

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



友誼時光
F R I E N D T I M E S

FriendTimes Inc.

友誼時光股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6820)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2023 (the “**Annual Results**”) together with comparative figures for the corresponding period in 2022, which have been prepared in accordance with HKFRS.

FINANCIAL PERFORMANCE SUMMARY

	Year ended 31 December		Changes
	2023	2022	
	RMB'000	RMB'000	%
Revenue	1,056,033	1,524,391	-30.7%
Gross profit	702,405	1,044,114	-32.7%
(Loss)/profit before taxation	(72,928)	24,430	-398.5%
(Loss)/profit for the year	(138,120)	25,111	-650.0%
Adjusted (loss)/profit for the year*	(132,954)	41,429	-420.9%

* Adjusted (loss)/profit for the year represents (loss)/profit for the year excluding share-based remuneration expenses. HKFRS does not define adjusted (loss)/profit for the year and therefore it may not be comparable to similar indicators presented by other listed companies.

The Board did not propose the payment of dividend for the year ended 31 December 2023.

CHAIRMAN’S STATEMENT

As a leading mobile online game manufacturer and operator in China, FriendTimes has been focusing on content and quality products, adhering to the mission of “Let Culture Create Value”, making games as a new driver of culture and public welfare, expanding our global strategic map and further consolidating its position as a leader in the female-oriented mobile game segment.

Iterate management systems and philosophies. As the first loss-making year since our listing, the senior management of the Group has conducted extensive reviews and ample discussions. Taking into account the intensifying competitive landscape in the current game industry, characterized by a growing number of games while the user count remains constant, we will further improve internal mentoring mechanisms, multi-department collaboration mechanisms, and phased assessment mechanisms in terms of product incubation, project initiation, testing, and distribution to increase the ultimate success rate of projects. As for personnel management, we are committed to incentivize employees, by adopting practical measures to prevent the “lying flat” phenomenon, optimizing a multi-level performance management system, and coordinating with corresponding equity incentive policies to support the sustainable development of our existing and innovative new products.

Proactively embrace cutting-edge technologies. At FriendTimes, we continue to redouble our investments in independent research and development, enhance our innovation capability, and keep abreast of the development of frontier technologies such as AI/XR. Furthermore, we seek to explore the possibilities of extensive integration of various industry-leading technologies into our business. We proactively explore the game industrialization, by integrating the AI technology into planning, development, testing, and other game R&D processes, whereby assisting in the generation of design resources, including texts, images, audios, and videos, as well as serving the production of multiple art scenes, including characters, settings, UI, and marketing materials. In doing so, we continue to improve the efficiency of production, creativity and resource reusability. We maintain deep cooperation with game engine manufacturers, by assembling an internal expert advisory team, and regularly hold sharing and exchange salons. We will continue to iterate new technologies, as part of our commitment to creating more contemporary and innovative premium products.

Dedicatedly inherit Chinese culture. At FriendTimes, we continue to integrate the essence of history into game themes, gameplay and other areas with promotion and protection of traditional culture as our foundation, and commit ourselves to creating products based on our impressive Chinese culture. These products are aimed at igniting the interest of overseas players in experiencing and exploring Chinese culture through games. Our products, such as Fate of the Empress (浮生為卿歌) and Promise of Lingyun (凌雲諾), incorporate an arsenal of elements, such as Chinese zither, chess, calligraphy, painting, poetry and songs, traditional Chinese oral performing arts, embroidery, and Chinese architectural design, allowing players to subtly appreciate the infinite charm of history. The newly launched Twist of the Fate (浮生憶玲瓏) not only enriches the product design with traditional cultural elements, but also further enhances the creation of aesthetic conceptions, tracing back through scenery to a millennium of Chinese culture, while exploring the charm of the Jiangnan water towns. We will delve deeper into excellent tradition, introducing more culturally distinctive and competitive products to the world, telling great Chinese stories.

Firmly persist in a global expansion strategy. At FriendTimes, we tailor differentiated and localized game contents and marketing materials for overseas users in various regions, so as to better attract and retain local players. In addition to achieving excellent performance and reputation domestically, many of our products are also highly acclaimed in Hong Kong, Macau, and Taiwan (China), South Korea, Japan, Southeast Asia, and North America, frequently ranking at the top of the Apple App Store's best-selling games list. As a result, we have been awarded "Key National Cultural Export Enterprise" for four consecutive years. We will continue to strengthen our capabilities in product localization and overseas customization, and improve delivery efficiency through advanced tools and algorithms, thereby continuing to enhance our overseas distribution capabilities. Our domestic products carry on the responsibility and mission of promoting Chinese culture, while our overseas customized products focus on showcasing local cultures and histories, thus facilitating cultural exchange both domestically and abroad.

Innovate a diversified product matrix. At FriendTimes, we have consistently adhered to the strategy of "quality, diversification, and globalization". Besides continuing to explore creative breakthroughs in the midst of our deepening development of our core competitive areas, we will improve our talent pool development, so that we expect to continue leading the female-oriented market segment, create more flagship products, and enrich the diversified product pipeline. By gaining insight into the evolving female values, we create a variety of themed products, including ancient-style heroines, ancient detective stories, classic martial arts, modern Chinese style, modern office affairs, Western customized games, H5 Mini Games, and other products for general users. Furthermore, we aggressively search for creative projects, identify talented individuals, and provide resource support. Adopting a combination of top-down and bottom-up approaches to develop new products, we will continue to enrich our game reserves.

Always actively undertake social responsibility. With promotion and protection of traditional culture as our foundation, FriendTimes adheres to the integrated development of culture and technology, and is committed to creating products based on our excellent Chinese culture. In terms of protecting minors, we strictly follow national policies, comprehensively implementing real-name authentication, anti-addiction systems, and age-appropriate reminders for games, and make every effort to safeguard the healthy growth of minors. Regarding user information security, through continuously strengthening the information security, data protection function and digitalization, our system has met the internationally adopted requirement of ISO/IEC 27001 information security management system, ensuring the security of users' personal information with standardized management systems. At the same time, we actively participate in public welfare undertakings, such as donating pandemic prevention materials and care packages to Suzhou Industrial Park Charity Federation (蘇州工業園區慈善總會), supporting the improvement of education and teaching standards in remote areas, and donating books, computers, and other learning supplies to schools in Sichuan Zhaojue, Shaanxi Yan'an, Guizhou and other places.

Looking ahead, FriendTimes will demonstrate its determination and courage where we will burn our boats. In addition, we will actively realign our strategic directions to optimize our business arrangements, while improving our internal management with concrete measures to enhance our team efficiency. Furthermore, we will continue to enhance our capabilities in independent research and development and innovation, and leverage creative elements to activate cultural connotations. To weather through winter to embrace spring, we shall spare no efforts to create high-quality products and services.

Lastly, on behalf of the Board, I would like to take this opportunity to thank the management of the Group and all our staff for their hard work over the past year. I would also like to extend my sincere gratitude to our Shareholders, business partners and stakeholders for their continued support, and wish for continuous support in the future.

Jiang Xiaohuang
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

As a leading mobile game developer, publisher and operator integrated with research and operation in the PRC, the Group has been focusing on content and quality of products, and is committed to creating timeless high-quality products for the world and becoming a global outstanding cultural and creative enterprise.

The Group is headquartered in Suzhou, China, with branches in regions including Shanghai, Wuxi, Chengdu and Hong Kong in China, and South Korea, and was listed on the Main Board of the Stock Exchange on 8 October 2019. Since our inception in 2010, we have been strategically focusing on mobile games targeting female players to capture the significant growth potential in both the mobile game industry and the female-oriented game market. We successfully launched core products such as the Legend of Empress (熹妃傳), the Royal Chaos (熹妃Q傳), the Fate of the Empress (浮生為卿歌), Promise of Lingyun (凌雲諾), Twist of the Fate (浮生憶玲瓏) and others, which are well received among users.

