai Lam (*Chairman*)
Mr. Choi Hon Keung Simon
Mr. Kong Fanwei

JOINT COMPANY SECRETARIES

Ms. Chou Kwai Wah
(resigned as company secretary on 11 September 2023)
Ms. Tao Ying (*appointed as Joint company secretary on 11 September 2023*)
Mr. Poon Ping Yeung (*appointed as Joint company secretary on 11 September 2023*)

AUTHORISED REPRESENTATIVES

Ms. Chou Kwai Wah (*ceased on 11 September 2023*)
Ms. Tao Ying
Mr. Poon Ping Yeung (*appointed on 11 September 2023*)

AUDITOR

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
23/F, Tower 2
Enterprise Square Five
38 Wang Chiu Road
Kowloon Bay
Hong Kong

COMPANY'S WEBSITE

www.boyaa.com.hk

STOCK CODE

0434



Corporate Information

HEADQUARTERS IN THE PRC

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International E Town
TCL Industry Park
1001 Zhong Shan Yuan Road
Nanshan District, Shenzhen, PRC
Postal code: 518000

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

HONG KONG SHARE REGISTRAR

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

REGISTERED OFFICE IN THE CAYMAN ISLANDS

The offices of Maples Corporate Services Limited
P.O. Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

19/F, Golden Centre
188 Des Voeux Road Central
Hong Kong

PRINCIPAL BANK

China Construction Bank, Shenzhen Branch
Industrial Bank, Shenzhen Branch
Industrial Bank, Hong Kong Branch



Dai ZhiKang
Chairman

***Shaping the Company into a pure
and
leading Web3 listed company***

Dear Shareholders,

On behalf of the Board of Directors of Boyaa Interactive International Limited (the “**Company**”), I am pleased to present the annual report of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023 (the “**Reporting Period**”).

In 2023, our advancements in online card and board games remained steady. A continued focus on research and development of our games products, innovation of game products and gameplay, and continuous improvement of game quality, while enriching and optimising the user experience, has resulted in steady revenue growth. During the year, we initiated our expansion into the Web3 field, dedicating substantial investments to research and development of Web3 game products and the establishment of Web3-related infrastructure. Simultaneously, we began acquiring and holding cryptocurrencies, primarily Bitcoin and Ether, to establish a robust foundation for our Web3 development and overall strategy transformation. As at the date of this report, we have purchased approximately 1,110 Bitcoin and approximately 14,855 Ether, both of which have already shown growth in value.



Chairman's Statement

In 2023, we recorded an unaudited non-IFRS adjusted net profit of approximately RMB118.9 million, representing a year-on-year increase of approximately 77.2% as compared to 2022, mainly due to, among others, (i) increase in revenue of the Group recorded for the year ended 31 December 2023 as compared to the same period in 2022; (ii) reduction in the decrease in fair value of the financial assets such as equity investment partnerships for the year ended 31 December 2023 as compared to the same period in 2022, and impairment of frozen sum recorded for the year ended 31 December 2022 (for details, please refer to Note 4 and Note 9(b) under the section headed "Notes to the Consolidated Financial Statements" in the 2022 annual report of the Company published on 28 April 2023), while no impairment of frozen sum was recorded in 2023; and (iii) increase in interest income of the Group for the year ended 31 December 2023 as compared to the same period in 2022. Excluding the impact of non-operating one-off factors such as the change in fair value of financial assets such as equity investment partnerships and the impairment of frozen sum recorded for the year ended 31 December 2022, the unaudited non-IFRS adjusted net profit for the year ended 31 December 2023 would have represented a year-on-year increase of approximately 43.4%, which was mainly due to, among others, the increase in revenue and interest income of the Group for the year ended 31 December 2023 as compared to the same period in 2022.

During the third quarter of 2023, we successfully held the online integrated server sessions of BPT branded competition series – BPT 2023 match in Asia. We stay true to the mission and have been upholding the concept of "growing in love" in the charity, holding the strong responsibility of returning the society and spreading the charity spirit to the society. We participated in the welfare activity "Caring for Mountainous Areas and Donating Books to Help Rural Students" organized by the Guangdong Provincial Education Foundation in the second quarter of 2023, by donating funds to establish charity libraries in rural schools. We also participated in the love donation activity for schools in mountainous areas of Yunnan Province organized by the China Audio-video and Digital Publishing Association, by donating school supplies in rural schools in the second quarter of 2023. We always care for the education and growth of left-behind children in the rural areas, and do our best to help as most as we can live and grow healthily and happily, taking this as our corporate social responsibility. In 2023, we were awarded the "Best Listed Company in ESG Responsibility" in the annual Hong Kong International ESG List.

For the year 2023, the Board recommended a final dividend of RMB0.0335 per ordinary share (equivalent to HK\$0.0372 per ordinary share) for the year ended 31 December 2023. Calculated based on the unaudited non-IFRS adjusted net profit, the dividend payout ratio is 20%. Meanwhile, the Company has announced that for the next five years it will continue to distribute to shareholders at least 20% per annum of the net operating profit for the year and pay dividends of at least 5% from value-added gains from the purchase of crypto assets per annum.

In 2024, we will move ahead steadily. We will continue to keep focusing on the R&D and innovation of gaming products, especially to further step up efforts in R&D of Web3 game-related products and Web3 infrastructure, continually enrich and innovate on the contents and rules of our games, and constantly improve our gaming features and infrastructure. We will focus on enhancing the user experience by strengthening product refinement and operational diversification, and take players as the core, so as to craft high quality card and board gaming products, competition products, and industry-leading Web3 gaming products. On the basis of consolidating our existing market share, we will extend our reach into international markets. In 2024, we will continue to increase cryptocurrencies reserve, in order to lay a solid foundation for the Web3 business presence and the Web3 comprehensive transformation strategy of the Group.

We will strictly comply with various laws and regulations in various jurisdictions that it has operations and will stand firmly and fight steadily on the online card and board games, be committed to developing high-quality card and board gaming products and industry-leading Web3 gaming products, continue the journey to forge a century-old brand for Boyaa online card and board games, and build the Company into a pure and leading Web3 listed company.



Chairman's Statement

We are full of confidence and expectations for the future and the Board, the management and all staff of the Group share a common goal. With our steadfast belief and strong team-spirit, we will continue to step forward with our unremitting efforts, striving for the best interests for every shareholder.

I would like to take this opportunity to express my sincere gratitude to the Board, the management and all staff of the Group for their dedication in the past year to the Group, and to the shareholders of the Company and business partners for their concerns and confidence towards the Group!

Dai Zhikang

Chairman

1 March 2024



Financial Summary

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000 (restated)	2020 RMB'000	2019 RMB'000
Revenue	394,582	375,266	366,161	351,479	323,816
Gross profit	271,279	245,845	244,962	242,231	221,164
Profit/(loss) before income tax	126,950	85,197	18,604	(22,086)	46,845
Profit/(loss) for the year	117,179	64,200	(4,366)	(45,102)	33,760
Total comprehensive income/(expenses) for the year	139,744	114,517	(41,149)	(59,683)	14,076
Profit/(loss) attributable to owners of the Company	117,179	64,200	(4,366)	(45,102)	33,760
Total comprehensive income/(expenses) attributable to owners of the Company	139,744	114,517	(41,149)	(59,683)	14,076

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000 (restated)	2020 RMB'000 (restated)	2019 RMB'000
Assets					
Non-current assets	143,352	289,224	205,586	492,362	1,318,298
Current assets	1,785,320	1,497,366	1,420,048	1,175,185	1,074,857
Total assets	1,928,672	1,786,590	1,625,634	1,667,547	2,393,155
Equity and liabilities					
Total equity	1,598,789	1,457,284	1,339,954	1,381,134	2,110,243
Non-current liabilities	9,705	13,390	4,588	7,380	12,823
Current liabilities	320,178	315,916	281,092	279,033	270,089
Total liabilities	329,883	329,306	285,680	286,413	282,912
Total equity and liabilities	1,928,672	1,786,590	1,625,634	1,667,547	2,393,155
Net current assets	1,465,142	1,181,450	1,138,956	896,152	804,768
Total assets less current liabilities	1,608,494	1,470,674	1,344,542	1,388,514	2,123,066



Management Discussion and Analysis

BUSINESS OVERVIEW AND OUTLOOK

Review of 2023

In terms of financial performance, we recorded revenue of approximately RMB394.6 million in 2023, representing a year-on-year increase of approximately 5.1% as compared to 2022. In the fourth quarter of 2023, we recorded revenue of approximately RMB100.3 million, representing a year-on-year increase of approximately 6.3% as compared to the fourth quarter of 2022 and a quarter-on-quarter increase of approximately 0.2% as compared to the third quarter of 2023. Our revenue has maintained a steady increase, primarily due to the Group's holding of certain online operational activities and continuous optimization of its gaming products and gameplay during the Reporting Period.

In 2023, we recorded an unaudited non-IFRS adjusted net profit of approximately RMB118.9 million, representing a year-on-year increase of approximately 77.2% as compared to 2022, mainly due to, among others, (i) increase in revenue of the Group recorded for the year ended 31 December 2023 as compared to the same period in 2022; (ii) the impact of non-operating one-off factors such as reduction in the decrease in fair value of the financial assets such as equity investment partnerships for the year ended 31 December 2023 as compared to the same period in 2022, and impairment of frozen sum recorded for the year ended 31 December 2022 (for details, please refer to Note 4 and Note 9(b) under the section headed "Notes to the Consolidated Financial Statements" in the 2022 annual report of the Company published on 28 April 2023), while no impairment of frozen sum was recorded in 2023; and (iii) increase in interest income of the Group for the year ended 31 December 2023 as compared to the same period in 2022. Excluding the impact of non-operating one-off factors such as the change in fair value of financial assets such as equity investment partnerships and the impairment of frozen sum recorded for the year ended 31 December 2022, the unaudited non-IFRS adjusted net profit of the Group for the year ended 31 December 2023 would have represented a year-on-year increase of approximately 43.4%, which was mainly due to, among others, the increase in revenue and interest income of the Group for the year ended 31 December 2023 as compared to the same period in 2022. In the fourth quarter of 2023, we recorded an unaudited non-IFRS adjusted net profit of approximately RMB31.9 million, representing a year-on-year increase of approximately 11.3% as compared to the same period in 2022, mainly due to, among others, (i) the increase in revenue of the Group recorded for the three months ended 31 December 2023 as compared to the same period in 2022; (ii) the decrease in cost of revenue of the Group recorded for the three months ended 31 December 2023 as compared to the same period in 2022; and (iii) the increase in interest income of the Group recorded for the three months ended 31 December 2023 as compared to the same period in 2022. Due to the slight rise in the decrease in the fair value of financial assets such as equity investment partnerships for the three months ended 31 December 2023 as compared to the same period in 2022, such impact of the non-operating one-off factors offset the unaudited non-IFRS adjusted net profit growth. Excluding the impact of non-operating one-off factors such as the change in fair value of financial assets such as equity investment partnerships and the impairment of frozen sum recorded for the fourth quarter of 2022, the unaudited non-IFRS adjusted net profit for the three months ended 31 December 2023 would have represented a year-on-year increase of approximately 46.7%, which was mainly due to, among others, the increase in revenue and interest income of the Group for the three months ended 31 December 2023 as compared to the same period in 2022, while the cost of revenue decreased as compared to the same period in 2022. In the fourth quarter of 2023, we recorded a quarter-on-quarter increase in unaudited non-IFRS adjusted net profit of



Management Discussion and Analysis

approximately 6.0% as compared to the third quarter of 2023, mainly due to, among others, (i) the increase in the Group's revenue; and (ii) the decrease in cost of revenue for the three months ended 31 December 2023 as compared to the third quarter of 2023. Impacted by the non-operating one-off factors such as a slight increase in the decrease in fair value of financial assets such as the equity investment partnerships in the fourth quarter of 2023 as compared to the third quarter of 2023, the increase in the unaudited non-IFRS adjusted net profit was offset. Excluding the impact of non-operating one-off factors such as the change in fair value of financial assets such as equity investment partnerships, the unaudited non-IFRS adjusted net profit in the fourth quarter of 2023 would have a quarter-on-quarter increase of approximately 7.2%, which was mainly due to, among others, the increase in the Group's revenue and the decrease in cost of revenue for the three months ended 31 December 2023 as compared to the third quarter of 2023.

In terms of the operating data performance, we recorded a decrease in the number of paying players and Daily Active Users (“**DAUs**”) in the fourth quarter of 2023 as compared to the third quarter of 2023. However, the number of Monthly Active Users (“**MAUs**”) increased as compared to the third quarter of 2023. In particular, the number of paying players decreased by approximately 2.4% from approximately 0.21 million in the third quarter of 2023 to approximately 0.21 million in the fourth quarter of 2023. The number of DAUs decreased by approximately 4.0% from approximately 1.18 million in the third quarter of 2023 to approximately 1.13 million in the fourth quarter of 2023. The number of MAUs increased by approximately 1.2% from approximately 3.90 million in the third quarter of 2023 to approximately 3.94 million in the fourth quarter of 2023. The Average Revenue Per Paying User (“**ARPPU**”) grew in mobile versions of other card and board games.

In terms of gaming products, we provided a total of 67 online traditional gaming product portfolio with a total of 12 languages as at 31 December 2023. In 2023, we continued to intensify in-depth market research and focus on the research and development (the “**R&D**”) of game products, especially Web3 gaming products, innovation of gameplay, enrichment of game products and optimisation of user experience, continuous improvement of game features and infrastructure construction, and made efforts to refine our products and diversify our operation in a steady manner to improve the quality of our gaming products. The Group tapped into the business development in the Web3 field in 2023 while committing to the development of high-quality card and board gaming products, competition products, and industry-leading Web3 gaming products.

For the year 2023, the Board recommends a final dividend of RMB0.0335 per ordinary share (equivalent to HK\$0.0372 per ordinary share). Calculated based on the unaudited non-IFRS adjusted net profit for the year ended 31 December 2023, the dividend payout ratio is 20%.

Meanwhile, the Board has adopted a new dividend policy and announced that for the next five years it will continue to distribute to shareholders at least 20% per annum of the net operating profit for the year and pay dividends of at least 5% from value-added gains from the purchase of crypto assets per annum.



Management Discussion and Analysis

Outlook for 2024

In 2024, we will continue to carry out the following work:

- actively transforming and deploying Web3 strategy to build the Company into a pure and leading Web3 listed company;
- step up efforts in R&D of Web3 game-related products and Web3 infrastructure to further develop and deploy its business in the Web3 field and continue to increase cryptocurrencies (including but not limited to Bitcoin and Ether) reserve of the Company;
- constantly improve our gaming features and infrastructure (including Web3-related infrastructure), and focus on enhancing the experience and service quality we provide to our users;
- keep focusing on the R&D and innovation of gaming products, especially Web3 gaming products, and continually enrich and innovate the contents and rules of the games;
- devote more efforts to expand overseas card and board games (including Web3 games) market;
- continuously explore and innovate the operation mode of domestic and overseas gaming products;
- continuously research and develop new competition gaming products to enhance and consolidate the loyalty of our players and strive to build the industry-leading Web3 gaming products and develop a century-old brand for Boyaa online card and board games.

In 2023, we moved ahead steadily. In 2024, the Company will maintain its focus on establishing itself as a pure and leading Web3 listed company. This entails ramping up R&D efforts for Web3 gaming products, enriching contents and rules, and enhancing gaming features and infrastructure (including Web3-related infrastructure). The aim is to elevate user experience, while exploring innovative operational models for gaming products, especially Web3 gaming products. Concurrently, we will prioritize product refinement and operational diversification to craft high-quality card and board gaming products, competition products, and industry-leading Web3 gaming products. On the basis of consolidating our existing market share, we will extend our reach into international markets and will vigorously promote the Group's business development and deployment in the Web3 field, in order to realise the Group's strategic plan for Web3 business development.

The Company will strictly comply with various laws and regulations in various jurisdictions that it has operations and be committed to developing high-quality card and board gaming products and industry-leading Web3 gaming products. We will continue the journey to forge a century-old brand for Boyaa online card and board games.



Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

Year Ended 31 December 2023 Compared to Year Ended 31 December 2022

Revenue

Our revenue for the year ended 31 December 2023 amounted to approximately RMB394.6 million, representing an increase of approximately 5.1% from approximately RMB375.3 million recorded for the same period in 2022. The year-on-year increase was primarily due to the Group's holding of certain online operational activities during the Reporting Period and continuous optimization of its gaming products and gameplay. For the year ended 31 December 2023, revenue generated from our mobile games and web-based games accounted for approximately 70.1% and 29.9% of our total revenue, respectively, as compared with approximately 66.6% and 33.4%, respectively, for the year ended 31 December 2022.

Cost of revenue

Our cost of revenue decreased by approximately 4.7% from approximately RMB129.4 million for the year ended 31 December 2022 to approximately RMB123.3 million for the year ended 31 December 2023, primarily due to the decrease in commission charges by platforms and third party payment vendors.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 10.3% from approximately RMB245.8 million for the year ended 31 December 2022 to approximately RMB271.3 million for the year ended 31 December 2023.

For the years ended 31 December 2023 and 2022, our gross profit margin were approximately 68.8% and 65.5%, respectively.

Selling and marketing expenses

Our selling and marketing expenses increased by approximately 36.3% from approximately RMB35.4 million for the year ended 31 December 2022 to approximately RMB48.3 million for the year ended 31 December 2023, accounting for approximately 12.2% of our revenue in 2023, which increased from approximately 9.4% in 2022. The year-on-year increase in selling and marketing expenses was mainly attributable to the enhanced advertising and promotion efforts of the Group in 2023, which led to an increase in expenses incurred for advertising and promotional activities.

Administrative expenses

Our administrative expenses amounted to approximately RMB98.9 million for the year ended 31 December 2023, which remained relatively stable as compared to approximately RMB98.6 million in 2022.



Management Discussion and Analysis

Other losses – net

For the year ended 31 December 2023, we recorded other losses, net of approximately RMB51.2 million, compared to other losses, net of approximately RMB55.1 million recorded for the same period in 2022. The reduction in other losses, net for the year ended 31 December 2023 as compared to same period in 2022 was mainly due to the reduction in loss in fair value in investment at fair value through profit or loss for the year ended 31 December 2023 and the impairment of frozen sum of the Group recorded for the year ended 31 December 2022 (whereas no such impairment had been recorded in 2023). The other losses, net primarily consisted of fair value changes on digital assets and non-quoted investments in equity investment partnerships and certain wealth management products we purchased included in investments at fair value through profit or loss, net foreign exchange gain/(loss), dividend income, government subsidies, gain on disposal of subsidiary and impairment of frozen sum.

Finance income – net

Our net finance income was approximately RMB55.6 million in 2023 and we recorded a net finance income of approximately RMB29.1 million in 2022. The change was primarily due to an increase in interest income in 2023 as compared to the same period in 2022.

Share of result of associates

We held investments in five associates, namely Shenzhen Fanhou Technology Co., Ltd.* (深圳市飯後科技有限公司), Shenzhen HuifuWorld Network Technology Co., Ltd.* (深圳市滙富天下網絡科技有限公司), Shenzhen Easething Technology Co., Ltd.* (深圳市易新科技有限公司), Shenzhen Jisiwei Intelligent Technology Co., Ltd.* (深圳市極思維智能科技有限公司), Shanghai Allin Network Technology Co., Ltd.* (上海傲英網絡科技有限公司) and its subsidiaries as at 31 December 2023 (31 December 2022: six associates), all of which were online game or internet technology companies. We recorded a share of loss of associates of approximately RMB1.6 million for the year ended 31 December 2023, compared to a share of loss of associates of approximately RMB0.6 million recorded for the same period in 2022.

Income tax expenses

Our income tax expenses for the year ended 31 December 2023 was approximately RMB9.8 million, whereas we recorded income tax expenses of approximately RMB21.0 million for the same period of 2022.

Profit attributable to owners of the Company

As a result of the foregoing, profit attributable to owners of the Company for the year ended 31 December 2023 amounted to approximately RMB117.2 million, representing an increase by 82.5% as compared to the profit attributable to owners of Company of approximately RMB64.2 million recorded for the same period of 2022.

* For identification purpose only



Management Discussion and Analysis

Non-IFRS adjusted net profit

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use unaudited non-IFRS adjusted net profit as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. The term “adjusted net profit” is not defined under IFRS. Other companies in the industry which the Group operates in may calculate such non-IFRS items differently from the Group. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact our profit for the reporting period and should not be considered in isolation or as a substitute for the analysis of the Group’s results as reported under IFRS.

Our position of unaudited non-IFRS adjusted net profit for the year ended 31 December 2023 of approximately RMB118.9 million was derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB1.8 million included in administrative expenses, as compared to our position of unaudited non-IFRS adjusted net profit for the year ended 31 December 2022 of approximately RMB67.1 million, which was derived from our unaudited profit for the same period excluding share-based compensation expenses of approximately RMB2.9 million included in administrative expenses.

Fourth Quarter of 2023 Compared to Fourth Quarter of 2022

Revenue

Our revenue for the three months ended 31 December 2023 amounted to approximately RMB100.3 million, representing a year-on-year increase of approximately 6.3% from approximately RMB94.3 million recorded for the same period of 2022. For the three months ended 31 December 2023, revenue generated from our mobile games amounted to approximately RMB71.8 million as compared to approximately RMB61.4 million recorded for the same period in 2022, representing a year-on-year increase of approximately 16.9%.

Cost of revenue

Our cost of revenue for the three months ended 31 December 2023 amounted to approximately RMB27.4 million, representing a year-on-year decrease of approximately 18.0% from approximately RMB33.4 million recorded for the same period in 2022. The year-on-year decrease was primarily due to the decrease in commission charges by platforms and third party payment vendors.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 19.6% from approximately RMB60.9 million for the three months ended 31 December 2022 to approximately RMB72.9 million for the three months ended 31 December 2023.

For the three months ended 31 December 2023 and 2022, our gross profit margin were approximately 72.7% and 64.6%, respectively.



Management Discussion and Analysis

Selling and marketing expenses

Our selling and marketing expenses increased from approximately RMB10.1 million recorded for the three months ended 31 December 2022 to approximately RMB11.1 million for the same period in 2023, representing a year-on-year increase of approximately 10.2%, which was mainly attributable to the increase in expenses incurred for advertising and promotional activities.

Administrative expenses

Our administrative expenses for the three months ended 31 December 2023 amounted to approximately RMB30.7 million, representing a year-on-year increase of approximately 6.7% from approximately RMB28.8 million recorded for the same period in 2022. The year-on-year increase was mainly due to the increase in professional service expenses.

Other losses – net

For the three months ended 31 December 2023, we recorded other losses, net of approximately RMB16.3 million, compared to other losses, net of approximately RMB1.1 million recorded for the same period in 2022. The increase in other losses, net for the three months ended 31 December 2023 as compared to same period in 2022 was mainly due to the increase in loss in fair value in investment at fair value through profit or loss for the three months ended 31 December 2023 and the decrease in gain on disposal of subsidiary. The other losses, net primarily consisted of fair value changes on digital assets and non-quoted investments in equity investment partnerships and certain wealth management products we purchased included in investments at fair value through profit or loss, net foreign exchange gain/(loss), dividend income, government subsidies, gain on disposal of subsidiary and impairment of frozen sum.

Finance income – net

Our net finance income for the three months ended 31 December 2023 was approximately RMB15.0 million, and we recorded a net finance income of approximately RMB9.5 million in 2022. The change was primarily due to an increase in interest income in the fourth quarter of 2023 as compared to the same period in 2022.

Share of result of associates

We held investments in five associates, namely Shenzhen Fanhou Technology Co., Ltd.* (深圳市飯後科技有限公司), Shenzhen HuifuWorld Network Technology Co., Ltd.* (深圳市匯富天下網絡科技有限公司), Shenzhen Easething Technology Co., Ltd.* (深圳市易新科技有限公司), Shenzhen Jisiwei Intelligent Technology Co., Ltd.* (深圳市極思維智能科技有限公司), and Shanghai Allin Network Technology Co., Ltd.* (上海傲英網絡科技有限公司) and its subsidiaries as at 31 December 2023 (31 December 2022: six associates), all of which were online game or internet technology companies. We recorded a share of loss of associates of approximately RMB0.5 million for the three months ended 31 December 2023, compared to a share of loss of associates of approximately RMB0.4 million recorded for the same period in 2022.

* For identification purpose only



Management Discussion and Analysis

Income tax credit/(expenses)

Our income tax credit for the three months ended 31 December 2023 was approximately RMB2.9 million, whereas we recorded income tax expenses of approximately RMB2.3 million for the same period of 2022.

Profit attributable to owners of the Company

As a result of the foregoing, our profit attributable to owners of the Company for the three months ended 31 December 2023 amounted to approximately RMB32.1 million, increased by approximately 15.5% from approximately RMB27.8 million for the same period of 2022.

Non-IFRS Measure – Adjusted net profit

For the three months ended 31 December 2023, our unaudited non-IFRS adjusted net profit was approximately RMB31.9 million, which was derived from our unaudited profit of the same period excluding share-based compensation credit of approximately RMB0.2 million included in administrative expense, as compared to our unaudited non-IFRS adjusted net profit for the three months ended 31 December 2022 of approximately RMB28.6 million, which was derived from our unaudited profit of the same period excluding share-based compensation expenses of approximately RMB0.9 million included in administrative expense.

Liquidity and capital resources

For the year ended 31 December 2023, we generated sufficient cash through our operating activities to satisfy our capital needs for our business operations. We intend to provide financial support to our expansion, investment and business operations by internal resources and through organic and sustainable growth. We will make investments in line with our capital and investment management policies and strategies.

Gearing ratio

As at 31 December 2023, the Group's gearing ratio (total liabilities divided by total assets) was 17.1% (31 December 2022: 18.4%).

Digital assets

During the year ended 31 December 2023, the Group commenced the purchase of cryptocurrencies. Purchase and holding of cryptocurrencies is a pivotal move for the Group to path its layout and development of Web3 business, and a significant component of the Group's asset allocation strategy.

On 22 December 2023, the Board was granted an acquisition mandate from the shareholders of the Company under the extraordinary general meeting held to conduct acquisitions of cryptocurrencies in an aggregate amount not exceeding US\$100 million in open market transactions which the Company shall use approximately US\$45 million to acquire each of Bitcoin and Ether and the remainder of not more than US\$10 million will be used to purchase Tether USD (USDT) and USD Coin (USDC). For details, please refer to the announcement of the Company dated 13 November 2023, the circular of the Company dated 5 December 2023 and the poll results announcement of the Company dated 22 December 2023.



Management Discussion and Analysis

As at 31 December 2023, the Group held digital assets which amounted to approximately RMB78.6 million, the majority of which are Tether USD, Ether and Bitcoin.

Term deposits

As at 31 December 2023, we had term deposits of approximately RMB732.4 million (31 December 2022: approximately RMB1,157.4 million), which were mainly denominated in United States dollars (“USD”). The original maturities of the term deposits are over three months and less than three years. The effective interest rate for the term deposits of the Group for the year ended 31 December 2023 was 4.29%.

Cash and cash equivalents

As at 31 December 2023, we had cash and cash equivalents of approximately RMB744.3 million (31 December 2022: approximately RMB294.0 million), which primarily consisted of cash at bank and in hand and short-term bank deposits, which were mainly denominated in Renminbi (as to 22.5%), USD (as to 73.0%) and other currencies (as to 4.5%). We currently do not hedge transactions undertaken in foreign currencies or use any financial instruments for hedging purposes. Due to our persistent efforts in managing exposure to foreign currency risks, fluctuations in currency exchange rates do not have any material adverse impact on our financial results.

Equity investments at fair value through other comprehensive income

We accounted for equity investments at fair values through other comprehensive income at their respective fair values. As at 31 December 2023, the fair value of our listed and unlisted investments classified as equity investments at fair values through other comprehensive income amounted to approximately RMB10.5 million (31 December 2022: approximately RMB18.1 million). These equity investments at fair value through other comprehensive income mainly consisted of both listed and unlisted equity securities, which is mainly represented by our equity investments in Xiaomi Corporation (Hong Kong Stock Exchange: 1810).

During the year ended 31 December 2023, we have disposed of all of the shares in Qudian Inc., a listed company on the New York Stock Exchange (stock code: QD), on the open market. The proceeds of the disposed shares will be utilized on the Group’s business operations.

We consider that, none of the other listed and unlisted investments classified as equity investments at fair value through other comprehensive income in our investment portfolio is a significant investment as none of such investments has a carrying amount that accounts for more than 5.0% of our total assets as at 31 December 2023.



Management Discussion and Analysis

Investments at fair value through profit or loss

As at 31 December 2023, we also recorded investments at fair value through profit or loss amounted to approximately RMB208.5 million (31 December 2022: approximately RMB185.3 million), which consisted of non-quoted investments in asset management plans, equity investment partnerships, wealth management product and structured deposits. As at 31 December 2023, the fair values of the investments in asset management plans were determined by an independent professional valuer engaged by the Company using discount cash flows model; the fair values of the investments in equity investment partnerships were determined by an independent professional valuer engaged by the Company using market approach and discount cash flows model; and the wealth management product has no initial terms, the fair values of investments in wealth management product and structured deposits were determined based on the estimated rate of return of investments. For the year ended 31 December 2023, we recorded fair value losses on investments at fair value through profit or loss of approximately RMB55.9 million (fair value losses for the year ended 31 December 2022: approximately RMB58.0 million).

The investments in wealth management products under investments at fair value through profit or loss were made in line with our treasury and investment policies, after taking into account, among others, the level of risk, return on investment, liquidity and the term to maturity. The Company has dedicated investment department and investment project management team to conduct, oversee and manage its investment activities. The Company has established specialized investment management policies and risk management systems to safeguard and improve its investment practices and control the investment risks. Prior to making an investment, the Group had also ensured that there remains sufficient working capital for the Group's business needs even after the investments in wealth management products. During the year ended 31 December 2023, an indirect wholly-owned subsidiary of the Company had subscribed for two structured deposits (in amount of RMB30.0 million and RMB50.0 million) and a wealth management product (in an amount of RMB50.0 million) with three licensed banks in the People's Republic of China (the "PRC"), respectively. Each of the subscriptions constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As at 31 December 2023, the fair value of each of the above subscriptions accounted for less than 5.0% of our total assets. For further details, please refer to the Company's announcement dated 28 July 2023. Save as disclosed above and the acquisition mandate of cryptocurrency obtained from the shareholders of the Company dated 22 December 2023, each of the investments made by the Company does not constitute a notifiable transaction or a connected transaction of the Company under the Listing Rules. Generally speaking, as agreed with the financial institutions, the underlying investment portfolio of the wealth management products of the Group were primarily represented by money market instruments such as bank deposits, bond reverse repurchase, money funds and other inter-bank and exchange-traded funds financing instruments; treasury bonds, financial bonds, local government bonds, central bank bills, interbank certificates of deposit, short-term financing bonds, ultra-short-term financing bonds, medium-term bills, enterprise bonds, corporate bonds, project revenue bonds, project revenue bills, asset-backed securities, subordinated bonds, convertible bonds, and other inter-bank and exchange-market bonds and debt financing instruments, as well as other fixed-income investment instruments, etc., which were highly liquid with a relatively short term of maturity and a relatively low level of risk, whilst enabling the Group to earn an attractive rate of return.



Management Discussion and Analysis

On 28 December 2016, the Group, through Shenzhen Dong Fang Bo Ya Technology Co., Limited* (深圳市東方博雅科技有限公司), established a limited partnership namely Jiaxing Boyaa ChunLei Equity Investments Limited Partnership Enterprise* (嘉興博雅春雷股權投資合夥企業(有限合夥)) (“**Jiaxing Boyaa**”) with Shanghai Tailai Tianji Asset Management Co., Limited* (上海泰來天濟資產管理有限公司). For the year ended 31 December 2023, the Group’s accumulated contribution of RMB300.0 million represented 99.0% of the total capital contribution of Jiaxing Boyaa. The fair value of the investment in Jiaxing Boyaa as at 31 December 2023 was approximately RMB3.3 million and represented less than 5.0% of our total assets. Jiaxing Boyaa was established for carrying out equity investments, venture capital investments and investments in securities, subject to certain investment restrictions. We will continue to closely monitor the performance of Jiaxing Boyaa on an on-going basis and will take necessary actions at the appropriate time to protect the interests of the Company and its shareholders.

We consider that, save as disclosed above, no other single investment that was designated as investments at fair value through profit or loss in our investment portfolio is a significant investment as none of such investments has a carrying amount that accounts for more than 5.0% of our total assets as at 31 December 2023.

Borrowings

During the year ended 31 December 2023, we did not have any short-term or long-term bank borrowings and we had no outstanding, utilised or unutilised banking facilities.

Capital expenditures

For the year ended 31 December 2023, our total capital expenditures amounted to approximately RMB10.3 million (for the year ended 31 December 2022: approximately RMB2.0 million). The capital expenditure mainly included purchasing buildings, equipment and leasehold improvements, which was funded by using our cash flows generated from our operations.

Commitments

As at 31 December 2023, the Group did not have any significant commitments.

Contingent liabilities and guarantees

As at 31 December 2023, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against us.

* For identification purpose only



Management Discussion and Analysis

Significant investments and future plans for major investments

For the year ended 31 December 2023, the Group's investment in Jiaxing Boyaa amounted to RMB300.0 million. Jiaxing Boyaa mainly carries out equity investments and venture capital investments. As at 31 December 2023, the fair value of the investment in Jiaxing Boyaa was approximately RMB3.3 million and represented less than 5.0% of our total assets.

In the future, the Group will continue to identify new investment opportunities for business development. The Group has not executed any agreement in respect of material acquisitions, investments or capital asset and does not have any other future plans relating to material acquisitions, investments or capital asset as at the date of this report. Nonetheless, if any potential investment opportunity arises in the future, the Group will perform feasibility studies and prepare implementation plans to consider whether it is beneficial to the Group and the shareholders of the Company as a whole.

Pledge/charge of the Group's assets

As at 31 December 2023, none of the Group's assets was pledged or charged.

Employees and staff costs

As at 31 December 2023, we had a total of 233 full-time employees, who are mainly based in China. In particular, 193 employees are responsible for our game development and operation, 29 for game support and 11 for administration and senior management.

We organise and launch various training programs on a regular basis for our employees to enhance their knowledge and skills of online game development and operation, improve time management and internal communications and strengthen team bonds. We also provide various incentives, including share-based awards, such as share options and restricted share units ("RSUs") granted pursuant to the share incentive schemes of the Company, and performance-based bonuses to better motivate our employees. As required by PRC laws and regulations, we have also made contributions to various mandatory social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance and maternity insurance, and to mandatory housing accumulation funds, for or on behalf of our employees.

No forfeited contribution (by the Group on behalf of its employees who leave the scheme prior to vesting fully in such contributions) is available to be utilized by the Group to reduce the contributions payable in the future years or to reduce the Group's existing level of contributions to the retirement benefit scheme.



Management Discussion and Analysis

For the year ended 31 December 2023, the total staff costs of the Group (including salaries, bonuses, social insurances, housing provident funds and share incentive schemes) amounted to approximately RMB88.1 million, representing approximately 32.6% of the total expenses of the Group. Pursuant to the post-IPO share option scheme adopted by the Company in October 2013 (the “**Post-IPO Share Option Scheme**”) and the pre-IPO share option scheme adopted by the Company in January 2011 and amended in September 2013 (the “**Pre-IPO Share Option Scheme**”) as well as the RSU schemes adopted by the Company in September 2013 (the “**2013 RSU Scheme**”) and July 2021 (the “**2021 RSU Scheme**”, together with the 2013 RSU Scheme, the “**RSU Schemes**”), there were a total of 4,872,429 share options and 19,588,089 shares underlying the RSUs outstanding and/or granted to a total of 248 senior management members and employees of the Group as at 31 December 2023. There were also 37,390,494 shares underlying the RSUs allowed to be granted under the 2021 RSU Scheme which were held by Core Administration RSU Limited as nominee for the benefit of eligible participants pursuant to the 2021 RSU Scheme. As at 31 December 2023, the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme (the “**Share Option Schemes**”) had expired. After the expiration of the Share Option Schemes, no further options will be granted but the provisions of the Share Option Schemes shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Schemes, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Schemes. The 2013 RSU Scheme had been terminated on 3 March 2021 and as at 31 December 2023, and all RSUs granted under the 2013 RSU Scheme had vested. Further details of the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the RSU Schemes are set out in the section headed “Share Option Schemes and Restricted Share Unit Schemes” under the Directors’ Report in this annual report.