As a key national cultural export enterprise and a pioneer in the segment of female-oriented mobile games, the Group keeps a professional global distribution and operation team, while consolidating the leading position in the domestic female market, we are also exploring overseas markets actively. We continue to adhere to the corporate cultural mission of “Let Culture Create Values”, and are committed to spreading excellent traditional Chinese culture to a wider group and region, so as to build a carrier for global outstanding cultural exchanges, promote cultural inheritance and heritage, constantly explore cultural values, and shape a more profound influence of culture.

Review

In 2023, the global market was replete with changes and uncertainties, including slow economic recovery across the globe coupled with continuing impacts in the post-pandemic era, the seesaw of inflation and deflation, and industrial transition driven by rapid breakthroughs in technological innovation, posing new challenges to businesses. In addition, the gaming industry is also facing many changes on various fronts such as competition over market share and rising marketing costs, as a result of which the Group reported significant fluctuation in its results.

For the year ended 31 December 2023, the Group’s total revenue was approximately RMB1,056.0 million, decreasing by approximately 30.7% as compared to the corresponding period of last year; the net loss for the year was approximately RMB138.1 million, as compared to the profit for the previous year amounting to approximately RMB25.1 million; the adjusted net loss for the year was approximately RMB133.0 million, as compared to the adjusted profit for the previous year amounting to approximately RMB41.4 million.

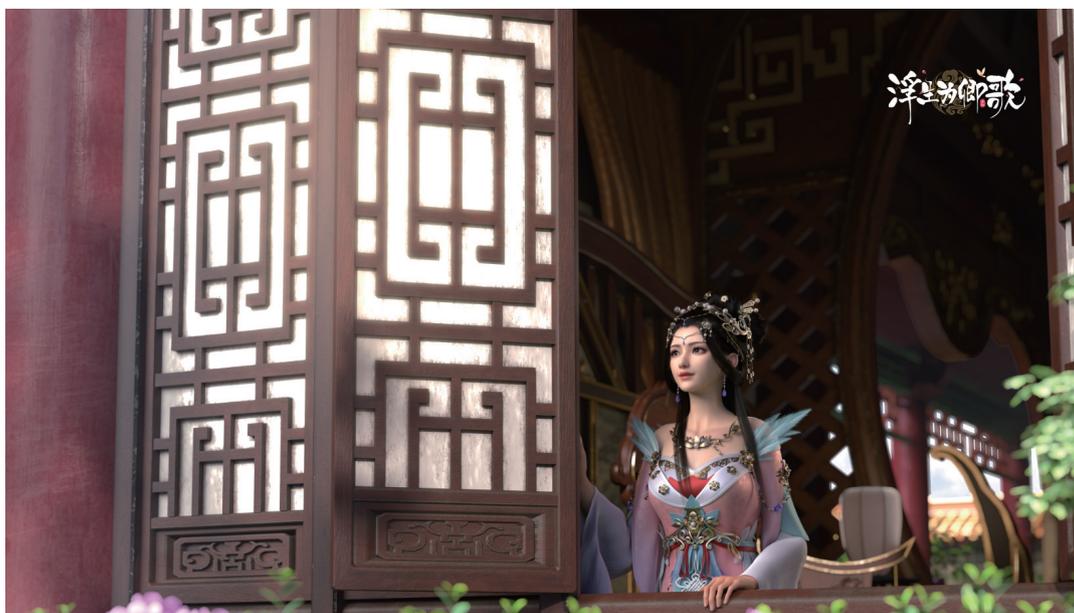
The decline in the Group’s results was mainly due to the following factors: the underperformance of the new game “A Story of Lala’s: Rising Star (杜拉拉升職記)” launched in 2023, coupled with the promotion expenses for its launch; the normal fall-off in underlying revenue from old games as they proceed with their lifecycle; impairment of deferred tax assets of approximately RMB60 million as a result of the expected unavailability of tax losses before they expire under the uncertainty of fluctuation in the Company’s results; and the marketing expenses in the second half of 2023, as a result of the increased promotion activities before the launch of the new game “Twist of the Fate” (浮生憶玲瓏).

The Group maintains long-term income from our games through frequent iterations and content updates, supplemented by our refined operation strategies such as long-running media buying. Launched in June 2015, Legend of Empress (熹妃傳) attracted a vast number of players due to its unique game design and rich content, even with an average monthly revenue close to RMB10 million in 2023, remaining as a contributor to our net profits. Meanwhile, the Group leveraged the distribution advantages on overseas expansion and localization, and continued to optimize the inheritance and promotion of traditional culture, integrating Chinese cultural elements into our products and exploring overseas markets for our games in order to promote our traditional culture to the world.

The Group continues to increase its capabilities in research and development and innovation to accelerate the strategic deployment of cutting-edge technologies such as AIGC, which will be integrated into aesthetic production, plot planning, game interaction, copywriting, production of placement materials, etc. Utilization of such new technology will help develop smarter development tools, editors, data models, thereby fully enhancing our efficiency at lower costs. As one of the first eco-partners of Baidu’s “ERNIE Bot” (文心一言), the Group will help to improve the NPC interaction function in the game, and increase in-game flexibility and enhance the emotional connection between players. In addition, several of the Group’s games have completed the development of native apps for Huawei’s HarmonyOS, officially joining the Harmony ecosystem to explore the collaboration on more technological application scenarios. Furthermore, the Group has been actively exploring various innovative AI applications at home and abroad, and attempting to integrate AI/XR functions into gameplay, with certain new features entering the testing period.

To promote our stable and sustainable development as part of our proactive commitments to responding to the current market conditions, the Group will continue to strengthen our comprehensive budget management and cost control to achieve cost reduction and efficiency improvement, enhancing our core competitiveness. In terms of technology, we will actively embrace AIGC by deeply integrating it across various business aspects, enhancing our research and operational efficiency. In terms of project management, we will bolster the cost monitoring, analysis, assessment and decision-making processes, while exercising strict cost control and effective lifecycle planning, including a higher phased assessment standard for new projects. In terms of marketing and customer operation, we will utilize scientific methods and tools for efficient cost management, and redouble our efforts to identify new customers and new channels through new brand promotion plans, while ensuring targeted services for our potential players and long-term retention of our existing users. In terms of personnel management, we will actively promote the improvement of staff effectiveness and perfect multidimensional incentive policies to stimulate organizational dynamics and employee creativity.

Fate of the Empress (浮生為卿歌)



The Fate of the Empress (浮生為卿歌) was officially launched on 31 December 2019, being the flagship female-oriented product of the Group in relation to ancient Chinese culture. There was innovative interaction among users, scenes and objects in the game. The real-time weather algorithm system has enabled the light-and-shadow effect of the ever-changing weather such as rainy, snowy, sunny, cloudy, daytime and nighttime. The traditional Chinese architectural style has been integrated into the landscape, fully demonstrating the oriental aesthetics taste. The fashion designed for game characters draws on the typical apparel elements of all the dynasties and takes into account the age, identity, social status and personalities of the characters, aiming at integrating the traditional culture to restore the image of Chinese ancient characters which allows players to always experience the details of the Chinese culture.

We explore new pathways for the integration of culture and tourism, by striving to infuse traditional history into game-based cultural creations, which will transform games into a new medium for promoting traditional culture. The Fate of the Empress (浮生為卿歌) incorporates Chinese architectural styles and garden aesthetics, showcasing a strong Oriental touch and artistic conception of garden. We also entered into crossover collaboration with intangible cultural heritages, such as Suzhou Taohuawu wood-block new year painting, Suzhou Kunqu opera, and Weifang kites. In the game, inspired by the afterglow of the heavenly palace (天闕之霞), in combination with the artistic conception by the poet Tao Yuanming where “Mountain air is pleasant day and night, birds on the wing would gather in pairs as they home return.” (山氣日夕佳，飛鳥相與還), our stylists designed a new aesthetic Chinese-style fashion “Scarlet Embroidered Gown” (錦繡赤霞). The Fate of the Empress (浮生為卿歌) which rides on the inheritance and promotion of the excellent Chinese culture has been launched in various regions including Hong Kong, Macau, and Taiwan (China), South Korea, Japan, North America, and Southeast Asia, and selected as one of the “National Cultural Export Key Projects” and one of the “International Cooperation Key Projects in the Cultural Tourism Industry” by the Ministry of Culture and Tourism under the “Belt and Road” Initiative.



We continue to introduce exclusive operational activities, including innovative gameplay, new maps, and character costumes and props, to enrich the game content and satisfy players’ gaming experience. For instance, we updated the in-game gameplay characterized by “discipleship”, by introducing unique missions such as “Growing the Peach Tree under Discipleship”(師門桃李樹) and “Fishing at Pond under Discipleship”(師門魚塘), allowing players to advance together with their fellow disciples. Inspired by the ancient Chinese mythological concept of the Jade Rabbit, we created the cute and charming new pet “Imperial Tang Palace Jade Rabbit”, who holds a rabbit-shaped lantern and is adored by players. We comprehensively upgraded the mount gameplay, by introducing the “Double Mount Ride”(騎行雙陸) and “Spirit Court” (御靈閣) gameplay, as well as new special mounts. In 2023, the Fate of the Empress (浮生為卿歌) won the 39th place in the best-selling iOS game list in Mainland China.

Promise of Lingyun (凌雲諾)



The Promise of Lingyun (凌雲諾), which was launched in 20 January 2022, is a glamorous Chinese-style social mobile game with modern art. It blends classical aspects with modern art to demonstrate the fascinating ancient Chinese culture. With the traditional and innovative new style of Chinese drawing technique, we have created for the game a variety of Chinese-styled features such as glamorous costume, manor creation and social interaction by means of poetry and painting. Besides, through small fun games such as floral art, drinking games and mahjong-styled games, details of the game are much developed, thereby allowing the players to enjoy the remastered pictures of ancient Chinese lifestyles centuries ago.

The Promise of Lingyun (凌雲諾) is dedicated to deeply cultivating traditional culture, by scavenging for relics from the customs and humanities of past dynasties, with a view to igniting fresh inspiration through the acumen of the new era. Inspired by the “Major Court Hymns” (大雅) in the poem collection “Classic of Poetry” (詩經), we uncover the essence of Chinese civilization from the talents and virtues of the Zhou Dynasty, introducing the stunningly traditional Chinese attire “Whisper from Classic of Poetry” (大雅微音), which has been featured in the Chinese-style theme and recommended on Today, homepage of Apple App Store. Furthermore, the Promise of Lingyun (凌雲諾) collaborated with Ms. Ni Wanwen (倪婉文) (a successor of the intangible cultural heritage Suzhou-style paper cutting (carving) art) on a game event, celebrating both the Chinese New Year and its own anniversary. During the celebration, our gaming audiences were presented with the paper-cutting artwork “Shadow Engraved in the Chronicle” (韶光鐫影), which is selected by Ms. Ni based on a new school of fine arts to highlight the Chinese New Year festivities. In 2023, the Promise of Lingyun (凌雲諾) was awarded the Golden Gyro Awards for “Outstanding Game with Cultural Heritage of the Year”.



We continue to update new gameplay features of interaction within the game and specific marketing activities, bringing players more surprises and fun. In collaboration with the popular Chinese healing anime Fairies Album (百妖譜) from Bilibili, the Promise of Lingyun (凌雲諾) introduced a theme event called Tales in Summer (夏日奇譚), unlocking interactive followers, pets, and mounts. By integrating ancient classical elegance into the modern content, the event presents a unique early summer feast featuring Chinese comics and ancient Chinese culture to fans and players. In January 2023, the Promise of Lingyun (凌雲諾) prepared a dual celebration “with Spring approaching, our land remains unscathed” (山河無恙又一春) to celebrate its anniversary and the upcoming Spring Festival. In this celebration, Chinese characters for blessings are collected to unlock free outfits, and the interactive topic “My Year in Daqi Imperial City” (我在大啟這一年) is launched on social platforms such as Weibo, Xiaohongshu, and Douyin (TikTok), receiving numerous contributions from players.

Games Released Recently

Twist of the Fate (浮生憶玲瓏)



As the Company's strategic flagship product, *Twist of the Fate* (浮生憶玲瓏), love and mystery themed ancient-style mobile game, is inherited from the *Fate of the Empress* (浮生為卿歌), which creates a new theme adopts next-generation engine effects, artistic production techniques and innovative gameplay features, aiming to bring players a free, realistic and multifaceted gameplay experience. The game focuses on creating an “artistic conception” (意境) of Chinese aesthetics, which showcases a poetic landscape of “mountains shrouding in clouds and mist rising from water” and presents users with a Chinese-style visual experience of “full words and endless meanings”. Through a series of gameplay modes such as deciphering clues, collecting adventures, and unlocking multiple identities, the game builds an open world with “Love & Mystery” for players.

The Twist of the Fate (浮生憶玲瓏), which was officially launched on 2 January 2024, received front-page recommendations from major channels, including Apple App Store and Huawei App Market, and soared to the top of the game rankings on Bilibili, Weibo, and TapTap. The Twist of the Fate (浮生憶玲瓏) appoints the ancient costume icon Mr. Luo Yunxi as its spokesperson, who takes on the role of a secret agent Yunxi. Clad in white and holding a folding fan with a mysterious background in the game, he demonstrates his superb detective talent in the Bianjing City of Da Yin. Ms. Liu Xijun, a renowned Chinese singer as well as music producer, performs the theme song of the Twist of the Fate as the Ambassador of Twist of the Fate (玲瓏推薦官), with the related music video released on QQ Music, Kugou Music, and Kuwo Music platforms on 7 February. Up to date, the Twist of the Fate (浮生憶玲瓏) has claimed the highest 39th ranking on the iOS game bestseller list for Chinese mainland.



As for scenes, the game adopts a Chinese aesthetic design, and incorporates the elements of ancient Jiangnan charm into its architectures, recreating the courtyards and buildings of the fictional Bianjing City characterized by the Jiangnan water town. Certain instance dungeons of the game follow the ink painting style with reference to the traditional Chinese art of landscape painting, highlighting a different aesthetic conception, while creating a sense of vitality through rich layers. As for storyline, the game centers on

“detective investigation”, and advances the interlocking plot by having the protagonists realize their own value. In the game, players will play as the students who graduated from Linglong Academy and come to the capital city to fulfill their promises with the senior male apprentice. During the period, the players will make many friends and they solve a series of mysterious cases together. Although the society suffered from rampant turbulence, they will push aside all obstacles and difficulties and ultimately lead the world to peace. As for gameplay, the game focuses on “Love & Mystery” content, by offering a variety of open-ended activities to enrich the player experience, including DIY ancient-style garden architectures, multiple identity mini-games, visiting influencer attractions, collecting adventures, and pet nurturing.

Since its launch, the *Twist of the Fate* (浮生憶玲瓏) has partnered with the China Academy of Art to embark on a “Jiangnan Aesthetics” collaborative research project. Inspired by the myriad aspects of the fictional life in the game in combination with elements of national aesthetic, a new Jiangnan lantern, “Linglong Lantern”, was created. This effort marries and exports the intangible Chinese cultural heritage to virtual gaming, with plans to introduce a new Chinese-style fashion headpiece, “Linglong Hairpin”, designed by the China Academy of Art. In addition, the *Twist of the Fate* (浮生憶玲瓏) has developed a cultural and tourism plan for Suzhou and Hangzhou, including a new Chinese-style Jiangnan afternoon tea, “Linglong Feast”, in collaboration with West Lake (西湖) in Hangzhou, and romantic lantern festival activities for Valentine’s Day and Lantern Festival in collaboration with the Suzhou Qilishantang (七里山塘) Scenic Area.



Beyond cultural and tourism collaborations, the Twist of the Fate (浮生憶玲瓏) has launched a series of special brand collaboration events, and explores crossover partnerships with well-known consumer goods to engage more users and provide players with a diverse range of gaming experiences and benefits. For instance, the game teamed up with the Zhuyun milk tea brand “Brown Smoke and Rain” (茶色煙雨) to launch a co-branded milk tea “Linglong Cup”, and added a “Brown Smoke and Rain Stall” site on Bianjing Street in the game. Furthermore, its co-creation of a “Linglong” jewelry with the national jewelry brand “Zhou Liu Fu” (周六福) merges ancient gold craftsmanship with aesthetic elements to break down barriers between game and reality.