Biographies of the Directors and Senior Management

DIRECTORS

Executive Directors

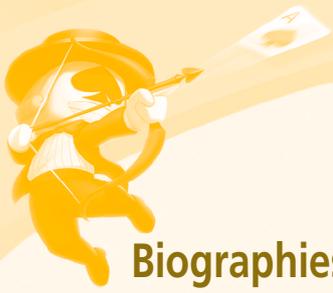
Mr. Dai Zhikang (戴志康), aged 42, joined the Board as an executive Director on 19 August 2013 and appointed as chairman of the Board on 21 September 2018. Mr. Dai has served as a director of Shenzhen Dong Fang Bo Ya Technology Co., Limited (“**Boyaa Shenzhen**”) since January 2008. Mr. Dai served as the general manager of Beijing Comsenz Innovation Technology Co., LLC* (北京康盛新創科技有限責任公司) from October 2010 to March 2014 and was responsible for its overall strategic planning and general management. Mr. Dai founded Beijing Comsenz Century Technology Co., Ltd*. (北京康盛世紀科技有限公司) in 2004 and served as its chairman since inception until 2006. Mr. Dai also served as one of the persons-in-charge of Comsenz (Beijing) Networking Corporation Limited* (康盛創想(北京)科技有 限公司) from 2006 to 2010. Mr. Dai invested in Beijing Huobi Global Network Technology Co., Ltd.* (北京火幣天下網絡 技術有限公司) (the predecessor of HTX(火必交易平臺)) in 2014. Mr. Dai has in-depth research and thinking on blockchain and Web3 related technologies, and has profound insights and rich experience in Web3 industry development and related business management. Mr. Dai received his bachelor’s degree in communications engineering from Harbin Engineering University in June 2004.

Ms. Tao Ying (陶穎), aged 43, joined the Board as an executive Director on 21 September 2018. She was also appointed as the joint company secretary of the Company on 11 September 2023. Before her appointment as an executive Director, Ms. Tao was the person-in-charge of the compliance department of the Group, and was primarily responsible for the handling of the listing compliance issues of the Group, discharging the duties and responsibilities of company secretary, and participating in the internal control, finance, investor relations, and investment project management of the Group. Ms. Tao has served as a director of Boyaa Shenzhen since November 2018. Ms. Tao has also served as the legal representative, executive director and general manager of Shenzhen Erlulu Technology Company Limited (深圳市貳陸陸科技有限公司) since November 2018. Ms. Tao has served as a director of JIUHO PTE. LTD since November 2020. Ms. Tao has also served as the legal representative, executive director and the general manager of Shenzhen Jiaxun Zhichuang Technology Co., LTD (深圳市嘉訊智創科技有限公司) since October 2022. Ms. Tao joined the Company in December 2013 and has worked in the Company for over ten years. She has over twelve years of company management experience. Ms. Tao graduated from Anhui University of Finance and Economics in July 2003, with a bachelor’s degree in economics in international economics and trade, and also obtained a certificate of graduation with a minor in accountancy from Anhui University of Finance and Economics. Ms. Tao obtained the Second Level National Certificate of Human Resources Management issued by the Ministry of Human Resources and Social Security, the People’s Republic of China in June 2011.

Independent Non-executive Directors

Mr. Cheung Ngai Lam (張毅林), aged 55, joined the Board as an independent non-executive Director on 25 October 2013. From 25 January 2016 to 31 January 2019, Mr. Cheung acted as an independent non-executive director of Asia Television Holding Limited (HKEx Stock Code: 707) and from 1 June 2020 to 17 June 2021, Mr. Cheung acted as an independent non-executive director of Guoan International Limited (HKEx Stock Code: 143) (delisted). Mr. Cheung was also appointed as an independent non-executive director of New Provenance Everlasting Holdings Limited (HKEx Stock Code: 2326) on 1 February 2020, and China Development Bank International Investment Limited (HKEx Stock Code: 1062) on 28 January 2021. Mr. Cheung was appointed as an executive Director of Silk Road Logistics Holdings Limited (HKEx Stock Code: 988) on 4 June 2021. Mr. Cheung was the chief financial officer of China Zenix Auto International Limited (OTC Stock Code: ZXAIY) (delisted) until 28 February 2022. Mr. Cheung is a member of the American Institute of Certified Public Accountants and is a Certified Practising Accountant of Australia. Mr. Cheung obtained a bachelor’s degree in social sciences from the University of Hong Kong in November 1991 and a master of science (investment management) degree in finance from the Hong Kong University of Science and Technology in November 2002.

* For identification purpose only



Biographies of the Directors and Senior Management

Mr. Choi Hon Keung Simon (蔡漢強), aged 63, joined the Board as an independent non-executive Director on 25 October 2013. Mr. Choi was appointed as an independent non-executive director of China Wan Tong Yuan (Holdings) Limited (HKEX Stock Code: 6966) and a member of each of its audit committee and nomination committee on 7 September 2017. Mr. Choi was appointed as a non-executive director and the chairman of the audit committee of Nocturne Acquisition Corporation (NASDAQ Stock Code: MBTCU) on 16 December 2021. From 2 June 2021 to 15 June 2022, Mr Choi served as an executive director of Imperium Financial Group Limited (formerly known as Sun International Group Limited, HKEx Stock code: 8029). Mr. Choi has also been an active Honorary Legal Counsellor to the Hong Kong Electrical Appliances Industries Association since 2016. Mr. Choi joined TCL Multimedia Technology Holdings Limited (currently known as “TCL Electronics Holdings Limited”), a global TV manufacturer (HKEX Stock Code: 1070) in 2005 and served as the deputy general counsel from 2011 to 2014. Mr. Choi possesses expertise in blockchain laws and regulations in various jurisdictions. He is a highly experienced ICO (Initial Coin Offering) advisor, and an internationally renowned figure in the blockchain community. Mr. Choi has provided legal advice for numerous ICO projects and over 30 blockchain funding projects worldwide. Mr. Choi currently serves as the legal advisor for Bitnordex Exchange in Northern Europe. Mr. Choi serves as the Chief Legal Officer at the Asian Blockchain Society and World Crypto Organization. Mr. Choi obtained a bachelor degree in laws from Peking University in July 1991, a master degree in laws from University of London in November 1992 and a Common Profession Examination Certificate in laws from the University of Hong Kong in June 1994. Mr. Choi was admitted as a Solicitor of the Supreme Court of England and Wales in 1998, a Solicitor of the High Court of Hong Kong in 1997 and a member of the Institute of Linguists in 1996.

Mr. Kong Fanwei (孔凡偉), aged 45, joined the Board as an independent non-executive Director on 16 July 2020. Mr. Kong obtained a bachelor degree in mechanical engineering at Jilin Electrification College* (吉林電氣化專科學校) (merged into as Beihua University in 1999) in September 2000. Mr. Kong served as the regional general manager of Dalian of Electrolux (China) Home Appliances Co., Ltd. (伊萊克斯(中國)電器有限公司), the holding company of which is a company listed on the Nasdaq Stockholm AB (Stock Code: ELUXa), from June 2001 to June 2004, responsible for market development and maintenance in Dalian. Mr. Kong then served as the chief executive officer of China region of Happy Call (Shanghai) Co., Ltd.* (樂喚貿易(上海)有限公司), from July 2010 to May 2011, responsible for marketing and operation in the PRC. From May 2011 to May 2012, Mr. Kong served as the acting chief executive officer of the South Korea NUC China Branch, responsible for market development and operation as well as online and offline sales and marketing in the PRC. Mr. Kong founded Zuanji (Dalian) Science and Technology Co., Ltd.* (鑽技(大連)科技有限公司) (formerly known as Dalian Xunchi Trading Co., Ltd * (大連迅馳商貿有限公司)) in August 2006; thereafter he also founded Happy Call (Dalian) Technology Development Co., Ltd.* (樂喚(大連)科技發展有限公司) in November 2010 and Miban (Shanghai) Technology Co., Ltd.* (米拌(上海)科技有限公司) in August 2021, respectively. Mr. Kong has been serving as the chief executive officer of the three aforementioned companies till present. Mr. Kong has extensive experience in corporate business management and operation.

* For identification purpose only



Directors' Report

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are the development and operations of online card and board games, and the Group will be committed to promoting and developing Web3 gaming related business and building the Company into a pure and leading Web3 listed company.

BUSINESS REVIEW

A fair review of the Group's business and the Group's likely future developments are set out in the section headed "Management Discussion and Analysis – Business Overview and Outlook" of this annual report. There is no important event affecting the Group that has occurred since 31 December 2023 and up to the date of this annual report.

A detailed analysis of the business performance of the Group for 2023 is set out in the section headed "Management Discussion and Analysis" of this annual report and the key performance indicators (the "KPIs") of the Group are set out in the table below:

	For the three months ended		
	31 December 2023 (unaudited)	31 December 2022 (unaudited)	Year-on-Year Change* %
Paying Players (in thousands)	206	216	(4.6)
• Web-based games	3	5	(40.0)
• Mobile games	203	211	(3.8)
DAUs (in thousands)**	1,130	1,183	(4.5)
• Web-based games	77	93	(17.2)
• Mobile games	1,053	1,090	(3.4)
MAUs (in thousands)**	3,940	4,040	(2.5)
• Web-based games	339	330	2.7
• Mobile games	3,601	3,710	(2.9)
ARPPU of Texas Hold'em (in RMB)			
• Web-based games	4,747.7	2,744.3	73.0
• Mobile games	207.2	196.8	5.3
ARPPU of Other Card and Board (in RMB)***			
• Web-based games	0.3	0.3	–
• Mobile games	83.0	68.4	21.3



Directors' Report

- * *Year-on-Year Change % represents a comparison between the current reporting period and the corresponding period last year.*
- ** *The numbers of DAUs and MAUs shown above are calculated based on the number of active users in the last calendar month of the relevant reporting period.*
- *** *The categories of "Fight the landlord" and "Other Games" set out in the previous annual report is combined and referred to as "Other Card and Board" above.*

The size of the Group's player base reflects the popularity of the Group's games and the basis for a sustainable growth. The Group measures its player base primarily by DAUs and MAUs. The number of paying players and ARPPU in a specific period are the two most direct factors that affect revenue generated from our online games in such period. Discussion on the trend of the above KPIs is set out in the section headed "Management Discussion and Analysis – Business Overview and Outlook" of this annual report.

The review and discussions included in the section headed "Management Discussion and Analysis" form part of this Directors' Report.

Principal Risks and Uncertainties

The Group faces the following principal risks and uncertainties in its operations:

- (a) the major products of the Group, *Texas Hold'em Series*, accounted for over 60% of the revenue in the past, and any failure to maintain or enhance the performance of these games or other adverse development affecting these games could adversely affect the business and results of operations of the Group;
- (b) the Group may not be able to continuously enhance its existing games and player experience and launch high-quality new games and services, which will materially and adversely affect its ability to continue to retain existing players and attract new players;
- (c) the Group utilises major social networking websites, online application stores and third-party payment vendors to generate a substantial portion of revenues and if the Group is unable to maintain a good relationship with these distribution and payment channels or if the use of these distribution or payment channels is adversely affected by any factor such as new measures imposed or intervention by any regulators or third parties, the business and results of operations of the Group will be adversely affected;
- (d) the Group relies on the Contractual Arrangements (as defined hereinafter) to control and obtain the economic benefits from Boyaa Shenzhen which may not be as effective in providing operational control as direct ownership;
- (e) if the PRC government finds the Contractual Arrangements established for operating the online game businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Group could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in the variable interest entity, being Boyaa Shenzhen;
- (f) there is no assurance that a cryptocurrency will maintain its long term value and the volatility on the market price of cryptocurrency may adversely affect our business and result of operations;



Directors' Report

- (g) there are uncertainties about the interpretation of PRC laws and regulations relating to contractual arrangements. On 15 March 2019, the Foreign Investment Law of the People's Republic of China ("**Foreign Investment Law 2019**") was adopted by the Second Session of the Thirteenth National People's Congress of the People's Republic of China and had taken effect on 1 January 2020. Foreign Investment Law 2019 replaced the Law of the People's Republic of China on Sino-foreign Equity Joint Ventures, the Law of the People's Republic of China on Sino-Foreign Cooperative Joint Ventures and the Law of the People's Republic of China on Foreign-funded Enterprises (collectively referred to as the "**Former Foreign Investment Law**"). On 26 December 2019, the State Council promulgated the Regulations on the Implementation of Foreign Investment Law of the People's Republic of China ("**the Regulations on the Implementation of Foreign Investment Law**"), which became effective on 1 January 2020 and replaced the Regulations on the Implementation of the Law of the People's Republic of China on Sino-foreign Equity Joint Ventures, the Interim Regulations on the Term of Sino-foreign Equity Joint Ventures, Detailed Rules for the Implementation of the Law of the People's Republic of China on Foreign-funded Enterprises and Detailed Rules for the Implementation of the Law of the People's Republic of China on Sino-Foreign Cooperative Joint Ventures. According to Foreign Investment Law 2019 and the Regulations on the Implementation of the Foreign Investment Law, the existing foreign-funded enterprises established under the Former Foreign Investment Law before the effective date of the Foreign Investment Law 2019 may adjust their existing organizational form or structure, and go through relevant procedures for change of registration in accordance with relevant laws such as the Company Law of the People's Republic of China and the Partnership Enterprise Law of the People's Republic of China, or maintain the original organizational form or structure within five years from the effective date of the Foreign Investment Law 2019.

The Foreign Investment Law 2019 stipulates four forms of foreign investment. However, the Foreign Investment Law 2019 does not specify the form of the contractual arrangements for foreign investment. Since the means of foreign investment stipulated in the Foreign Investment Law 2019 include "investment in accordance with laws, administrative regulations or other means stipulated by the State Council", it cannot be ruled out that the future laws, administrative regulations and the provisions of the State Council may stipulate contractual arrangements as one of the means of foreign investment. Whether the contractual arrangement will be identified as foreign investment in the future or whether it will be regarded as a violation of the requirements for foreign investment access, there are still some uncertainties and the Company may bear significant compliance costs in the future;



Directors' Report

- (h) Complying with evolving laws and regulations regarding cybersecurity, information security, privacy and data protection and other related laws and requirements may force the Group to make adverse changes to its business. Different regulatory bodies in PRC have issued laws and regulations regarding cybersecurity, information security, privacy and data protection with various standards and applications, including but not limited to: (i) the Regulations on Administration of Cyber Data Security (Consultation Draft) (not yet effective), which stipulates that data operators which carry out data processing activities that affect or may affect national security shall apply for cyber security review according to the relevant regulations of the State; (ii) the Cybersecurity Review Measures (effective from 15 February 2022), which stipulates that network platform operators which carry out data processing activities that affect or may affect national security shall be subject to the cybersecurity review by the Cybersecurity Review Office (網絡安全審查辦公室), where there are still uncertainties regarding the interpretation and application of such review measures; (iii) the Administrative Provisions on Algorithm Recommendation of Internet Information Services (effective from 1 March 2022); and (iv) the Administrative Provisions on Mobile Internet Application Information Services (effective from 1 August 2022), which stipulates that application providers which carry out application data processing activities shall fulfill the data security protection obligations, but shall not jeopardized national security and public interests or shall not damage the legitimate rights and interests of others;
- (i) If future laws and regulations require that existing domestic enterprises that have been listed overseas, directly or indirectly, shall file with the China Securities Regulatory Commission (the “**CSRC**”), the Group may be required to obtain approval from and/or meet other requirements of the CSRC or other PRC government authorities, and it is uncertain whether this will result in significant compliance costs for the Group in the future; and
- (j) facing challenges presented by the extensive law and regulation of various aspects of online game business in the PRC and overseas markets and there is no assurance that such relevant laws and regulations would not apply to the Group or be interpreted in ways that could affect the Group’s business.

The Group mainly adopted the following measures to manage its aforementioned major risk areas:

- manage the Group’s growing size and expanding business, including controlling costs, establishing sufficient internal controls, attracting and retaining talent as well as maintaining corporate culture;
- continue to offer new and high-quality games, upgrade existing games to attract and retain players as well as increase player activity level and monetisation;
- maintain and expand the Group’s game distribution platforms to deepen penetration in existing markets and expand into new markets within and outside of the PRC;
- maintain close contact with the relevant PRC regulatory authorities and engaging external PRC legal advisers to assist in reviewing the implementation and compliance of the Contractual Arrangements, and ensure sound and effective operation of the Group in compliance with the Contractual Arrangements and applicable laws and regulations; and to deal with specific problems or issues arising from the Contractual Arrangements if required;
- adopt internal procedures to ensure regulatory compliance of the Group’s business operations in both China and overseas markets. The Group’s in-house legal department keep abreast of the regulatory environment and developments in local laws and regulations to support the Group’s business expansion in its existing and future target markets, and closely monitor the implementation of the above laws and regulations and strictly comply with such laws and regulations in accordance with the advice of its PRC legal advisers, as well as establish and maintain internal compliance policies; and



Directors' Report

- established a specialized virtual asset management and risk control department responsible for establishing relevant policies and systems for cryptocurrency trading and management and monitoring our cryptocurrency trading and management.

In addition, the Group's internal controls and risk management systems are explained in the section headed "Corporate Governance Report – Internal Controls and Risk Management" of this annual report.

For further details of the risks associated with our business and our industry and the uncertainties which we face, please refer to the section headed "Risk Factors" in the prospectus of the Company dated 31 October 2013 (the "**Prospectus**"). In particular, for further details of the risks associated with our Contractual Arrangements, please refer to the section headed "Risks associated with the Contractual Arrangements and the actions taken by the Company to mitigate the risks" below.

Environmental Protection Initiatives

The Group is principally engaged in the development and operations of online card and board games. Due to the nature of the Group's business, the Group does not have any significant environmental issues (such as issues surrounding emission of pollutants, discharges into water and land, and generation of hazardous and non-hazardous waste, which are more often seen in certain particular industries, such as construction, restaurants and manufacturing etc.) in its operations. In addition, based on the updates of important environmental laws and regulations informed by the Group's PRC legal advisers, the management of the Company believes that there are no relevant environmental laws and regulations that are applicable to the Group's businesses and operations which would have a significant impact on the Group. The management of the Company considers that the Group's businesses and operations would not cause a significant negative impact on the environment and natural resources.

The Group had formulated the relevant environmental protection and energy-saving policies. The Group always implements environmentally-friendly practices to operate and manage its businesses. For instance, the Group implements water-saving, electricity-saving, stationery-saving, paper-saving and energy-saving initiatives, etc. within the Group by enforcing good practices in the use of water, electricity, stationery and paper and in the maintenance of lighting and electric equipment to ensure that they are kept in good and proper condition to maximise efficiency. Furthermore, the Company also actively addresses and encourages employees to participate in social environmental protection activities. For further details regarding environmental protection activities of the Group, please refer to the section headed "Environmental, Social and Governance Report – Environmental Activities" of this annual report.

Legal Compliance

During the year ended 31 December 2023, the Group had complied with all relevant PRC laws and regulations in all material respects and have obtained all material licenses, approvals and permits from relevant regulatory authorities for the operations of the Group in China. In particular, during the year ended 31 December 2023, the Group has complied with relevant requirements of the Regulations on the Administration of Online Publishing Services promulgated by the State Administration of Press, Publication, Radio, Film and Television and the Ministry of Industry and Information Technology on 4 February 2016 and took effect on 10 March 2016 and the Notice of the State Administration of Press, Publication, Radio, Film and Television on the Management of Mobile Game Publishing Services promulgated by the General Office of the State Administration of Press, Publication, Radio, Film and Television on 24 May 2016 and took effect on 1 July 2016, and completed relevant approval and filing procedures for the online games that the Group offered within the PRC.



Directors' Report

In addition, as advised by the Group's PRC legal advisers about the important updates in laws and regulations, the Group's online games do not constitute gambling activities prohibited under the Notice on Regulating Operation Order of Online Games and Inspection of Gambling via Online Games jointly issued by the Ministry of Public Security, the Ministry of Culture, the Ministry of Industry and Information Technology and the General Administration of Press and Publication of the PRC on 25 January 2007 and the Notice on Strengthening the Administration of Online Game Virtual Currency jointly issued by the Ministry of Culture and the Ministry of Commerce of the PRC on 4 June 2009, and the Group has not conducted any of the prohibited acts thereunder in its operation of online games and has not offered or promoted its online games as a tool for gambling.

The Group confirmed that it had complied with the requirements of the Notice on Preventing Minors from Becoming Addicted to Online Games published by the National Press and Publication Administration on 25 October 2019, the Law of the People's Republic of China on the Protection of Minors (2020 Revised) revised and published by the National People's Congress Standing Committee (the "NPCSC") on 17 October 2020, the Notice on Further Strengthening of Sleep Management for Primary and Secondary School Students published by the Ministry of Education of the People's Republic of China on 30 March 2021, the Notice on Further Imposing Strict Administrative Measures to Prevent Minors from Becoming Addicted to Online Games published by the National Press and Publication Administration on 30 August 2021 and the Notice on Further Strengthening the Management of Preventing Primary and Secondary Students from Becoming Addicted to Online Games published by the General Office of the Ministry of Education, the General Office of the Publicity Department of the Communist Party of China Central Committee, the Secretary Bureau of the Office of the Central Cyberspace Affairs Commission (the "OCCAC"), the General Office of the Ministry of Industry and Information Technology, the General Office of the Ministry of Public Security and the General Office of the State Administration for Market Regulation (the "SAMR") on 20 October 2021. We have implemented and completed the upgrading of minors' anti addiction system in our online products operated in mainland China.

The Group confirmed that it had fully complied with the provisions relating to network security, information security, data and personal information protection under the Cybersecurity Law of the People's Republic of China promulgated by the NPCSC on 7 November 2016 and came into effect on 1 June 2017, the Notice on App Security Certification and the Implementation Rules on Security Certification of Mobile Internet Application jointly issued by the OCCAC and the SAMR on 13 March 2019, the Cybersecurity Review Measures jointly issued by the Cyberspace Administration of China, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Public Security, the Ministry of State Security, the Ministry of Finance of the People's Republic of China, the Ministry of Commerce of the People's Republic of China, the People's Bank of China, the SAMR, the National Radio and Television Administration, the CSRC, the National Administration of State Secrets Protection and the State Cryptography Administration on 28 December 2021 and came into effect on 15 February 2022, the Civil Code of the People's Republic of China adopted at the Third Session of the Thirteenth National People's Congress of the People's Republic of China on 28 May 2020 and came into effect on 1 January 2021, the Data Security Law of the People's Republic of China promulgated by the NPCSC on 10 June 2021 and came into effect on 1 September 2021, the Personal Information Protection Law of the People's Republic of China promulgated by the NPCSC on 20 August 2021 and came into effect on 1 November 2021.



Directors' Report

Relationship with Employees, Customers and Suppliers

Employees

As at 31 December 2023, the Group had a total of 233 full time employees, who are mainly based in China. In particular, 193 employees are responsible for game development and operation, 29 are responsible for game support, and 11 are responsible for administration and are members of our senior management personnel. The Group provides its employees with ample career development choices and opportunities of advancement. The Group also organises and launches various training programs on a regular basis for its employees to enhance their knowledge of online game development and operation, improve time management and internal communications and strengthen team building. The Group also provides various incentives, including without limitation, providing performance-based bonuses and share-based awards, to better motivate its employees. For further details regarding employees and staff costs and the emolument policy of the Group, please refer to the respective sections headed "Management Discussion and Analysis – Employees and staff costs" and "Directors' Report – Emolument Policy" of this annual report.

Customers

The Group utilises game distribution platforms, such as Facebook, Apple Inc.'s App Store, Huawei, Vivo, Oppo and Google play, etc., to reach the Group's ultimate customers, being individual online game players, by providing games on the websites or online application stores operated by the game distribution platforms. Game players may access the web-based games by entering the relevant websites or the mobile games by downloading the relevant games onto their mobile devices. The Group maintained a close relationship with most of these distribution platforms.

The Group collects payments from the sales of its in-game virtual items directly from the payment collection channels of the Group. The Group established business relationship with a number of payment collection channels as its business expands. As at 31 December 2023, the Group used 125 payment collection channels.

For further details regarding our major customers, please refer to the section headed "Directors' Report – Major Customers and Suppliers" of this annual report.

Suppliers

The major suppliers of the Group mainly comprise data centres that provide server hosting and leasing services. The Group has established server and other equipment procurement policies to manage and monitor its procurement procedures and costs. To ensure the quality and safety of the Group's network infrastructure, the Group usually purchases servers and procures services from qualified and reliable suppliers. The Group selects server rental service providers based on the historical business relationships with the Group, the compatibility of their products with the Group's requirements, prices, customer service and reputation. The Group would also evaluate its suppliers on a quarterly basis based on the performance of their products and services and will replace unqualified suppliers in a timely manner. The Group generally maintained a long-term relationship with these data centres. During the year ended 31 December 2023, there has been no termination of business relationship with the Group's major suppliers which may cause a significant adverse effect on the overall business operation of the Group. For further details regarding our major suppliers, please refer to the section headed "Directors' Report – Major Customers and Suppliers" of this annual report.



Directors' Report

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2023 and the Company's and the Group's financial positions as at that date are set out in the consolidated financial statements on pages 107 to 180.

DIVIDEND

The Board recommends a final dividend of RMB0.0335 per ordinary share for the year ended 31 December 2023 (the "**2023 Final Dividend**") (the year ended 31 December 2022: nil), subject to the approval by shareholders of the Company at the forthcoming annual general meeting to be held. Adopting an exchange rate of HK\$1=RMB0.9014, the 2023 Final Dividend is equivalent to HK\$0.0372 per ordinary share. The dividend payout ratio calculated based on the unaudited non-IFRS adjusted net profit for the year ended 31 December 2023 is 20%. The expected payment date of the 2023 Final Dividend is 31 May 2024.

DIVIDEND POLICY

The Company has adopted a new dividend policy (the "**Dividend Policy**") on 1 March 2024. A summary of the Dividend Policy is as follows:

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 Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the articles of association of the Company 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 of the Company, any restrictions on payment of dividends and any other factors that the Board may consider relevant.

For the next five years, the Company will continue to distribute to shareholders at least 20% per annum of the net operating profit for the year and pay dividends of at least 5% from value-added gains from the purchase of crypto assets per annum.

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



Directors' Report

RESERVES

Changes to the reserves of the Group during the year ended 31 December 2023 are set out in the consolidated statement of changes in equity. Changes to the reserves of the Company during the year ended 31 December 2023 are set out in Note 33(b) to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Changes to the property, plant and equipment of the Group during the year ended 31 December 2023 are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL AND SHARE INCENTIVE SCHEMES

Details of the Company's share capital and share incentive schemes are set out in Note 31 and Note 34 to the consolidated financial statements and the paragraph headed "Share Option Schemes and Restricted Share Unit Schemes" of this annual report, respectively.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2023 are set out in Note 19 to the consolidated financial statements.

VERY SUBSTANTIAL ACQUISITION – ACQUISITION MANDATE AND POTENTIAL CRYPTOCURRENCY ACQUISITIONS

As the Board is of the view that the purchase of cryptocurrencies is a pivotal move for the Group to path its business layout and development in the field of Web3, and a significant component of the Group's asset allocation strategy. After careful consideration, on 13 November 2023, the Board had proposed to seek approval for an acquisition mandate (the "**Acquisition Mandate**") from the Shareholders in advance to authorize and empower the Board to conduct potential cryptocurrency acquisitions (the "**Potential Cryptocurrency Acquisitions**"), for an aggregate amount not exceeding US\$100 million, which is expected to be approximately US\$45 million for each of Bitcoin (BTC) and Ether (ETH) and the remainder of not more than US\$10 million on Tether USD (USDT) and USD Coin (USDC), during the 12 months from the date on which the ordinary resolutions in relation to the Acquisition Mandate and the Potential Cryptocurrency Acquisitions were duly passed at an extraordinary general meeting of the Company held on 22 December 2023 (the "**EGM**").

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Potential Cryptocurrency Acquisitions is expected to exceed 100%, the Potential Cryptocurrency Acquisitions, if materialized, may constitute a very substantial acquisition (the "**VSA**") of the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. As the Potential Cryptocurrency Acquisitions will be open market transactions and will be conducted on an ongoing basis and considering the cryptocurrency investment market is volatile and fast-changing, acquiring cryptocurrencies at the best possible prices requires prompt actions at the right timing and it would not be practicable to seek prior Shareholders' approval for each acquisition of cryptocurrencies. Accordingly, the Board proposed to seek the Shareholders' prior approval for the grant of the Acquisition Mandate at the EGM.



Directors' Report

The resolutions in relation to the Acquisition Mandate and the Potential Cryptocurrency Acquisitions have been duly passed at the EGM held by the Company on 22 December 2023 by way of poll. For details, please refer to the announcement on the VSA dated 13 November 2023, the notice of EGM and the circular on the VSA dated 5 December 2023, the poll results announcement dated 22 December 2023 of the Company and the section headed "Digital Assets" in Management Discussion and Analysis of this annual report.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies for the year ended 31 December 2023.

DONATIONS

Donations made by the Group during the year ended 31 December 2023 amounted to RMB37,309.2 (2022: RMB70,189.5).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 7 of this annual report.

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

The Group did not purchase, sell or redeem any listed securities of the Company during the year ended 31 December 2023.

On 8 March 2023, the Company cancelled 300,000 ordinary shares of US\$0.00005 each of the Company, which were repurchased by the Company on 25 July 2022 on the Stock Exchange at an aggregate consideration of HK\$124,025 pursuant to the share repurchase mandate approved by the Shareholders at the annual general meeting held on 10 June 2022.

SHARE OPTION SCHEMES AND RESTRICTED SHARE UNIT SCHEMES

Post-IPO Share Option Scheme

On 23 October 2013, the Post-IPO Share Option Scheme of the Company was approved and adopted by the Shareholders.

The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years commencing on 12 November 2013, being the date on which the trading of the Shares on the Stock Exchange commenced (the "**Listing Date**"). Accordingly, as at 31 December 2023, the Post-IPO Share Option Scheme had expired. After the expiration of the Post-IPO Share Option Scheme, no further options will be granted but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Post-IPO Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. As all options granted under the Post-IPO Share Option Scheme are exercisable over an ten-year period from the date of grant. Therefore, given that the last batch of options under the Post-IPO Share Option Scheme were granted on 7 September 2015, as at 31 December 2023, the remaining life of the Post-IPO Share Option Scheme in respect of outstanding options is approximately one year and nine months.



Directors' Report

The purpose of the Post-IPO Share Option Scheme is to incentivise and reward the employees (whether full time or part-time) or directors of members of the Group or associated companies of the Company (the “**Eligible Person(s)**”) for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company. Pursuant to the Post-IPO Share Option Scheme, the Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Post-IPO Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to an Eligible Person.

The maximum number of Shares which may be issued upon the exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes (including but not limited to the Pre-IPO Share Option Scheme, as defined below, the “**Other Schemes**”) of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date (the “**Scheme Mandate Limit**”) (being 73,755,912 Shares). As at the date of this annual report, the total number of Shares which may be issued on the exercise of options granted under the Post-IPO Share Option Scheme are 4,872,429, representing approximately 0.69% of the issued share capital of the Company as at the date of this annual report. As at 1 January 2023, 37,367,315 options were available for grant pursuant to the Post-IPO Share Option Scheme. As at 31 December 2023, due to the expiration of the Post-IPO Share Option Scheme, no option was available for grant pursuant to the Post-IPO Share Option Scheme. Options lapsed in accordance with the terms of the Post-IPO Share Option Scheme and any Other Schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

At any time, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Post-IPO Share Option Scheme and any Other Schemes of the Company to Eligible Persons must not exceed 30% of the total number of Shares in issue from time to time. Unless approved by the Shareholders in a general meeting, the total number of Shares issued and to be issued upon the exercise of the options granted to each Eligible Person (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

An offer of options shall be open for acceptance for such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify to the Eligible Person concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Post-IPO Share Option Scheme. An offer of options not accepted within this period shall lapse. An amount of HK\$1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price.

Any option shall be vested on an option-holder immediately upon his acceptance of the offer of options provided that if any terms and conditions are specified in the offer of the option, such option shall only be vested on an option-holder according to such terms and conditions. Such terms and conditions may include any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which need to be achieved by an option-holder before the option can be exercised. Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may, unless the Board determines otherwise in its absolute discretion, be exercised at any time from the next business day after the offer of options has been accepted. Any option which remain unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option.



Directors' Report

The exercise price shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option;
- (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and
- (iii) the nominal value of the Shares.

Details of the options granted under the Post-IPO Share Option Scheme and details of the vesting period, exercise period, the exercise price and the movements in options during the year ended 31 December 2023 are set out in the section headed "Details of the options granted and outstanding under the Post-IPO Share Option Scheme and the Pre-IPO Share Option Scheme and the RSUs granted and outstanding under the RSU Schemes as at 31 December 2023" below. Details of movements in the options and the value of the options granted under the Post-IPO Share Option Scheme are set out in Note 34 to the consolidated financial statements.

During the year ended 31 December 2023, 350,000 options granted under the Post-IPO Share Option Scheme have lapsed, no option has been granted or agreed to be granted, nor has any option been cancelled.

With the new Chapter 17 of the Listing Rules came into effect from 1 January 2023, the Company has complied with the relevant rules of the new Chapter 17 of the Listing Rules under the transitional arrangements before the Post-IPO Share Option Scheme is amended to comply with the new Chapter 17 of the Listing Rules.

Pre-IPO Share Option Scheme

On 7 January 2011, the Pre-IPO Share Option Scheme of the Company was approved and adopted by the Board, which was subsequently amended on 17 September 2013.

The purpose of the Pre-IPO Share Option Scheme is to enable the Company to grant pre-IPO options to employees, officers and directors of or consultant to any member of the Group (the "**Eligible Participant(s)**") as recognition and acknowledgement of the contributions that such Eligible Participants have made or may make to the Group or any affiliates. An Eligible Participant whom an option is granted in accordance with the terms of the Pre-IPO Share Option Scheme (the "**Grantee**") is not required to pay for the grant of any option under the Pre-IPO Share Option Scheme.

The maximum number of Shares in respect of which options may be granted at any time under the Pre-IPO Share option Scheme will be such number of shares as the Remuneration Committee may approve from time to time. No Grantee shall be entitled to any rights, interest or benefits attached to the underlying Shares of the options granted under the Pre-IPO Share Option Scheme unless and until the option in respect of such Shares has been vested on them and exercised in accordance with the terms of the Pre-IPO Share Option Scheme. There is no maximum entitlement for each Eligible Participant under the rules of the Pre-IPO Share Option Scheme although no Eligible Participant under the Pre-IPO Share Option Scheme has been granted options exceeding 1.0% of the issued share capital of the Company.

An offer of options shall be open for acceptance for such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify to the Eligible Person concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Pre-IPO Share Option Scheme.



Directors' Report

An option shall not be exercisable on any date unless such terms and conditions (including, without limitation, any performance target(s) or condition(s) upon which the exercise of the option shall be conditional), if any, are satisfied and to the extent that the option has vested.

The exercise price in respect of any option granted under the Pre-IPO Share Option Scheme shall be fixed with reference to the fair market value of the underlying Share on the date upon which the option is granted, and subject to any adjustments, shall be:

- (i) the latest valuation price per Share certified by an independent valuer engaged by the Company for such purpose prior to the date of grant of the relevant option; or
- (ii) the latest price per Share at which the Company has issued any Shares prior to the date of grant of the relevant option, unless the Company otherwise determines and so notifies the Grantee in writing.

Notwithstanding any other provision of the rules of the Pre-IPO Share Option Scheme or any notice of grant or the terms on which any option is granted or vested, any Shares allotted upon the exercise of the option in accordance with the Pre-IPO Share Option Scheme will, in all cases, be held by a nominee as designated by the Company (the "**Nominee**") for the Grantees. The Company has appointed The Core Trust Company Limited as the trustee (the "**Trustee**") to assist with the administration and vesting of the options granted pursuant to the Pre-IPO Share Option Scheme and The Core Admin Boyaa Option Limited, a company wholly-owned by the Trustee, as the Nominee to hold the Shares to be allotted to the Grantees upon the exercise of the option in accordance with the Pre-IPO Share Option Scheme.

An option, whether vested or unvested, shall automatically lapse and expire with no rights and benefits on the day falling on the eighth anniversary of the date of vesting of the relevant option or such earlier date as the Board may have determined prior to the grant of the relevant option.