Game Reserve

Ink Sword: Jianghu (墨劍江湖) (previously known as Code: WX (代號 : WX))

Ink Sword: Jianghu (墨劍江湖) is a role-playing strategy game set in a fictional Chinese-style world, featuring the classic wuxia (武俠) as its core. The game illustrates an unrestrained and pleasant world of wuxia, creating stereoscopic and realistic martial artists, and a multi-dimensional wuxia epic. Players can foster their own martial arts systems without restrictions, enjoy the fun of tactics and moves, and experience the love in the wuxia world.



The Ink Sword: Jianghu (墨劍江湖) obtained a game version number issued by the National Press and Publication Administration in October 2023. The game restores the authenticity of martial arts, creating a realistic martial arts training experience combined with unique battle chess gameplay. It features a variety of secret realm scenes and rich level designs, unlocking lost martial arts techniques and adventures, and depicting a martial world replete with dangers and surprises. The game has received multiple tests and continuous optimization, with recent paid tests performing beyond expectations.

Reign of Destiny (previously known as Code: PE (代號 : PE))

Reign of Destiny is a female-oriented role-playing game set in a fictional European royal world. The game portrays the Western royal family with immersive audio-visual experiences and a multi-dimensional storytelling approach, creating a dynasty of legendary queen. Players will enter the royal world, experience the struggle for power, enjoy emotional interactions, and cast a generation of queen legends.



The Reign of Destiny, the Group's product tailored for the European and American markets, targets the overseas female audience. Set in medieval Europe, the gameplay involves multiple forces and events, allowing players to explore and experience the war conflicts, political competitions, cultural integration, and economic development of different eras. The game is currently undergoing paid testing in multiple regions, including North America and Southeast Asia.

Creativity Projects

By breaking traditional mindsets in response to industrial developments, the Group actively explores gameplay and themes that can think out of boxes and meet the preferences of different user groups. In addition to the aforementioned product reserve, several creative incubation projects and customized products for overseas markets are under development, including the conversion of released game apps into H5 Mini Games, tile-matching casual games, social esports, party games, and more.

SOCIAL RESPONSIBILITIES

The Group actively fulfills its corporate social responsibility by integrating the environmental, social, and governance (“ESG”) issues into its entire corporate management framework, while striving to build a healthy and harmonious online and offline ecosystem through charity activities. Despite being a mobile game developer, publisher, and operator, which does not have a significant impact on the environment in terms of business operations, the Group still actively responds to national environmental policies related to carbon neutrality, energy conservation, and waste reduction, by promoting sustainable development practices within the Company. In addition to establishing the ESG policies and procedures, the Group actively encourages our products and platforms to participate in the ESG strategies, while integrating the sustainability concept into our daily operational management to enhance the environmental awareness among our employees and achieve long-term prosperity.

As always, the Group continues to contribute its efforts to promote charity campaigns through diverse philanthropic commitments. By consistently taking practical actions in areas such as education assistance, animal rescue, “red culture education”, environmental protection, and epidemic prevention and control, the Group continues to fulfill its social responsibility and mission, demonstrating and delivering a message of love in public welfare. In June 2023, the Group donated hundreds of books and sets of sports equipment to schools in mountainous areas of Yunnan Province, making our due contribution to enriching the educational and sports resources of schools in remote areas and promoting the all-round development of students.

In strict compliance with relevant national policies, the Group connects all of its games to a comprehensive system encompassing real-name authentication, anti-addiction procedures, and age-appropriate reminders, imposes restrictions on underage spending, and operates a parental guardianship project with a dedicated channel for complaints from minors. To strictly enforce the new regulations on preventing addiction among minors issued by the National Press and Publication Administration, we only offer 1 hour of online gaming services to minors from 8 pm to 9 pm on Fridays, Saturdays, Sundays, and statutory holidays, ensuring the healthy growth of minors.

As for user information security, the Company continues to improve and optimize systems related to responsibilities for the principals, data security, and the filing of new technologies and applications. The Group has established systems for network content security, data security, and account management. As for user privacy protection, under stringent management systems and procedural frameworks, we exercise rigorous control over information security risks, and strictly align with relevant laws and regulations in all operating regions globally, thereby safeguarding data security, while maximally securing user personal information.

OUTLOOK

Looking into the future, in the wake of complicated international political landscape, evolving domestic and foreign policy environments, and an increasingly competitive industry environment, the Group will continue to enhance its research and development capabilities. By utilizing new technologies such as AI/XR, we aim to deepen the industrialization of gaming that will bring a more refined and diverse product matrix, and improve the long-term operational capabilities of games. We will pursue the work of effective iteration and improvement in management systems and assessment mechanisms, rationally allocate human resources, establish multi-level compensation systems, improve cost control and efficiency enhancement. Besides being committed to a global development strategy, we will fully push forward with the product strategies of gaming localization and overseas customization. While promoting the Chinese culture, we also focus on integrating overseas cultures with game elements to promote the exchange and integration of global cultures, contributing to the prosperity and development of the industry.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2023

(Expressed in Renminbi)

		Years ended 31 December	
		2023	2022
	Note	RMB'000	RMB'000
Revenue	2	1,056,033	1,524,391
Cost of sales		(353,628)	(480,277)
Gross profit		702,405	1,044,114
Other net income		55,910	48,178
Sales and marketing expenses		(430,780)	(647,268)
Research and development expenses		(345,993)	(357,496)
General and administrative expenses		(50,270)	(69,619)
Other expenses — donations		(19)	(672)
(Loss)/profit from operations		(68,747)	17,237
Finance costs		(1,438)	(39)
Share of loss of associates and joint venture		—	(1,253)
Changes in fair value of financial assets measured at fair value through profit or loss		(2,743)	8,485
(Loss)/profit before taxation	3	(72,928)	24,430
Income tax	4	(65,192)	681
(Loss)/profit for the year		(138,120)	25,111
(Loss)/Earnings per share			
Basic and diluted (RMB)	5	(0.06)	0.01

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

for the year ended 31 December 2023

(Expressed in Renminbi)

	Years ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the year	(138,120)	25,111
Other comprehensive income for the year		
Item that will not be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of the Company	1,578	12,299
Equity investments at FVOCI — net movement in fair value reserves (non-recycling)	<u>—</u>	<u>(5,900)</u>
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside mainland China	<u>4,761</u>	<u>26,524</u>
(Loss)/profit and total comprehensive income for the period	<u>(131,781)</u>	<u>58,034</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

(Expressed in Renminbi)

		As at 31 December	
		2023	2022
	Note	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		242,468	266,294
Intangible assets		2,051	3,790
Right-of-use assets		8,149	9,235
Financial assets measured at fair value through profit or loss	6	92,847	86,571
Film right		–	262
Time deposits		61,490	114,097
Deferred tax assets		8,879	72,681
Other receivables		1,915	2,508
Other non-current assets		–	486
		<u>417,799</u>	<u>555,924</u>
Current assets			
Contract costs		3,761	5,243
Financial assets measured at fair value through profit or loss	6	381,394	404,744
Trade and other receivables	7	87,409	104,061
Pledged bank deposits		1,851	1,809
Restricted cash		5,522	–
Time deposits		171,663	137,457
Cash and cash equivalents		396,216	403,942
		<u>1,047,816</u>	<u>1,057,256</u>
Current liabilities			
Bank loans		147,419	–
Trade and other payables	8	90,328	80,053
Contract liabilities		16,110	24,985
Current taxation		1,412	19
Lease liabilities		465	908
		<u>255,734</u>	<u>105,965</u>
Net current assets		<u>792,082</u>	<u>951,291</u>
Total assets less current liabilities		<u>1,209,881</u>	<u>1,507,215</u>

		As at 31 December	
		2023	2022
	<i>Note</i>	RMB'000	RMB'000
Non-current liability			
Contract liabilities		6,319	9,801
Lease liabilities		–	465
		<u>6,319</u>	<u>10,266</u>
		-----	-----
NET ASSETS		<u>1,203,562</u>	<u>1,496,949</u>
CAPITAL AND RESERVES			
	9		
Share capital		154	154
Reserves		<u>1,203,408</u>	<u>1,496,795</u>
TOTAL EQUITY		<u>1,203,562</u>	<u>1,496,949</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES

The consolidated financial statements for the year ended 31 December 2023 comprise the Group and the Group's interest in associates and a joint venture.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "Functional Currency"). The financial statements are presented in RMB, rounded to the nearest thousands except for per share information, which is the presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that certain investments are stated at their fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

2 REVENUE

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by business lines is as follows:

	Years ended 31 December	
	2023	2022
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by business lines		
— Revenue from self-developed games published by the Group	1,013,412	1,470,470
— Revenue from self-developed games published through intellectual property license arrangement and others	42,621	53,921
	<u>1,056,033</u>	<u>1,524,391</u>

(ii) **Geographic information**

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the games were published, the intellectual property was licensed or the services were provided.