All of the options granted under the Pre-IPO Share Option Scheme were granted in four batches in 2011 and 2012. No further options have been granted under the Pre-IPO Share Option Scheme after the Listing Date. As at 1 January and 31 December 2023, no options were available for grant pursuant to the Pre-IPO Share Option Scheme. Therefore, the Pre-IPO Share Option Scheme has expired, and no options to subscribe for Shares remained outstanding under the Pre-IPO Share Option Scheme. As at the date of this annual report, no Share was available for issue under the Pre-IPO Share Option Scheme. Details of movements in the options under the Pre-IPO Share Option Scheme are set out in Note 34 to the consolidated financial statements.

During the year ended 31 December 2023, none of options granted under the Pre-IPO Share Option Scheme have been lapsed and no options have been cancelled.

With the new Chapter 17 of the Listing Rules came into effect from 1 January 2023, the Company has complied with the relevant rules of the new Chapter 17 of the Listing Rules under the transitional arrangements before the Pre-IPO Share Option Scheme is amended to comply with the new Chapter 17 of the Listing Rules.

As no option had been granted during the year ended 31 December 2023 under the Post-IPO Share Option Scheme or the Pre-IPO Share Option Scheme, the calculation pursuant to Rule 17.07(3) of the Listing Rules is nil.



Directors' Report

Restricted Share Unit Schemes

The 2013 RSU scheme of the Company, adopted on 17 September 2013 with a term of eight years from the date of adoption, was terminated on 3 March 2021. Nonetheless, the rights and obligations of the grantees and the Company with respect to the RSUs that have been granted or earmarked pursuant to the 2013 RSU Scheme on or before the termination date as provided (or will be provided) in the relevant grant letters shall survive termination of the 2013 RSU Scheme and remain in full force and effect except otherwise provided for in such grant letters. As the last batch of RSUs granted under the 2013 RSU Scheme was granted on 12 March 2015 and had vested over a subsequent period of four years, as at 31 December 2023, all RSUs granted under the 2013 RSU Scheme had vested. The Company adopted a new 2021 RSU Scheme on 19 July 2021 in place and under substantially the same terms as the 2013 RSU Scheme.

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

Persons eligible to receive RSUs under the RSU Scheme are existing employees, directors (whether executive or non-executive, but excluding independent non-executive directors) or officers of the Company or any of its subsidiaries (the "**RSU Eligible Person(s)**"). The Board selects the RSU Eligible Persons to receive RSUs under the RSU Scheme at its discretion. There is no maximum entitlement for each RSU Eligible Person under the rules of the RSU Scheme although no RSU Eligible Person has been granted RSUs exceeding 1.5% of the issued share capital of the Company.

The 2021 RSU Scheme will be valid and effective for a period of eight years, commencing from the date of the first grant of the RSUs, being 27 August 2021 (unless it is terminated earlier in accordance with its terms) (the "**RSU Scheme Period**"). As at 31 December 2023, the remaining life of the 2021 RSU Scheme is approximately five years and eight months.

The maximum number of RSUs that may be granted under the RSU Schemes in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall be such number of Shares held or to be held by the RSU Trustee (as defined below) for the purpose of the RSU Scheme from time to time.

The Board may not grant any RSUs to any RSU Eligible Person(s) in any of the following circumstances:

- (i) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the RSUs or in respect of the RSU Schemes, unless the Board determines otherwise;
- (ii) where granting the RSUs would result in a breach by the Company, its subsidiaries or any of their directors of any applicable securities laws, rules or regulations; or
- (iii) where such grant of RSUs would result in breach of the limit set out in the rules of the RSU Schemes. Under such rules, the maximum number of RSUs that may be granted under the RSU Schemes in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules) shall be such number of shares held by the trustee for the purpose of the RSU Schemes from time to time.



Directors' Report

The Board can determine the vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the letter granting such RSUs. Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, the Board will send a vesting notice (the "**Vesting Notice**") to each of the relevant participant in the RSU Schemes (the "**RSU Participant(s)**"). The Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) involved. The RSUs that have been granted are subject to vesting as described in the section headed "Details of the options granted and outstanding under the Post-IPO Share Option Scheme and the Pre-IPO Share Option Scheme and the RSUs granted and outstanding under the RSU Schemes as at 31 December 2023 – (c) Consideration paid for the grant of RSUs and the vesting period of the RSUs granted under the RSU Schemes" below and once the RSUs vest and the corresponding shares transferred to the RSU Participants, the RSU Participants are not restricted from dealing in the shares under the rules of the RSU Schemes.

The Company has appointed The Core Trust Company Limited as the trustee (the "**RSU Trustee**") to assist with the administration and vesting of RSUs granted pursuant to the RSU Schemes. The Company may (i) allot and issue Shares to the RSU Trustee to be held by the RSU Trustee and which will be used to satisfy the RSUs upon exercise and/or (ii) direct and procure the RSU Trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the RSUs upon exercise. The shares underlying the 2013 RSU Scheme and 2021 RSU Schemes are both held by a nominee company, i.e., The Core Admin Boyaa RSU Limited and Core Administration RSU Limited respectively (collectively, the "**RSU Nominee**"). Dividends that are attributable to the underlying shares of the RSU Schemes will be paid to the RSU Nominee as the registered shareholder of such shares. The dividends attributable to the underlying shares of RSUs already granted will be held by the RSU Nominee for the benefit of the RSU Participants which will be distributed to them in accordance with the corresponding number of underlying shares that each RSU Participant is entitled based on RSUs already granted to such RSU Participant at the time of distribution of the dividends. The remaining dividends represent dividends attributable to shares in the reserve pool of underlying shares where RSUs have not yet been granted (the "**RSU Pool**"). The dividends in respect of shares in the RSU Pool will first be used to settle any outstanding fees and expenses of the RSU Schemes payable by the Company to the trustee of the RSU Schemes and the settlement of the remaining portion of such dividends will be decided by the Board.

In accordance with Rule 17.05A of the Listing Rules, The Core Trust Company Limited (and the RSU Nominees, which were indirectly wholly-owned by The Core Trust Company Limited) have abstained from voting at the general meetings of the Company on matters that require shareholders' approval under the Listing Rules with respect to unvested shares held in its capacity as the trustee of the RSU Schemes of the Company.



Directors' Report

The Company has put in place the following mechanism for the exercise of the voting rights attached to the vested RSUs held by the RSU Nominee on behalf of relevant RSU Participants at the Company's general meetings:

- (i) In respect of each general meeting of the Company, the Company will send a voting instruction form to each of the relevant RSU Participants to solicit votes from such RSU Participants. The voting instruction form will be very similar to the proxy form for the relevant general meeting and will set out a general description of the resolutions proposed at the general meeting and will allow the RSU Participants to select whether to vote for or against each of the resolutions. A copy of the relevant corporate communication concerning matters to be proposed at such general meeting (such as shareholders' circular and annual report) will also be made available to each of the relevant RSU Participants so that such RSU Participants will have all relevant information for considering the relevant resolutions. Each relevant RSU Participant shall be entitled to one vote for each of the shares underlying the vested RSUs granted to him or her. The relevant RSU Participants will be required to return the signed and completed voting instruction form with the administrator of the RSU Schemes (the "**Administrator**") (currently being Ms. Tao Ying) by the deadline stated in the voting instruction form, which deadline shall be no less than 7 days before the time for holding the relevant general meeting and the RSU Participants will be given at least 7 days to consider how they would like to cast their votes. In so far as the duly signed and completed voting instructions from the relevant RSU Participants have been received by the Administrator prior to the proposed deadline, the Administrator will calculate the total of votes for and against each proposed resolution and will instruct the RSU Nominee accordingly, and the RSU Nominee shall vote only in accordance with the instructions of the Administrator which reflect the instructions of the relevant RSU Participants.
- (ii) For those relevant RSU Participants who fail to return a duly signed and completed voting instructions form to the Administrator prior to the proposed deadline as set out in the voting instruction form, the Administrator will not give any instruction to the RSU Nominee so that no votes will be cast for such shares underlying the vested RSUs and the RSU Nominee shall abstain from voting with respect to such shares underlying the vested RSUs.
- (iii) For the shares in the RSU Pool in respect of which no RSUs have been granted, the Administrator will not give any instruction to the RSU Nominee so that no votes will be cast for those shares and the RSU Nominee shall also abstain from voting with respect to such shares.

RSUs held by a RSU Participant that are vested as evidenced by the Vesting Notice may be exercised (in whole or in part) by the RSU Participant serving an exercise notice in writing on the RSU Trustee and copied to the Company. Upon receipt of an exercise notice, the Board may decide at its absolute discretion to:

- (a) direct and procure the RSU Trustee to, within a reasonable time, transfer the Shares underlying the RSUs exercised (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to the RSU Participant which the Company has allotted and issued to the RSU Trustee as fully paid up Shares or which the RSU Trustee has either acquired by purchasing existing Shares or by receiving existing Shares from any Shareholder, subject to the RSU Participant paying the exercise price (where applicable) and all tax, stamp duty, levies and charges applicable to such transfer to the RSU Trustee or as the RSU Trustee directs; or



Directors' Report

- (b) pay, or direct and procure the RSU Trustee to, within a reasonable time, pay, to the RSU Participant in cash an amount which represents the value of the Shares underlying the RSUs exercised on or about the date of exercise (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) less any exercise price (where applicable) and after deduction of any tax, levies, stamp duty and other charges applicable to the sale of any Shares to fund such payment and in relation thereto.

As at the date of this annual report, no RSU could be granted and no RSU remained granted but unvested under the 2013 RSU Scheme. As at the date of this annual report, there were 40,756,616 shares underlying the RSUs allowed to be granted under the 2021 RSU Scheme which were held by Core Administration RSU Limited as nominee for the benefit of eligible participants pursuant to the 2021 RSU Scheme, and 10,406,250 RSUs were granted but remain unvested under the 2021 RSU Scheme, representing 5.74% and 1.47% of the total issued shares of the Company as at the date of this annual report, respectively.

As at 31 December 2023, an aggregate of 56,422,829 Shares were held by the RSU Trustee, representing approximately 7.95% of the Shares in issue as at the date of this annual report. As at 31 December 2023, RSUs in respect of an aggregate of 19,588,089 Shares, representing approximately 2.76% of the Shares in issue as at the date of this annual report, had been granted to 248 RSU Participants pursuant to the RSU Schemes. Details of the movements in the RSUs under the RSU Scheme are set out in Note 34 to the consolidated financial statements.

As at 1 January and 31 December 2023, no RSU could be granted under the 2013 RSU Scheme, and there were 33,490,494 and 37,390,494 shares underlying the RSUs allowed to be granted under the 2021 RSU Scheme, respectively, which were held by Core Administration RSU Limited as nominee for the benefit of eligible participants pursuant to the 2021 RSU Scheme.

As during the year ended 31 December 2023, no RSU had been granted under the 2013 RSU Scheme or the 2021 RSU Scheme, and no option had been granted under the Post-IPO Share Option Scheme or the Pre-IPO Share Option Scheme, the calculation pursuant to Rule 17.07(3) of the Listing Rules is nil.

Details of the RSUs granted under the RSU Scheme and details of the vesting period and the movements in RSUs during the year ended on 31 December 2023 are set out in the section headed "Details of the options granted and outstanding under the Post-IPO Share Option Scheme and the Pre-IPO Share Option Scheme and the RSUs granted and outstanding under the RSU Schemes as at 31 December 2023" below.

As at 31 December 2023, 15,650,000 RSUs have been granted to the employees of the Group under the 2021 RSU Scheme, no RSU has been cancelled.

With the new Chapter 17 of the Listing Rules came into effect from 1 January 2023, the Company has complied with the relevant rules of the new Chapter 17 of the Listing Rules under the transitional arrangements before the Restricted Share Unit Schemes are amended to comply with the new Chapter 17 of the Listing Rules.



Directors' Report

Details of the options granted and outstanding under the Post-IPO Share Option Scheme and the Pre-IPO Share Option Scheme and the RSUs granted and outstanding under the RSU Schemes as at 31 December 2023

Name of option holder/ Grantees of RSU	Number of shares represented by options or RSUs at 1 January 2023 (Unexercised)	Nature	Date of grant	Granted during the period	Exercise/ purchase price	Weighted average closing price of shares immediately before the dates on which the options or RSUs were exercised	Exercised during the period	Cancelled during the period	Lapsed during the period	Number of shares represented by options or RSUs at 31 December 2023 (Unexercised)
Ms. Tao Ying (Executive Director and acting chief executive officer of the Company)	85,000	Post-IPO Share Option Scheme	7 September 2015	-	HK\$3.108	-	-	-	-	85,000
	50,000	RSUs granted under 2013 RSU Scheme ⁽²⁾	12 March 2015	-	-	-	-	-	-	50,000
Sub-total	135,000			-			-	-	-	135,000
11 employees and previous employees of the Group	5,137,429	Post-IPO Share Option Scheme	7 September 2015		HK\$3.108	-	-	-	350,000	4,787,429
237 employees and previous employees of the Group ⁽¹⁾	60,909	RSUs granted under 2013 RSU Scheme ⁽²⁾	1 February 2011	-	-	-	-	-	-	60,909
	22,202		2 March 2012	-	-	-	-	-	-	22,202
	5,908		1 July 2012	-	-	-	-	-	-	5,908
	3,653,582		4 March 2013	-	-	-	-	-	-	3,653,582
	145,488		12 March 2015	-	-	-	-	-	-	145,488
18 employees and previous employees of the Group ⁽¹⁾	5,050,000	RSUs granted under 2021 RSU Scheme	27 August 2021 ⁽³⁾	-	-	-	-	-	1,500,000	3,550,000
	14,500,000		15 April 2022 ⁽⁴⁾	-	-	-	-	-	2,400,000	12,100,000
Sub-total	28,575,518			-			-	-	4,250,000	24,325,518
Total	5,222,429	Post-IPO Share Option Scheme	7 September 2015		HK\$3.108	-	-	-	350,000	4,872,429
	60,909	RSUs granted under 2013 RSU Scheme ⁽²⁾	1 February 2011	-	-	-	-	-	-	60,909
	22,202		2 March 2012	-	-	-	-	-	-	22,202
	5,908		1 July 2012	-	-	-	-	-	-	5,908
	3,653,582		4 March 2013	-	-	-	-	-	-	3,653,582
	195,488		12 March 2015	-	-	-	-	-	-	195,488
	5,050,000	RSUs granted under 2021 RSU Scheme	27 August 2021 ⁽³⁾	-	-	-	-	-	1,500,000	3,550,000
	14,500,000		15 April 2022 ⁽⁴⁾	-	-	-	-	-	2,400,000	12,100,000
Total	28,710,518			-			-	-	4,250,000	24,460,518



Directors' Report

Notes:

- (1) As at 1 January 2023, there were 13,525,000 unvested RSUs granted to the five highest paid individuals of the Company for the year ended 31 December 2023 (the "**Five Highest Paid Individuals**") in aggregate (including no Director), including 1,125,000 RSUs granted on 27 August 2021 and 12,400,000 RSUs granted on 15 April 2022 under the 2021 RSU Scheme. No RSUs were granted to the Five Highest Paid Individuals and none of unvested RSUs granted to the Five Highest Paid Individuals were cancelled during the year ended 31 December 2023. For the year ended 31 December 2023, 3,150,000 RSUs granted to the Five Highest Paid Individuals had vested (including 250,000 RSUs granted on 27 August 2021 and 2,900,000 RSUs granted on 15 April 2022 under the 2021 RSU Scheme), and 1,300,000 RSUs granted to the Five Highest Paid Individuals had lapsed (including 500,000 RSUs granted on 27 August 2021 and 800,000 RSUs granted on 15 April 2022 under the 2021 RSU Scheme). As at 31 December 2023, there were 9,200,000 unvested RSUs granted to the Five Highest Paid Individuals in aggregate, including 500,000 RSUs granted on 27 August 2021 and 8,700,000 RSUs granted on 15 April 2022 under the 2021 RSU Scheme. For purchase prices and the weighted average closing prices of the shares immediately before the dates on which the RSUs were vested, please refer to the notes (3) and (4) below.
- (2) As at 1 January 2023 and 31 December 2023, no RSU granted under the 2013 RSU Scheme was unvested.
- (3) As at 1 January 2023, 3,787,500 RSUs granted to 17 employees and previous employees of the Group on 27 August 2021 have not been vested. During the year ended 31 December 2023, 887,500 RSUs granted on 27 August 2021 have been vested with no purchase price and the weighted average closing price of the shares immediately before the dates on which the RSUs were vested being HK\$0.51 per share. During the year ended 31 December 2023, 1,500,000 RSUs granted on 27 August 2021 had lapsed and no RSUs granted on 27 August 2021 had been cancelled. As at 31 December 2023, 1,775,000 RSUs granted on 27 August 2021 have not been vested.
- (4) As at 1 January 2023, 14,500,000 RSUs granted to eight employees and previous employees of the Group on 15 April 2022 have not been vested. During the year ended 31 December 2023, 3,025,000 RSUs granted on 15 April 2022 have been vested with no purchase price and the weighted average closing price of the shares immediately before the dates on which the RSUs were vested being HK\$0.495 per share. During the year ended 31 December 2023, 2,400,000 RSUs granted on 15 April 2022 had lapsed and no RSUs granted on 15 April 2022 had been cancelled. As at 31 December 2023, 9,075,000 RSUs granted on 15 April 2022 have not been vested.

(a) Consideration paid for the grant of options, the vesting period and the exercise period of the options granted under the Post-IPO Share Option Scheme

Each holder of the options granted under the Post-IPO Share Option Scheme as referred to in the table above are required to pay an amount of HK\$1.00 for the grant of each of the options under the Post-IPO Share Option Scheme which shall be paid upon such acceptance.

Subject to the satisfactory performance of the option holders, the options granted to each of the option holders shall be vested in accordance with the vesting schedule as follows:

- (i) as to 25% of the options granted on the date ending 12 months after the date of grant;
- (ii) as to 25% of the options granted on the date ending 24 months after the date of grant; and
- (iii) as to the remaining 50% of the options granted, on a monthly basis starting from the 25th month after the date of grant in 24 monthly equal lots.

Each option granted under the Post-IPO Share Option Scheme has a ten-year exercise period commencing from the date of grant.



Directors' Report

(b) Consideration paid for the grant of options, the vesting period and the exercise period of the options granted under the Pre-IPO Share Option Scheme

The holders of the options granted under the Pre-IPO Share Option Scheme as referred to in the table above are not required to pay for the grant of any option under the Pre-IPO Share Option Scheme.

Subject to the satisfactory performance of the option holders, the options granted to each of the option holders shall be vested in accordance with vesting schedule as follows:

- (i) as to 25% of the aggregate number of Shares underlying the option on the date ending 12 months after the date of grant of such option;
- (ii) as to 12.5% of the aggregate number of Shares underlying the option on the date ending 18 months after the date of grant of such option;
- (iii) as to 12.5% of the aggregate number of Shares underlying the option on the date ending 24 months after the date of grant of such option; and
- (iv) as to the remaining 50% of the aggregate number of Shares underlying the option, on a monthly basis starting from the 25th month after the date of grant of such option in 24 monthly equal lots.

Each option granted under the Pre-IPO Share Option Scheme has an eight-year exercise period.

(c) Consideration paid for the grant of RSUs and the vesting period of the RSUs granted under the RSU Schemes

The grantees of the RSUs granted under the RSU Scheme as referred to in the table above are not required to pay for the grant of any RSU under the RSU Schemes.

RSUs that were granted before 4 March 2013 were granted to replace certain options granted under the Pre-IPO Share Option Scheme and have the same vesting period as the options granted under the Pre-IPO Share Option Scheme. See the preceding sub-paragraph "(b) Consideration paid for the grant of options, the vesting period and the exercise period of the options granted under the Pre-IPO Share Option Scheme" above.

For the RSUs granted on 4 March 2013 under the 2013 RSU Scheme, they shall (unless the Company shall otherwise determine and so notify such grantees in writing) vest as follows:

- (i) 25% of the RSUs on the date ending 12 months after 30 September 2013;
- (ii) 12.5% of the RSUs on the date ending 18 months after 30 September 2013;
- (iii) 12.5% of the RSUs ending 24 months after 30 September 2013; and
- (iv) as to the remaining 50% of the RSUs, on a monthly basis starting from the 25th month after 30 September 2013 in 24 monthly equal lots.



Directors' Report

For the RSUs granted on 12 March 2015 under the 2013 RSU Scheme, they shall vest as follows:

- (i) as to 25% of the RSUs on the date ending 12 months after the date of grant of the RSUs;
- (ii) as to 25% of the RSUs on the date ending 24 months after the date of grant of the RSUs;
- (iii) as to 12.5% of the RSUs on the date ending 30 months after the date of grant of the RSUs;
- (iv) as to 12.5% of the RSUs on the date ending 36 months after the date of grant of the RSUs; and
- (v) as to the remaining 25% of the RSUs, on a monthly basis starting from the 37th month after the date of grant in 12 monthly equal lots.

For the RSUs granted on 27 August 2021 under the 2021 RSU Scheme, they shall vest as follows:

- (i) as to 25% of the RSUs on the date ending 12 calendar months after the date of grant of the RSUs;
- (ii) as to 25% of the RSUs on the date ending 24 calendar months after the date of grant of the RSUs;
- (iii) as to 12.5% of the RSUs on the date ending 30 calendar months after the date of grant of the RSUs;
- (iv) as to 12.5% of the RSUs on the date ending 36 calendar months after the date of grant of the RSUs; and
- (v) as to the remaining 25% of the RSUs, on a monthly basis starting from the 37th calendar month after the date of grant in 12 monthly equal lots.

For the RSUs granted on 15 April 2022 under the 2021 RSU Scheme, they shall vest as follows:

- (i) as to 25% of the RSUs on the date ending 12 calendar months after the date of grant of the RSUs;
- (ii) as to 25% of the RSUs on the date ending 24 calendar months after the date of grant of the RSUs;
- (iii) as to 12.5% of the RSUs on the date ending 30 calendar months after the date of grant of the RSUs;
- (iv) as to 12.5% of the RSUs on the date ending 36 calendar months after the date of grant of the RSUs; and
- (v) as to the remaining 25% of the RSUs, on a monthly basis starting from the 37th calendar month after the date of grant in 12 monthly equal lots.

All of the above granted RSUs shall also be subject to the Company and the relevant grantee meeting or satisfying the annual and half-yearly performance target or review immediately preceding such vesting.



Directors' Report

DIRECTORS

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

Directors

Name	Position
Mr. Dai Zhikang	Chairman of the Board and Executive Director
Ms. Tao Ying	Executive Director, Acting Chief Executive Officer and Joint Company Secretary
Mr. Cheung Ngai Lam	Independent Non-executive Director
Mr. Choi Hon Keung Simon	Independent Non-executive Director
Mr. Kong Fanwei	Independent Non-executive Director

In accordance with Article 16.18 of the articles of association of the Company, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if the number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation.

None of the retiring Directors has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under normal statutory obligations.

The biographical details of the Directors and senior management of the Company are set out in the section headed "Biographies of the Directors and Senior Management" of this annual report. Save as disclosed therein, there was no other matter with respect to the appointment of the Directors that needs to be brought to the attention of the Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rules 13.51B(1) of the Listing Rules as of the date of this annual report.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this annual report, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company and/or any entity connected with a Director had a material interest, whether directly or indirectly, and no contract of significance, whether for the provision of services or otherwise, between the Company or any of its subsidiaries and the Company's controlling shareholder or any of its subsidiaries, subsisted at the end of the year or at any time during the Reporting Period.



Directors' Report

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, the interests and short positions of the directors or the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules were as follows:

(a) Interests in the Company

Name of Director/ Chief Executive	Name of company	Capacity/ Nature of interest	Number of Shares/ underlying Shares held ⁽¹⁾	Approximate percentage of shareholding ⁽⁴⁾
Mr. Dai Zhikang ⁽²⁾	The Company	Founder of a discretionary trust	36,500,000 (L)	5.14%
Ms. Tao Ying ⁽³⁾	The Company	Beneficial owner	135,000 (L)	0.02%

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) Visioncode Holdings Limited, a company wholly-owned by a trust named the Visioncode Trust (the "Dai Family Trust"), directly holds the entire issued share capital of Comsenz Holdings Limited. Mr. Dai Zhikang is the director of Comsenz Holdings Limited. The Dai Family Trust is a discretionary trust established by Mr. Dai Zhikang (as the settlor) and the discretionary beneficiaries of which include Mr. Dai Zhikang and his children. Accordingly, Mr. Dai Zhikang is deemed to be interested in the 36,500,000 Shares held by Comsenz Holdings Limited under the SFO.
- (3) Ms. Tao Ying is interested in 50,000 Shares and 85,000 underlying Shares in respect of the options granted by the Company under the Post-IPO Share Option Scheme.
- (4) As at 31 December 2023, the Company had 709,576,301 issued Shares.

(b) Interests in associated corporations of the Company

Name of Director / Chief Executive	Name of associated corporation	Capacity / Nature of interest	Number of shares held	Approximate percentage of shareholding
Mr. Dai Zhikang	Boyaa Shenzhen	Beneficial owner	200,000	2.00%

Save as disclosed above, as at 31 December 2023, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.



Directors' Report

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

As at 31 December 2023, the following persons (other than the Directors or the chief executive of the Company) have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Name of company	Capacity/Nature of interest	Number of Shares held ⁽¹⁾	Approximate percentage of shareholding ⁽⁶⁾
Mr. Zhang Wei ⁽²⁾	The Company	Founder of a discretionary trust	246,237,474 (L)	34.70%
Cantrust (Far East) Limited ⁽³⁾	The Company	Trustee of a trust	282,737,474 (L)	39.85%
Rustem Limited ⁽³⁾	The Company	Nominee for another person	282,737,474 (L)	39.85%
Chunlei Investment ⁽²⁾	The Company	Interest in a controlled corporation	246,237,474 (L)	34.70%
Boyaa Global Limited ⁽³⁾	The Company	Beneficial owner	176,572,474 (L)	24.88%
Emily Technology Limited ⁽³⁾	The Company	Beneficial owner	69,665,000 (L)	9.82%
Visioncode Holdings Limited ⁽⁴⁾	The Company	Interest in a controlled corporation	36,500,000 (L)	5.14%
The Core Trust Company Limited ⁽⁵⁾⁽⁷⁾	The Company	Trustee of a trust	56,430,350 (L)	7.95%
TCT (BVI) Limited ⁽⁵⁾⁽⁷⁾	The Company	Other	56,430,350 (L)	7.95%
Core Administration RSU Limited ⁽⁵⁾⁽⁷⁾	The Company	Nominee for another person	53,040,494 (L)	7.47%

Notes:

- (1) The letter "L" denotes the person's long position in such shares.
- (2) Chunlei Investment Limited ("**Chunlei Investment**"), a company wholly-owned by a trust named the Chunlei Trust (the "**Zhang Family Trust**"), directly holds the entire issued share capital of each of Boyaa Global Limited and Emily Technology Limited. The Zhang Family Trust is a discretionary trust established by Mr. Zhang Wei (as the settlor) and the discretionary beneficiaries of which include Mr. Zhang Wei and his children. Accordingly, Mr. Zhang Wei is deemed to be interested in the 176,572,474 Shares and 69,665,000 Shares held by each of Boyaa Global Limited and Emily Technology Limited under the SFO, respectively.
- (3) Cantrust (Far East) Limited, the trustee of the Zhang Family Trust, holds the entire issued share capital of Chunlei Investment through Rustem Limited (as nominee for Cantrust (Far East) Limited). Chunlei Investment in turn holds the entire issued share capital of each of Boyaa Global Limited and Emily Technology Limited. Accordingly, each of Cantrust (Far East) Limited and Chunlei Investment are deemed to be interested in the shares held by each of Boyaa Global Limited and Emily Technology Limited under the SFO, respectively.



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- (4) *Visioncode Holdings Limited, a company wholly-owned by the Dai Family Trust, directly holds the entire issued share capital of Comsenz Holdings Limited. Accordingly, Visioncode Holdings Limited is deemed to be interested in the 36,500,000 Shares held by Comsenz Holdings Limited under the SFO.*
- (5) *The Core Trust Company Limited, through its wholly-owned subsidiary, TCT (BVI) Limited, indirectly holds the entire issued share capital of The Core Admin Boyaa RSU Limited, which holds 3,382,335 Shares underlying the RSUs granted and to be granted under the 2013 RSU Scheme for the benefit of eligible participants pursuant to the 2013 RSU Scheme. After the adoption of the 2021 RSU Scheme on 19 July 2021, the RSUs under the 2021 RSU Scheme were held by Core Administration RSU Limited (indirectly held by The Core Trust Company Limited through its wholly-owned subsidiary TCT (BVI) Limited). As at 31 December 2023, Core Administration RSU Limited held 53,040,494 Shares underlying the RSUs. In addition, the share options under the Pre-IPO Share Option Scheme were held by The Core Admin Boyaa Option Limited (indirectly held by The Core Trust Company Limited through its wholly-owned subsidiary TCT (BVI) Limited). As at 31 December 2023, The Core Admin Boyaa Option Limited held 7,521 Shares underlying the share options.*
- (6) *As at 31 December 2023, the Company had 709,576,301 issued Shares.*
- (7) *Pursuant to Section 336 of the SFO, the shareholders are required to file a disclosure of interests form when certain criteria are fulfilled. When a shareholding in the Company changes, it is not necessary for the shareholder to notify the Company and the Stock Exchange unless several criteria have been fulfilled, therefore a shareholder's latest shareholding in the Company may be different from the shareholding filed with the Stock Exchange.*

Save as disclosed above, as at 31 December 2023, no persons (other than the directors or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2023.

MAJOR CUSTOMERS AND SUPPLIERS

The game players make payments through various payment collection channels. Therefore, the ultimate customers of the Group are individual game players. The Group collects payments from the sales of its in-game virtual items directly from the payment collection channels of the Group and not directly from individual game players. For the year ended 31 December 2023, the five largest payment collection channels contributed a total of approximately 60.5% of the Group's total revenue. Currently, Apple is the largest payment collection channel, contributed approximately 20.9% of the Group's total revenue, for the same period. Any restriction on access to these payment collection channels may lead to loss or slower growth of our game player base, our business and financial condition. In the meantime, we are trying to seek additional payment methods and offer more payment options for players to ensure the normal development of our business. The average length of business relationship with the five largest payment collection channels is approximately 13 years. In particular, the length of business relationship with Apple, the largest payment collection channel, is approximately 13 years.



Directors' Report

The credit terms of trade receivables granted to our major customers, i.e. the platforms and third party payment vendors, are generally 30 to 120 days, which is generally in line with those granted to other customers. Ageing analysis based on recognition date of the trade receivables, net of allowance, at the balance sheet date is as follows:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
0 - 60 days	28,652	22,673
61 - 90 days	448	793
91 - 180 days	142	127
Over 180 days	127	238
	29,369	23,831

As at 31 December 2023, trade receivables past due but not impaired were approximately RMB7,796,000 (31 December 2022: approximately RMB2,971,000). These related to a number of independent platforms and third party payment vendors which the Group has not encountered any credit defaults in the past and they are assessed to be financially trustworthy. As a result, the Directors of the Company consider that these overdue amounts can be recovered. For details of the Group's trade receivables, please refer to Note 24 to the consolidated financial statements of this annual report.

Data centres that provide server hosting and leasing services are the major suppliers of the Group. During the Reporting Period, the purchases from the Group's five largest suppliers accounted for approximately 36.5% of the Group's total purchases from all of the suppliers for the same period and the purchases from the Group's largest supplier included therein amount to approximately 10.7%.

None of our Directors, any of their close associates or any Shareholders that, to the knowledge of our Directors, own more than 5% of the issued share capital of the Company had any interest in any of the five largest payment collection channels and the five largest suppliers during the year ended 31 December 2023.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed the accounting principles and policies adopted by the Group and discussed the Group's risk management, internal controls and financial reporting matters with the management. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2023. There is no disagreement between the Board and the Audit Committee regarding accounting treatment adopted by the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company, although there are no restrictions against such rights under the laws in the Cayman Islands.



Directors' Report

EMOLUMENT POLICY

The Directors of the Company believe that maintaining a stable and motivated employee force is critical to the development of the Group's business. The Company is able to provide its employees with ample career development choices and opportunities of advancement. The Company organises various training programs on a regular basis for its employees to enhance their knowledge and skills of online game development and operation, improve time management and internal communication skills and strengthen team building. The Company also provides various incentives to better motivate its employees. In addition to providing performance-based bonuses and share-based awards, the Company also offers unsecured, low interest housing loans to employees with good performance.

The remuneration policy of the employees of the Group is set by the Board, having regards to the position, duties and performance of the employees, together with the comparable market practice. The emoluments of the Directors are decided by Remuneration Committee, having regard to the Company's performance, personal qualifications, experience, level of responsibilities, individual contribution and comparable market statistics.

EMPLOYEE RETIREMENT BENEFITS

Particulars of the employee retirement benefits of the Group are set out in Notes 12, 13 and 36 to the consolidated financial statements.

PERMITTED INDEMNITIES

Pursuant to the articles of association of the Company, the Directors and other senior officers of the Company are entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a director or other senior officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. Such permitted indemnity provisions are currently in force and were in force during the year ended 31 December 2023.

The Company has arranged appropriate directors' and senior management's liabilities insurance coverage for Directors and senior management of the Company which are currently in force and were in force during the year ended 31 December 2023.

TAX RELIEF AND EXEMPTION

The Company is not aware that holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

PUBLIC FLOAT

As at the date of this annual report and based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.



Directors' Report

EVENTS AFTER THE REPORTING PERIOD

There were no other material events occurred after the Reporting Period and up to the date of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's distributable reserves calculated under the Companies Act of the Cayman Islands comprise the share premium, other reserves and accumulated loss totaling approximately RMB291,465,000 (2022: approximately RMB270,107,000).

BANK AND OTHER LOANS

The Group did not have any short-term or long-term bank borrowings or other loans as at 31 December 2023.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES AND EQUITY-LINKED AGREEMENTS

Save as disclosed under the section "Share Option Schemes and Restricted Share Unit Schemes" of this annual report, at no time during the year ended 31 December 2023 was the Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the directors or chief executive of the Company or their respective associates (as defined under the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, nor did the Company enter into any equity-linked agreement.

DIRECTORS' AND CONTROLLING SHAREHOLDERS, INTERESTS IN COMPETING BUSINESS

Mr. Zhang Wei, a controlling shareholder of the Company who resigned as a director of the Company on 21 September 2018, is one of the three directors of HuifuWorld (a company in which Boyaa Shenzhen holds approximately 14.7% interest), which is mainly engaged in the development and operation of Internet Protocol television and Android Set-Top-Box related channels and platforms and lottery. Mr. Dai Zhikang holds approximately 4.3% equity interest in and is also one of the four directors of Blingstorm Entertainment Ltd. (晶合思動(北京)科技有限公司) (a company in which Boyaa Shenzhen holds approximately 9.4% equity interest), which is mainly engaged in provision of mobile games (other than online card and board games) in the PRC.

Save as disclosed above, as at the date of this annual report, none of the directors of the Company and directors of the Company's subsidiaries, or their respective close associates had interests in businesses, which compete or are likely to compete either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.



Directors' Report

Further, Mr. Zhang Wei, Boyaa Global Limited and Emily Technology Limited, each a controlling Shareholder, being the covenants (the “**Covenantors**”), has entered into a deed of non-competition (the “**Deed of Non-Competition**”) in favour of the Company on 25 October 2013, pursuant to which each of the Covenantors has jointly and severally, unconditionally and irrevocably undertaken with the Company that he/it will not (except through the Group and any investment or interests held through the Group), and will procure his/its close associates (other than any member of the Group) not to, directly or indirectly (including through nominees), carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, any business which is in competition with or similar to or is likely to be in competition with the business of the Group. For details of the Deed of Non-Competition, please refer to the Prospectus.

The independent non-executive directors of the Company have reviewed the compliance with the non-competition undertaking by the Covenantors under the Deed of Non-Competition and are of the view that such non-competition undertaking has been complied with during the year ended 31 December 2023. Each of the Covenantors has provided to the Company a written confirmation in respect of his/its compliance with the Deed of Non-Competition.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

Reference is made to the section headed “History, Reorganisation and Corporate Structure – Contractual Arrangements” in the Prospectus. The Company, as a foreign investor, is prohibited from holding equity interest in Boyaa Shenzhen, the PRC operating entity of the Company, which conducts the online games business and is considered to be engaged in the provision of value-added telecommunications services as a result of the operations of our websites. As a result, the Group, through a wholly-owned subsidiary of the Company, Boyaa On-line Game Development (Shenzhen) Co., Limited (“**Boyaa PRC**”), has entered into a series of contractual arrangements (the “**Contractual Arrangements**”) with Boyaa Shenzhen such that the Group can conduct its business operations indirectly in the PRC through Boyaa Shenzhen while complying with applicable PRC law and regulations. The Contractual Arrangements are designed to provide the Group with effective control over the financial and operational policies of Boyaa Shenzhen and, to the extent permitted by PRC law and regulations, the right to acquire the equity interests in and/or the assets of Boyaa Shenzhen through Boyaa PRC. As the Group operates its online games business through Boyaa Shenzhen, which is controlled by Mr. Zhang Wei and the Group does not hold any direct equity interest in Boyaa Shenzhen, the Contractual Arrangements were entered into on 15 May 2013 pursuant to which all material business activities of Boyaa Shenzhen are instructed and supervised by the Group, through Boyaa PRC, and all economic benefits and risks arising from the business of Boyaa Shenzhen are transferred to the Group. Further details of the reasons for using the Contractual Arrangements are set out in the section headed “Directors' Report – Contractual Arrangements – Reasons for Contractual Arrangements” below.

The Contractual Arrangements currently in effect comprise of six agreements, namely (a) the Exclusive Business Consulting and Service Agreement, (b) the Business Operating Agreement, (c) the Exclusive Option Agreement, (d) the Equity Pledge Agreement, (e) the Intellectual Properties License Agreement and (f) the Loan Agreement, which were entered into between or amongst Boyaa Shenzhen, Boyaa PRC, Mr. Zhang Wei and/or Mr. Dai Zhikang (as the case may be).



Directors' Report

Mr. Zhang Wei is a substantial Shareholder (as defined in the Listing Rules) of the Company. He is therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Boyaa Shenzhen is owned as to 98% by Mr. Zhang Wei and hence an associate of Mr. Zhang Wei. Boyaa Shenzhen is therefore a connected person of the Company under Rule 14A.07(4) of the Listing Rules. In addition, Mr. Dai Zhikang is an executive Director and therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules.

Contractual Arrangements

Reasons for Contractual Arrangements

The Group is primarily engaged in the development and operation of online card and board games business and is considered to be engaged in the provision of value-added telecommunications services as a result of the operations of the websites of the Group. The Group conducts online games business through a PRC operating entity, Boyaa Shenzhen. Operations of online games business are considered as providing value-added telecommunications services and internet content services (including online publishing services and internet cultural business (except music)). According to provisions on the Administration of Foreign-funded Telecommunications Enterprises (which has taken effect on 1 May 2022)⁽¹⁾ issued by the State Council on 11 December 2001 and amended on 10 September 2008, 6 February 2016 and 29 March 2022, and the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2021) published by the National Development and Reform Commission and the Ministry of Commerce on 27 December 2021, foreign investors are not allowed to hold more than 50% of the equity interest in a company providing value-added telecommunications services (except for e-commerce, domestic multi-party communication, store and forward, and call center), and they are prohibited from providing internet content services (including but not limited to online publishing services, internet cultural business (except music), etc.). Commercial operators providing relevant services must obtain licenses for the provision of value-added telecommunications services and internet content services required for the operation of online games business (the “**Necessary Licenses**”) from the appropriate competent authorities. Boyaa Shenzhen has obtained the Necessary Licenses for the operations of the Group. Therefore, in order for the Group to be able to carry on its online games business in China in compliance with the applicable PRC laws and regulations, the Group entered into the Contractual Arrangements with Boyaa Shenzhen through an indirect wholly-owned subsidiary, Boyaa PRC, pursuant to which the Group will be able to assert management control over the operations of, and enjoy all economic benefits of, Boyaa Shenzhen. In addition, the Group will be able to consolidate Boyaa Shenzhen’s financial results in the results of the Company under IFRS as if it was a wholly-owned subsidiary of the Company. There are no new Contractual Arrangements entered into, renewed or reproduced between the Group and Boyaa Shenzhen during the year ended 31 December 2023. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended 31 December 2023. During the year ended 31 December 2023, none of the agreements underlying the Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of the Contractual Arrangements has been removed.

Note:

- (1) *The amended Administration of Foreign-funded Telecommunications Enterprises has deleted the “Qualification Requirement” regarding a foreign investor. That is to say, the requirements which previously required that a foreign investor must have a good track record and experience in providing valued-added telecommunication services are no longer applicable.*

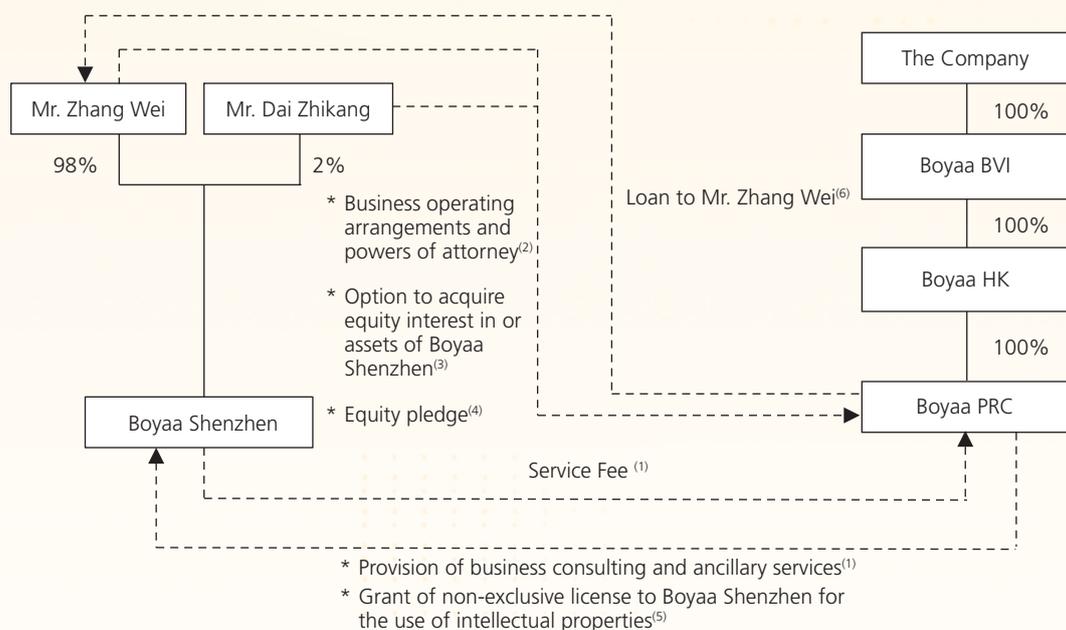


Directors' Report

Boyaa Shenzhen is significant to the Group as it holds certain Necessary Licenses and permits that are essential to the operation of the business of the Group, including Value-added Telecommunications Business License, Online Publishing Services License and Internet Culture Business License, etc. In addition, Boyaa Shenzhen also holds certain intellectual property rights, including software copyrights, trademarks, patents and domain names. The revenue and the total asset value of Boyaa Shenzhen subject to the Contractual Arrangements amounted to approximately RMB81.5 million for the year ended 31 December 2023 and approximately RMB214.1 million as at 31 December 2023, respectively.

Illustrative diagram of, and agreements underlying, the Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefits from Boyaa Shenzhen to the Group stipulated under the Contractual Arrangements:



Notes:

- (1) Please refer to the paragraph headed "Exclusive Business Consulting and Service Agreement" below for details.
- (2) Please refer to the paragraph headed "Business Operating Agreement" below for details.
- (3) Please refer to the paragraph headed "Exclusive Option Agreement" below for details.
- (4) Please refer to the paragraph headed "Equity Pledge Agreement" below for details.
- (5) Please refer to the paragraph headed "Intellectual Properties License Agreement" below for details.
- (6) Please refer to the paragraph headed "Loan Agreement" below for details.



Directors' Report

(a) *Exclusive Business Consulting and Service Agreement*

Boyaa PRC and Boyaa Shenzhen entered into the Exclusive Business Consulting and Service Agreement (as restated and amended) on 15 May 2013, pursuant to which Boyaa Shenzhen agreed to engage Boyaa PRC as its exclusive consultant and service provider. Accordingly, Boyaa PRC shall provide advice and recommendations to Boyaa Shenzhen in respect of (i) consulting services in respect of the management and operations of Boyaa Shenzhen, (ii) consulting services in respect of the standardisation of the operating system of Boyaa Shenzhen, (iii) consulting services in respect of market research and sales and marketing strategies, (iv) technical consulting services in respect of hardware, database and server operations, (v) the maintenance and upgrade of the online games operated by Boyaa Shenzhen, (vi) research and development of online game software and maintenance of the system, (vii) renting of certain office equipment (such as computers) and other operating equipment (save for relevant servers for the operations of the online games), (viii) branding, marketing and other promotion, (ix) training in respect of online game technology and operations related matters, (x) the grant of the use of all intellectual properties owned by Boyaa PRC pursuant to the terms of the Intellectual Properties License Agreement, (xi) human resources support, including but not limited, staff secondment arrangement and (xii) other service areas as agreed between the parties.

In addition, pursuant to the Exclusive Business Consulting and Service Agreement, without the prior written approval from Boyaa PRC, Boyaa Shenzhen shall not enter into any transactions (save as those transactions entered into in the ordinary course of business) that may affect its assets, obligations, rights or operation, including but not limited to (i) the disposal, transfer or acquisition of any assets, (ii) the provision of any guarantee or create any encumbrances relating to its assets, (iii) the entering into of any material contracts and (iv) any merger, acquisition or restructuring of Boyaa PRC.

Pursuant to the Exclusive Business Consulting and Service Agreement, Boyaa Shenzhen shall pay to Boyaa PRC a service fee that equals to the profit before taxation of Boyaa Shenzhen, after off-setting the prior-year loss (if any), working capital requirements, expenses and tax of Boyaa Shenzhen in any given year, and Boyaa PRC shall have the right to adjust the level of the service fee based on the actual service scope and with reference to the operating conditions and expansion needs of Boyaa Shenzhen. Boyaa Shenzhen has agreed to pay the service fee within one month after each quarter end for the services provided in the preceding quarter.

The Exclusive Business Consulting and Service Agreement is for a term of ten years commencing from 15 May 2013, the date of the agreement, and has been automatically extended for another ten years pursuant to its the terms and at the discretion of Boyaa PRC. The payment of the service fees for the first quarter of 2013 by Boyaa Shenzhen to Boyaa PRC took retrospective effect from January 2013. The Exclusive Business Consulting and Service Agreement may be terminated by Boyaa PRC by giving Boyaa Shenzhen a 30-day prior written notice of termination and shall be terminated upon the transfer of the entire equity interests in and/or the transfer of all assets of Boyaa Shenzhen to Boyaa PRC or its designated person pursuant to the Exclusive Option Agreement. Boyaa Shenzhen is not contractually entitled to terminate the Exclusive Business Consulting and Service Agreement with Boyaa PRC.



Directors' Report

(b) *Business Operating Agreement*

Boyaa PRC, Mr. Zhang Wei, Mr. Dai Zhikang and Boyaa Shenzhen entered into the Business Operating Agreement (as restated and amended) on 15 May 2013, and as further amended and supplemented by the supplemental agreement dated 22 October 2013, pursuant to which Mr. Zhang Wei and Mr. Dai Zhikang agreed to enter into powers of attorney to unconditionally and irrevocably authorise any individual(s) appointed by Boyaa PRC to exercise all of their rights and powers as shareholders of Boyaa Shenzhen. Each of the individuals appointed by Boyaa PRC must be one of the directors of Boyaa Interactive (Hong Kong) Limited ("**Boyaa HK**"), Boyaa Holdings Limited ("**Boyaa BVI**") or the Company who is a PRC citizen, and cannot be Mr. Zhang Wei, Mr. Dai Zhikang or any of their associates. Such individuals act on Mr. Zhang Wei's and Mr. Dai Zhikang's behalf on all matters pertaining to Boyaa Shenzhen and, to the extent permissible under applicable PRC laws, exercise all of their respective rights as a shareholder thereof, including (i) rights to attend shareholders' meeting, (ii) rights to exercise voting rights in a shareholders' meeting, (iii) rights to sign minutes of the meetings, (iv) rights to file documents with relevant governmental authorities or regulatory bodies, (v) rights to appoint directors, supervisors and senior management, (vi) right to decide on any acquisition or disposal of the equity interest of Mr. Zhang Wei and Mr. Dai Zhikang in Boyaa Shenzhen or the winding-up or dissolution of Boyaa Shenzhen, (vii) right to instruct directors and senior management of Boyaa Shenzhen to act in accordance with all instructions of Boyaa PRC or its designated person and (viii) such other shareholders' rights as stipulated under applicable PRC laws, rules and regulations and the articles of association of Boyaa Shenzhen. In addition, it is also agreed that Boyaa PRC or its designee shall have the right to obtain and review the operating statistics, business data, financial information, employee information and other information relevant to the operations and business of Boyaa Shenzhen. Pursuant to the Business Operating Agreement, in the event that Boyaa PRC or its designee decided to voluntarily wind-up or dissolve Boyaa Shenzhen, each of Mr. Zhang Wei and Mr. Dai Zhikang undertakes that he will ensure and procure the execution of all related documents and completion of all relevant procedures required for completing the liquidation and winding-up process and that Boyaa PRC shall be transferred, at nil consideration, all remaining assets of Boyaa Shenzhen upon liquidation.

The Business Operating Agreement is for an indefinite term commencing from 15 May 2013, the date of the agreement, until it is terminated (i) by Boyaa PRC by giving Boyaa Shenzhen a 30-day prior written notice of termination, or (ii) upon the transfer of the entire equity interests held by either Mr. Zhang Wei and/or Mr. Dai Zhikang in, and/or the transfer of all assets of, Boyaa Shenzhen to Boyaa PRC or its designated person pursuant to the Exclusive Option Agreement. Boyaa Shenzhen is not contractually entitled to terminate the Business Operating Agreement with Boyaa PRC. Under the Business Operating Agreement, each of Mr. Zhang Wei and Mr. Dai Zhikang warranted to Boyaa PRC that appropriate arrangements have been made to protect Boyaa PRC's interests in the event of his death, bankruptcy or divorce to avoid any practical difficulties in enforcing the Business Operating Agreement.



Directors' Report

Power of attorney

On 15 May 2013, each of Mr. Zhang Wei and Mr. Dai Zhikang has executed a power of attorney, as amended and supplemented by the clarification to the power of attorney on 22 October 2013, pursuant to the terms of the Business Operating Agreement. Under each of the power of attorney, each of Mr. Zhang Wei and Mr. Dai Zhikang irrevocably confirmed that the power of attorney shall remain in full force and effect within the term of the Business Operating Agreement unless Boyaa PRC requests to replace the appointed designee of Boyaa PRC under the power of attorney. Pursuant to the power of attorney, each of the shareholders of Boyaa Shenzhen agrees to authorise any individual(s) appointed by Boyaa PRC to exercise all of their rights and powers as shareholders of Boyaa Shenzhen. Each of the individuals appointed by Boyaa PRC must be one of the directors of Boyaa HK, Boyaa BVI or the Company who is a PRC citizen and cannot be Mr. Zhang Wei, Mr. Dai Zhikang or any of their associates. These include the rights to (i) attend shareholders' meetings, (ii) exercise voting rights in shareholders' meetings to appoint directors, supervisors and senior management, (iii) decide on any acquisition or disposal of the equity interest of Mr. Zhang Wei and Mr. Dai Zhikang in Boyaa Shenzhen or the winding-up or dissolution of Boyaa Shenzhen, (iv) file documents with relevant governmental authorities or regulatory bodies, to (v) instruct directors and senior management of Boyaa Shenzhen to act in accordance with all instructions of Boyaa PRC or its designated person, and (vi) exercise such other shareholders' rights as stipulated under applicable PRC laws, rules and regulations and the articles of association of Boyaa Shenzhen.

(c) Exclusive Option Agreement

Boyaa PRC, Mr. Zhang Wei, Mr. Dai Zhikang and Boyaa Shenzhen entered into the Exclusive Option Agreement on 15 May 2013, and as further amended and supplemented by the supplemental agreement dated 22 October 2013, pursuant to which Mr. Zhang Wei and Mr. Dai Zhikang jointly and severally granted to Boyaa PRC or a subsidiary of the Company or an authorised director (being a PRC citizen) of any company within our Group irrevocable options to purchase, to the extent permitted by PRC laws and regulations, their equity interests in Boyaa Shenzhen, entirely or partially, at the minimum purchase price permitted under PRC laws and regulations. In addition, pursuant to the Exclusive Option Agreement, Boyaa Shenzhen granted to Boyaa PRC, a subsidiary of the Company or an authorised director (being a PRC citizen) of any company within the Group an irrevocable option to acquire, to the extent permitted by PRC laws and regulations, all or part of the assets of Boyaa Shenzhen at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Boyaa PRC, such subsidiary or authorised director may exercise such options at any time until it has acquired all equity interests and/or assets of Boyaa Shenzhen, subject to applicable PRC laws and regulations. It is also agreed that when the relevant PRC law permits the equity interests of Boyaa Shenzhen to be directly held by Boyaa PRC while it continues to operate its online games business, the parties will carry out all necessary actions to implement the transfer of all the shares of Boyaa Shenzhen to Boyaa PRC pursuant to the exercise of the option granted under the Exclusive Option Agreement.



Directors' Report

Pursuant to the Exclusive Option Agreement, Boyaa Shenzhen has undertaken to perform certain acts or refrain from performing certain other acts unless it has obtained prior approval from Boyaa PRC, including but not limited to the following matters:

- (i) Boyaa Shenzhen shall not alter its constitutional documents or its registered capital;
- (ii) Boyaa Shenzhen shall prudently and effectively operate its business and transactions in accordance with good financial and business standards;
- (iii) Boyaa Shenzhen shall not sell, transfer, create encumbrances or otherwise dispose of any assets, business, legal or beneficial interest of its income or allow any guarantee or security to be created on its assets;
- (iv) Boyaa Shenzhen shall not incur, take up, guarantee or allow any indebtedness other than those in the ordinary course of business and having been disclosed to and consented by Boyaa PRC in writing;
- (v) Boyaa Shenzhen shall not enter into any material contracts with an amount of over RMB1 million other than in the ordinary course of business;
- (vi) Boyaa Shenzhen shall operate its business in order to maintain its asset value or not allow any acts or omission which adversely affects its business or assets value;
- (vii) Boyaa Shenzhen shall not engage in any mergers or acquisitions or make investment in any entities;
- (viii) Boyaa Shenzhen shall immediately inform Boyaa PRC if its assets or business are involved in any disputes, litigations, arbitrations or administrative proceedings; and
- (ix) Boyaa Shenzhen shall not distribute any dividend to Mr. Zhang Wei or Mr. Dai Zhikang. Each of Mr. Zhang Wei and Mr. Dai Zhikang shall transfer all distributable dividends, capital dividend and other assets receivable by him at nil consideration to Boyaa PRC as soon as practicable but in any event no later than three days upon receipt of the same by any of them.

The Exclusive Option Agreement is for an indefinite term commencing on 15 May 2013, being the date of the agreement, until it is terminated (i) by Boyaa PRC by giving Boyaa Shenzhen a 30-day prior written notice of termination, or (ii) upon the transfer of the entire equity interests held by either Mr. Zhang Wei and/or Mr. Dai Zhikang in Boyaa Shenzhen and/or the transfer of all the assets of Boyaa Shenzhen to Boyaa PRC or its designated person. Boyaa Shenzhen is not contractually entitled to terminate the Exclusive Option Agreement with Boyaa PRC.



Directors' Report

(d) Equity Pledge Agreement

Boyaa PRC, Mr. Zhang Wei and Mr. Dai Zhikang entered into the Equity Pledge Agreement (as restated and amended) on 15 May 2013, pursuant to which each of Mr. Zhang Wei and Mr. Dai Zhikang agreed to pledge all of their respective equity interests in Boyaa Shenzhen to Boyaa PRC to secure performance of all their obligations and the obligations of Boyaa Shenzhen under the Exclusive Business Consulting and Service Agreement, the Business Operating Agreement, the Exclusive Option Agreement, the Intellectual Properties License Agreement and the Loan Agreement underlying the Contractual Arrangements.

Under the Equity Pledge Agreement, Mr. Zhang Wei and Mr. Dai Zhikang represent and warrant to Boyaa PRC that appropriate arrangements have been made to protect Boyaa PRC's interests in the event of death, bankruptcy or divorce of the Shareholders to avoid any practical difficulties in enforcing the Equity Pledge Agreement. If Boyaa Shenzhen declares any dividend during the term of the pledge, Boyaa PRC is entitled to receive all such dividends, bonus issue or other income arising from the pledged equity interests, if any. If any of Mr. Zhang Wei and Mr. Dai Zhikang breaches or fails to fulfill the obligations under any of the aforementioned agreements, Boyaa PRC, as the pledgee, will be entitled to dispose of the pledged equity interests, entirely or partially. In addition, pursuant to the Equity Pledge Agreement, each of Mr. Zhang Wei and Mr. Dai Zhikang has undertaken to Boyaa PRC, among other things, not to transfer the interest in his equity interests in Boyaa Shenzhen and not to create or allow any pledge thereon that may affect the rights and interest of Boyaa PRC without its prior written consent.

The Equity Pledge Agreement is for an indefinite term commencing on 15 May 2013, being the date of the agreement, until (i) all the agreements (other than this Equity Pledge Agreement) underlying the Contractual Arrangements have been terminated, or (ii) all the obligations under the Equity Pledge Agreement have been fulfilled.

(e) Intellectual Properties License Agreement

Boyaa PRC and Boyaa Shenzhen entered into the Intellectual Properties License Agreement on 15 May 2013, pursuant to which Boyaa PRC agrees to grant a non-exclusive license to Boyaa Shenzhen for the use of all its existing and future intellectual properties, including but not limited to trademarks, patents and copyright and whether registered or non-registered. Pursuant to the Intellectual Properties License Agreement, Boyaa Shenzhen is licensed to use such intellectual properties strictly in the operation of its telecommunication value-added services and Internet cultural services and Boyaa Shenzhen cannot sub-license such intellectual properties to any third parties or use such intellectual properties for any other purpose. Such license is only effective onshore in the PRC and does not apply to any direct or indirect use of such intellectual properties in any other territories or jurisdictions. Pursuant to the terms of the Intellectual Properties License Agreement, the license fee and royalty to be charged by Boyaa PRC for the use of such intellectual properties by Boyaa Shenzhen are included as part of the service fee under the Exclusive Business Consulting and Service Agreement.

The Intellectual Properties License Agreement is for a term of ten years commencing from 15 May 2013, being the date of the agreement, and has been automatically extended for another ten years pursuant to its terms and at the discretion of Boyaa PRC, until it is terminated by Boyaa PRC by giving Boyaa Shenzhen a 30-day prior written notice of termination.



Directors' Report

(f) *Loan Agreement*

In order to satisfy the funding needs of Boyaa Shenzhen, Mr. Zhang Wei borrowed a sum of RMB8,000,000 from a third party in 2012. On 15 May 2013, Boyaa PRC and Mr. Zhang Wei entered into the Loan Agreement, and as amended and supplemented by the supplemental agreement dated 22 October 2013, pursuant to which Boyaa PRC agreed to lend RMB8,000,000 to Mr. Zhang Wei to allow him to repay the RMB8,000,000 loan which he had borrowed for the purpose of his additional capital contributions in Boyaa Shenzhen in May 2012. Pursuant to the Loan Agreement, the parties agreed to enter into the Exclusive Option Agreement where Boyaa PRC has the right to exercise a call option granted by Mr. Zhang Wei to acquire all or part of the equity interest in Boyaa Shenzhen held by Mr. Zhang Wei at the minimum consideration that is permissible under law. In addition, to secure the performance of all obligations of Mr. Zhang Wei under the Loan Agreement and all other agreements (other than the Equity Pledge Agreement) underlying the Contractual Arrangements, the parties shall enter into the restated and amended Equity Pledge Agreement where, among others, Mr. Zhang Wei pledges all of his equity interests in Boyaa Shenzhen to Boyaa PRC.

The Loan Agreement is for a term of ten years commencing from 15 May 2013, being the date of the agreement, and has been automatically extended for another ten years. The loan will become due and payable upon Boyaa PRC's demand under any of the following circumstances: (i) Mr. Zhang Wei resigns or is being removed from the various positions held by him in the Group, (ii) the death or incapacity of Mr. Zhang Wei, (iii) Mr. Zhang Wei being engaged or involved in criminal activities, (iv) Mr. Zhang Wei becoming insolvent or incurring any other significant personal debt which may affect Mr. Zhang Wei's ability to repay the personal loan under the Loan Agreement, or (v) Boyaa PRC exercising its option to purchase all equity interests in Boyaa Shenzhen held by Mr. Zhang Wei to the extent permitted by PRC laws and regulations as soon as the PRC foreign ownership restrictions applicable to the Group's online games business have been lifted. The Loan Agreement provides that the loan can only be repaid by Mr. Zhang Wei using proceeds he will receive upon Boyaa PRC's exercise of its irrevocable option to purchase Boyaa Shenzhen's equity interests or assets pursuant to the Exclusive Option Agreement.

Apart from the above, there are no new Contractual Arrangements entered into, renewed or reproduced between the Group and Boyaa Shenzhen during the year ended 31 December 2023. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended 31 December 2023.

During the year ended 31 December 2023, none of the agreements underlying the Contractual Arrangements mentioned above has been unwound as none of the restrictions that led to the adoption of the Contractual Arrangements has been removed.

Except the continuing connected transactions conducted under the Contractual Arrangements, none of the other related party transactions as stated in Note 36 to the Consolidated Financial Statements constitutes a connected transaction or continuing connected transaction which are required to be disclosed under Chapter 14A of the Listing Rules. The disclosure on the continuing connected transactions conducted under the Contractual Arrangements has complied with the relevant disclosure requirements under Chapter 14A of the Listing Rules. For details of the aforesaid disclosure, please refer to this section headed "Connected Transactions" in the Directors' Report of this report.



Directors' Report

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

Risks associated with the Contractual Arrangements

Mitigation actions taken by the Company

- i. If the PRC government finds that the agreements that establish the structure for operating the Group's online game businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Group could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of the Group's interest in its variable interest entity ("VIE"), i.e. Boyaa Shenzhen.

Pursuant to each of the agreements underlying the Contractual Arrangements, at any time after the date of such agreements, in the event of any promulgation or change of any law, regulation or rule of China or any interpretation or applicable change on such laws, regulations or rules leading to any provision in any of the agreements underlying the Contractual Arrangements is held to be or becomes illegal, invalid or unenforceable in any respect under the law of the applicable jurisdiction:

- (a) so far as it is illegal, invalid and unenforceable, it shall be given no effect and shall be deemed not to be included in the relevant agreement and shall not affect or impair the legality, validity or enforceability in that jurisdiction of the other provisions of the agreement, or of that or any provisions of the relevant agreement in any other jurisdictions; and
- (b) the parties shall use all reasonable endeavors to replace it with a valid and enforceable substitute provision or provisions but differing from the replaced provision as little as possible and the effect of which is as close to the intended effect of the illegal, invalid or unenforceable provision.

In addition, pursuant to the agreements underlying the Contractual Arrangements, the parties agreed and will ensure that they will unwind the Contractual Arrangements as soon as the law allows the business to be operated without them.



Directors' Report

Risks associated with the Contractual Arrangements

Mitigation actions taken by the Company

- ii. The Group relies on the Contractual Arrangements to control and obtain the economic benefits from Boyaa Shenzhen which may not be as effective in providing operational control as direct ownership.
- Each of Mr. Zhang Wei (the controlling shareholder of the Company) and Mr. Dai Zhikang (the Chairman of the Board and executive director), being the registered shareholders of Boyaa Shenzhen, has executed a power of attorney pursuant to the terms of the Business Operating Agreement. Pursuant to the power of attorney, each of the shareholders of Boyaa Shenzhen agrees to authorise any individual(s) appointed by Boyaa PRC to exercise all of their rights and powers as shareholders of Boyaa Shenzhen. These include the rights to (i) attend shareholders' meetings, (ii) exercise voting rights in shareholders' meetings to appoint directors, supervisors and senior management, (iii) decide on any acquisition or disposal of the equity interest of Mr. Zhang Wei and Mr. Dai Zhikang in Boyaa Shenzhen or the winding-up or dissolution of Boyaa Shenzhen, (iv) file documents with relevant governmental authorities or regulatory bodies, (v) to instruct directors and senior management of Boyaa Shenzhen to act in accordance with all instructions of Boyaa PRC or its designated person, and (vi) exercise such other shareholders' rights as stipulated under applicable PRC laws, rules and regulations and the articles of Boyaa Shenzhen.
- iii. The shareholders of Boyaa Shenzhen may have conflicts of interest with the Group, which may materially and adversely affect the Group's business.
- Pursuant to the Exclusive Option Agreement, the Company has the option to (i) purchase or to designate a third party to purchase the equity interests of the existing shareholders of Boyaa Shenzhen when and to the extent permitted by law and (ii) acquire, to the extent permitted by PRC laws and regulations, all or part of the assets of Boyaa Shenzhen at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Each of Boyaa Shenzhen's shareholders has executed a power of attorney to authorise any individual(s) appointed by Boyaa PRC to exercise all of their rights and powers as shareholders of Boyaa Shenzhen.



Directors' Report

Risks associated with the Contractual Arrangements

Mitigation actions taken by the Company

<p>iv. The Group may lose the ability to use and enjoy assets held by the VIE that are important to the operation of its business if the VIE declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.</p>	<p>In addition, to ensure that Mr. Zhang Wei, Mr. Dai Zhikang and Boyaa Shenzhen will comply with the Contractual Arrangements, the Company has further introduced the following measures:</p> <ul style="list-style-type: none">i. the three independent non-executive Directors will review the effectiveness on implementation of the procedures and controls and compliance of the Contractual Arrangements;ii. each of Mr. Zhang Wei and Mr. Dai Zhikang shall abstain from voting on any resolutions of Boyaa Shenzhen in which he may have conflicts of interest, and all resolutions shall be passed unanimously or by the affirmative vote of a simple majority of the board of Boyaa Shenzhen (as the case may be), and if any resolution could not be passed by the board of Boyaa Shenzhen unanimously or by a simple majority of votes (as the case may be), such resolution would be considered as disapproved; andiii. the Group has implemented corporate governance measures to manage any conflicts of interest between the Group and the Directors. <p>Pursuant to the Business Operating Agreement, in the event that Boyaa PRC or its designee decided to voluntary wind-up or dissolve Boyaa Shenzhen, each of Mr. Zhang Wei and Mr. Dai Zhikang undertakes that he will ensure and procure the execution of all related documents and completion of all relevant procedures required for completing the liquidation and winding-up process and that Boyaa PRC shall be transferred, at nil consideration, all remaining assets of Boyaa Shenzhen upon liquidation.</p>
	<p>In addition, under the Business Operating Agreement and the Equity Pledge Agreement, Mr. Zhang Wei and Mr. Dai Zhikang warrant to Boyaa PRC that appropriate arrangements have been made to protect Boyaa PRC's interests in the event of his death, bankruptcy or divorce to avoid any practical difficulties in enforcing the agreements underlying the Contractual Arrangements.</p>



Directors' Report

Risks associated with the Contractual Arrangements

Mitigation actions taken by the Company

v. The Contractual Arrangements between Boyaa PRC and Boyaa Shenzhen may subject the Group to increase income tax due to the different income tax rates applicable to Boyaa PRC and Boyaa Shenzhen, which may adversely affect the Group's results of operations.

Boyaa PRC has successfully renewed its "High and New Technology Enterprise" ("HANTE") qualification under PRC Enterprise Income Tax Law during the year ended 31 December 2022 and as a result, Boyaa PRC enjoy a preferential tax rate of 15% from 1 January 2022 to 31 December 2024. Therefore, the applicable tax rate for Boyaa PRC was 15% (2022: 15%) for the year ended 31 December 2023.

Boyaa Shenzhen temporarily has not renewed its HANTE qualification in 2023. Therefore, the applicable tax rate for Boyaa Shenzhen was 25% (2022: 25%) for the year ended 31 December 2023. However, no provision for income tax has been provided as Boyaa Shenzhen has no assessable profit during the year, and therefore during the Reporting Period, it did not lead to an increase in the Group's income tax and it did not adversely affect the Group's results of operations.

For details, please see Note 11 to the consolidated financial statements of this annual report.

vi. The Contractual Arrangements between Boyaa PRC and Boyaa Shenzhen may be subject to scrutiny by the PRC tax authorities and any finding that the Group or Boyaa Shenzhen owe additional taxes could substantially reduce the Group's consolidated net income and the value of the investment of investors.

The Group will work closely with its tax advisors to ensure that all tax filings are made promptly and any questions raised by PRC tax authorities are addressed in a timely and satisfactory manner.



Directors' Report

Risks associated with the Contractual Arrangements

Mitigation actions taken by the Company

- vii. On 15 March 2019, the Foreign Investment Law 2019 was adopted by the Second Session of the Thirteenth National People's Congress and had taken effect on 1 January 2020.

Under the Foreign Investment Law 2019 and relevant provisions of its implementation regulations, substantial uncertainties exist in connection with the legality and validity of the Contractual Arrangements to hold interests in PRC businesses that are subject to foreign ownership restrictions and the Company may have to incur compliance costs in the future.

Under the Foreign Investment Law 2019, the existing enterprises established under the former Foreign Investment Law may maintain their existing organizational structure within five years from the effective date of the Foreign Investment Law 2019. Meanwhile, foreign Investment Law 2019 does not explicitly stipulate the Contractual Arrangements as foreign investment. Therefore, the PRC legal advisor of the Company believes that the Foreign Investment Law 2019 does not mention the concepts including "actual control" and "control through contractual arrangements", nor does it specify regulations on control through contractual arrangements. In addition, the Foreign Investment Law 2019 and its implementing regulations do not specify the relevant business rules, but instead stipulate that "foreign investors invest through laws, administrative regulations or other methods prescribed by the State Council". The Foreign Investment Law 2019 and its implementing regulations do not specify on what actions should be taken by existing companies with variable interest entity structures and whether these companies are controlled by Chinese entities and/or citizens. Therefore, according to our PRC legal adviser, our contractual arrangements will not be affected by the "Foreign Investment Law 2019" and its implementation regulations. Nevertheless, it is still possible for China's future laws, administrative regulations or State Council regulations to stipulate contractual arrangements as a way of foreign investment. Whether our Contractual Arrangements will be recognized as foreign investment, whether it will be considered as a violation of foreign investment access and how it will be defined are still uncertain. In any event, the Company will closely monitor any update of the Foreign Investment Law 2019 and consult its PRC legal advisor to resolve specific problems or issues that may arise from the Contractual Arrangements, so as to ensure that the Company always complies with all relevant laws and regulations in the PRC.



Directors' Report

For details of the risks associated with the Contractual Arrangements, please refer to the section headed "Risk Factors – Risks relating to our corporate structure" in the Prospectus.

A waiver has been granted by the Stock Exchange regarding strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements, (ii) the requirement of setting an annual cap for the fees payable to Boyaa PRC under the Contractual Arrangements, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less, for so long as Shares are listed on the Stock Exchange, subject to certain conditions. In addition, the Stock Exchange has also granted a waiver from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under any new transactions, contracts, and agreements, or renewal of existing agreements to be entered into between Boyaa Shenzhen and any member of the Group (the "**New Intergroup Agreements**"), (ii) the requirement of setting an annual cap for the fees payable by/to any member of the Group to/from Boyaa Shenzhen under any New Intergroup Agreements, and (iii) the requirement of limiting the term of any New Intergroup Agreements to three years or less, for so long as Shares are listed on the Stock Exchange, subject to certain conditions.

The directors (including the independent non-executive directors) of the Company 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 in the ordinary and usual course of business of the Group, are on normal commercial terms or better 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 of the Company reviewed the Contractual Arrangements and confirmed that (i) the transactions carried out during the year ended 31 December 2023 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the profit generated by Boyaa Shenzhen has been substantially retained by Boyaa PRC, (ii) no dividends or other distributions have been made by Boyaa Shenzhen to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group, and (iii) no New Intergroup Agreements have been entered into between the Group and Boyaa Shenzhen during the year ended 31 December 2023.

Further, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (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 his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

By order of the Board

Dai Zhikang

Chairman and Executive Director

Hong Kong, 1 March 2024



Corporate Governance Report

The Company is committed to achieving high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound governance policies and measures, and the Board is responsible for performing such corporate governance duties. The Board will continue to review and monitor the corporate governance of the Company, as well as various internal policies and procedures, including but not limited to those applicable to directors and employees with reference to the Corporate Governance Code (the “Code”) set out in Appendix C1 to the Listing Rules and other applicable legal and regulatory requirements so as to maintain a high standard of corporate governance of the Company.