	Years ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland of the PRC	721,090	1,134,566
Overseas	334,943	389,825
	<u>1,056,033</u>	<u>1,524,391</u>

3 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(credited):

(a) **Staff costs**

	Years ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	303,384	314,209
Equity settled share-based payments	5,166	16,318
Contributions to defined contribution plans	52,155	48,693
	<u>360,705</u>	<u>379,220</u>

(b) **Other items**

	Years ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of property, plant and equipment	25,760	26,276
Depreciation of right-of-use assets	1,086	1,273
Amortisation of intangible assets	1,474	1,578
Impairment losses recognised/(reversed) in trade and other receivables	4	(133)
Impairment losses of interest in associates and joint venture	–	8,080
Impairment losses of inventories	–	597
Auditors' remuneration	1,980	2,080
	<u>1,980</u>	<u>2,080</u>

4 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss represents:

	Years ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current tax:		
Provision for current income tax for the year	1,390	–
Deferred tax:		
Origination and reversal of temporary differences	63,802	(681)
	<u>65,192</u>	<u>(681)</u>

(b) Reconciliation between actual income tax and accounting profit at applicable tax rates:

	Note	Years ended 31 December	
		2023	2022
		RMB'000	RMB'000
(Loss)/profit before taxation		<u>(72,928)</u>	<u>24,430</u>
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned	(i)	(24,089)	4,538
Tax effect of preferential tax rate	(ii)	(6,437)	(8,030)
Super-deduction of research and development expense	(iii)	(59,261)	(6,174)
Tax effect of non-deductible expenses		1,458	4,287
Tax effect of tax losses not recognised		87,834	4,698
Tax effect of write-down of previously recognised tax losses		60,219	–
Tax effect of temporary differences not recognised, net of utilisation of temporary differences not recognised in prior years		5,468	–
Actual income tax		<u>65,192</u>	<u>(681)</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

The Company's subsidiary incorporated in Hong Kong is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2022. Payments of dividends by Hong Kong companies are not subject to any withholding tax.

The Company's subsidiary incorporated in South Korea is liable to South Korea Profits tax at progressive tax rates from 9% to 24% of annual taxable profits.

The Group's PRC subsidiaries are liable to the PRC corporate income tax rate of 25%.

- (ii) The subsidiary of the Company, Suzhou Purple Blaze Network Technology Co., Ltd. ("Purple Blaze") is entitled to a preferential income tax rate of 0% in 2018 and 2019, and 12.5% from 2020 to 2022 and 25% from 2023 onwards as Software Enterprise.

The subsidiary of the Company, Suzhou Cheeryoo Network Technology Co., Ltd. ("Suzhou Cheeryoo") is entitled to a preferential income tax rate of 0% in 2021 and 2022 as Software Enterprise, and 15% from 2023 onwards as High and New Technology Enterprise.

According to tax regulation issued by IRD, only profits which have a source in Hong Kong are taxable, while profits sourced offshore are not subject to Hong Kong Profits Tax. In 2021, the Inland Revenue Department's (IRD) has reviewed and subsequently agreed the offshore claims lodged by the subsidiary of the Company, Wish Interactive Technology Limited ("Wish Interactive"), that all of the income is treated as offshore sourced and non-taxable. The income of Wish Interactive remains being treated as offshore sourced and non-taxable for the year ended 31 December 2022. On 1 January 2023, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 came into effect. This legislation has introduced a new "foreign-sourced income exemption" ("FSIE") regime in the Hong Kong SAR. Under the new FSIE regime, intellectual property income is no longer exempt when received by an entity that carries out a trade, profession or business in the Hong Kong SAR, if that entity is within a multinational group. For the intellectual property income of Wish Interactive, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

- (iii) Under the PRC Income Tax Law and its relevant regulations, 75% additional tax deduction is allowed for qualified research and development costs from 1 January 2022 to 30 September 2022, and 100% additional tax deduction is allowed for qualified research and development costs from 1 October 2022 to 31 December 2023.

6 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Investment in Limited Liability Partnerships (“LLPs”)	92,847	86,571
Investment in wealth management products	356,133	360,000
Listed equity securities	25,261	16,394
Unlisted equity securities	–	28,350
	<u>474,241</u>	<u>491,315</u>
Financial assets measured at fair value through profit or loss included in the consolidated financial statement:		
Current	381,394	404,744
Non-current	92,847	86,571
	<u>474,241</u>	<u>491,315</u>

7 TRADE AND OTHER RECEIVABLES

		As at 31 December	
		2023	2022
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		58,329	73,342
Less: Loss allowance		(4)	(1)
Trade receivables, net	(a)	58,325	73,341
Prepayments		7,881	11,855
VAT deductible		4,330	544
Income tax recoverable		12,014	11,854
Other receivables		6,774	8,975
		<u>89,324</u>	<u>106,569</u>
Current		87,409	104,061
Non current		1,915	2,508
		<u>89,324</u>	<u>106,569</u>

All of trade and other receivables classified as current portion are expected to be recovered or recognised as expenses within one year.

(a) Ageing analysis

As at the end of each of the years ended 31 December 2022 and 2023, the ageing analysis of trade receivables, based on the invoice date and net of allowance, is as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within 3 months	58,328	73,341
After 3 months but within 1 year	1	1
After 1 year but within 2 years	–	–
Less: Loss allowance	(4)	(1)
	<u>58,325</u>	<u>73,341</u>
Trade receivables, net	<u>58,325</u>	<u>73,341</u>

8 TRADE AND OTHER PAYABLES

	Note	As at 31 December	
		2023	2022
		RMB'000	RMB'000
Trade payables	(a)	31,455	17,226
Accrued payroll		55,216	56,529
Payables related to property, plant and equipment		–	1,363
Other payables and accruals		3,657	4,935
		<u>90,328</u>	<u>80,053</u>
Trade and other payables		<u>90,328</u>	<u>80,053</u>

All trade and other payables are expected to be settled within one year or are repayable on demand.

(a) An ageing analysis of trade payables, based on the invoice date, is as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within 3 months	31,435	16,516
Over 3 months but within 6 months	3	66
Over 6 months but within 12 months	–	47
Over 1 year	17	597
	<u>31,455</u>	<u>17,226</u>
	<u>31,455</u>	<u>17,226</u>

9. CAPITAL AND RESERVES

(a) Dividends

Dividends payable to equity shareholders of the Company attributable to the year:

	2023	2022
	RMB'000	RMB'000
No dividend proposed after the end of the year ended 31 December 2023 (2022: Special dividend HK\$0.06 per ordinary share)	<u>–</u>	<u>116,885</u>

(b) Share capital

(i) Issued share capital

	Par Value	No. of shares	US\$
	<i>US\$</i>	<i>'000</i>	<i>'000</i>
As at 1 January 2022, 31 December 2022 and 2023	<u>0.00001</u>	<u>2,180,850</u>	<u>20</u>
RMB equivalent ('000)			<u>154</u>

(ii) Shares held for Share Award Scheme

	2023	2022	2023	2022
	Shares	Shares	Shares	Shares
			HK\$ '000	HK\$'000
Shares held for Share Award Scheme	<u>60,200,000</u>	<u>–</u>	<u>52,989</u>	<u>–</u>

These shares of the Company were acquired and held by an independent professional trustee (the “Trustee”) for the purpose of granting shares under the Share Award Scheme (note 9(c)) adopted by the Company. During the year ended 31 December 2023, total amount of HK\$59,000,000 (2022: Nil) was paid to the Trustee, with a balance of unutilised cash of HK\$6,011,000 as restricted cash as at 31 December 2023 (2022: Nil).