During the year ended 31 December 2023, the Company has complied with the applicable code provisions as set out in Part 2 of the Code.

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

BOARD OF DIRECTORS

The Board is in charge with promoting the success of the Company by directing and supervising its affairs as well as aligning the Company’s culture with its purpose, value and strategy. The Board has general powers for the management and conduct of the Company’s business. The day-to-day operations and management are delegated by the Board to the management of the Company, who will implement the strategy and direction as determined by the Board.

The Board is also responsible for determining the policy for corporate governance of the Company and has performed the duties as set out in provision A.2.1 of the Code.

The Board currently consists of five Directors, namely Mr. Dai Zhikang (Chairman) and Ms. Tao Ying (Acting Chief Executive Officer and Joint Company Secretary) as executive Directors, and Mr. Cheung Ngai Lam, Mr. Choi Hon Keung Simon and Mr. Kong Fanwei as independent non-executive Directors. There is no relationship (including financial, family or other material or relevant relationships) between the Directors. The Board has a balance of skills and experience appropriate for the requirements of the business of the Company.

The biographies of the directors of the Company are set out on pages 21 to 22 of this annual report.

The Company has entered into a service contract with each of the executive Directors for a term commencing on 8 June 2023 and expiring at the conclusion of forthcoming AGM, which can be further renewed by mutual agreement and the Company issued a letter of appointment to each of the independent non-executive Directors for a term commencing on 8 June 2023 and expiring at the conclusion of the forthcoming AGM, which can be further renewed by mutual agreement. All executive Directors and independent non-executive Directors will hold office subject to the provisions of retirement and rotation of directors under the articles of association of the Company. Pursuant to the articles of association of the Company, at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation and be eligible for re-election, provided that every Director (including those appointed for a specific term) is subject to retirement by rotation at least once every three years. In addition, any new Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting and shall be eligible for re-election. The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The terms of the service contracts and the letters of appointment may be renewed in accordance with the articles of association of the Company, the Listing Rules and any other applicable laws.



Corporate Governance Report

The aggregate remuneration (including fees, salaries, contributions to pension schemes, share-based compensation expenses, discretionary bonuses, housing and other allowances and other benefits in kind) payable to the Directors (including any directors who have resigned during the year) for the year ended 31 December 2023 was approximately RMB1.5 million in total.

The remuneration of the Directors is determined with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors, and performance of the Group. Details of the remuneration of the Directors and senior management of the Company for the year ended 31 December 2023 are set out in Notes 13 and 36 to the consolidated financial statements.

During the year ended 31 December 2023, the Company has three independent non-executive Directors, at all time in compliance with the requirement of the Listing Rules that the number of independent non-executive directors must represent at least three and one-third of the Board and at least one of the independent non-executive directors must have appropriate professional qualifications or an accounting or related financial management expertise.

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

Directors have access to the company secretary to ensure that the Board procedures are followed. The former company secretary of the Company, Ms. Chou Kwai Wah resigned on 11 September 2023. Ms. Tao Ying and Mr. Poon Ping Yeung have been appointed as the Joint Company Secretaries on 11 September 2023. In compliance with Rule 3.29 of the Listing Rules, Ms. Tao Ying and Mr. Poon Ping Yeung have both undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2023. Mr. Poon Ping Yeung ("**Mr. Poon**") is the manager of the Listed & Fiduciary Corporate Services Department of Trident Corporate Services (Asia) Limited and possesses the requisite qualification and experience as required under Rules 3.28 and 8.17 of the Listing Rules. Ms. Tao Ying, an executive Director and the acting chief executive officer of the Company, currently does not possess the qualifications of a company secretary as required under Rules 3.28 and 8.17 of the Listing Rules. Therefore, the Company has applied to the Stock Exchange, and the Stock Exchange has granted, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules (the "**Waiver**") with respect to the appointment of Ms. Tao Ying as a Joint Company Secretary for a period of three years from 11 September 2023, being the date of appointment of Ms. Tao Ying ("**Ms. Tao**") as a Joint Company Secretary (the "**Waiver Period**") subject to the conditions that (i) Ms. Tao must be assisted by Mr. Poon as a Joint Company Secretary during the Waiver Period; (ii) the Waiver could be revoked if there are material breaches of the Listing Rules by the Company; and (iii) the Company will publish the announcement disclosing the reasons, details and conditions of the waiver, and the qualifications and experience of both Ms. Tao and Mr. Poon. For details, please refer to the announcement of the Company dated 11 September 2023. Mr. Poon's primary contact with the Company is Ms. Tao, and they work and communicate closely to discharge the functions of Joint Company Secretaries.



Corporate Governance Report

During the Reporting Period, all Directors attended various trainings, including the trainings for directors' responsibilities and continuous obligations. The Company will arrange suitable training for all directors in order to enhance and refresh their knowledge and skills as part of their continuous professional development. Details of the training attended by the Directors during the Reporting Period are set out below:

Directors	Title	Participation of training type	Type of training
Mr. Dai Zhikang	Chairman and Executive Director	A, B, C, D	A: Browse and read A Guide on Directors' Duties issued by the Hong Kong Companies Registry
Ms. Tao Ying	Executive Director	A, B, C, D, E, F	
Mr. Cheung Ngai Lam	Independent non-executive Director	A, B, C, D	B: Browse and read the study materials on the Latest Regulatory Developments on VIE Structure Compliance in the Hong Kong Stock Market
Mr. Choi Hon Keung Simon	Independent non-executive Director	A, B, C, D	
Mr. Kong Fanwei	Independent non-executive Director	A, B, C, D	
			C: Browse and read the September 2023 edition of HKEX's Enforcement Bulletin
			D: Browse and read the issue 8 of HKEX's Listed Issuer Regulation Newsletter
			E: Participate in Jun He Law Offices' online seminar "Virtual Assets in Hong Kong: Regulatory Interpretation and Compliance"
			F: Participate in the online course "A Practical Guide to Cryptocurrency Investigations for Governance Professionals"

During the Reporting Period, the Board held 10 meetings. A total of 50 proposals were considered at these Board meetings, including proposals for the consideration of the Company's 2022 annual report, 2022 annual results announcement, 2023 first quarterly results announcement, 2023 interim report, 2023 interim results announcement and 2023 third quarterly results announcement, etc..

In relation to corporate governance matters, the Company had further reviewed and improved its work on corporate governance and internal control during the Reporting Period. For instance, the Company had consolidated and rationalised the internal procedures, and improved and updated certain systems in the Group, including formulating the Environmental Protection Management Policy, and updating the Contract Management Policy and Patent Management Policy, and well implementing them.

The Company is committed to continuously reviewing and improving its internal systems, including those in relation to internal supervision and control, and risk management.



Corporate Governance Report

The table below sets out the details of Board meetings attendance of each director of the Company during the Reporting Period.

Director	Number of Board meetings requiring attendance	Number of Board meetings attended
Mr. Dai Zhikang	10	10
Ms. Tao Ying	10	10
Mr. Cheung Ngai Lam	10	10
Mr. Choi Hon Keung Simon	10	10
Mr. Kong Fanwei	10	10

In 2023, the Company convened and held two general meetings, being the 2023 annual general meeting held on 8 June 2023 and the extraordinary general meeting held on 22 December 2023. All of the Directors of the Company, namely Mr. Dai Zhikang, Ms. Tao Ying, Mr. Cheung Ngai Lam, Mr. Choi Hon Keung Simon and Mr. Kong Fanwei attended the general meetings in person or by electronic means.

The chairman of the Board also held a meeting with the independent non-executive Directors without the presence of other Directors during the year.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibilities for leadership and control of the Company and be collectively responsible for directing and supervising the Company's affairs.

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

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



Corporate Governance Report

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

The Directors shall disclose to the Company details of other offices held by them.

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

The Company has clearly set out the circumstances under which the management should report to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. The Company regularly reviews the above circumstances and ensures they remain appropriate.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal action taken against them arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Board Independence Policy

The Company recognizes that Board independence is key to good corporate governance. For ensuring independent views and input are available to the Board, the Board has approved and adopted the board independence policy.

The Directors are requested to declare their direct or indirect interests, if any, in proposals or transactions to be considered at the Board meetings and abstain from voting, where appropriate. External independent professional advice is available to all Directors, including independent non-executive Directors, whenever deemed necessary. The independent non-executive Directors have consistently demonstrated strong commitment and the ability to devote sufficient time to discharge their responsibilities at the Board.

The Company has also established channels through formal and informal means whereby independent non-executive Directors can express their views in an open manner, and in a confidential manner, should circumstances requires. The chairman of the Board holds separate meetings with the independent non-executive Directors without the presence of other Directors at least annually.

The Board shall review the implementation and effectiveness of the the board independence policy on an annual basis and amend its terms as and when necessary.



Corporate Governance Report

BOARD COMMITTEES

The Company has three principal Board committees, namely the Audit Committee, the nomination committee (the “**Nomination Committee**”) and the remuneration committee (the “**Remuneration Committee**”). Each of the Board committees operates under its terms of reference. The terms of reference of the Board committees are available on the website of the Company and that of the Stock Exchange.

Audit Committee

The Company established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Code. The Audit Committee consisted of three members, namely Mr. Cheung Ngai Lam, Mr. Choi Hon Keung Simon and Mr. Kong Fanwei, all of whom are independent non-executive Directors. Mr. Cheung Ngai Lam is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise, and provide an independent view of the effectiveness of the financial reporting process, risk management and internal control systems of the Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

During the year ended 31 December 2023, the Audit Committee held 4 meetings, at which a total of 23 proposals were considered, including proposals for the consideration of the Company’s 2022 annual report, 2022 annual results announcement, 2023 first quarterly results announcement, 2023 interim report, 2023 interim results announcement, 2023 third quarterly results announcement, etc.. The Audit Committee also assessed the Company’s risk management and internal control measures, the effectiveness of the internal audit function of the Company and its other duties under the Code.

The table below sets out the details of meetings attendance of each member of the Audit Committee during the year ended 31 December 2023.

Director	Number of meetings requiring attendance	Number of meetings attended
Mr. Cheung Ngai Lam	4	4
Mr. Choi Hon Keung Simon	4	4
Mr. Kong Fanwei	4	4



Corporate Governance Report

Nomination Committee

The Company established a Nomination Committee with written terms of reference in compliance with the Code. The Nomination Committee consists of two independent non-executive Directors, being Mr. Choi Hon Keung Simon and Mr. Kong Fanwei and one executive Director, being Ms. Tao Ying. Mr. Choi Hon Keung Simon is the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to review and assess the composition of the Board and the independence of the independent non-executive Directors, make recommendations to the Board on appointment and removal of Directors, and review and disclose the policy for the nomination of Directors and board diversity policy.

During the year ended 31 December 2023, the Nomination Committee held 1 meeting, at which a total of 4 proposals were considered, including proposals for the review of the Board's composition and the independence of the independent non-executive Directors, the recommendation of re-election of the retiring Directors and the review of the policy for the nomination of Directors and board diversity policy.

The table below sets out the details of meeting attendance of each member of the Nomination Committee during the year ended 31 December 2023.

Director	Number of meeting requiring attendance	Number of meeting attended
Mr. Choi Hon Keung Simon	1	1
Ms. Tao Ying	1	1
Mr. Kong Fanwei	1	1

Director Nomination Policy

a. Objective

This Director Nomination Policy aims to:

- i. Set out the criteria, process and procedures in the nomination and appointment of directors of the Company;
- ii. Ensure that the Board of the Company has a balance of skills, experience and diversity of perspectives appropriate to the Company; and
- iii. Ensure the Board continuity and appropriate leadership at the Board level.



Corporate Governance Report

b. Selection Criteria

In evaluating and selecting any candidate for directorship, the following criteria should be considered by the Nomination Committee/Board:

i. Character and integrity; ii. Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy; iii. Any measurable objectives adopted for achieving diversity on the Board; iv. Requirement for the Board to have independent non-executive Directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules; v. Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence, gender and cultural diversity; vi. Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; vii. 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.

Board Diversity Policy

The Board has approved and adopted a board diversity policy (the "**Board Diversity Policy**"). A summary of the Board Diversity Policy is disclosed as below.

The Board strives to ensure that it has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategies and in order for the Board to be effective.

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

As at the date of this report, the Board comprises five Directors. Three of them are independent non-executive Directors, who provide critical review and oversight of the Company's management. The Board is also characterised by significant diversity, whether considered in terms of gender, educational background, technical and professional skills and/or qualifications. Pursuant to the Rule 13.92 of the Listing Rules, the Stock Exchange will not regard a single gender board of directors as achieving member diversity. As at the date of this report, the Board consists of one female Director and four male Directors, which is in compliance with the requirement of appointing at least a director of a different gender. The Board is of the opinion that Board diversity (including gender diversity) has been achieved with reference to the current circumstances of the Company, and the present structure of the Board can ensure the independence and objectivity of the Board and provide a system of checks and balances to safeguard the interests of the Shareholders.



Corporate Governance Report

The Nomination Committee is responsible for reviewing the Board Diversity Policy and the policy for the nomination of directors, developing and reviewing measurable objectives for implementing such policies and monitoring the progress on achieving these measurable objectives at least annually and as appropriate to ensure continued effectiveness of the Board.

The Board reviews the implementation and effectiveness of the Board Diversity Policy and the policy for the nomination of directors on an annual basis.

Workforce Diversity

To achieve diversity at workforce level, the Group has put in place appropriate plans and recruitment and selection practices such that a diverse range of candidates are considered and gender diversity is taken into account when recruiting staff members of mid to senior level. The Group has also established talent management and training programs to provide career development guidance and promotion opportunities to develop a broad and diverse pool of skilled and experienced employees. During the year, the Board was not aware of any constraints or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

As at 31 December 2023, the gender ratio in the workforce (including senior management) is 62.4% (male) : 37.6% (female). For further details of gender ratio together with the relevant data, please refer to the section headed "1. Employment and Labor Practices" under the Environmental, Social and Governance Report.

Remuneration Committee

The Company established a Remuneration Committee with written terms of reference in compliance with the Rule 3.25 of the Listing Rules and the Code. The Company has updated the terms of reference of the Remuneration Committee reflecting the changes to the Code and the Listing Rules, which became effective on 24 November 2022. The Remuneration Committee has three members, comprising three independent non-executive Directors, namely Mr. Cheung Ngai Lam, Mr. Choi Hon Keung Simon and Mr. Kong Fanwei. Mr. Cheung Ngai Lam is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the directors and senior management and make recommendations on employee benefit arrangement.

The Remuneration Committee has adopted the model (ii) described in code provision E.1.2(c) of the Code in its terms of reference.

During the year ended 31 December 2023, the Remuneration Committee held 1 meeting, at which a total of 2 proposals were considered, including proposals for the remuneration of the Directors and senior management, and the policy and structure of the remuneration for the Directors and senior management.



Corporate Governance Report

The table below sets out the details of meetings attendance of each member of the Remuneration Committee during the year ended 31 December 2023.

Director	Number of meeting requiring attendance	Number of meeting attended
Mr. Cheung Ngai Lam	1	1
Mr. Choi Hon Keung Simon	1	1
Mr. Kong Fanwei	1	1

Pursuant to paragraph E.1.5 of the Code, the remuneration paid to the members of senior management by bands for the year ended 31 December 2023 is set out in Note 13 to the consolidated financial statements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the year ended 31 December 2023.

FRAMEWORK FOR DISCLOSURE OF INSIDE INFORMATION

The Company has in place a policy on handling and dissemination of inside information, namely the Policy on Disclosure of Inside Information which sets out the procedures and internal controls for handling and dissemination of inside information in a timely manner in such a way so as not to place any person in a privileged dealing position and to allow time for the market to determine the price of the listed securities of the Company with the latest available information. This policy also provides guidelines to staff of the Company to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information. Dissemination of inside information of the Company shall be conducted by publishing the relevant information on the websites of the Stock Exchange and the Company, according to the requirements of the Listing Rules.

EXTERNAL AUDITOR

ZHONGHUI ANDA CPA Limited has been appointed as the external auditor of the Company to fill the vacancy left by resignation of Pan-China (H.K.) CPA Limited since 9 April 2020. ZHONGHUI ANDA CPA Limited will retire and offer themselves for re-appointment at the forthcoming AGM.



Corporate Governance Report

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs of the Group and of the results and cash flow during the Reporting Period. A statement from the auditor about its reporting responsibilities on the financial statements is set out on pages 103 to 106 of this annual report. In preparing the financial statements for the year ended 31 December 2023, the directors of the Company have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

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

The basis on which the Company generates or preserves value over the long term and the strategy for delivering its objectives is explained in the "Management Discussion and Analysis" set out on pages 8 to 20 of this annual report.

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the auditor to the Group during the year ended 31 December 2023 was approximately as follows:

Type of services	Amount (RMB'000)
Audit services	1,983
Non-audit services (Review of financial reports)	620
Total	2,603

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for maintaining sound and effective internal control and risk management systems in order to safeguard the Group's assets and Shareholders' interests and reviewing the effectiveness of the Company's internal control and risk management systems on an annual basis so as to ensure that internal control and risk management systems in place are adequate. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company also has an internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems, and reports their findings to the Audit Committee and the Board on, at least, an annual basis. The Company implements and strictly enforces procedures on inside information according to the relevant procedures stated under the Policy on Disclosure of Inside Information.



Corporate Governance Report

The Group's internal control system includes a well-established organisational structure with clearly defined lines of responsibility and authority. The day-to-day departmental operations are entrusted to individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Company from time to time. Each department is also required to keep the management and the Board informed of material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis so as to identify, evaluate and manage significant risks in a timely manner.

During the year ended 31 December 2023, the Board has reviewed the effectiveness of the internal control and risk management systems of the Group to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards and code provision D.2.1 of the Code. The review covered all material controls, including financial, operational and compliance controls and risk management functions. In particular, the Board considered the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions are adequate. The review was conducted through discussions with the management of the Company, its external and internal auditors and the assessment performed by the Audit Committee. The Board believes that the existing risk management and internal control systems are adequate and effective, in particular, for financial reporting and Listing Rules compliance as well as for resolving internal control defects (if any).

On or around 4 March 2019, the Company found that it was not able to continue to use the idle cash reserves in its individual bank accounts (the "**Relevant Idle Cash Reserves**") for fixed-term deposits or wealth management (the "**Incident**"). The Relevant Idle Cash Reserves only constituted a portion of the Company's total idle cash reserves. At the relevant time, the Company considered that the Incident may be implicated as a result of the Case (as defined below) involving individual Employees (as defined below), as such, the Company has engaged its PRC legal advisers (the "**PRC Legal Advisers**") to advise on this matter in March 2019. Upon engagement of the PRC Legal Advisers, the PRC Legal Advisers have submitted applications to the relevant PRC court and procuratorate on behalf of the Company in relation to the Incident, including an application to utilize the Relevant Idle Cash Reserves.

On 27 August 2019, the Company received a reply from the relevant PRC court that the Relevant Idle Cash Reserves were frozen due to a prosecution (the "**Case**") made by the relevant PRC judicial authority against its then individual current or former employees (the "**Employees**") for their alleged illegal activities conducted through one of the Company's onshore online gaming platforms (the "**Alleged Crime**"). After the occurrence of the Case and the Incident, the Company had terminated the employment relationship with all the abovementioned employees.



Corporate Governance Report

As advised by the PRC Legal Advisers, on 27 December 2019, the Intermediate People's Court of Chengde City, Hebei Province (the "**Trial Court**") delivered the judgment in relation to the Case (the "**Judgment**"). The Trial Court held that the Employees are guilty of the Alleged Crime and ordered an amount of RMB942,654,382.75 to be paid to the state treasury (the "**Judgment Sum**"). As advised by the PRC Legal Advisers, on 6 January 2020, one of the Employees had applied for appeal against the Judgment. According to the PRC Legal Advisers, the appeal hearing against the Case was heard on 10 November 2020 (the "**Appeal Hearing**"). The Company was informed, on 3 September 2021, the PRC court of second instance (the "**Appeal Court**") had made a decision on the Appeal Hearing to quash the Judgment and remanded the Case to the Trial Court for a retrial, since it was of the view that certain facts under the Judgment was unclear. The Company was informed, on 23 March 2022, the Intermediate People's Court of Chengde City, Hebei Province delivered the judgment of the Retrial (the "**Retrial Judgment**"). The Trial court had upheld that the former Employees are guilty of the Alleged Crime. However, the Trial court had held that the amount of RMB291,696,677.62 and wealth management products in the amount of RMB350,000,000 and the relevant interests which had been frozen shall be paid to the state treasury (the "**Relevant Frozen Sum**") which superseded the Judgment Sum of RMB942,654,382.75 as original ordered by the Trial court to be paid to the state treasury. As advised by the PRC Legal Advisers, some Employees had applied for appeal against the Retrial Judgment and the rehearing of the Retrial was heard by the High People's Court of Hebei Province (the "**Court of Second Instance**") on 28 July 2022. On 5 December 2022, as informed by the PRC Legal Advisers, the Court of Second Instance had delivered the ruling of the rehearing of the Retrial (the "**Second Instance Ruling**"), ruling that, among others: (i) the appeal shall be dismissed and the Retrial Judgment had been upheld; and (ii) the Employees are guilty of the Alleged Crime and had used the frozen account of the Company to transfer funds for relevant illegal activities, therefore the Relevant Frozen Sum shall be confiscated and paid to the state treasury. On 8 December 2022, it had come to the attention of the Company that an aggregate of approximately RMB683,222,975.72 had been withdrawn from the Company's frozen bank accounts by the Trial Court (the "**Enforcement**") where all available funds, wealth management products and relevant interests were held (the "**Enforcement Sum**"). On 13 January 2023, as informed by the PRC Legal Advisers, to the best of their knowledge after making reasonable enquiries, some of the former Employees had filed a petition to the court against the Retrial Judgment and the Second Instance Ruling for a filing and a retrial. At the same time, after the discussion between the Company and the PRC Legal Advisers, in order to safeguard the interests of the Company and the Shareholders, the PRC Legal Advisers had filed a petition on behalf of the Company, as a non-party stakeholder to the Case, requesting the court (i) to quash the Retrial Judgment and the Second Instance Ruling and to order a filing and a retrial of the Case; and (ii) to apply the appropriate PRC laws and regulations in determining the amount involved in the Case and to return to the Company the legitimate revenue which has been withdrawn. On 15 June 2023, as informed by the PRC Legal Advisers, the Court of Second Instance had dismissed the petition filed by the PRC Legal Advisers on behalf of the Company as a non-party stakeholder to the Case (the "**Dismissal**"), and the Retrial Judgment and the Second Instance Ruling have been upheld.



Corporate Governance Report

The Company is not a party prosecuted in the Case and it was implicated due to the alleged illegal activities on the part of its former individual Employees. On 4 September 2019, the Company had established an independent investigation committee comprising all independent non-executive Directors of the Company, for the purpose of conducting an independent investigation on internal matters arising out of the Case (“**Independent Investigation Committee**”), had entrusted Deloitte Consulting (Beijing) Company (“**Deloitte**”) to review the Company’s internal control system on its adequacy and to suggest improvements to the internal control system. The Company had put in place additional internal control measures which include additional measures on declaration of interest by employees and revenue management systems. These measures include (1) requirements that all the employees, including management staff, to make annual declarations on any incident involving conflict of interests and improvements on the relevant procedures for making such declarations; (2) improvements on the management measures relating to the purchase and use of the Game Tokens, including measures for inventory management and the approval procedures for the issuance of Game Tokens; (3) improvements on the monitoring and management measures in respect of the account balances of registered paying users, including analysis of the users’ account balances, the monitoring of unusual transactions of the Game Tokens between users, and improvements of the review and approval procedure of the amendments of user-profiles; and (4) provisions of regular training sessions on the relevant systems, management measures and procedures etc., to ensure that these measures are being fully and strictly complied with continuation. The Company will use its best endeavours to monitor the development of the Case and to make necessary applications to the relevant PRC court with the assistance from the PRC Legal Advisers.

As at the date of this report, none of the Company, its Directors or its senior management had been subject to any prosecution nor investigation by the relevant PRC judicial authorities in relation to the Alleged Crime.

The Independent Investigation Committee had held meetings in January, March, May, June and November 2020, March, May, August, September and November 2021, March, May, July, August and December 2022, January, March, May, July and August 2023 to discuss various matters concerning the Case, the Incident and preparation of the independent investigation report. The senior management of the Company has been maintaining close contact with the Independent Investigation Committee to ensure that any updates of the Case and the Incident can be provided to the Independent Investigation Committee on a timely basis. The Independent Investigation Committee had issued an investigation report (the “**Investigation Report**”) in July 2023 with details of their findings and their view on the Case and the Incident. After reviewing all existing documents available to the Company in relation to the Case and the Incident, the Independent Investigation Committee is of the view that there were no material findings after conducting the independent investigation which have to bring to the attention of the shareholders and potential investors of the Company.



Corporate Governance Report

Pursuant to the Investigation Report, the Independent Investigation Committee had concluded that, among others:

- (i) apart from the former Employees, the Company's management had no involvement of the Case and was not prosecuted;
- (ii) the Board and management timely took active steps in monitoring and managing the situation in relation to the Incident and the independent non-executive Directors had established the Independent Investigation Committee for the purpose of conducting an independent investigation on internal matters arising out of the Case;
- (iii) the Board responded promptly and immediately engaged Deloitte to review the internal control system of the Company. Deloitte had completed their review on the Company's internal control system and issued a report in January 2020, pursuant to which Deloitte was of the view that there were no material issues identified in respect of the internal control system of the Group and Deloitte had proposed certain strengthened measures to the internal control system to the Company. In March 2020, Deloitte issued a follow up report, in which Deloitte confirmed that the Company had implemented all the proposed strengthened measures, including additional measures on declaration of interest by employees and revenue management systems;
- (iv) as advised by the PRC Legal Advisers, the Company has obtained all necessary and requisite approval, licenses and permits from all relevant governmental or regulatory authorities for its operation of online gaming platforms in the PRC, and its business operations in the PRC are in compliance with the relevant PRC laws. The fact that the former Employees were found guilty by judicial authorities will not affect the validity of such approval, licenses and permits of the Company;
- (v) the Company is taking legal advice from PRC Legal Advisers on the Incident and will continue to take all necessary steps to protect the interests of the Company and its shareholders;
- (vi) the Company's operation is not and will not be materially affected by the Case and the Enforcement Sum withdrawn; and
- (vii) the Board has been handling this matter with frequent and thorough discussions. The investigation reveals no material issues on management of the Board of Directors in respect of the Case and the Incident.

In light of the aforementioned conclusions, and the fact that (i) except for the relevant gaming platform involved the Case which has ceased operation, all other online gaming platforms of the Company remain in normal operation; (ii) the Company will strive to further expand the overseas market as well as other card and board games business and will be dedicated to diversifying its business in strict compliance with all applicable laws; and (iii) as of the date of this report, the Company does not have any future plans relating to material acquisitions, investments, or any loan borrowings which would cause any immediate need for any material cash commitment, the Company is of the view that the Case, the Incident, the Enforcement and the Dismissal will not have any material adverse impact on its business operations.

The Company will keep the shareholders and potential investors of the Company informed of any material development in connection with the Case and the Incident as and when appropriate pursuant to the requirements under the Listing Rules.

For details, please refer to the announcements of the Company dated 1 September 2019, 4 September 2019, 13 December 2019, 3 January 2020, 6 January 2020, 9 November 2020, 3 September 2021, 30 November 2021, 24 March 2022, 29 March 2022, 28 July 2022, 5 December 2022, 9 December 2022, 13 January 2023 and 16 June 2023.



Corporate Governance Report

SHAREHOLDERS

The Company is incorporated in the Cayman Islands. Pursuant to the articles of association of the Company, general meetings shall also be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company, on a one vote per share basis in the share capital of the Company, and the foregoing members shall be able to add resolutions to the meeting agenda. General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

To safeguard shareholder interests and rights, separate resolutions are and will be proposed at general meetings on each substantial issue, including the election of individual directors. The procedures for shareholder to propose a person for election as director is available on the Company's website (www.boyya.com.hk). Shareholders may lodge written proposal to the Company at 19/F, Golden Centre, 188 Des Voeux Road Central, Hong Kong, provided that the minimum length of the period, during which such written notice is given, shall be at least seven days and that the lodgement of such notice shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

Enquiries about the Company may be put to the Board by contacting the Company or directly by raising the questions at an annual general meeting or extraordinary general meeting. The contact details of the Company are set out in the Company's website (www.boyya.com.hk). Shareholders can also direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, whose address is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.



Corporate Governance Report

CONSTITUTIONAL DOCUMENTS

There has been no change in the constitutional documents of the Company for the year ended 31 December 2023.

The second amended and restated memorandum and articles of association of the Company are available on the websites of the Company and the Stock Exchange.

SHAREHOLDERS' COMMUNICATION POLICY

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The Company has adopted a shareholders' communication policy and provides all Shareholders with equal access to such information, in order to keep Shareholders informed of its performance, operations and significant business developments.

The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The general meetings of the Company provide a platform for communication between the Board and the Shareholders. The chairman of the Board as well as chairmen of each of the Nomination Committee, the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective committees, are available to answer Shareholders' questions at general meeting. The external auditor of the Company is also invited to attend the annual general meetings of the Company to answer questions about the conduct of audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company maintains a website (<https://www.boyya.com.hk>), where information and updates on the Company's financial information, corporate governance practices, biographical information of the Board and other information are available for public access. The contact details of the Company are set out in the Company's website, in order to enable the Shareholders to make any query that they may have with respect to the Company.

During the year ended 31 December 2023, the Board reviewed the implementation and effectiveness of Shareholders' communication policy, and concluded that the policy is effective and well-implemented for its provision of different channels for Shareholders to communicate their views on matters affecting the Company.

The Board shall continue to review the implementation and effectiveness of the Shareholders' communication policy on an annual basis and amend its terms as and when necessary.



Environmental, Social and Governance Report

INTRODUCTION

Purpose of the Report

The Company is fully aware that the Company's performance, corporate growth and the commitment to social sustainable development are complementary and inseparable with each other. While striving to achieve the best returns for the Shareholders, we also focus on rewarding the staff, to achieve the development of employees as well as the Company. The Company focuses on integrating its developments into society and contributing to the community, aiming at achieving harmonious development of both enterprise and society. The Board is responsible for maintaining appropriate and effective risk management and internal control systems of the Group to ensure compliance with the applicable rules and regulations.

Basis of Report Preparation

The 2023 Environmental, Social and Governance Report (the "**ESG Report**") is prepared in compliance with the mandatory disclosure requirements of the Environmental, Social and Governance ("**ESG**") Reporting Guide set out in Appendix C2 to the Listing Rules and the "comply or explain" provisions, aiming to disclose our responsibility for sustainable development in 2023 to investors and other stakeholders. The Report should be read in conjunction with the "Corporate Governance Report" for a more comprehensive understanding of the Company's environmental, social and governance performance.

The ESG Report was prepared in adherence to the four reporting principles of materiality, quantitative, balance and consistency, the application of reporting principles is presented below:

Materiality: The Report focuses on issues that are identified relevant and significantly important to the Company during the Reporting Period. The Company conducted materiality review during the Reporting Period to establish the structure of our ESG Report and material issues identified were validated by the Board.

Quantitative: Information in the Report is presented quantitatively whenever feasible. The Report presents comparable and measurable performance data by disclosing past and present data during the Reporting Period, which lays a solid foundation for the Company to set environmental and social targets in the future. Meanwhile, quantitative information shall help the Company to better evaluate and validate the effectiveness of relevant ESG policies and management systems.

Balance: The Report discloses the Company's progress and challenges in environmental, social and governance management in order to fully demonstrate our environmental, social and governance performance.

Consistency: Unless otherwise stated, the methodologies used in the Report for data calculation are consistent with previous years to ensure meaningful comparability.

Reporting Scope

The ESG Report encompasses operations of the Company's Shenzhen office, Thailand office and Hong Kong office, covering ESG performance in the Reporting Period, unless stated otherwise. The Board is of the view that the inclusion of the Hong Kong office area launched in 2023 into the reporting scope of the ESG Report will more accurately reflect the Group's ESG performance in 2023. The Report has yet to collect and disclose the relevant data of all regional offices. Relevant information on other regional branches has not yet been collected and therefore is not disclosed in the ESG Report. Unless otherwise stated, the Report covers the period from 1 January 2023 to 31 December 2023.

Approval and Confirmation

The Board is fully responsible for overseeing the Company's management and implementation of ESG related policies, and is also responsible for ensuring the reliability, truthfulness, and completeness of our non-financial disclosures. This Report was reviewed and approved by the Board on 1 March 2024.



Environmental, Social and Governance Report

ESG Governance

The Company has established a governance structure to strengthen the related work regarding the environmental, social and governance. The Board takes the overall responsibility for the Company’s environmental, social and governance strategies and reporting, and is responsible for the related work of the overall supervision and management in environmental, social and governance, including formulating relevant policies and strategies. In order to fully implement the concept of sustainable development and effectively resolve environmental, social and governance issues, the Company has also established an environmental, social and governance working group to assist the Board in supervising and promoting the implementation of environmental, social and governance strategies and reviewing the progress made against ESG-related goals we consider as related to our businesses according to the materiality assessment. Each functional department of the Company is responsible for taking specific measures which are formulated on various environmental, social and governance issues.

Stakeholder Engagement

As part of our business strategies, the Company communicates with its stakeholders in an open, honest and proactive way. Our major stakeholder groups include shareholders and investors, clients, suppliers and employees.

To improve transparency, we take measures to promote investor relations and communication. In addition, in order to further promote effective communication with investors, we arrange annual general meetings and offer other communication channels to provide opportunities for the shareholders to maintain communication with the Board, thereby allowing shareholders to clarify and deepen their understanding of the Company’s performance and allowing the Company to communicate with shareholders and answer performance-related questions.

Materiality Assessment

Through conducting an internal materiality assessment, the Company has identified ESG issues which are sufficiently important to investors and other stakeholders by reviewing our business. In consideration of the “relevance” and “importance” of various ESG factors to our business, we have been able to prioritize the following aspects as the material focus of this report:

Aspects	Material ESG Issues
A. Environmental Aspect	
A2. Use of Resources	<ul style="list-style-type: none">• Energy consumption• Energy efficiency• Water consumption• Efficient use of raw materials• Use of packaging materials



Environmental, Social and Governance Report

Aspects

Material ESG Issues

B. Social Aspect

B1. Employment

- Employee welfare
- Inclusion and equal opportunities
- Talent attraction and retention

B2. Health and Safety

- Occupational health and safety

B3. Development and Training

- Development and training

B4. Labour Standards

- Prevention of child and forced labour

B5. Supply Chain Management

- Supply chain management

B6. Product Responsibility

- Project quality control
- Protection of intellectual property rights
- Protection of customer privacy

B7. Anti-corruption

- Corporate governance
- Anti-corruption



Environmental, Social and Governance Report

ENVIRONMENT

We have implemented scientific energy saving and emission reduction measures, which directly contribute to socioeconomic and sustainable development as well as corporate development and employee interest. The Company complied strictly with relevant environmental and emission laws and regulations, such as the Environment Protection Law of the People's Republic of China, Atmospheric Pollution Prevention and Control Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise, Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste, Law of the People's Republic of China on Conserving Energy and Provisions on the Administration of Urban Water Conservation, in our operation. Our main operation is office-based. Our major business operation is the development and operations of online card and board games, and we will be committed to promoting and developing Web3 gaming related business, which does not involve significant and direct emission of air pollutants or direct greenhouse gas emissions (Scope 1). Our key pollutants are carbon dioxide and general waste, generated from electricity and water usage and etc. The generated solid waste is mainly domestic waste and other general waste. Therefore, we only report on the indirect energy use and indirect greenhouse gas emission (Scope 2) of the Company. The Company's daily operations are not expected to have a significant impact on the environment or natural resources, and the related climate change is also not expected to have a material adverse impact on the Company's operations.

We have instilled the principle of "Awareness Cultivation, Strict Management" and targeted to grow sustainably through saving on expenditure, reducing energy consumption, and preventing pollution. To strike a balance between corporate development and environmental protection, we have adopted strategies to save energy, recycle resources, preserve the environment and promote harmonious long-term human and natural development. Environmental protection and resource conservation are our main priorities in fulfilling our social responsibility. In 2023, our actual electricity consumption was 508,990 kWh (2022: 510,639 kWh) representing a year-on-year decrease of approximately 0.3%, and the intensity of actual electricity consumption in 2023 was approximately 2,147.64 kWh per employee (2022: 1,652.55 kWh per employee); total greenhouse gas emissions in 2023 were approximately 401 tons (2022: approximately 405 tons) representing a year-on-year decrease of approximately 1.0%, and the intensity of greenhouse gas emissions in 2023 were approximately 1.69 tons per employee (2022: 1.31 tons per employee); our business operation does not generate hazardous waste, and during the year, the total amount of non-hazardous general waste was approximately 1.2 tons (2022: approximately 0.9 tons) representing a year-on-year increase of approximately 33.3%, and the intensity of non-hazardous general waste generation during the year was approximately 0.0051 tons per employee (2022: 0.0029 tons per employee). In 2023, the actual water consumption was approximately 2,441 tons (2022: approximately 2,489 tons) representing a year-on-year decrease of approximately 1.9%, and the intensity of actual water consumption was approximately 10.30 tons per employee (2022: 8.06 tons per employee). The Company has not encountered any difficulties in sourcing suitable water sources, and its office has a stable water supply which meets its daily operational needs. The Company did not use any packaging material during the Reporting Period.

The Company expects to further reduce water consumption, electricity consumption, non-hazardous general waste generation and greenhouse gas emissions by taking the following measures to improve our environmental performance.



Environmental, Social and Governance Report

1. Promoting and Cultivating Energy Conservation and Environmental Protection Awareness

- Promoted and lead energy conservation and environmental protection initiatives via email, radio, exhibition and tips etc.. Facilitated practical environmental protection processes in our daily routine to raise employees' environmental awareness and strengthen their consciousness regarding resource and energy saving.



2. Strengthening Supervision and Inspection, Eliminate Wasteful Behavior

- Set up an inspection team to strengthen and improve the environmental protection and energy saving management systems. Regular inspections are carried out as well as random checks to monitor and meet energy saving and emission reduction targets; and
- Strengthened daily inspection and maintenance of pipes and electricity equipment, including monitoring data, analysing monthly abnormal data and identifying issues requiring attention.

3. Implementing Energy Saving and Sustainable Measures, Increasing Energy Efficiency

The Company placed rubbish bins in its working area and sends the non-reusable wastes to municipal government for central collection and treatment; sends the reusable wastes to waste collection station for recycle use.

- Phased out obsolete facilities and equipment, promote new energy-efficient technologies, adopted a replacement program of LED energy saving lamps to reduce energy consumption;
- Improved the procurement and supply system for office supplies, using energy efficient equipment and recycling old machines;
- Implemented a paperless office automation system where emails and documents are read and shared online to reduce paper consumption;
- Encouraged employees to bring their own water bottles and provide disposable water cups for visitors instead of disposable water bottles to reduce unreasonable waste of water resources; and
- Provided employees with a shuttle bus service to alleviate commuting issues, improved the efficiency of roads and transportation, relieved the traffic jams in the city, achieved shared-economy and contributed to reducing traffic congestion and emissions.



Environmental, Social and Governance Report

SOCIETY

1. *Employment and Labor Practices*

In order to protect the legitimate rights and interests of employees, establish and maintain the Company's management mechanism, and to promote the legal and orderly development and expansion of the Company, the Company complies with and implements the Labor Law of the People's Republic of China, Labor Contract Law of the People's Republic of China, The Implementation Regulations of the Labor Contract Law of the People's Republic of China, Shenzhen Special Economic Zone Regulations on Labor Relations Promotion, Implementation Measures of Enterprise Workers Paid Annual Leave, Regulations on Wage Payment of Employees of Shenzhen Municipality, Employment Ordinance and other relevant enterprise employment and labor laws and regulations.

During the year of 2023, the Company imposed stringent control over matters such as staff management, welfare and training. Meanwhile, it also conducted rigorous screening procedure for the purpose of retaining staff, and adjusted and improved staffing structure. As of 31 December 2023, the total number of employees of the Company was 237 (2022: 309), representing a year-on-year decrease of approximately 23.3%. The total number of new hires was 40 (2022: 65), representing a year-on-year decrease of approximately 38.5%. The total number of resigned employees was 136 (2022: 53), representing a year-on-year increase of approximately 156.6%. In 2023, the staff turnover rate was approximately 21.46% (2022: 17.15%) and the rejection rate was approximately 36.91% (2022: 0.18%).

We are an equal opportunity employer. We pursue employment policies that embrace diversities and do not discriminate against employees on grounds of gender, disability, pregnancy, family status, race, colour, religion, age, sexual orientation, nationality, trade union membership or other factors.

The Company complies with the rules in relation to working and resting hours according to the Labor Law of the People's Republic of China and Employment Ordinance and so on. As an online card and board game service provider, we provide excellent service to our clients throughout the year. Our staff at customer services department work at non-regular working hours and on public holidays to get ready for unexpected incidents at any time. We provided them with overtime payment and additional allowance.

The Company has formulated "Boyaa Interactive Employee Code of Conduct". For situations in which an employee has violated the Group's regulations, or whose performance is consistently below an acceptable level, a range of procedures to the corresponding job transfer policy terminate their employment/labor contract have been also established. In all cases, managers will consult the human resources department and the legal department to ensure that applicable laws and regulations are complied with.

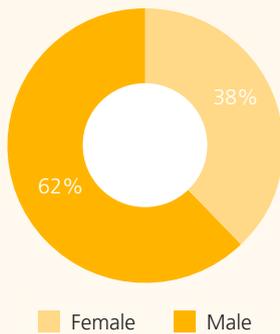


Environmental, Social and Governance Report

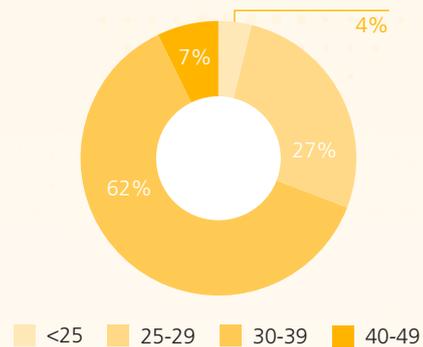
Total number and classification of employees

As at 31 December 2023, the total number of employees of the Group was 237 (including 233 full-time employees and 4 part-time employees), and the details of employees are as follows:

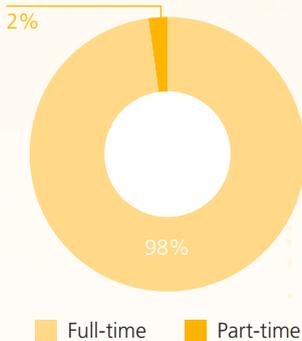
Employees by Gender



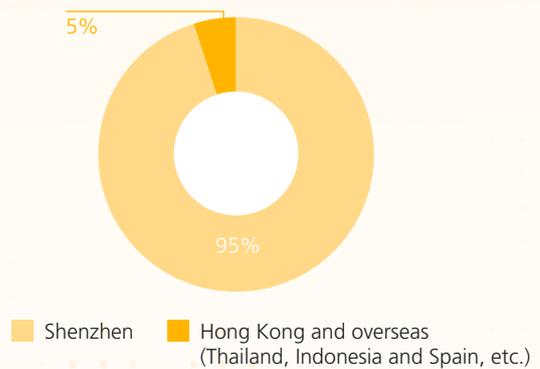
Employees by Age



Number of Employees by Employment Type

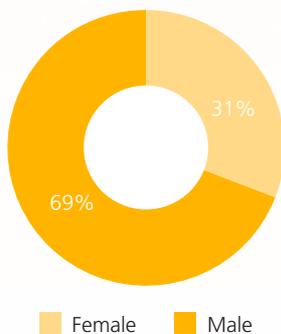


Number of Employees by Geographical Areas

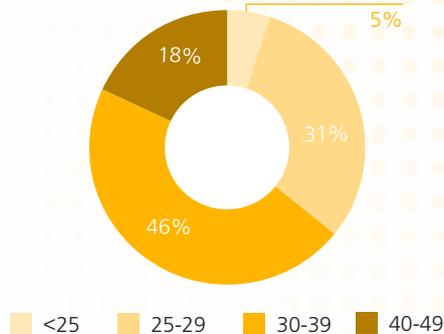


As at 31 December 2023, the details of the staff turnover rate of the Group are as follows:

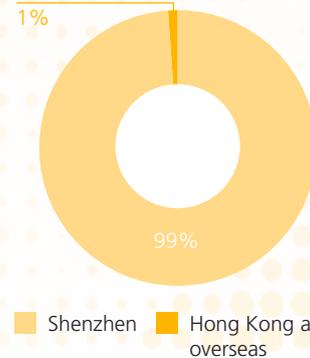
Employees by Gender



Employees by Age



Number of Employees by Geographical Areas

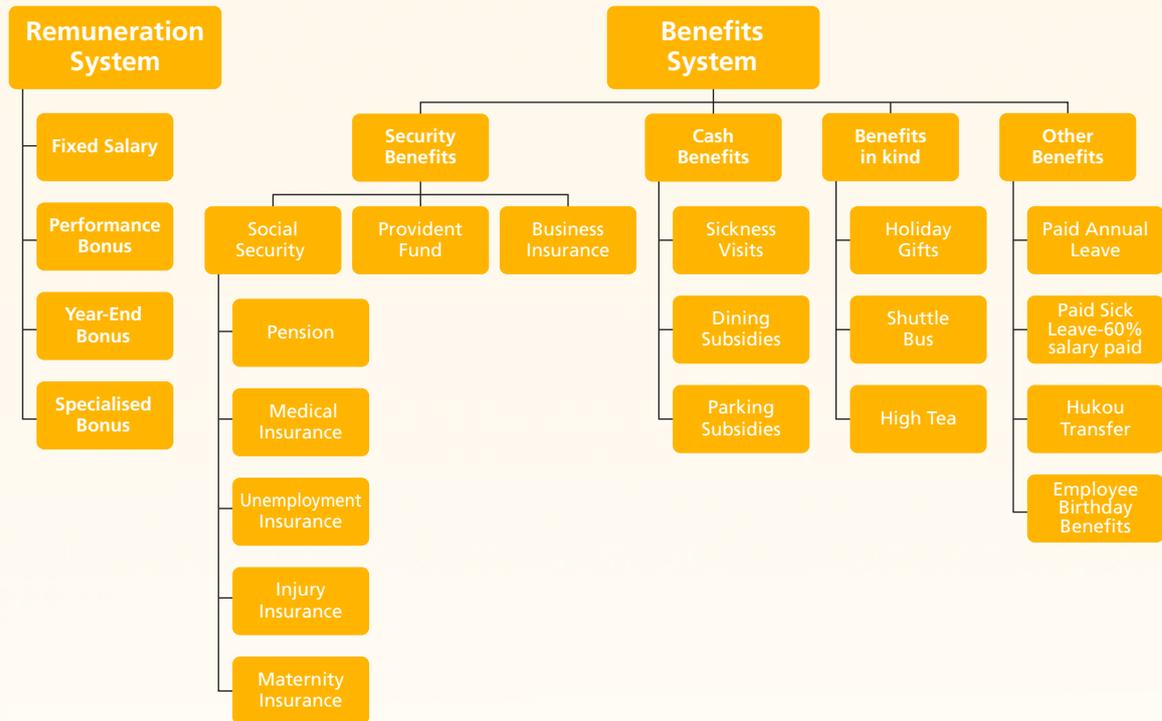




Environmental, Social and Governance Report

2. Remuneration and Benefits

The Company has implemented a comprehensive “people-oriented” payment and welfare benefits system for employees.



Residence Schemes

To help our employees to meet their housing needs and relieve their personal burdens, including transportation costs, the Company has put in place a regulation which initiates an unsecured, low interest loan scheme available to our employees for purchasing their houses and cars. We also provide a free shuttle bus service for all employees to commute from home to the workplace.

Bo Le Award

To meet the Company’s development goals and staffing requirements, we have set up a talent referral scheme to increase the motivation and enthusiasm of our employees for recommending talented individuals to join the Company. Various “Bo Le” awards are granted to staff members in the form of cash or physical prizes when a referral is successfully recruited, including the “Talent Hunt Award” (“慧眼識珠獎”), “Talent Referral Award” (“推薦達人獎”), “Golden Bole Award” (“金冠伯樂獎”) and “Bo Le Hero Award” (“伯樂英雄獎”), among others.



Environmental, Social and Governance Report

Warm Holiday Care

The Company elaborately prepares festival gifts for its employees on traditional festivals, such as Spring Festival, International Working Women’s Day, Dragon Boat Festival and Mid-Autumn Festival. At the same time, various colorful festival activities are carried out simultaneously, such as the annual parties, badminton group classes, fitness group classes, and team building activities, which are greatly popular among and embraced by staff and enhances their sense of belonging, zeal for work and team cohesiveness.





Environmental, Social and Governance Report

3. Health and Safety

The Company has signed labor contracts with employees. In strict accordance with the Social Insurance Law of the People's Republic of China and Regulations on Management of Housing Provident Fund, the Company has participated in various employee social security plans in Mainland, including housing fund, pension, medical, work-related injury, maternity and unemployment benefit plans, and it has also contributed housing provident fund for its staff; the Company has procured employees' compensation insurance and made Mandatory Provident Fund contributions for Hong Kong staff, providing practical protection for the staff. The Company also strictly complies with the Law of the People's Republic of China on the Protection of Women's Rights and Benefits, Special Rules on the Labour Protection of Female Employees, Work-related Injury Insurance Regulations and all other relevant laws and regulations. The Company cares about employees' health, property safety and personal privacy, and continuing to optimise the working environment and labor management system.

The Company has implemented a green office environment policy to create a healthy and clean office environment. The office area is covered with plants to reduce the radiation hazards of electronic equipment. Professional institutions specialising in disinfection and sterilisation are employed on a monthly basis to perform thorough disinfection and sterilisation of the office so as to improve the quality of the office environment. Regarding water quality control, the activated carbon water filter is replaced every six months, and regular sampling of the water source is conducted to ensure quality. In catering services, the Company selects qualified suppliers who have appropriate licenses, fresh ingredients and operating environments in compliance with applicable regulations. The process is monitored in real-time to ensure food safety and employees' health. As a game developer and operator, the Company does not expose its employees to major health and safety risks in its daily operations. During the years 2021, 2022, 2023 and the Reporting Period, the Company was not aware of any work-related fatalities or lost days due to injury.

The Company has strictly prevented, controlled, and managed potential security risks and safety concerns based on the principle of "Prevention-oriented, Elimination of Hidden Dangers", so as to continuously strengthen the Company's security management in office areas and strictly enhance the safety awareness of employees, and smoothly implement the effective security measures.

- To regularly send out safety information to all employees through emails, radio, displays and tips to enhance security awareness;
- To set up a safety management committee to organise regular checks or spot checks, including daily inspections, targeted inspections or sample checks, troubleshooting and hazard investigations;
- To train members of safety management committee about fire control and daily first-aid knowledge, internally launch fire control publicity and education program and daily first-aid training, perform regular checks on the Company's fire control facilities, and ensure that all fire control and safety systems are in compliance with the fire control regulations and requirements of the fire control department;
- To strengthen the Company's electricity safety management, strictly prohibit private cables and the use of high-power electrical equipment and implement thorough investigations of electrical usage beyond working hours; and
- To ensure that the Company office area is in full coverage of monitoring equipment, focusing on the layout of fire passages and main entrance hall, while installing an access control system, where visitors need to be verified for their identity before accessing the office area.



Environmental, Social and Governance Report

4. *Development and Training*

To set up a corporate learning and development organisation, to support the implementation of the Company's strategies and business plan, and to efficiently develop outstanding management personnel and professionals for the Company, the Company has established a multi-dimensional training system, i.e. the Boyaa College Curriculum System. Training programs are designed to convey corporate culture and values, to convey management ideas and skills and to deliver professional knowledge and skills.

Boyaa College Curriculum System

The Boyaa College Curriculum System includes training programs designed for social-recruited trainees, school-recruited trainees and management members; guiding employees in understanding and recognising the corporate culture and values, helping understand the Company's businesses and their roles, helping new joiners quickly adapt to their duties in the work, improving the overall quality and management ability of managers, and enhancing staff's sense of responsibility, work efficiency and operational capacity.

- New generation training – Orientation training specifically for social-recruited trainees which helps them quickly assimilate into the Boyaa culture through a series of courses and occasional interactive sessions.
- Nestling training camp – Orientation training specifically for school-recruited trainees which includes the introduction to business systems, professional ethics, industrial game design challenges, experiences in corporate culture, and other projects which promote the rapid development of new trainees.
- Eagle training camp – To systematically enhance the Company's overall quality of thought and management capacity, in 2016, the camp was set up to include management case studies, experiential training, management proposal scenarios, and management salons, and was developed by senior management to engage grassroots cadres and potential future managers of the Company.

At the same time, the Company has set up a corresponding professional channel for each position, for which the corresponding professional knowledge and skills courses are designed to cultivate outstanding expert talents. The Company has developed professional knowledge and skills courses for various rank levels to satisfy the learning and growth needs of each professional channel, which ultimately grow in line with business development with regular courses available. The Company also has a guiding curriculum for special groups which are designed as a fast-track to the acquisition of relevant skills, to develop and improve communication skills, respond to the needs of the job, and achieve their personal development. It mainly includes mentor training, interviewer training and occasional internal as well as external special training.

In addition, the Company also has various group training programs in different forms and with varying content to meet the need for professionalism, knowledge and skills training, such as book reading group, topics salons, experiential training, Boyaa lectures, external training and others.



Environmental, Social and Governance Report

The table below sets out the details of employee training during the year ended 31 December 2023.

Employee Training	Number of employees	Percentage of total number of employees
Number of employees trained	148	62.45%
		Percentage of total number of employees trained
By Gender	Number of employees	
Female	38	25.68%
Male	110	74.32%
		Percentage of total number of employees trained
By employment type	Number of employees	
Junior staff	132	89.19%
Middle and senior management	16	10.81%
		Training Hours
Total hours (hours)		480
		Average number of training hours completed (by gender)
Female (hours)		3.8
Male (hours)		4.3
		Average number of training hours completed (by employment type)
Junior staff (hours)		3.5
Middle and senior management (hours)		3.7



Environmental, Social and Governance Report

5. *Labor Standards*

The Company complies with the Regulation on Forbidding Employment of Child Labor issued by the State Council and all other relevant laws and regulations. The human resources department of the Company performs strict identity verification of recruitment candidates. The Company is committed to implementing the relevant provisions to prohibit the employment of child and forced labor, and for the year ended 31 December 2023, the Company did not have any incidents of child or forced labor.

6. *Supply chain management*

To regulate the Company's administrative procurement protocols, strengthen the management and supervision of the procurement management process, timely identify environmental, and social risks along the supply chain, promote the use of environmentally preferable products and services and with the principle of "Assure Quality, Save Costs, Block Loopholes, Avoid Losses, Improve Efficiency", the Company has developed the "Administrative Procurement Management System" as well as modified the "Procurement Management Measures", and strictly enforced these policies. The Company has adopted a centralised purchasing structure, and the administrative procurement department is responsible for the daily procurement needs of all departments in the Company. The procurement process includes strict price inquiry and tender management system. The administrative procurement department has selected and assessed supplier suitability based on various indicators, such as the supplier's qualifications or licenses, quality of goods, environmental friendliness, delivery competence, price level, technical ability, after-sales service, human resources, existing relationship, and so on. Before a purchase can be completed, approval must be obtained from the directors of relevant departments, i.e. the legal department and the department of finance. Relevant practices as aforesaid have been implemented when engaging all our current suppliers.

As an online card and board game service provider, we mainly purchase office supplies and souvenirs on a small scale. For the year ended 31 December 2023, the Company has 194 suppliers, in which 133 are domestic suppliers and 61 are overseas suppliers. During the Reporting Period, we were not aware of (i) any material breach of the relevant environmental laws and regulations by any of the suppliers we engaged, nor (ii) any significant environmental and social risks in the provision of their services under the respective procurement contracts. Our purchase agreement also requires our suppliers to provide their qualification information.



Environmental, Social and Governance Report

7. *Product Liability*

The Company complies with all relevant laws and regulations relating to health and safety standards, advertising and labeling. The Company respects and protects intellectual property rights, and always complies with intellectual property regulations with an open and positive attitude. Regarding infringement, the Company also safeguards its legitimate rights and interests by adopting lawful measures. In 2023, the Company registered a total of 14 software, and authorised 4 patents.

As an excellent domestic gaming company, the Company treats users' data and information with strict confidentiality and complies with the requirements of National Press and Publication Administration, Ministry of Culture and relevant competent authorities. We have strictly implemented the relevant provisions of the Cybersecurity Law of the People's Republic of China, Data Security Law of the People's Republic of China and Personal Information Protection Law of the People's Republic of China, Juvenile Protection Law of the People's Republic of China, and other laws and regulations and established a series of policies to protect users privacy and personal information which were promoted and implemented within the games of the Company.

Customer's consent must be obtained before we can collect their personal data and deliver subscriber-related information for customers, and customers can change their subscription and delete their personal data preferences at any time by sending a request to our staff, including but not limited to customer service staff and privacy compliance officer. The Group has no concluded cases of non-compliance issues according with the laws and regulations on protection of personal information.

During the Reporting Period, there were no games subject to recall by the Company due to health and safety issues. The Company will pay attention to the updates and changes of laws and regulations in the PRC at all times and strictly compliance with the policies and regulations on the collection, use, processing, sharing, disclosure authorization and other aspects of the data and information of user, so as to ensure the legal and compliance operation of the Company's game products.



Environmental, Social and Governance Report

Awards and Qualifications

Boyaa was awarded the “Best Listed Company in ESG Responsibility”

The 2023 Hong Kong International Financial Forum and the Hong Kong International ESG List Annual Awards Ceremony were held at the Grand Hyatt Hong Kong on 15 December 2023. In the ESG selection activity, we were awarded the “Best Listed Company in ESG Responsibility” after the approval of the organizing committee and expert review.





Environmental, Social and Governance Report

Create a leading mobile internet customer service platform

“Serve with a smile, serve at heart” is our service tenet. We provide users entertainment and at the same time, offering high service quality as well. This is not only the primary service philosophy Boyaa has put in place in the field of customers protection, but also the most important step in Boyaa’s customer protection.

In 2023, based on the original service model, Boyaa continued to optimise its service system and procedures, in a bid to establish a customer service system dedicated to the actual needs of its customers and provide them with new services in line with changing circumstances.

(1) Continued to provide service by means of various channels

In 2023, Boyaa’s customer service team continued to provide including 400 telephone, online customer service, WeChat and self-service support. We also have a clear flowchart procedure for handling user complaints to enhance users’ experience.

(2) Constantly enhance customer’s satisfaction and set up multi-language service systems to cater for market demands

In 2023, in order to satisfy market demands, Boyaa constantly improve its product experience, service procedures and strengthen professional skills of customer service personnel on a regular basis. We provide customer services to users from 17 countries in 16 languages with our quality service and powerful service system.

(3) New Customers Service At Heart – advanced IT technology builds core productivity

The whole basis of our customer service relies on our advanced customer service system, which improves our operation efficiency. To create a service system satisfying the demands of the mobile internet, in 2023, our customer service technology team conducted an all-round upgrade and organised a specialised development team to provide strong technical support for the new system development. Our new system contains four modules, achieving comprehensive and optimised experiences from service, monitor to management, which creates a concrete foundation for further improvements of customer service quality and efficiency.

For the year ended 31 December 2023, the Company has not received any material complaints.



Environmental, Social and Governance Report

User information security management

The Company's business development is built upon our users, who play our games and use our services. The Company has implemented the tenet of "Share the Happiness Anywhere Anytime". Adhering to the principle of a happy and relaxing gaming experience, we are committed to offer safe, convenient and professional gaming services to users. The Company complies with all relevant laws and regulations and has implemented a comprehensive range of information-privacy and data-security procedures to protect individual privacy. Since we formulated the "Confidential Management System Regulation" to protect user information in 2012, we also set up "Boyaa High-voltage Line Management Regulation" to incorporate the leakage of confidential and sensitive information as our high voltage lines. In 2013, we established an information security management department and launched the "Information Security Code", which systematically manages different information security issues including user information, in order to optimise the management system.

In 2023, we hosted 2 training sessions regarding information security awareness, which effectively enhanced our staff awareness and raised players' loyalty to Boyaa games. From 2015 to 2023 for nine consecutive years, we organised various online and offline gaming competitions, in which no complaint related to damage or loss of personal information was received.

8. *Anti-corruption*

The Company complies with all laws and requirements regarding anti-corruption and is committed to business ethics. We support lawful business operation and fair competition. We respect and protect intellectual property rights while standing against any form of corruption, bribery, money laundering, extortion and fraud. Also, we have set up a series of systems including the "Boyaa Interactive High-voltage Line Management Regulation", the "Measures for the Administration of the Internal Audit", the "Anti-fraud Management Measures", the "Whistleblowing Policy", and the "Employee Complaint Suggestion Mailbox Implementation Management Regulations" which include anticorruption policies and are monitored and managed by external and internal auditing teams. During the Reporting Period, the Company was not aware of any illegal operations involving corruption, bribery, extortion, fraud or money laundering by the Company.

- The Audit Committee under the Board, as the supervisory body of the anti-fraud work, is responsible for the supervision and inspection of the anti-fraud conducts within the Company. Besides, an independent internal audit department has been set up under the Audit Committee, and is responsible for investigating and executing the anti-fraud work. The auditors of the internal audit department possess professional auditing skills and experiences, including auditing skills in information technology and security, as well as accounting data.
- The internal audit department of the Company set up a specific hotline, postbox and mailbox for its staff to complain upon discovering corruption and malpractices. The internal audit department is responsible for conducting investigations and reporting on the relevant whistleblowing incidents.
- The internal audit department of the Company conducts training activities from time to time, and conducts anti-corruption and anti-fraud training activities from time to time in accordance with the Company's actual management needs every year, and regularly organizes employees to declare conflicts of interest, so as to restrain employees from using power for personal gain.



Environmental, Social and Governance Report

- Developed a standardised “Measures for the administration of the internal audit” to define boundaries of the internal audit department’s duties, authority and professional ethics of the audit department, ensuring that it runs objectively and independently.
- Developed the “Anti-fraud Management Measures” and the “Whistleblowing Policy”, which discloses detailed descriptions of the relevant policies on anti-corruption and anti-bribery, and meanwhile clarifies the commitments to whistleblowers and the system to protect whistleblowers, ensuring whistleblowers will not suffer unfair disciplinary sanctions due to any genuine reports.
- Disclosed the content of anti-fraud management and integrity cooperation on the Company’s official website, publicized the Company’s anti-corruption and anti-bribery policies to third parties (suppliers, customers) which have business relationships with the Company, and provided reporting mailbox and mailing address for third parties (suppliers, customers) who have business relationships with the Company to report relevant incidents when they found corruption, fraud and other behaviors.
- The audit department regularly communicated with and reported to the Audit Committee to comply with its auditing requirements; optimised the auditing mechanism through regular testing and auditing on the Company’s finances, procurement, fees, IT and security, and immediately reported issues when identified to the relevant department for timely rectification.
- Hired an external independent audit team from time to time to review the Company’s internal control system and issue reports and suggestions for improvement.

We require our Directors, senior management and employees to perform their duties with high ethical standards. We set up numerous complaint channels according to relevant guidelines, and carry out regular promotion and training on integrity education in order to build an honest and corruption-free environment in the Company, and establish a long-lasting anti-money laundering, anti-bribery, anti-extortion and anti-fraud system. During the Reporting Period, the Directors, senior management and related employees received anti-corruption training.

9. *Community Investment and Volunteer Activities*

ENVIRONMENTAL ACTIVITIES

We always encourage our employees to take environmental protection seriously. Not only do we promote environmental protection throughout the management work but also encourage our staff to save energy and engage in environmental activities as part of their daily routines.

1. *Internal Environmental Protection and Energy Saving Promotion*

The Company has emphasised in-house promotion regarding environmental awareness and energy saving. Under this philosophy, we encourage every staff member to contribute to environmental protection. We have placed a friendly tip reminding staff to “Make good use of each piece of paper” on each printer; we have also placed several tips with different slogans such as save paper, save energy, green outing, sustainable dining and others in many public areas in the Company, cultivating environmental awareness of our staff and encouraging them to put these slogans into practice.



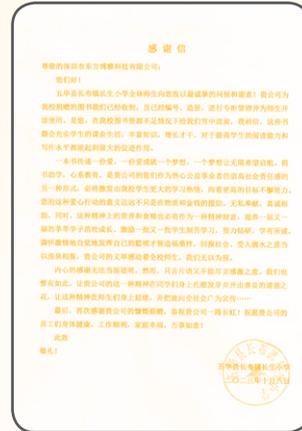
Environmental, Social and Governance Report

CHARITABLE ACTIVITIES

As a listed company in Hong Kong, the Company continuously strives to give back to society and is committed to corporate social responsibility while achieving our corporate goals.

1. “Guangdong Poverty Alleviation Day” in 2023 – “Love for the Mountainous Areas, Donate Books and Sponsor Students” activity

“Knowledge changes destiny, reading makes the future, and education is the key to poverty alleviation”, Boyaa Interactive further learned through the Guangdong Provincial Education Foundation that rural schools in mountainous areas in the northwest of eastern of Guangdong Province were facing difficulties due to a lack of books. In order to continuously support the building of campus with strong reading atmosphere and to improve teaching quality, in May 2023, the Company donated RMB35,000 to the Guangdong Education Foundation to fund the construction of a “love library” in Changsheng Primary School, Changbu Town, Wuhua County, and donated 3,500 books and 3 sets of book shelves to the school. The “Boyaa Interactive Love Library” was put into use in 15 September 2023.





Environmental, Social and Governance Report

2. Boyaa Interactive promoted public welfare in Yunnan province, contributing to rural revitalization with love! - “Promoting Public Welfare in Gaming” activity

On 19 June 2023, with the guidance of the China Audio-video and Digital Publishing Association and the support of the Cultural and Tourism Bureau of Lijiang City and the Education and Sports Bureau of Dali Prefecture, the charity donation activity of “Promoting Public Welfare in Gaming” was successfully organized by the Game Publishing Working Committee and the E-Sports Working Committee, both under China Audio-video and Digital Publishing Association, at the Erlang Primary School in Chenghai Town, Yongsheng County, Lijiang City, Yunnan.

Over 70 representatives from a total of more than 46 game companies, including Boyaa Interactive, participated in this event, and brought educational materials, sports equipment, and food supplies to children in rural areas. The leaders of the school issued donation certificates to the contributing units. Liu Guohui, the deputy secretary of the Taofen Foundation, was invited to witness the donation ceremony and present certificates.





Independent Auditor's Report



TO THE SHAREHOLDERS OF BOYAA INTERACTIVE INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Boyaa Interactive International Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 107 to 180, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

BASIS FOR OPINION

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



Independent Auditor's Report

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.

Revenue and cost of revenue

Refer to Note 7 to the consolidated financial statements.

The Group has been engaged in development and operation of online card and board games. Revenue of the Group for the year ended 31 December 2023 of RMB394,582,000 was attributable to the online game business. The Group recognised revenue when consumable virtual items represent items that are extinguished after consumption in the form of fixed charges levied on each round of games played. The paying players will not continue to benefit from the virtual items thereafter. Revenue is recognised (as a release from contract liabilities) when the items are consumed and the related services are rendered. The Group pays commissions to third party game distribution platforms and payment vendors. The commissions are also recognised in cost of revenue when the related services are rendered to the Group. Determining when revenue and cost of revenue arising from such online game business is complex and requires significant judgement involved.

Our audit procedures included, among others:

- Discussing with the management of the Group as well as both the Group's in-house and external information technology experts to understand the revenue recognition cycle;
- Testing controls over the Group's information technology revenue and cost of revenue systems on selected games;
- Scrutinising monthly statements issued by providers of platforms and online record of providers of platforms and payment vendors regarding receipt from paying players on a sample basis; and
- Reconciling to the Group's records and conducting substantive analytical procedures on revenue and cost of revenue.

We consider that the Group's estimates of the revenue and cost of revenue recognised are supported by the available evidence.

Investments at fair value through profit or loss

Refer to Note 22 to the consolidated financial statements.

The Group measured its investments at fair value through profit or loss with the changes in fair value recognised in the consolidated profit or loss. This fair value measurement is significant to our audit because the balance of investments at fair value through profit or loss of RMB208,501,000 as at 31 December 2023 are material to the consolidated financial statements. In addition, the Group's fair value measurement involves application of judgement and is based on assumptions and estimates.



Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Investments at fair value through profit or loss (Continued)

Our audit procedures included, among others:

- Assessing the competence, independence and integrity of the external valuers engaged by the Company;
- Obtaining the external valuation reports and meeting with the external valuers to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgements and assumptions applied in the valuation model;
- Checking key assumptions and input data in the valuation model to supporting evidence;
- Checking arithmetical accuracy of the valuation model; and
- Assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group's fair value measurement of the investments at fair value through profit or loss is supported by the available evidence.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirement 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.