(c) Equity settled share-based transactions

The Company has adopted a Share Award Scheme on 14 September 2020 for the purpose of incentivise directors, senior management and certain key employees for their contribution to the Group, and to attract and retain skilled and experienced personnel for the future growth of the Group by providing them with the opportunity to own equity interests in the Company. Mr Jiang Xiaohuang, the controlling shareholder of the Company, decided to indirectly transfer an aggregate of 80,000,000 shares of the Company as a gift within three years, at nil consideration, as the pool of shares of the Share Award Scheme. A trust has been set up for the administration and vesting of RSUs granted pursuant to the Share Award Scheme.

On 1 January 2021, the first aggregate of 40,000,000 restricted shares were granted for nil consideration to 37 eligible employees of the Group under the Share Award Scheme with fair value of HKD1.99 per share determined by the latest closing market price of the shares to the date of grant. These restricted shares vest for a period from 1 month to 49 months. In addition to the service condition, there are other vesting conditions related to the employee's performance and the Group's performance for each of the vesting period.

On 5 January 2022, the aggregate of 16,000,000 restricted shares were granted for nil consideration to 27 eligible employees of the Group under the Share Award Scheme with fair value of HKD1.33 per share determined by the latest closing market price of the shares to the date of grant . These restricted shares vest for a period from 1 month to 37 months. In addition to the service condition, there are other vesting conditions related to the employee's performance and the Group's performance for each of the vesting period.

On 2 January 2023, the aggregate of 2,152,000 restricted shares were granted for nil consideration to 5 eligible employees of the Group under the Share Award Scheme with fair value of HKD0.96 per share determined by the latest closing market price of the shares up to the date of grant. These restricted shares vest for a period from 1 month to 37 months. In addition to the service condition, there are other vesting conditions related to the employee's performance and the Group's performance for each of the vesting period.

On 5 January 2023, the aggregate of 6,461,600 restricted shares were granted for nil consideration to 22 eligible employees of the Group under the Share Award Scheme with fair value of HKD0.99 per share determined by the latest closing market price of the shares up to the date of grant. These restricted shares vest for a period of 1 month with only service condition.

The terms and conditions of the grants are as follows:

	Number of RSUs	Vesting Conditions	Contractual life of RSUs
RSUs granted to directors:			
— on 1 January 2021	4,000,000	25%, 25%, 20%, 20% and 10% of total shares separately vested in the 1st, 13th, 25th, 37th and 49th month after the grant date	1 month to 49 months
RSUs granted to employees:			
— on 1 January 2021	36,000,000	23%, 23%, 20%, 20% and 14% of total shares separately vested in the 1st, 13th, 25th, 37th and 49th month after the grant date	1 month to 49 months
— on 5 January 2022	16,000,000	54%, 16%, 20% and 10% of total shares separately vested in the 1st, 13th, 25th and 37th month after the grant date	1 month to 37 months
— on 2 January 2023	2,152,000	54%, 14%, 19% and 13% of total shares separately vested in the 1st, 13th, 25th and 37th month after the grant date	1 month to 37 months
— on 5 January 2023	6,461,600	100% of total shares separately vested in the 1st month after the grant date	1 month
Total RSUs granted	<u>64,613,600</u>		

Movements in the number of RSUs granted to the Group's directors, senior management, and employees and the respective weighted-average grant date fair value are as follows:

	Number of RSUs	Weighted average grant date fair value per RSU <i>HKD</i>
Outstanding as of 31 December 2022	26,186,000	1.81
Granted during the year	8,613,600	0.98
Forfeited during the year	(7,121,600)	1.80
Vested during the year	<u>(11,061,600)</u>	<u>1.26</u>
Outstanding as of 31 December 2023	<u><u>16,616,400</u></u>	<u><u>1.75</u></u>

During the year ended 31 December 2023, a total number of 11,061,600 shares had been vested. As at 31 December 2023, a total of 16,616,400 shares was outstanding for vesting.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2023, the Group recorded revenue of approximately RMB1,056.0 million, representing a decrease of approximately RMB468.4 million or approximately 30.7% from approximately RMB1,524.4 million for the year ended 31 December 2022. The decrease in revenue in 2023 was mainly due to the normal decline in revenue related to old games with the growth of the life cycle. At the same time, new games failed to meet our expectation during the year.

Revenue by activity

The table below sets forth a breakdown of revenue by activity, shown in actual amounts and as percentage to total revenue for the periods indicated:

	Year ended 31 December				Year-on-year % change
	2023		2022		
	RMB'000	%	RMB'000	%	
Revenue from games	1,055,378	99.9%	1,523,559	99.9%	-30.7%
Others	655	0.1%	832	0.1%	-21.3%
Revenue	<u>1,056,033</u>	<u>100.0%</u>	<u>1,524,391</u>	<u>100.0%</u>	<u>-30.7%</u>

Revenue from games by geographic markets

The table below sets forth a breakdown of revenue from games by geographic markets in absolute amounts and as percentages to our total revenue from games for the periods indicated:

	Year ended 31 December				Year-on-year % change
	2023		2022		
	RMB'000	%	RMB'000	%	
Mainland of the PRC	720,435	68.3%	1,133,734	74.4%	-36.5%
Overseas	334,943	31.7%	389,825	25.6%	-14.1%
Revenue from games	<u>1,055,378</u>	<u>100.0%</u>	<u>1,523,559</u>	<u>100.0%</u>	<u>-30.7%</u>

Cost of sales

The Group's cost of sales decreased by 26.4% from approximately RMB480.3 million for the year ended 31 December 2022 to approximately RMB353.6 million for the year ended 31 December 2023, mainly due to the decrease in distribution costs of games, resulting from the declined revenue of the Group.

Gross profit and gross profit margin

As a result of the above, gross profit decreased by 32.7% from approximately RMB1,044.1 million for the year ended 31 December 2022 to approximately RMB702.4 million for the year ended 31 December 2023. Gross profit margin decreased from approximately 68.5% for the year ended 31 December 2022 to approximately 66.5% for the year ended 31 December 2023, mainly due to (i) a decrease in the proportion of revenue from self-owned channels, as compared to an increase in the proportion of revenue from third-party intermodal channels; and (ii) employee expenses incurred by the operations department remaining basically flat, which did not decrease in proportion to the declined revenue.

Sales and marketing expenses

For the year ended 31 December 2023, the Group's sales and marketing expenses amounted to approximately RMB430.8 million, representing a decrease of RMB216.5 million or approximately 33.4% from approximately RMB647.3 million for the year ended 31 December 2022, which was mainly due to higher centralized-promotion expenses incurred in the initial stage upon the launch of the Promise of Lingyun (凌雲諾), a new product, in the prior period, as well as the control of promotion expenses for new products in the current period.

Research and development expenses

For the year ended 31 December 2023, the Group's research and development expenses amounted to approximately RMB346.0 million, representing a decrease of RMB11.5 million or approximately 3.2% from approximately RMB357.5 million for the year ended 31 December 2022, mainly due to a decrease in share-based remuneration expense incurred by the research and development department.

General and administrative expenses

For the year ended 31 December 2023, the Group's administrative expenses amounted to approximately RMB50.3 million, representing a decrease of RMB19.3 million or approximately 27.8% from approximately RMB69.6 million for the year ended 31 December 2022.

Finance costs

For the year ended 31 December 2023, the Group's finance costs amounted to approximately RMB1.44 million, representing an increase of RMB1.40 million from approximately RMB0.04 million for the year ended 31 December 2022.