Independent Auditor's Report

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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

<https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre>

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Yeung Hong Chun

Audit Engagement Director

Practising Certificate Number P07374

Hong Kong, 1 March 2024



Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	7	394,582	375,266
Cost of revenue		(123,303)	(129,421)
Gross profit		271,279	245,845
Other losses, net	8	(51,198)	(55,072)
Selling and marketing expenses		(48,274)	(35,418)
Administrative expenses		(98,859)	(98,619)
Operating profit		72,948	56,736
Finance income	9	56,290	29,748
Finance costs	10	(687)	(657)
Share of losses of associates	20	(1,601)	(630)
Profit before income tax		126,950	85,197
Income tax expense	11	(9,771)	(20,997)
Profit for the year attributable to owners of the Company	12	117,179	64,200
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Changes in fair value of equity investments at fair value through other comprehensive income		8,783	(13,186)
Exchange differences on translation		2,327	20,418
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		11,455	43,085
Other comprehensive income for the year, net of tax		22,565	50,317
Total comprehensive income for the year attributable to owners of the Company		139,744	114,517
Earnings per share (RMB cents)	15		
– Basic		17.74	9.77
– Diluted		17.42	9.68



Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	24,279	20,825
Right-of-use assets	17	11,817	16,339
Intangible assets	18	1,654	–
Investments in associates	20	3,585	7,905
Equity investments at fair value through other comprehensive income	21	10,466	18,074
Investments at fair value through profit or loss	22	76,890	134,966
Prepayments, deposits and other receivables	25	13,886	15,779
Deferred tax assets	30	544	672
Term deposits	26	231	74,664
		143,352	289,224
Current assets			
Digital assets	23	78,598	–
Trade receivables	24	29,369	23,831
Prepayments, deposits and other receivables	25	69,332	46,478
Investments at fair value through profit or loss	22	131,611	50,367
Term deposits	26	732,150	1,082,734
Bank and cash balances	26	744,260	293,956
		1,785,320	1,497,366
Total assets		1,928,672	1,786,590



Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
EQUITY AND LIABILITIES			
Equity			
Share capital	31	232	232
Reserves	33	1,598,557	1,457,052
Total equity		1,598,789	1,457,284
Liabilities			
Non-current liabilities			
Lease liabilities	29	8,809	12,378
Deferred tax liabilities	30	896	1,012
		9,705	13,390
Current liabilities			
Trade and other payables	27	73,582	77,892
Contract liabilities	28	10,970	8,775
Lease liabilities	29	3,569	4,150
Current tax liabilities		232,057	225,099
		320,178	315,916
Total liabilities		329,883	329,306
Total equity and liabilities		1,928,672	1,786,590
Net current assets		1,465,142	1,181,450
Total assets less current liabilities		1,608,494	1,470,674

The consolidated financial statements on pages 107 to 180 were approved and authorised for issue by the Board of Directors on 1 March 2024 and signed on its behalf by:

Tao Ying
Director

Dai Zhikang
Director



Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the Company										
	Share capital	Share premium	Repurchased shares	Shares held for RSU scheme	Capital reserve	Foreign currency translation reserve	Statutory reserve	Share-based payments reserve	Other reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	232	373,099	-	(14)	2,000	(13,431)	33,990	79,955	(259,647)	1,123,770	1,339,954
Total comprehensive income/ (expenses) for the year	-	-	-	-	-	63,503	-	-	(13,186)	64,200	114,517
Repurchase of ordinary shares (Note 31)	-	-	(112)	-	-	-	-	-	-	-	(112)
Share-based payments											
- exercise and lapse of share options and RSUs	-	44	-	-	-	-	-	(44)	-	-	-
- value of employee services	-	-	-	-	-	-	-	2,925	-	-	2,925
Changes in equity for the year	-	44	(112)	-	-	63,503	-	2,881	(13,186)	64,200	117,330
At 31 December 2022	232	373,143	(112)	(14)	2,000	50,072	33,990	82,836	(272,833)	1,187,970	1,457,284
At 1 January 2023	232	373,143	(112)	(14)	2,000	50,072	33,990	82,836	(272,833)	1,187,970	1,457,284
Total comprehensive income for the year	-	-	-	-	-	13,782	-	-	8,783	117,179	139,744
Cancellation of ordinary shares	-	(112)	112	-	-	-	-	-	-	-	-
Share-based payments											
- value of employee services	-	-	-	-	-	-	-	1,761	-	-	1,761
Changes in equity for the year	-	(112)	112	-	-	13,782	-	1,761	8,783	117,179	141,505
At 31 December 2023	232	373,031	-	(14)	2,000	63,854	33,990	84,597	(264,050)	1,305,149	1,598,789



Consolidated Statement of Cash Flows

For the year ended 31 December 2023

Note	2023 RMB'000	2022 RMB'000
Cash flows from operating activities		
	126,950	85,197
Profit before income tax		
Adjustments for:		
Finance costs	687	657
Share of losses of associates	1,601	630
Interest income	(56,290)	(29,748)
Depreciation	11,545	14,726
Amortisation of intangible assets	219	–
Loss on disposals of property, plant and equipment	24	3
Net foreign exchange (gains)/losses	(814)	6,429
Share-based payments	1,761	2,925
Fair value gain on digital assets	(911)	–
Other loss	–	5,207
Fair value loss on investments at fair value through profit or loss	55,850	57,953
Dividends from investments at fair value through profit or loss	(2,675)	(9,000)
Reversal of loss allowance provision for trade receivables	(173)	(5,161)
Gain on disposal of a subsidiary	–	(6,658)
Loss allowance provision for loans to employees	40	73
Operating profit before changes in working capital	137,814	123,233
Change in trade receivables	(5,483)	2,354
Change in prepayments, deposits and other receivables	(30,591)	10,962
Change in trade and other payables	(4,310)	1,064
Change in contract liabilities	3,599	(2,434)
Cash generated from operating activities	101,029	135,179
Income tax paid	(7,156)	(6,128)
Lease interests paid	(687)	(657)
35(a)		
Net cash generated from operating activities	93,186	128,394



Consolidated Statement of Cash Flows

For the year ended 31 December 2023

Note	2023 RMB'000	2022 RMB'000
Cash flows from investing activities		
	(1,178,101)	(1,410,642)
Placement of term deposits with original maturities over three months		
Proceeds from maturity of term deposits with original maturities over three months	1,613,939	1,286,084
Interest received	48,151	36,194
Proceeds from disposals of a subsidiary	–	10,790
Dividends from investments at fair value through profit or loss	2,675	9,000
Purchases of investments at fair value through profit or loss	(130,000)	(100,000)
Proceeds from settlements of investments at fair value through profit or loss	51,433	80,392
Proceeds from disposal of equity investment through other comprehensive income	16,391	–
Purchases of digital assets	(77,687)	–
Purchases of intangible assets	(1,873)	–
Purchases of property, plant and equipment	(9,066)	(3,516)
Proceeds from disposals of property, plant and equipment	34	1,920
Proceeds from disposal of an associate	2,719	–
Net cash generated from/(used in) investing activities	338,615	(89,778)
Cash flows from financing activities		
Repayment of lease liabilities	35(a) (4,150)	(4,023)
Repurchase of ordinary shares	–	(112)
Net cash used in financing activities	(4,150)	(4,135)
Net increase in cash and cash equivalents	427,651	34,481
Effect of foreign exchange rate changes	22,653	11,168
Cash and cash equivalents at beginning of the year	293,956	248,307
Cash and cash equivalents at end of the year	744,260	293,956
Analysis of cash and cash equivalents		
Bank and cash balances	744,260	293,956



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1. GENERAL INFORMATION

Boyaa Interactive International Limited (the “**Company**”) was incorporated in the Cayman Islands. The address of its registered office is P.O. Box 309, Uglad House, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business in Hong Kong is 19/F., Golden Centre, 188 Des Voeux Road Central, Hong Kong. The address of its headquarters is 8/F, Block E1, International E Town, TCL Industry Park, 1001 Zhong Shan Yuan Road, Nanshan District, Shenzhen, the People’s Republic of China (the “**PRC**”). The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 19 to the consolidated financial statements.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Company and its subsidiaries (collectively referred to as the “**Group**”) has adopted all the new and revised International Financial Reporting Standards (“**IFRSs**”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. IFRSs comprise International Financial Reporting Standards (“**IFRS**”); International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current years.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

3. MATERIAL ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRSs issued by International Accounting Standards Board, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by digital assets and investments which are carried at their fair values.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

The material accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investments in associates is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (Continued)

Associates (Continued)

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against 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 recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group. The functional currency of the Company is United States dollars ("USD"). The directors consider that choosing RMB as the presentation currency best suits the needs of the shareholders and investors as the game development and operation of the Group have been within the PRC.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Foreign currency translation (Continued)

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses 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 exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Land and buildings mainly comprise offices. Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Land and buildings	20 years
Furniture and equipment	3 – 5 years
Motor vehicles	4 years
Leasehold improvements	Over the shorter of 3 years or remaining terms of the lease

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Leases

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal useful lives are as follows:

Buildings	5 years
Equipments	3 years

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Digital assets

Since the Group actively trades crypto-currencies, purchasing them with a view to their resale in the near future, and generating a profit from fluctuations in the price, the Company applies the guidance in IAS 2 for commodity broker-traders and measures the digital assets at fair value less costs to sell. The Company considers there are no significant “costs to sell” digital assets and hence measurement of digital assets is based on their fair values with changes in fair values recognised in profit or loss in the period of the changes.

The Group has assessed the terms and conditions attached to stablecoins to determine whether they meet the definition of financial instruments. Certain stablecoins that are classified as financial instruments are measured at fair values with changes in fair value recognised in profit or loss in the period of the changes.

Research and development expenditure

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

Computer software

Computer software is initially recognised and measured at cost less amortisation. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software, and are amortised over their estimated useful lives of 5 years.

Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship of 5 years.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset’s carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified as under the following categories:

- Financial assets at amortised cost;
- Equity investments at fair value through other comprehensive income; and
- Investments at fair value through profit or loss.

(a) *Financial assets at amortised cost*

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(b) *Equity investments at fair value through other comprehensive income*

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the equity investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial assets (Continued)

(c) Investments at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("**lifetime expected credit losses**") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

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

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Other revenue

Interest income is recognised using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

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

(b) Pension obligations

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

(c) Termination benefits

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Share-based payments

The Group operates a number of equity-settled share-based compensation plan under which share awards are granted to certain directors and employees as part of their remuneration packages.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value of the employee services received in exchange for the grant of the share-based awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share-based awards 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.

At the end of each reporting period, the Group revises its estimates of the numbers of share options and restricted share units (“RSU”) that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

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

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax represents the sum of the current tax and deferred tax.

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except deferred tax assets, investments and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Contractual Arrangements

The operations of the Group were initially conducted through Shenzhen Dong Fang Bo Ya Technology Co., Limited, a limited liability company established in the PRC by two shareholders of the Company, namely Mr. Zhang Wei and Mr. Dai Zhikang, on 13 February 2004.

Pursuant to applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting online games business and are restricted to conduct value-added telecommunications services. In order to make investments into the business of the Group, the Company established a subsidiary, Boyaa On-line Game Development (Shenzhen) Co., Limited, which is a wholly foreign owned enterprise incorporated in the PRC on 29 November 2010.

Boyaa On-line Game Development (Shenzhen) Co., Limited, Shenzhen Dong Fang Bo Ya Technology Co., Limited and its registered owners entered into a series of contractual arrangements (the “**Contractual Arrangements**”) entered into on 15 May 2013, which enable Boyaa On-line Game Development (Shenzhen) Co., Limited and the Group to:

- exercise effective financial and operational control over Shenzhen Dong Fang Bo Ya Technology Co., Limited;
- exercise all owners’ voting rights of Shenzhen Dong Fang Bo Ya Technology Co., Limited;
- receive substantially all of the economic interest returns generated by Shenzhen Dong Fang Bo Ya Technology Co., Limited in consideration for the business support, technical and consulting services provided by Boyaa On-line Game Development (Shenzhen) Co., Limited;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in Shenzhen Dong Fang Bo Ya Technology Co., Limited from the respective owners at a minimum purchase price permitted under PRC laws and regulations, and all or part of the assets of Shenzhen Dong Fang Bo Ya Technology Co., Limited at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Boyaa On-line Game Development (Shenzhen) Co., Limited may exercise such options at any time until it has acquired all equity interests and/or all assets of Shenzhen Dong Fang Bo Ya Technology Co., Limited; and
- obtain a pledge over the entire equity interest of Shenzhen Dong Fang Bo Ya Technology Co., Limited from their respective owners as collateral security for all of Shenzhen Dong Fang Bo Ya Technology Co., Limited’s payments due to Boyaa On-line Game Development (Shenzhen) Co., Limited and to secure performance of Shenzhen Dong Fang Bo Ya Technology Co., Limited’s obligations under the Contractual Arrangements.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Critical judgements in applying accounting policies (Continued)

(a) Contractual Arrangements (Continued)

The Group do not hold any equity interests in Shenzhen Dong Fang Bo Ya Technology Co., Limited. Nevertheless, under the Contractual Agreements entered into between Boyaa On-line Game Development (Shenzhen) Co., Limited, Shenzhen Dong Fang Bo Ya Technology Co., Limited and its owners, the management determines that the Group has the power to govern the financial and operating policies of Shenzhen Dong Fang Bo Ya Technology Co., Limited so as to obtain benefits from its activities. As such, Shenzhen Dong Fang Bo Ya Technology Co., Limited is accounted for as subsidiary of the Group for accounting purposes.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Shenzhen Dong Fang Bo Ya Technology Co., Limited and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Shenzhen Dong Fang Bo Ya Technology Co., Limited. The directors of the Company, based on the advice of its legal advisor, consider that the Contractual Arrangements amongst Boyaa On-line Game Development (Shenzhen) Co., Limited, Shenzhen Dong Fang Bo Ya Technology Co., Limited and its equity holders are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

(b) Non-consolidation of entities with 99% equity interests

The directors have determined that the Group does not have control over a limited partnership namely Jiaying Boyaa ChunLei Equity Investments Limited Partnership Enterprise ("**Jiaying Boyaa**"). Jiaying Boyaa is not a controlled entity because the Group does not have power over the entity to affect its returns, despite the Group having contributed 99% of total contributions into the entity. The Group as limited partner is purely an investor role and the decisions relating to the daily operations and investment strategy and activities of Jiaying Boyaa are made solely by, and the decision making power is fully vested in, the general partner, an independent third party. The investment has a fair value of RMB3,300,000 (2022: RMB7,400,000). Details please refer to note 22(ii) to the consolidated financial statements.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty

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

(a) Revenue recognition

The Group recognised revenue when consumable virtual items represent items that are extinguished after consumption in the form of fixed charges levied on each round of games played. The paying players will not continue to benefit from the virtual items thereafter. Revenue is recognised (as a release from contract liabilities) when the items are consumed and the related services are rendered. Determining when revenue arising from such online game business is recognised is complex and requires significant judgement. Management has arrived at this judgement after taking into account the nature and characteristics of virtual items, and the ways of the players within the games to benefit from these virtual items. Future patterns of virtual items beneficial to the paying players may differ from the historical patterns and therefore the time of revenue recognition may change in the future.

(b) Income taxes

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

(c) Fair value of investments

In the absence of quoted market prices in an active market, the Directors estimate the fair value of the Group's non-quoted investments in asset management plans, equity investment partnerships and wealth management products, details of which are set out in note 6 to the consolidated financial statements, by considering information from a variety of sources, including the latest published financial information, the historical data on market volatility as well as the price and industry and sector performance of the Group's non-quoted investments in asset management plans, equity investment partnerships and wealth management products.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) *Foreign currency risk*

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are denominated in either RMB or USD. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) *Price risk*

The Group's equity investments at fair value through other comprehensive income are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The Directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

At 31 December 2023, if the fair value of equity investments at fair value through other comprehensive income increase/decrease by 5%, other comprehensive income for the year would have been RMB523,000 (2022: RMB904,000) higher/lower.

At 31 December 2023, if the fair value of digital asset increase/decrease by 5%, the profit for the year would have been RMB3,930,000 (2022: nil) higher/lower.

(c) *Credit risk*

The carrying amount of the bank and cash balances, digital assets, term deposits, trade and other receivables, and investments in wealth management products included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The credit risk on bank and cash balances, digital assets, term deposits and investments in wealth management products are limited because the counterparties are reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk (Continued)

Trade receivables are due from game distribution platforms and third-party payment vendors in cooperation with the Group. If the strategic relationship with game distribution platforms and third-party payment vendors is terminated or scaled-back; or if the game distribution platforms and third-party payment vendors alter the co-operative arrangements; or if they experience financial difficulties in paying the Group, the Group's game publishing receivables might be adversely affected in terms of recoverability. To manage this risk, the Group maintains frequent communications with the game distribution platforms and third-party payment vendors to ensure the effective credit control. In view of the history of cooperation with the game distribution platforms and third-party payment vendors and the sound collection history of receivables due from them, the directors of the Company believe that the credit risk inherent in the Group's outstanding trade receivable balances due from the game distribution platforms and third-party payment vendors is low.

For other receivables, the majority of the balances were expected to be settled within 12 months after the end of the reporting period based on the historical data and forward-looking information. The management of the Group did not consider there have been an significant increase in credit risk at the end of the reporting period since the initial recognition. As at 31 December 2023, the management of the Group considered the expected credit loss for these other receivables was insignificant.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- external credit rating (if available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers; and
- employment relationship with the employee borrower.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit risk (Continued)

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

All of these receivables are considered to have low risk and under the “Performing” category because they have a low risk of default and have strong ability to meet their obligations.

(d) Liquidity risk

The Group’s policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis, based on undiscounted cash flows, of the Group’s financial liabilities is as follows:

	Less than 1 year RMB’000	Between 1 and 2 years RMB’000	Between 2 and 5 years RMB’000
At 31 December 2023			
Trade and other payables	29,073	–	–
Lease liabilities	4,072	4,073	5,360
	33,145	4,073	5,360
At 31 December 2022			
Trade and other payables	33,092	–	–
Lease liabilities	4,837	4,072	9,433
	37,929	4,072	9,433



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. FINANCIAL RISK MANAGEMENT (Continued)

(e) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

The Group's bank deposits bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

(f) Categories of financial instruments at 31 December

	2023 RMB'000	2022 RMB'000
Financial assets:		
Investments at fair value through profit or loss:		
– Mandatorily measured	208,501	185,333
Equity investments at fair value through other comprehensive income	10,466	18,074
Financial assets at amortised cost (including cash and cash equivalents)	1,585,190	1,530,644
Financial liabilities:		
Financial liabilities at amortised cost	29,073	33,092

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December:

Description	Fair value measurements using:			Total 2023 RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Recurring fair value measurements:				
Digital assets				
– Cryptocurrencies and stablecoins	78,598	–	–	78,598
	78,598	–	–	78,598
Investments at fair value through profit or loss				
– Asset management plans	–	–	16,700	16,700
– Equity investment partnerships	–	–	60,190	60,190
– Wealth management products	–	–	131,611	131,611
	–	–	208,501	208,501
Equity investments at fair value through other comprehensive income				
– Listed equity securities in Hong Kong	10,461	–	–	10,461
– Unlisted equity investments	–	–	5	5
	10,461	–	5	10,466
Total recurring fair value measurements	89,059	–	208,506	297,565



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy at 31 December: (Continued)

Description	Fair value measurements using:			Total 2022 RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Recurring fair value measurements:				
Investments at fair value through profit or loss				
– Asset management plans	–	–	64,550	64,550
– Equity investment partnerships	–	–	70,416	70,416
– Wealth management products	–	–	50,367	50,367
	–	–	185,333	185,333
Equity investments at fair value through other comprehensive income				
– Listed equity securities in Hong Kong	16,614	–	–	16,614
– Listed equity securities in USA	1,460	–	–	1,460
	18,074	–	–	18,074
Total recurring fair value measurements	18,074	–	185,333	203,407

(b) Reconciliation of assets and liabilities measured at fair value based on level 3:

Description	Investments at fair value through profit or loss RMB'000	Equity Investments at fair value through other comprehensive income RMB'000	Total RMB'000
At 1 January 2023	185,333	–	185,333
Total gains or losses recognised in profit or loss (#)	(55,850)	–	(55,850)
in other comprehensive income	–	5	5
Purchases	130,000	–	130,000
Settlements	(51,433)	–	(51,433)
Currency translation differences	451	–	451
At 31 December 2023	208,501	5	208,506
(#) Include gains or losses for assets held at end of reporting period (unrealised gains/losses)	(55,850)	–	(55,850)



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6. FAIR VALUE MEASUREMENTS (Continued)

(b) Reconciliation of assets and liabilities measured at fair value based on level 3: (Continued)

Description	Investments at fair value through profit or loss	Total
	RMB'000	RMB'000
At 1 January 2022	210,671	210,671
Total gains or losses recognised in profit or loss (#)	(57,953)	(57,953)
Purchases	100,000	100,000
Settlements	(80,392)	(80,392)
Currency translation differences	13,007	13,007
At 31 December 2022	185,333	185,333
(#) Include gains or losses for assets held at end of reporting period (unrealised gains/losses)	(55,177)	(55,177)

The total gains or losses recognised in other comprehensive income are presented in other reserve in the consolidated statement of profit or loss and other comprehensive income.

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in other losses, net in the consolidated statement of profit or loss and other comprehensive income.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2023:

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each reporting period, the finance department analyses the movements in the values of financial instruments and determines the valuation methodology and major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

For level 3 fair value measurements, the Group will normally engage an independent professional valuer with the recognised professional qualifications and recent experience to perform the valuations.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6. FAIR VALUE MEASUREMENTS (Continued)

(c) *Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2023: (Continued)*

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2023 RMB'000
<i>Investments at fair value through profit or loss</i>					
Asset management plans	Discount cash flows model	Discount rate	25.1%-36.4%	Decrease	16,700
Equity investment partnerships	Market approach	Lack of marketability discount	16.00%	Decrease	60,190
	Discount cash flows model	Discount rate	16.00%-25.00%	Decrease	
		Growth rate	3.00%	Increase	
Wealth management products	Discount cash flows model	Estimated return	3.00%-3.15%	Increase	131,611
<i>Equity investments at fair value through other comprehensive income</i>					
Unlisted equity investments	Share of net assets	N/A	N/A	N/A	5



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6. FAIR VALUE MEASUREMENTS (Continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2023: (Continued)

Level 3 fair value measurements (Continued)

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2022 RMB'000		
<i>Investments at fair value through profit or loss</i>							
Asset management plans	Discount cash flows model	Discount rate	23.79%-36.23%	Decrease	64,550		
Equity investment partnerships	Market approach	Lack of marketability discount	16.00%	Decrease	70,416		
			Discount cash flows model	Discount rate		16.00%-25.00%	Decrease
			Growth rate	3.00%		Increase	
Wealth management products	Discount cash flows model	Estimated return	3.64%	Increase	50,367		

During the two years, there were no changes in the valuation techniques used.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

7. REVENUE AND SEGMENT INFORMATION

	2023 RMB'000	2022 RMB'000
Web-based games	118,017	125,161
Mobile games	276,565	250,105
Revenue from contracts with customers	394,582	375,266

Disaggregation of revenue from contracts with customers:

Timing of revenue recognition

	2023 RMB'000	2022 RMB'000
At a point of time	394,582	375,266

The directors of the Company consider that the Group's operations are operated and managed as a single segment. The directors of the Company, being the chief operating decision maker of the Group, review the operating results of the Group as a whole when making decisions about resource allocations and assessing performances. Hence it is determined that the Group has only one operating segment. Accordingly no segment information is presented.

The Group offers its games in various language versions in order to enable game players to play the games in different geographical locations. The Group's operations are substantially located in the PRC (including Hong Kong). A breakdown of revenue derived from different languages versions of the Group's games is as follows:

	2023 RMB'000	2022 RMB'000
Simplified Chinese	19,082	22,360
Other languages	375,500	352,906
	394,582	375,266



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

7. REVENUE AND SEGMENT INFORMATION (Continued)

Sales of game tokens or other virtual items

The Group's revenue is primarily derived from the sales of in-game virtual tokens ("**Game Tokens**") and other virtual items in its game development operations ("**Game Development**") through cooperation with various third-party game distribution platforms and payment vendors. These game distribution platforms include major social networking websites (such as Facebook), online application stores (such as Apple Inc.'s App Store and Google Play installed in mobile telecommunications devices), web-based and mobile game portals, telecommunication operators and pre-paid game card distributors in certain countries and regions (collectively referred to as "**Platforms**").

In cooperation with Platforms, the Group is responsible for hosting the games, providing on-going updates of new contents, technical support for the operations of the games, as well as preventing, detecting and resolving in-game cheating and hacking activities. Platforms are responsible for distribution, marketing, platform maintenance, payer authentication and payment collections related to the games.

The Group's games are free to play and players can purchase Game Tokens or other virtual items for better in-game experience. Players purchase the Group's Game Tokens or other virtual items ("**Paying Players**") through Platforms' own charging systems or their accounts maintained with third party payment vendors, or charging from the prepaid game cards they purchased. Generally, the payments received for purchasing the Group's Game Tokens or other virtual items are non-refundable and the related contracts are non-cancellable. Platforms and third party payment vendors collect the payment from the Paying Players and remit the cash net of commission charges which are pre-determined to the Group according to the relevant terms of the agreements entered into between the Group and Platforms or third party payment vendors.

Upon the sales of Game Tokens or other virtual items, the Group typically has an implied obligation to provide the services which enable the Game Tokens or other virtual items to be displayed or used in the games. As a result, the proceeds received from sales of Game Tokens or other virtual items are initially recorded as service fees prepaid by game players and included in contract liabilities, while the proceeds received from sales of prepaid game cards are initially recorded as advance received from sales of prepaid game cards and included in contract liabilities. This advance is then transferred to service fees prepaid by game players when the game cards are activated by the players, i.e. the first time the players use the prepaid game cards to credit their game accounts. The attributable portion of the service fees prepaid by game players relating to values of the Game Tokens consumed and other virtual items purchased are immediately recognised as revenue only when the services are rendered to the respective Paying Players.

In the current and comparative period, the Group render services to Paying Players to enhance their in-game experience through their consumption of virtual items. These virtual items are extinguished after consumption in the form of fixed charges levied on each round of games played. The Paying Players will not continue to benefit from the virtual items thereafter and the Group will not have further obligations to the Paying Players after the virtual items consumed. Revenue is immediately recognised (as a release from contract liabilities) when the items are consumed and the related services are rendered, which was taken to be the point in time.



Notes to the Consolidated Financial Statements

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7. REVENUE AND SEGMENT INFORMATION (Continued)

Principal and agent consideration

The Group has evaluated the roles and responsibilities of the Group and Platforms or third party payment vendors in the delivery of game experience to the Paying Players in order to determine whether or not the Group acts as the principal or as an agent in the arrangement with each party respectively. The determination of whether to record the revenues on gross basis or net basis is depended on an assessment of various factors, including but not limited to whether the Group (i) is the primary obligor in the arrangement; (ii) has general inventory risk; (iii) changes the product or performs part of the services; (iv) has latitude in establishing the selling price; and (v) has involvement in the determination of product and service specifications.

Under the arrangements with Platforms or third party payment vendors, the Group takes primary responsibilities of game operation, including determining distribution and payment channels, providing customer services, hosting and maintaining game servers, controlling game and services specifications and pricing. After considering these factors, the Group concluded itself as a principal to deliver in-game experience to Paying Players in these arrangements and accordingly, the Group records revenue on a gross basis, and commission charges by Platforms or third party payment vendors are recorded as cost of revenue.

No revenue is derived from any individual game player which amounted for over 10% of the Group's total revenue (2022: nil).

The Group's non-current assets other than deferred tax assets, investments at fair value through profit or loss and equity investments at fair value through other comprehensive income were located as follows:

	2023 RMB'000	2022 RMB'000
Mainland China	35,255	78,980
Other locations	20,197	56,532
	55,452	135,512



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

8. OTHER LOSSES, NET

	2023 RMB'000	2022 RMB'000
Dividends from investments at fair value through profit or loss	2,675	9,000
Loss on disposals of property, plant and equipment	(24)	(3)
Government subsidies and tax rebates (Note a)	642	1,698
Net foreign exchange gain/(loss)	814	(6,429)
Gain on disposal of a subsidiary	–	6,658
Fair value changes on digital assets	911	–
Fair value changes on investments at fair value through profit or loss	(55,850)	(57,953)
Others	(366)	(8,043)
	(51,198)	(55,072)

Notes:

- (a) Government subsidies represented various industry-specific subsidies granted by the government authorities to subsidise the research and development costs incurred by the Group during the course of its business.

9. FINANCE INCOME

	2023 RMB'000	2022 RMB'000
Interest revenue	55,766	28,994
Interest revenue on non-current loans to employees	524	754
	56,290	29,748

10. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Lease interests	687	657



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For the year ended 31 December 2023

11. INCOME TAX EXPENSE

	2023 RMB'000	2022 RMB'000
Current tax - PRC Enterprise Income Tax ("EIT") and other jurisdictions	9,752	24,161
Deferred tax (Note 30)	19	(3,164)
	9,771	20,997

(a) EIT

The income tax provision of the Group in respect of operations in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for the years ended 31 December 2023 and 2022, based on the existing legislation, interpretations and practices in respect thereof.

Boyaa On-line Game Development (Shenzhen) Co., Limited has successfully renewed its "High and New Technology Enterprise" ("HNTE") qualification under EIT Law during the year ended 31 December 2022 and as a result, Boyaa On-line Game Development (Shenzhen) Co., Limited enjoy a preferential tax rate of 15% from 1 January 2022 to 31 December 2024. Therefore, the applicable tax rate for Boyaa On-line Game Development (Shenzhen) Co., Limited was 15% (2022: 15%) for the year ended 31 December 2023.

Shenzhen Erlulu Technology Company Limited has successfully obtained HNTE qualification under EIT Law during the year ended 31 December 2021 and as a result, Shenzhen Erlulu Technology Company Limited enjoy a preferential tax rate of 15% from 1 January 2021 to 31 December 2023. Therefore, the applicable tax rate for Shenzhen Erlulu Technology Company Limited was 15% (2022: 15%) for the year ended 31 December 2023.

According to policies promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim 200% (2022: 175%) of the research and development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year ("**Super Deduction**"). Shenzhen Dong Fang Bo Ya Technology Co., Limited, Boyaa On-line Game Development (Shenzhen) Co., Limited and Shenzhen Erlulu Technology Company Limited (2022: Shenzhen Dong Fang Bo Ya Technology Co., Limited, Boyaa On-line Game Development (Shenzhen) Co., Limited and Shenzhen Erlulu Technology Company Limited) had claimed such Super Deduction in ascertaining its tax assessable profits for the year ended 31 December 2023.

Shenzhen Intelligent Innovation Technology Co., Limited is eligible to integrated circuit and software sectors under EIT Law during the year ended 31 December 2023 and as a result, Shenzhen Intelligent Innovation Technology Co., Limited enjoy a tax free period from 1 January 2023 to 31 December 2024 and also three years of 50% tax discount after (2022: 25%).



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

11. INCOME TAX EXPENSE (Continued)

(b) PRC withholding tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

As at 31 December 2023, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside of the PRC, for which no deferred income tax liability had been provided, were RMB243,841,000 (2022: RMB189,733,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their foreign investor in the foreseeable future based on the management's estimation of overseas funding requirements.

(c) Hong Kong Profits Tax

Hong Kong Profits Tax has been provided at the rate of 8.25% on assessable profits up to HK\$2,000,000 and 16.5% on any part of assessable profits over HK\$2,000,000 for the years ended 31 December 2023 and 2022.

(d) Singapore Profits Tax

Singapore Profits Tax has been provided at the rate of 17% on assessable profits for the year ended 31 December 2023 (2022: 17%).



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For the year ended 31 December 2023

11. INCOME TAX EXPENSE (Continued)

The reconciliation between the income tax expense and the product of profit before income tax multiplied by the PRC EIT rate of the consolidated companies is as follows:

	2023 RMB'000	2022 RMB'000
Profit before income tax	126,950	85,197
Less: share of losses of associates	1,601	630
	128,551	85,827
Tax at EIT rate of 25% (2022: 25%)	32,138	21,457
Tax effect of incomes that are not taxable	(8,219)	(4,291)
Tax effect of expenses that are not deductible	7,796	1,302
(Over)/under-provision in prior years	(199)	1,334
Tax losses not recognised	1,925	6,383
Super Deduction	(14,639)	(6,189)
Effect of different tax rates of subsidiaries	(8,776)	990
Others	(255)	11
Income tax expense	9,771	20,997



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

12. PROFIT FOR THE YEAR

The Group's profit for the year is stated after (crediting)/charging the following:

	2023 RMB'000	2022 RMB'000
Amortisation of intangible assets		
– included in administrative expenses	219	–
	219	–
Depreciation	11,545	14,726
Directors' emoluments (Note 13)		
– Fee	777	776
– Salaries, allowances and bonuses	722	1,704
– Retirement benefit scheme contributions	29	23
	1,528	2,503
Research and development expenditure		
– included in staff costs	55,623	57,168
– included in depreciation	344	258
– included in other administrative expenses	1,461	1,154
	57,428	58,580
Auditor's remuneration		
– Audit services	1,983	2,100
– Non-audit services	620	750
	2,603	2,850
Reversal of loss allowance provision for trade receivables	(173)	(5,161)
Loss allowance provision for loans to employees	40	73
Staff costs including directors' emoluments		
– Wages, salaries and bonuses	79,528	74,631
– Retirement benefit scheme contributions	6,774	6,803
– Share-based payments	1,761	2,925
	88,063	84,359



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For the year ended 31 December 2023

13. DIRECTORS', SENIOR MANAGEMENT'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and chief executive's emoluments

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

Name of directors	2023					
	Fees	Salaries, allowances and benefits	Discretionary bonuses	Retirement benefit scheme contributions	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive directors:</i>						
Mr. Dai Zhikang	-	226	-	5	-	231
Ms. Tao Ying	-	496	-	24	-	520
<i>Independent non-executive directors:</i>						
Mr. Cheung Ngai Lam	361	-	-	-	-	361
Mr. Choi Hon Keung Simon	315	-	-	-	-	315
Mr. Kong Fanwei	101	-	-	-	-	101
	777	722	-	29	-	1,528
Name of directors	2022					
	Fees	Salaries, allowances and benefits	Discretionary bonuses	Retirement benefit scheme contributions	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive directors:</i>						
Mr. Dai Zhikang	-	1,100	-	7	-	1,107
Ms. Tao Ying	-	604	-	16	-	620
<i>Independent non-executive directors:</i>						
Mr. Cheung Ngai Lam	345	-	-	-	-	345
Mr. Choi Hon Keung Simon	302	-	-	-	-	302
Mr. Kong Fanwei	129	-	-	-	-	129
	776	1,704	-	23	-	2,503

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

13. DIRECTORS', SENIOR MANAGEMENT'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (Continued)

(b) Senior management's emoluments

Senior management includes directors, chief executive officer and other senior executives. The aggregate compensation paid/payable to senior management for employee services excluding the directors and the chief executive officer whose details have been reflected in note 13(a) to the consolidated financial statements is as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and bonuses	1,020	1,403
Retirement benefit scheme contributions	45	38
	1,065	1,441

The number of senior management for employee services excluding the directors and the chief executive officer whose remuneration falls within the following band:

	Number of individuals	
	2023	2022
Nil to HK\$1,000,000 (Note)	3	1

Note:

In 2023, 1 (2022: 0) senior executive resigned from the Group.

(c) Five highest paid employees

The five highest paid employees of the Group during the year included 0 (2022: 1) director whose remuneration are set out in note 13(a) above. Details of the remuneration for the year of the remaining 5 (2022: 4) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and bonuses	3,850	3,166
Retirement benefit scheme contributions	74	69
	3,924	3,235



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

13. DIRECTORS', SENIOR MANAGEMENT'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (Continued)

(c) Five highest paid employees (Continued)

The number of the highest paid employees who are not the Directors and whose remuneration falls within the following bands:

	Number of individuals	
	2023	2022
Nil to HK\$1,000,000	5	3
HK\$1,000,001 to HK\$1,500,000	–	1
	5	4

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDEND

A final dividend in respect of the year ended 31 December 2023 of RMB0.0335 per share (equivalent to HKD0.0372 per share) (2022: nil), amounting to a total dividend of approximately RMB23,771,000, was proposed pursuant to a resolution passed by the Board on 1 March 2024 and subject to the approval of the shareholders at the forthcoming annual general meeting. The consolidated financial statements do not reflect this dividend payable.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following:

	2023 RMB'000	2022 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	117,179	64,200

	2023 '000	2022 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	660,657	657,015
Effect of dilutive potential ordinary shares arising from RSUs	12,088	6,260
Weighted average number of ordinary shares for the purpose of diluted earnings per share	672,745	663,275



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For the year ended 31 December 2023

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost					
At 1 January 2022	26,374	18,179	5,115	51,065	100,733
Additions	–	592	990	680	2,262
Disposals	–	(2,071)	–	–	(2,071)
Disposal of a subsidiary	(11,324)	–	–	(3,760)	(15,084)
Currency translation differences	1,394	292	142	–	1,828
At 31 December 2022 and 1 January 2023	16,444	16,992	6,247	47,985	87,668
Additions	9,551	739	–	30	10,320
Disposals	–	(591)	–	–	(591)
Currency translation differences	288	51	24	–	363
At 31 December 2023	26,283	17,191	6,271	48,015	97,760
Accumulated depreciation					
At 1 January 2022	7,588	15,092	2,470	37,403	62,553
Charge for the year	754	688	1,057	7,913	10,412
Disposals	–	(148)	–	–	(148)
Disposal of a subsidiary	(3,810)	–	–	(2,925)	(6,735)
Currency translation differences	418	251	92	–	761
At 31 December 2022 and 1 January 2023	4,950	15,883	3,619	42,391	66,843
Charge for the year	1,204	650	838	4,331	7,023
Disposals	–	(534)	–	–	(534)
Currency translation differences	85	38	26	–	149
At 31 December 2023	6,239	16,037	4,483	46,722	73,481
Carrying amount					
At 31 December 2023	20,044	1,154	1,788	1,293	24,279
At 31 December 2022	11,494	1,109	2,628	5,594	20,825



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

17. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

At 31 December	2023	2022
	RMB'000	RMB'000
Right-of-use assets		
– Buildings	11,633	15,205
– Equipments	184	1,134
	11,817	16,339
Lease commitments of short-term leases	2,766	2,746
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
– Less than 1 year	4,072	4,837
– Between 1 and 2 years	4,073	4,072
– Between 2 and 5 years	5,360	9,433
	13,505	18,342

Year ended 31 December	2023	2022
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
– Buildings	3,572	3,504
– Equipments	950	810
	4,522	4,314
Lease interests	687	657
Expenses related to short-term leases	16,559	17,587
Total cash outflow for leases	21,396	22,267
Additions to right-of-use assets	–	19,691

The Group leases various buildings and servers. Lease agreements are typically made for fixed periods of 3 to 5 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 and the leased assets may not be used as security for borrowing purposes.



Notes to the Consolidated Financial Statements

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18. INTANGIBLE ASSETS

	Computer software RMB'000	Computer customer relationship RMB'000	Total RMB'000
Cost			
At 1 January 2022 and 31 December 2022 and 1 January 2023	3,461	4,823	8,284
Additions	1,873	–	1,873
At 31 December 2023	5,334	4,823	10,157
Accumulated amortisation			
At 1 January 2022 and 31 December 2022 and 1 January 2023	3,461	4,823	8,284
Amortisation for the year	219	–	219
At 31 December 2023	3,680	4,823	8,503
Carrying amount			
At 31 December 2023	1,654	–	1,654
At 31 December 2022	–	–	–



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19. SUBSIDIARIES

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

Name	Place of incorporation/ registration and operations	Issued and paid up capital	Percentage of ownership interest/voting power/ profit sharing 2023		Percentage of ownership interest/voting power/ profit sharing 2022		Principal activities
			Direct	Indirect	Direct	Indirect	
Boyaa Holdings Limited	British Virgin Islands ("BVI")	USD1	100%	–	100%	–	Investment holding
Boyaa Interactive (Hong Kong) Limited	Hong Kong	HK\$10,000	–	100%	–	100%	Operation of online games
Boyaa On-line Game Development (Shenzhen) Co., Limited (博雅網絡 遊戲開發(深圳)有限公司) (Note (iii)) (Note (iv))	PRC	USD10,000,000	–	100%	–	100%	Development of online games and provision of advisory services
Shenzhen Dong Fang Bo Ya Technology Co., Limited (深圳市東方博雅科技 有限公司) (Note (iv))	PRC	RMB10,000,000	–	100% (Note (i))	–	100% (Note (i))	Development and operation of online games
Boyaa Interactive (Thailand) Limited	Thailand	Thailand Baht 8,000,000	–	99% (Note (ii))	–	99% (Note (ii))	Provision of advisory services relating to online game applications
Shanghai Chunlei Interactive Network Technology Co., Limited (上海春雷互動 網絡科技有限公司) (Note (iii)) (Note (iv))	PRC	RMB30,000,000	–	100%	–	100%	Provision of advisory services
Shenzhen Fengxunsheng Technology Co., Limited (深圳市豐訊盛科技 有限公司) (Note (iv))	PRC	RMB6,248,000	–	100% (Note (i))	–	100% (Note (i))	Operation of online games



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19. SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Issued and paid up capital	Percentage of ownership interest/voting power/ profit sharing 2023		Percentage of ownership interest/voting power/ profit sharing 2022		Principal activities
			Direct	Indirect	Direct	Indirect	
Shenzhen Coalaa Network Technology Co., Limited (深圳市卡拉網絡科技 有限公司) (Note (iv))	PRC	RMB8,100,000	–	100% (Note (i))	–	100% (Note (i))	Provision of advisory services
PT Boyaa Interactive Indonesia	Indonesia	Indonesian Rupiah ("IDR") 3,000,000,000 and IDR1,301,310,097	–	100%	–	100%	Operation of online games
Boyaa Interactive (Viet Nam) Company Limited	Vietnam	Vietnam Dong ("VND") 5,000,000,000 and VND587,629,310	–	100%	–	100%	Provision of advisory services
Shenzhen Erlulu Technology Company Limited (深圳市貳陸陸科技 有限公司) (Note (iv))	PRC	RMB10,000,000	–	100%	–	100%	Development of online games and provision of advisory services
Erlulu (Shenzhen) Game Development Company Limited (貳陸陸(深圳) 遊戲開發有限公司) (Note (iii)) (Note (iv))	PRC	RMB10,000,000	–	100%	–	100%	Provision of advisory services
Spring Thunder Technology Limited	Hong Kong	HK\$1	–	100%	–	100%	Operation of online games
Jiuhoo PTE. Limited	Singapore	SGD10,000	–	100%	–	100%	Operation of online games
YAAKO Technology Limited (雅科科技有限公司)	Hong Kong	HK\$10,000	–	100%	–	100%	Operation of online games
Shenzhen Hantang Jiyuan Technology Co., Limited (深圳漢唐紀元科技 有限公司) (Note (iv))	PRC	RMB1,000,000	–	100%	–	100%	Development of online games and provision of advisory services



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19. SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Issued and paid up capital	Percentage of ownership interest/voting power/ profit sharing 2023		Percentage of ownership interest/voting power/ profit sharing 2022		Principal activities
			Direct	Indirect	Direct	Indirect	
Shenzhen Intelligent Innovation Technology Co., Limited (深圳市嘉訊智創科技有限公司) (Note (iv))	PRC	RMB1,000,000	–	100%	–	100%	Development of online games and provision of advisory services
Three Kingdoms Limited (Note (v))	Hong Kong	HK\$ 10,000	–	100%	–	–	Operation of online games

Notes:

- (i) As described in note 4 to the consolidated financial statements, the Company does not have legal ownership in equity of Shenzhen Dong Fang Bo Ya Technology Co., Limited and its subsidiaries (Shenzhen Fengxunsheng Technology Co., Limited and Shenzhen Coalaa Network Technology Co., Limited). Nevertheless, under certain contractual agreements entered into with the registered owners of Shenzhen Dong Fang Bo Ya Technology Co., Limited, Boyaa On-line Game Development (Shenzhen) Co., Limited controls these companies by way of controlling the voting rights, governing their financial and operating policies, and casting full votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of these companies to Boyaa On-line Game Development (Shenzhen) Co., Limited. As a result, these entities are consolidated as wholly owned subsidiaries of the Group.
- (ii) The directors of the Company consider that the non-controlling interests of this subsidiary was insignificant to the Group and thus the summarised financial information of this subsidiary is not disclosed.
- (iii) Boyaa On-line Game Development (Shenzhen) Co., Limited, Shanghai Chunlei Interactive Network Technology Co., Limited and Erlulu (Shenzhen) Game Development Company Limited are a wholly-owned foreign enterprises established in the PRC.
- (iv) Those entities are limited liability enterprises established under PRC law.
- (v) Three Kingdoms Limited was established on the 6th March 2023 in Hong Kong.

The English names of certain subsidiaries referred herein represent the management's best efforts in translating the Chinese name of these companies as no English names have been registered.

The sum of revenue, expenses, total assets and total liabilities of Shenzhen Dong Fang Bo Ya Technology Co., Limited and its subsidiaries amounting to approximately RMB81.5 million and RMB104.0 million (2022: RMB19.4 million and RMB89.3 million) for the year ended 31 December 2023 and approximately RMB217.6 million and RMB433.8 million (2022: RMB274.8 million and RMB469.2 million) as at 31 December 2023, respectively.



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20. INVESTMENTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Unlisted investments in PRC:		
Share of net assets	3,585	7,905

Particulars of the associates of the Group are as follows:

Name	Place of incorporation/ registration and operations	Percentage of ownership interest/ profit sharing		Principal activities
		2023	2022	
Shenzhen Fanhou Technology Co., Limited (深圳市飯後科技有限公司)	PRC	24.00%	24.00%	Game development
Shenzhen HuifuWorld Network Technology Co., Limited (深圳市匯富天下網絡科技有限公司)	PRC	14.70%	14.70%	Development and operation of Internet Protocol television ("IPTV") and Android Set-Top-Box related channels and platforms and lottery
Shenzhen Easething Technology Co., Limited (深圳市易新科技有限公司)	PRC	10.00%	10.00%	Development and operation of intelligent hardware and artificial intelligence system
Shenzhen Jisiwei Intelligent Technology Co., Limited (深圳市極思維智能科技有限公司)	PRC	12.00%	12.00%	Development and sales of electronic products and development of intelligence applications
Shanghai Allin Network Technology Co., Limited (上海傲英網絡科技有限公司)	PRC	15.75%	15.75%	Development and operation of IPTV platform and poker games
Hainan Chunlei Interactive Technology Co., Limited (海南春雷互動科技有限公司)	PRC	–	20.00%	Development and operation of IPTV platform and poker games



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For the year ended 31 December 2023

20. INVESTMENTS IN ASSOCIATES (Continued)

Although the Group holds less than 20% of the voting power of Shenzhen HuifuWorld Network Technology Co., Limited, Shenzhen Easething Technology Co., Limited, Shenzhen Jisiwei Intelligent Technology Co., Limited and Shanghai Allin Network Technology Co., Limited, the Group exercises significant influence over these companies because the Group is guaranteed a seat on the boards of directors of these companies through investment agreements and hence has the power to participate in the making of significant financial and operating decisions in relation to of these companies.

The directors of the Company considered that all associates as at 31 December 2023 and 31 December 2022 were insignificant to the Group and thus the individual summarised financial information of these associates is not disclosed.

The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	2023 RMB'000	2022 RMB'000
At 31 December:		
Carrying amounts of interests	3,585	7,905
Year ended 31 December:		
Loss	(1,601)	(630)
Total comprehensive expense	(1,601)	(630)

As at 31 December 2023, the bank and cash balances of the Group's associates in the PRC denominated in RMB amounted to RMB189,000 (2022: RMB429,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.



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21. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 RMB'000	2022 RMB'000
Equity securities, at fair value		
– Listed in Hong Kong – Xiaomi Corporation	10,461	16,614
– Listed in USA – Qudian Inc.	–	1,460
– Unlisted equity securities	5	–
Total equity investments at fair value through other comprehensive income, analysed as non-current assets	10,466	18,074

The above investments are intended to be held for the medium to long-term. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the profit or loss.

22. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Included in non-current assets		
Non-quoted investments in:		
– asset management plans (Notes (i) and (iv))	16,700	64,550
– equity investment partnerships (Notes (ii) and (iv))	60,190	70,416
	76,890	134,966
Included in current assets		
Non-quoted investments in:		
– asset management plan (Note (i))	–	–
– wealth management products (Note (iii))	131,611	50,367
	131,611	50,367
	208,501	185,333



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

22. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Notes:

- (i) They represented the entrusted investments with the principal amount of RMB80.0 million each to 2 independent asset management companies incorporated in the PRC. The estimated minimum return of such asset management plans is 5.05% per annum. If the estimated annual return cannot be achieved, the Group or asset management companies have an option to early terminate the asset management plans.

For asset management plan A, the principal was RMB80.0 million at 31 December 2023. During the year ended 31 December 2022, the Group and the asset management company entered into an extension agreement, the Group will obtain the accumulated return and the entrusted principal in 2025. The Group is now under litigation process with asset management plan A.

For asset management plan B, after several supplemental agreements, the remaining principal was RMB21.1 million at 31 December 2023. During the year ended 31 December 2022, the Group and the asset management company entered into an extension agreement, the Group will obtain the accumulated return and the entrusted principal in 2024 (originally in 2022). The Group is now under litigation process with asset management plan B.

- (ii) They represented investments in equity investment partnership as a limited partner, which are mainly engaged in investments in early-stage and high-growth companies in the technology, media and telecommunications industry in China. They have initial terms ranging from 7 to 10 years.

On 28 December 2016, the Group, through Shenzhen Dong Fang Bo Ya Technology Co., Limited, established a limited partnership, Jiaxing Boyaa with Shanghai Tailai Tianji Asset Management Co., Limited. During the year ended 31 December 2023, the Group's accumulated contribution of RMB300.0 million represented 99.0% of the total capital contribution of Jiaxing Boyaa. The fair value of the investment in Jiaxing Boyaa as at 31 December 2023 was approximately RMB3.3 million. Jiaxing Boyaa is established for carrying out equity investments, venture capital investments and investments in securities, subject to certain investment restrictions. The Group will continue to closely monitor the performance of Jiaxing Boyaa on an on-going basis.

For the year ended 31 December 2023, the fair value loss of the investment in Jiaxing Boyaa was approximately RMB4.0 million (for the year ended 31 December 2022: fair value loss was approximately RMB10.0 million).

- (iii) Investments in wealth management products are investments in wealth management plans provided by financial institutions in the PRC. They have initial terms ranging from 30 days to 364 days.
- (iv) The management of the Group is of the view that the investments are not held for trading and does not expect that the Group will realise the investments at fair value through profit or loss within 12 months after the date of the consolidated statement of financial position.



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For the year ended 31 December 2023

23. DIGITAL ASSETS

	2023 RMB'000	2022 RMB'000
Crypto-currencies and stable coins	78,598	–

24. TRADE RECEIVABLES

Trade receivables were arising from the operation of online game business. Platforms and third party payment vendors collect the payment from the Paying Players and remit the cash net of commission charges which are pre-determined according to the relevant terms of the agreements entered into between the Group and Platforms or third party payment vendors. The credit terms of trade receivables granted to the Platforms and third party payment vendors are usually 30 to 120 days.

	2023 RMB'000	2022 RMB'000
Trade receivables	29,578	24,095
Provision for loss allowance	(209)	(264)
Carrying amount	29,369	23,831

The aging analysis of trade receivables, based on recognition date of the trade receivables, net of allowance, is as follows:

	2023 RMB'000	2022 RMB'000
0 to 30 days	25,677	19,671
31 to 60 days	2,975	3,002
61 to 90 days	448	793
91 to 180 days	142	127
181 to 360 days	126	17
Over 360 days	1	221
	29,369	23,831



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

24. TRADE RECEIVABLES (Continued)

Reconciliation of loss allowance for trade receivables:

	2023 RMB'000	2022 RMB'000
At 1 January	264	4,600
Decrease in loss allowance for the year	(173)	(5,161)
Currency translation differences	118	825
At 31 December	209	264

The Group applies the simplified approach under IFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Within 30 days past due	31 – 60 days past due	61 – 120 days past due	Over 120 days past due	Total
At 31 December 2023						
Weighted average expected loss rate	1%	1%	2%	3%	100%	
Receivable amount (RMB'000)	21,681	2,612	5,050	234	1	29,578
Loss allowance (RMB'000)	108	27	67	6	1	209
At 31 December 2022						
Weighted average expected loss rate	1%	1%	2%	3%	36%	
Receivable amount (RMB'000)	20,738	2,301	632	71	353	24,095
Loss allowance (RMB'000)	104	23	8	2	127	264



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Included in non-current assets		
Prepayments for purchase of property, plant and equipment	–	1,254
Loans to employees (Note)	12,833	13,472
Advances to employees	1,053	1,053
	13,886	15,779
Included in current assets		
Loans to employees (Note)	3,448	5,677
Advances to employees	818	1,354
Deposits	1,230	1,523
Prepayments for advertising costs	1,484	1,719
Prepaid commission charges	1,726	1,028
Prepayments for rental of servers	48	145
Interest receivables	22,978	16,273
Undeducted input value-added tax	723	732
Prepayments to securities broker	19,472	2,961
Prepayments for legal expenses	57	22
Receivables from special dividend distribution	14,035	13,551
Others	3,313	1,493
	69,332	46,478

Note:

Loans to employees represented housing or auto loans to certain employees. These loans are unsecured, interest-free and have initial repayment terms ranging from 1 to 10 years. The initial fair values of the non-current loans to employees were based on cash flows discounted using interest rates based on the prevailing borrowing rates ranging from 4.75% to 6.15% (2022: 4.75% to 6.15%) p.a. promulgated by the People's Bank of China.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

26. TERM DEPOSITS AND BANK AND CASH BALANCES

The Group's term deposits represented deposits to banks. The deposits are in USD, HK\$ and RMB and at average fixed interest rates of 4.29% (2022: 3.23%) p.a. and therefore are subject to foreign currency risk and fair value interest rate risk.

As at 31 December 2023, the term deposits and bank and cash balances of the Group denominated in RMB amounted to RMB449,327,000 (2022: RMB583,264,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

27. TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables	724	1,078
Other tax payables	44,509	44,800
Accrued expenses	4,902	6,690
Accrued commissions charges by Platforms	5,807	10,136
Accrued advertising expenses	5,209	4,060
Salary and staff welfare payables	12,188	4,809
Others	243	6,319
	73,582	77,892

The aging analysis of trade payables, based on recognition date of trade payables, is as follows:

	2023 RMB'000	2022 RMB'000
0 to 30 days	659	787
31 to 90 days	1	-
91 to 180 days	64	-
181 to 365 days	-	2
Over 365 days	-	289
	724	1,078



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28. CONTRACT LIABILITIES

Disclosures of revenue-related items:

As at	31 December 2023 RMB'000	31 December 2022 RMB'000	1 January 2022 RMB'000
Contract liabilities	10,970	8,775	11,845
Contract receivables (included in trade receivables)	29,369	23,831	21,849
		2023 RMB'000	2022 RMB'000
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:			
– 2023		N/A	8,775
– 2024		10,970	–
		10,970	8,775
		2023 RMB'000	2022 RMB'000
Year ended 31 December			
Revenue recognised in the year that was included in contract liabilities at beginning of year		8,775	11,845
Significant changes in contract liabilities during the year:		2023 RMB'000	2022 RMB'000
Increase due to operations in the year		398,181	372,832
Transfer of contract liabilities to revenue		(394,582)	(375,266)
Currency translation differences		(1,404)	(636)

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



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29. LEASE LIABILITIES

	Lease payments 2023 RMB'000	Lease payments 2022 RMB'000	Present value of lease payments 2023 RMB'000	Present value of lease payments 2022 RMB'000
Within one year	4,072	4,837	3,569	4,150
Over one year but within five years	9,433	13,505	8,809	12,378
	13,505	18,342	12,378	16,528
Less: Future finance charge	(1,127)	(1,814)		
Present value of lease liabilities	12,378	16,528		
Less: Amount due for settlement within 12 months (shown under current liabilities)			(3,569)	(4,150)
			8,809	12,378

At 31 December 2023, the average effective borrowing rate was 7.9% p.a. (2022: 7.8%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

30. DEFERRED TAX

The following are the deferred tax assets recognised by the Group.

	Contract liabilities RMB'000	Loss allowance RMB'000	Changes in fair value of investments at fair value through profit or loss and equity investments at fair value through other comprehensive income RMB'000	Total RMB'000
At 1 January 2022	91	924	3,631	4,646
Charge to profit or loss	(91)	(321)	–	(412)
Change to other comprehensive income	–	–	(3,631)	(3,631)
Currency translation differences	–	69	–	69
At 31 December 2022 and 1 January 2023	–	672	–	672
Charge to profit or loss	–	(135)	–	(135)
Currency translation differences	–	7	–	7
At 31 December 2023	–	544	–	544

At the end of the reporting period, the Group has unused tax losses of RMB252,970,000 (2022: RMB244,058,000) available for offset against future profits. No deferred tax assets has been recognised due to the unpredictability of future profit streams. These tax losses will expire from year 2024 to 2028 (2022: 2023 to 2027).



Notes to the Consolidated Financial Statements

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30. DEFERRED TAX (Continued)

The following are the deferred tax liabilities recognised by the Group.

	Changes in fair value of investments at fair value through profit or loss and equity investments at fair value through other comprehensive income RMB'000	Dilution gains on investment in an associate RMB'000	Total RMB'000
At 1 January 2022	3,997	591	4,588
Credit to profit or loss	(3,576)	–	(3,576)
At 31 December 2022 and 1 January 2023	421	591	1,012
Credit to profit or loss	(116)	–	(116)
At 31 December 2023	305	591	896



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For the year ended 31 December 2023

31. SHARE CAPITAL

The total authorised share capital of the Company comprises 2,000,000,000 (31 December 2022: 2,000,000,000) ordinary shares with par value of USD0.00005 (2022: USD0.00005) per share.

	Notes	Number of ordinary shares	Nominal value of ordinary shares USD'000	Equivalent nominal value of ordinary shares RMB'000
Issued and fully paid:				
At 1 January 2022, 31 December 2022 and 1 January 2023		709,876,301	36	232
Cancellation of ordinary shares	(i)	(300,000)	–	–
At 31 December 2023		709,576,301	36	232

Notes:

- (i) The Group repurchased 300,000 shares of its own shares from the market during the year ended 31 December 2022. The total amount paid to acquire the shares was RMB112,000 and has been deducted from the shareholders' equity. The related weighted average price at the time of buy-back was HK\$0.42 per share. These 300,000 repurchased shares had been cancelled during the year ended 31 December 2023.

Capital management

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 RMB'000	2022 RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	324,044	325,805
Equity investments at fair value through other comprehensive income	10,454	18,074
	334,498	343,879
Current assets		
Prepayments and other receivables	28,038	10,407
Term deposits	24,785	48,932
Bank and cash balances	57,180	5,310
	110,003	64,649
Total assets	444,501	408,528
EQUITY AND LIABILITIES		
Equity		
Share capital	232	232
Reserves	441,183	405,250
Total equity	441,415	405,482
Liabilities		
Current liabilities		
Other payables	3,086	3,046
Total liabilities	3,086	3,046
Total equity and liabilities	444,501	408,528
Net current assets	106,917	61,603
Total assets less current liabilities	441,415	405,482



Notes to the Consolidated Financial Statements

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33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity.

(b) Company

	Share premium	Repurchased shares	Shares held for RSU scheme	Share-based payments reserve	Foreign currency translation reserve	Other reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	373,099	-	(14)	79,955	28,214	(37,382)	(48,398)	395,474
Loss for the year	-	-	-	-	-	-	(5,141)	(5,141)
Change in fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	(12,115)	-	(12,115)
Currency translation differences	-	-	-	-	24,219	-	-	24,219
Repurchase of ordinary shares	-	(112)	-	-	-	-	-	(112)
Share-based payments								
- exercise and lapse of share options and RSUs	44	-	-	(44)	-	-	-	-
- value of employee services	-	-	-	2,925	-	-	-	2,925
At 31 December 2022	373,143	(112)	(14)	82,836	52,433	(49,497)	(53,539)	405,250
At 1 January 2023	373,143	(112)	(14)	82,836	52,433	(49,497)	(53,539)	405,250
Profit for the year	-	-	-	-	-	-	12,687	12,687
Change in fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	8,783	-	8,783
Currency translation differences	-	-	-	-	12,702	-	-	12,702
Cancellation of ordinary shares	(112)	112	-	-	-	-	-	-
Share-based payments								
- value of employee services	-	-	-	1,761	-	-	-	1,761
At 31 December 2023	373,031	-	(14)	84,597	65,135	(40,714)	(40,852)	441,183



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

33. RESERVES (Continued)

(c) Nature and purpose of reserves of the Group and the Company

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Share-based payments reserve

The share-based payments reserve represents the fair value of the actual or estimated number of unexercised share options and unvested RSUs granted to directors and employees of the Group recognised in accordance with the accounting policies adopted for equity-settled share-based payments in note 3 to the consolidated financial statements.

(iii) Shares held for the RSU scheme

The Company adopted the RSU scheme to award shares to qualified grantees. The Core Admin Boyaa RSU Limited was set up as a special vehicle for the purpose of holding the ordinary shares allotted and issued by the Company.

(iv) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and the Articles of Association of subsidiaries of Shenzhen Dong Fang Bo Ya Technology Co., Limited, it is required to appropriate 10% of the annual statutory net profits after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the share capital, 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 converted into share capital, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of share capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions in the Articles of Association of Boyaa On-line Game Development (Shenzhen) Co., Limited, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by Boyaa On-line Game Development (Shenzhen) Co., Limited to its statutory surplus 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 needs not be made.



Notes to the Consolidated Financial Statements

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33. RESERVES (Continued)

(c) Nature and purpose of reserves of the Group and the Company (Continued)

(v) Other reserve

Other reserve mainly comprises cumulative net change in the fair value of equity investments at fair value through other comprehensive income held at the end of the reporting period and is dealt with in accordance with the accounting policies in note 3 to the consolidated financial statements.

(vi) Foreign currency translation reserve

For the Group, the foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3 to the consolidated financial statements.

34. SHARE-BASED PAYMENTS

(a) Share options

On 7 January 2011, the Board of the Company approved the establishment of a share option scheme (“**Pre-IPO Share Option Scheme**”) with the objective to recognise and reward the contribution of eligible directors and employees to the growth and development of the Group. The contractual life of all options under Pre-IPO Share Option Scheme is eight years from the grant date.

On 23 October 2013, the Board of the Company approved the establishment of a share option scheme (“**Post-IPO Share Option Scheme**”) with the objective to recognise and reward the contribution of eligible directors and employees to the growth and development of the Group. The contractual life of all options under Post-IPO Share Option Scheme is ten years from the grant date.

Details of the share options outstanding during the year are as follows:

	Number of share options	
	2023	2022
Outstanding at the beginning of the year	5,222,429	5,722,429
Lapsed during the year	(350,000)	(500,000)
Outstanding at the end of the year	4,872,429	5,222,429
Exercisable at the end of the year	4,872,429	5,222,429

No options were exercised in 2023 and 2022.



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34. SHARE-BASED PAYMENTS (Continued)

(a) Share options (Continued)

Details of the exercise prices and the respective numbers of share options which remained outstanding as at 31 December 2023 and 2022 are as follows:

Expiry date	Exercise price		Number of share options	
	Original currency	Equivalent to HK\$	2023	2022
6 September 2025	HK\$3.108	3.108	4,872,429	5,222,429

(b) RSU

On 17 September 2013, the Company set up a RSU scheme (the “**RSU Scheme**”) with the objective to incentivise directors, senior management and employees for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company. RSUs held by a participant that are vested may be exercised (in whole or in part) by the participant serving an exercise notice in writing to The Core Trust Company Limited (the “**RSU Trustee**”) and copied to the Company. The RSU Scheme will be valid and effective for a period of eight years from 4 March 2013 to 3 March 2021, commencing from the date of the first grant of the RSUs.

On 19 July 2021 (the “**Adoption Date**”), the Company has adopted the new RSU scheme (the “**New RSU Scheme**”), to incentivise the contributions by, and to attract, motivate and retain, Eligible Persons, for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company. The New RSU Scheme shall be valid and effective for a period of eight years commencing on the Adoption Date.

On 27 August 2021, the Group granted 5,650,000 RSUs under the New RSU Scheme to its employees. The vesting period of the RSUs granted is 4 years and the vesting schedule is 25% after 12 calendar months from the grant date, 25% after 24 calendar months from the grant date, 12.5% after 30 calendar months from the grant date, 12.5% after 36 calendar months from the grant date, and 2.083% from each month of 37 to 48 calendar months from the grant date. The fair value of each of the above newly granted RSU equals to the closing price of the Company’s ordinary shares on the grant date, which was HKD0.445 per share. The expiry date of the above newly granted RSUs is 26 August 2029.



Notes to the Consolidated Financial Statements

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34. SHARE-BASED PAYMENTS (Continued)

(b) RSU (Continued)

On 15 April 2022, the Group granted 15,000,000 RSUs under the New RSU Scheme to its employees. The vesting period of the RSUs granted is 4 years and the vesting schedule is 25% after 12 calendar months from the grant date, 25% after 24 calendar months from the grant date, 12.5% after 30 calendar months from the grant date, 12.5% after 36 calendar months from the grant date, and 2.083% from each month of 37 to 48 calendar months from the grant date. The fair value of each of the above newly granted RSU equals to the closing price of the Company's ordinary shares on the grant date, which was HKD0.465 per share. The expiry date of the above newly granted RSUs is 14 April 2030.

Movements in the number of RSUs outstanding:

	Number of RSUs	
	2023	2022
At 1 January	23,488,089	9,722,089
Granted	–	15,000,000
Lapsed	(3,900,000)	(1,100,000)
Vested and transferred	–	(134,000)
At 31 December	19,588,089	23,488,089
Vested but not transferred as at 31 December	8,738,089	5,200,589

The related weighted-average share price at the time when the RSUs were vested and transferred was nil (2022: HK\$0.37) per share.

(c) Shares held for RSU scheme

The shares held for RSU scheme were regarded as treasury shares and had been presented as a deduction against shareholders' equity. During the year, nil of RSUs were vested and transferred (Note (b) above), and as a result, 57,110,829 ordinary shares (2022: 57,110,829 ordinary shares) of the Company underlying the RSUs were held by Core Administration RSU Limited and The Core Admin Boyaa RSU Limited as at 31 December 2023.



Notes to the Consolidated Financial Statements

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35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Lease liabilities RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2022	860	860
Changes in cash flows	(4,680)	(4,680)
Non-cash changes		
– Addition	19,691	19,691
– Interest charged	657	657
At 31 December 2022 and 1 January 2023	16,528	16,528
Changes in cash flows	(4,837)	(4,837)
Non-cash changes		
– Addition	–	–
– Interest charged	687	687
At 31 December 2023	12,378	12,378



Notes to the Consolidated Financial Statements

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36. RELATED PARTY TRANSACTIONS

- (a) *In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions and balances with its related parties during the year:*

	2023 RMB'000	2022 RMB'000
Amount due from a director included in other receivables	840	855
Amount due from a related party included in other receivables	2,003	2,003

The amount due from a director and from a related party are unsecured, interest-free and repayable on demand.

- (b) *Key management personnel compensations*

The compensations paid or payable to key management personnel (including directors, chief executive officer and other senior executives) for employee services are shown below:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and bonuses	2,519	3,883
Retirement benefit scheme contributions	74	61
	2,593	3,944



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37. MATERIAL EVENTS

In March 2019, the Company has come to the attention that it was not able to continue to use the idle cash reserves in its individual bank accounts (the “**Relevant Idle Cash Reserves**”) for fixed-term deposits or wealth management (the “**Incident**”).

At the relevant time, the Company considered that the Incident may be implicated as a result of the Case (as defined below) involving individual Employees (as defined below), as such, the Company had engaged its PRC legal advisers (the “**PRC Legal Advisers**”) to advise on this matter in March 2019. Upon engagement of the PRC Legal Advisers, the PRC Legal Advisers had submitted applications to the relevant PRC court and procuratorate on behalf of the Company in relation to the Incident, including an application to utilise the Relevant Idle Cash Reserves.

Upon advice of the PRC Legal Advisers, the Company filed another application (the “**Application**”) to the relevant PRC court on 21 August 2019 seeking to utilise the Relevant Idle Cash Reserves for wealth management. On 27 August 2019, the Company received a reply (the “**Reply**”) from the relevant PRC court that the Relevant Idle Cash Reserves were frozen due to a prosecution (the “**Case**”) made by the relevant PRC judicial authority against its individual current or former employees (the “**Employees**”) for their alleged illegal activities conducted through one of the Company’s onshore online gaming platforms (the “**Alleged Crime**”). Therefore, the Application was rejected. As at the date of this report, none of the Employees remains an employee of the Company. As advised by the PRC Legal Advisers, if the relevant PRC judicial authority finds that the Employees are guilty of the Alleged Crime and some or all of the Relevant Idle Cash Reserves contain income generated as a result of such conduct, such income may be confiscated.

On 27 December 2019, the Intermediate People’s Court of Chengde City, Hebei Province (the “**Trial Court**”) delivered the judgment in relation to the Case (the “**Judgment**”). The Trial Court held that the Employees are guilty of the Alleged Crime and ordered an amount of approximately RMB943 million to be paid to the state treasury (the “**Judgment Amount**”).



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For the year ended 31 December 2023

37. MATERIAL EVENTS (Continued)

The Company was discussing with its PRC Legal Advisers as to the next step forward in relation to the Judgment, including the possibility to take appropriate legal actions as to the Judgment Amount to protect the interests of the Company and its shareholders. The Company was informed, on 3 September 2021, that the PRC court of second instance (the “**Appeal Court**”) had made a decision on the Appeal Hearing to quash the Judgment and remanded the case to the Trial Court for a retrial (the “**Retrial**”) since it was of the view that certain facts under the Judgment was unclear. As advised by the PRC Legal Advisers, the Retrial was heard on 1 December 2021 and 2 December 2021. The Company was informed, on 23 March 2022, the Intermediate People’s Court of Chengde City, Hebei Province delivered the judgment of the Retrial (the “**Retrial Judgment**”). The Trial court had upheld that the Employees was guilty of the Alleged Crime. However, the Trial court had held that the amount of RMB291,696,677.62 and wealth management products in the amount of RMB350,000,000 and the relevant interests which had been frozen shall be paid to the state treasury (the “**Relevant Frozen Sum**”) which superseded the amount of RMB942,654,382.75 as original ordered by the Trial court to be paid to the state treasury. As advised by the PRC Legal Adviser, some Employees had applied for appeal against the Retrial Judgment up to 29 March 2022 and the rehearing of Retrial was heard by the court of second instance on 28 July 2022. On 5 December 2022, as informed by the PRC Legal Advisers, the High People’s Court of Hebei Province (the “**Court of Second Instance**”) had delivered the ruling of the rehearing of the Retrial (the “**Second Instance Ruling**”), which held that the Employees are guilty of the Alleged Crime and had used the frozen account of the Company to transfer funds for relevant illegal activities, therefore the Relevant Frozen Sum, representing all funds in the frozen account of the Company in the amount of RMB291,696,677.62 and wealth management products in the amount of RMB350,000,000 and the relevant interests therefrom, shall be confiscated and paid to the state treasury. On 8 December 2022, it had come to the attention of the Company that an aggregate of approximately RMB683,222,975.72 had been withdrawn from the frozen bank accounts by the Trial Court (the “**Enforcement**”) where all available funds, wealth management products and relevant interests were held (the “**Enforcement Sum**”).

On the 13 January 2023, as informed by the PRC Legal Advisers, to the best of their knowledge after making reasonable enquiries, some of the former Employees had filed a petition to the court against the Retrial Judgment and the Second Instance Ruling for a filing and retrial. At the same time, after the discussion between the Company and the PRC Legal Advisers, in order to safeguard the interests of the Company and its Shareholders, the PRC Legal Advisers had filed a petition on behalf of the Company, as a non-party stakeholder to the Case, requesting the court (i) to quash the Retrial Judgment and the Second Instance Ruling and to order a filing and a retrial of the Case; and (ii) to apply the appropriate PRC laws and regulations in determining the amount involved in the Case and to return to the Company the legitimate revenue which has been withdrawn. On 15 June 2023, as informed by the PRC Legal Advisers, the Court of Second Instance had dismissed the petition filed by the PRC Legal Advisers on behalf of the Company as a non-party stakeholder to the Case (the “**Dismissal**”), and the Retrial Judgment and the Second Instance Ruling have been upheld.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

37. MATERIAL EVENTS (Continued)

Since the established of the Independent Investigation Committee in September 2019, it had held meetings in a timely manner to discuss various matters concerning the Case, the Incident and maintained close contact with the senior management of the Company on any updates of the Incident and Case. The Independent Investigation Committee had issued an investigation report (the “**Investigation Report**”) in July 2023 with details of their findings and their view on the Case and the Incident. After reviewing all existing documents available to the Company in relation to the Case and the Incident, the Independent Investigation Committee is of the view that there were no material findings after conducting the independent investigation which have to bring to the attention of the shareholders and potential investors of the Company.

Pursuant to the Investigation Report, the Independent Investigation Committee had concluded that, among others:

- (i) apart from the former Employees, the Company’s management had no involvement of the Case and was not prosecuted;
- (ii) the Board and management timely took active steps in monitoring and managing the situation in relation to the incident and the independent non-executive Directors had established the Independent Investigation Committee for the purpose of conducting an independent investigation on internal matters arising out of the Case;
- (iii) the Board responded promptly and immediately engaged Deloitte Consulting (Beijing) Company (“**Deloitte**”) to review the internal control system of the Company. Deloitte had completed their review on the Company’s internal control system and issued a report in January 2020, pursuant to which Deloitte was of the view that there were no material issues identified in respect of the internal control system of the Group and Deloitte had proposed certain strengthened measures to the internal control system to the Company. In March 2020, Deloitte issued a follow up report, in which Deloitte confirmed that the Company had implemented all the proposed strengthened measures, including additional measures on declaration of interest by employees and revenue management systems;
- (iv) as advised by the PRC Legal Advisers, the Company has obtained all necessary and requisite approval, licenses and permits from all relevant governmental or regulatory authorities for its operation of online gaming platforms in the PRC, and its business operations in the PRC are in compliance with the relevant PRC laws. The fact that the former Employees were found guilty by judicial authorities will not affect the validity of the approval, licenses and permits of the Company issued by all relevant governmental or regulatory authorities;
- (v) the Company is taking legal advice from PRC Legal Advisers on the Incident and will continue to take all necessary steps to protect the interests of the Company and its shareholders;



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

37. MATERIAL EVENTS *(Continued)*

- (vi) the Company's operation is not and will not be materially affected by the Case and the Enforcement Sum withdrawn; and
- (vii) the Board has been handling this matter with frequent and thorough discussions. The investigation reveals no material issues on management of the Board of Directors in respect of the Case and the Incident.

In light of the aforementioned conclusions, and the fact that (i) except for the relevant gaming platform involved the Case which has ceased operation, all other online gaming platforms of the Company remain in normal operation; (ii) the Company will strive to further expand the overseas market as well as other card and board games business and will be dedicated to diversifying its business in strict compliance with all applicable laws; and (iii) as of the date of this report, the Company does not have any future plans relating to material acquisitions, investments, or any loan borrowings which would cause any immediate need for any material cash commitment, the Company is of the view that the Case, the Incident, the Enforcement and the Dismissal will not have any material adverse impact on its business operations.

The Company will keep the shareholders and potential investors of the Company informed of any material development in connection with the Case and the Incident as and when appropriate pursuant to the requirements under the Listing Rules.

For details, please refer to the announcements of the Company dated 1 September 2019, 4 September 2019, 13 December 2019, 3 January 2020, 6 January 2020, 9 November 2020, 3 September 2021, 30 November 2021, 24 March 2022, 29 March 2022, 28 July 2022, 5 December 2022, 9 December 2022, 13 January 2023 and 16 June 2023.

38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 1 March 2024.