Income tax

For the year ended 31 December 2023, the Group's income tax expense amounted to approximately RMB65.2 million, representing an increase of RMB65.9 million from the income tax credit of approximately RMB0.7 million for the year ended 31 December 2022, mainly due to the impairment on deferred tax assets as a result of the expected unavailability of tax losses before they expire under the uncertainty caused by business volatility of the Company.

(Loss)/Profit for the year

In 2023, our net loss for the year amounted to approximately RMB138.1 million, representing a decrease of approximately RMB163.2 million or approximately 650.0% compared to a profit for the year of approximately RMB25.1 million in 2022.

Adjusted (Loss)/Profit for the year

Adjusted (loss)/profit for the year is calculated by adding back share-based remuneration expenses to the (loss)/profit for the year.

The table below sets forth the reconciliation between the Group's (loss)/profit and adjusted (loss)/profit for the years ended 31 December 2023 and 2022:

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the year	(138,120)	25,111
Add: Share-based remuneration	5,166	16,318
Adjusted (loss)/profit for the year	<u>(132,954)</u>	<u>41,429</u>

Liquidity and capital resources

As of 31 December 2023, the Group's current liabilities/net assets amounted to approximately 0.21 (31 December 2022: 0.07).

As of 31 December 2023, the Group's cash and cash equivalents amounted to approximately RMB396.2 million. The Group monitors and maintains cash and cash equivalents to a level that management believes to be sufficient to meet the Group's operating needs, reducing the impact of cash flow fluctuations.

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	(46,286)	155,214
Net cash generated from/(used in) investing activities	60,112	(278,039)
Net cash used in financing activities	(21,699)	(225,359)
Net decrease in cash and cash equivalents	(7,873)	(348,184)
Cash and cash equivalents as at the beginning of the year	403,942	752,264
Effect of foreign exchange rate changes	147	(138)
Cash and cash equivalents as at 31 December	396,216	403,942

Operating activities

For the year ended 31 December 2023, net cash used in operating activities was RMB46.3 million, compared to RMB155.2 million generated for the year ended 31 December 2022.

Investing activities

For the year ended 31 December 2023, net cash generated from investing activities was RMB60.1 million, which primarily included (1) payments for purchase of investments measured at fair value through profit or loss of RMB861.6 million; (2) the proceeds from redemption of investments measured at fair value through profit or loss amounted to RMB850.6 million; (3) our payment for purchase of investments of time deposits of RMB199.1 million; (4) the proceeds from redemption of time deposit investment amounted to RMB221.7 million; (5) the proceeds from redemption of non-listed equity investments amounted to RMB28.4 million; and (6) the interest received from purchase of time deposit investment and other bank deposits amounted to RMB23.3 million. For the year ended 31 December 2022, net cash used in investing activities was RMB278.0 million.

Financing activities

For the year ended 31 December 2023, net cash used in financing activities was RMB21.7 million, which is mainly used to (1) pay the special dividends of RMB118.3 million; (2) acquire the proceeds from unsecured bank borrowings of RMB158.0 million; (3) repay the payment for unsecured bank borrowings of RMB12.0 million; and (4) payment for shares held for Share Award Scheme of RMB48.5 million. For the year ended 31 December 2022, net cash used in financing activities was RMB225.4 million.

Capital expenditures

The Group's capital expenditures mainly included (1) construction of our office building in Suzhou, purchase of property, plant and equipment such as servers and computer equipment; (2) software and IP licenses of literature and intangible assets such as various office software that has been used or to be used by our games; and (3) increase in right-of-use assets arising from housing leases. Capital expenditures for the years ended 31 December 2023 and 2022 are set out below:

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	2,169	14,064
Intangible assets	106	1,973
Right-of-use assets	–	1,768
	=====	=====

Gearing ratio and capital structure

As at 31 December 2023, gearing ratio was 12.3% (31 December 2022: 0.1%). As at 31 December 2023, the Group had unsecured bank borrowings of RMB147.4 million (31 December 2022: Nil). The Group's share capital remained unchanged, being 2,180,850,000 shares.

Contingent liabilities

As of 31 December 2023, the Group did not have any unrecorded significant contingent liabilities or any guarantees (2022: Nil).

Employees and remuneration policies

As of 31 December 2023, the Group had a total of 1,076 employees (31 December 2022: 1,201 employees), all based in the PRC. The Group determined the remuneration policy for the employees based on their performance, work experience and the current market salary scale. We did not experience any material labour disputes during the year ended 31 December 2023.

Restructuring and significant investments

During the year ended 31 December 2023, the Group did not have any restructuring and significant investments.

Financial assets

1. As of 31 December 2023, the Group's wealth management products were issued by listed commercial banks in China, all of which were principal-protected deposits at floating rate. During the respective investment period of wealth management products, the Company shall not terminate any relevant subscription agreements, redeem or withdraw principal before the respective maturity dates of financial products of the commercial banks. The commercial banks also have no right to terminate any subscription agreements.
2. As of 31 December 2023, the wealth management products of the Group that have met the disclosable transaction requirements at the time of purchase under the Listing Rules were disclosed in relevant announcements. None of the remaining wealth management products had a fair value accounting for 5% or more of the Group's total assets;

Each of the following outstanding wealth management products had a percentage of over 5% to the Group's total assets as of 31 December 2023:

Subscription Date	Maturity Date	Product Name	Bank Name	Principal amount of subscription	Type of product and risk rating	Expected return rate	Investment scope of product	Fair value as of 31 December 2023 <i>RMB million</i>	Fair value relative size to total assets as of 31 December 2023
24 August 2023	16 January 2024	RMB Customised Structured Deposit	China Construction Bank	RMB50.0 million	Principal-protected floating return	1.50%–3.00%	EUR/USD exchange rate	50.5	15.8%
14 September 2023	18 March 2024	RMB Customised Structured Deposit	China Construction Bank	RMB40.0 million	Principal-protected floating return	1.70%–3.00%	EUR/USD exchange rate	40.3	
25 September 2023	22 February 2024	RMB Customised Structured Deposit	China Construction Bank	RMB80.0 million	Principal-protected floating return	1.50%–3.00%	EUR/USD exchange rate	80.6	
18 October 2023	17 April 2024	RMB Customised Structured Deposit	China Construction Bank	RMB60.0 million	Principal-protected floating return	1.50%–3.00%	EUR/USD exchange rate	60.4	
11 October 2023	10 January 2024	RMB Customised Structured Deposit	Bank of Ningbo	RMB20.0 million	Principal-protected floating return	1.00%–2.95%	EUR/USD exchange rate	20.1	8.2%
28 November 2023	1 March 2024	RMB Customised Structured Deposit	Bank of Ningbo	RMB50.0 million	Principal-protected floating return	1.00%–2.85%	EUR/USD exchange rate	50.1	
13 December 2023	11 June 2024	RMB Customised Structured Deposit	Bank of Ningbo	RMB50.0 million	Principal-protected floating return	1.00%–2.85%	EUR/USD exchange rate	50.1	

3. As of 31 December 2023, the Group's limited partnership investments were investments in five venture capital partnerships as a limited partner, with fair value at the time of investment not exceeding 5% of the Group's total assets;

As of 31 December 2023, the said five venture capital partnerships exceeded 5% or more of the Group's total assets:

Time of investments	Names of partnerships	Nature of funds	Fund manager	Size of funds	Amount of investments	Percentage of investments	Scope of investments	Fair value	Fair value
								as of 31 December 2023	relative size to total assets as of 31 December 2023
July 2020	Suzhou Yongxin Ronghui Venture Capital Partnership (L.P.)* (蘇州永鑫融慧創業投資合夥企業(有限合夥))	Comprehensive fund	Suzhou Yongxin Ark Equity Investment Partnership (蘇州永鑫方舟股權投資管理合夥企業(普通合夥))	RMB278.3 million	RMB30.0 million	10.78%	Investing in innovative enterprises in their startup and growth stages through equity investment	44.6	
November 2021	Suzhou Yongxin Kaituo Venture Capital Partnership (L.P.)* (蘇州永鑫開拓創業投資合夥企業(有限合夥))	Comprehensive fund	Suzhou Yongxin Ark Equity Investment Partnership (蘇州永鑫方舟股權投資管理合夥企業(普通合夥))	RMB500.9 million	RMB30.0 million	5.99%	Investing in innovative enterprises in their growth-stage through equity investment	32.3	
November 2022	Suzhou Yongxin Rongchang Venture Capital Partnership (L.P.)* (蘇州永鑫融暢創業投資合夥企業(有限合夥))	Specialized fund	Suzhou Yongxin Ark Equity Investment Partnership (蘇州永鑫方舟股權投資管理合夥企業(普通合夥))	RMB76.3 million	RMB5.0 million	6.55%	Investing through equity investment in the growth-oriented enterprises with core competitive advantages and potential for listing	6.0	6.3%
July 2023	Suzhou Yongxin Rongyao Venture Capital Partnership (L.P.)* (蘇州永鑫融耀創業投資合夥企業(有限合夥))	Comprehensive fund	Suzhou Yongxin Ark Equity Investment Partnership (蘇州永鑫方舟股權投資管理合夥企業(普通合夥))	RMB600.0 million	RMB5.0 million	0.83%	Investing in innovative enterprises in their growth-stage through equity investment	5.0	
July 2023	Suzhou Yongxin Rongke Venture Capital Partnership (L.P.)* (蘇州永鑫融科創業投資合夥企業(有限合夥))	Specialized fund	Suzhou Yongxin Ark Equity Investment Partnership (蘇州永鑫方舟股權投資管理合夥企業(普通合夥))	RMB52.1 million	RMB5.0 million	9.60%	Investing through equity investment in the growth-oriented enterprises with core competitive advantages and potential for listing	5.0	

4. As of 31 December 2023, the Group's stock investments were all stock investments with an active stock market, and the fair value of stock investments did not exceed 5% or more of the Group's total assets.

5. As of 31 December 2023, the Group's investments in monetary funds referred to low-risk products in the securities investment funds, the fair value of which did not exceed 5% or more of the Group's total assets.

6. The Company has formulated standardized capital and investment management policies to monitor and control potential risks related to investment activities. When considering whether to invest and what kind of products to invest in, the management will consider, among other things, the risk level, investment return, liquidity and maturity of the relevant wealth management products on a case-by-case basis. Our investment portfolio and policies are regularly reviewed by our Directors and management team.

Material acquisitions and disposals of assets

For the year ended 31 December 2023 and up to date of this announcement, there were no material acquisitions and disposals of assets.

Off-balance sheet arrangements

The Group has not entered into and has no intention to enter into any off-balance sheet arrangements. The Group has not entered into any financial guarantees or made other commitments to guarantee the payment obligations of third parties.

Pledge of assets by the Group

As of 31 December 2023, the Group did not pledge any assets as collateral for bank borrowings or any other financing activities (31 December 2022: Nil).

Foreign currency exchange risks

For the year ended 31 December 2023, most of transactions denominated in non-RMB were denominated in U.S. dollars and Hong Kong dollars. The management team closely monitors foreign currency exchange risks to ensure that appropriate measures are implemented in a timely and effective manner. In the past, the Group has not incurred any significant foreign currency exchange losses in its operations. The management team will continue to closely monitor the Group's foreign currency exchange risks and will consider implementing appropriate measures.

EVENTS AFTER THE YEAR ENDED 31 DECEMBER 2023

There have been no material events of the Group from 31 December 2023 until the date of this announcement.

OTHER INFORMATION

Dividend

The Board did not propose the payment of dividend for the year ended 31 December 2023 (special dividend for the year ended 31 December 2022: HK6 cents per ordinary share).

Annual General Meeting

The AGM will be held on Thursday, 16 May 2024. A notice convening the AGM will be published and dispatched to the Shareholders in due course in the manner prescribed by the Listing Rules.

Closure of Register of Members

Entitlement to attend and vote at the 2024 AGM

For determination of the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 13 May 2024 to Thursday, 16 May 2024 (both days inclusive), during which period no transfer of the Shares of the Company will be registered. In order to qualify for the entitlement to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 10 May 2024.

Purchase, Sale or Redemption of the Listed Securities of the Company

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed the listed securities of the Company.

Share Award Scheme

The Board has approved the adoption of the Share Award Scheme of the Company on 14 September 2020.

Objectives of the Share Award Scheme

1. to further improve the Group's incentive system, align the interests of certain Eligible Participants with the Group's interests and encourage them to create long-term value for the Group; and
2. to attract and motivate key professional talents to enhance the competitiveness and promote the sustainable development of the Group.

Eligible Participants of the Share Award Scheme

Any Directors, senior and mid-level management, core technical personnel and key employees who, at the absolute discretion of the Board, will contribute or have contributed to any member of the Group.

Administration of the Share Award Scheme

1. The Share Award Scheme is subject to the Scheme Rules and the terms of the Trust Deed (as the case may be);
2. The Board may, by passing ordinary resolutions, appoint initial members of the advisory committee, and the advisory committee may by written instrument irrevocably appoint any person as an additional member of the advisory committee. The advisory committee gives instructions or notices to the Trustee on all matters in connection with the Share Award Scheme and other matters in the routine administration of the Trust; and
3. The Trustee will hold the Shares and the income derived therefrom in accordance with the Scheme Rules and subject to the terms of the Trust Deed.

Sources of Awarded Shares of the Share Award Scheme

1. Mr. Jiang Xiaohuang, the controlling shareholder of the Company, decided to indirectly transfer 80,000,000 Shares of the Company (representing approximately 3.7% of the issued shares of the Company as of the date of this announcement) as a gift, at nil consideration, as the pool of shares; and
2. As of 31 December 2023, a total of 69,850,000 Shares of the Company (representing approximately 3.2% of the issued Shares of the Company as of the date of this announcement) are purchased as the pool of shares under the Share Award Scheme.

Limit of the Share Award Scheme

The Board shall not make any further grant of award such that the total number of shares granted under the Share Award Scheme will exceed 10 per cent. of the total number of issued Shares as of the Adoption Date.

If the relevant subscription or purchase would result in the Trustee holding in aggregate, more than 10 per cent. of the total number of issued Shares of the Company as of the Adoption Date, the Trustee shall not subscribe, purchase or accept any further Shares.

Save as prescribed in the Share Award Scheme or as otherwise restricted by the Listing Rules, for any 12-month period, the aggregate number of Shares granted to any Eligible Participant shall not exceed 1% of the total number of the issued Shares at the relevant time, without Shareholders' approval.

The Share Award Scheme has no service provider sublimit under Chapter 17 of the Listing Rules.

Duration and Termination of the Share Award Scheme

The Share Award Scheme shall be effective from the Adoption Date and shall be terminated at the earlier of (i) the tenth anniversary from the Adoption Date; or (ii) the date of early termination determined by the advisory committee. The termination of this Share Award Scheme shall not cause any material and adverse effect on any existing rights of any Selected Participants under this Share Award Scheme.

As at 31 December 2023, the remaining life of the Share Award Scheme was approximately 6.5 years, provided that the Board may decide early termination in accordance with the relevant rules under the Share Award Scheme (which is amended from time to time).

Implementation of the Share Award Scheme

1. On 14 September 2020, Mr. Jiang Xiaohuang, a controlling shareholder of the Company, decided to indirectly transfer an aggregate of 80,000,000 Shares of the Company as a gift within three years, at nil consideration, as the pool of Shares.
2. On 1 December 2020, Mr. Jiang Xiaohuang completed the first annual share contribution plan and indirectly transferred an aggregate of 40,000,000 Shares of the Company as a gift at nil consideration, as the pool of Shares.
3. On 28 December 2020, the Board, based on the recommendation of the remuneration committee of the Company, resolved to grant a total of 40,000,000 Awarded Shares, which have been held by the Trustee on behalf of the Selected Participants, at nil consideration to the Share Award Grantees. The grant of Awarded Shares has been effective from 1 January 2021. The Share Award Grantees include (1) Mr. Wu Jie, a former executive Director (awarded 2,000,000 Shares of the Company); (2) Mr. Sun Bo, an executive Director (awarded 2,000,000 Shares of the Company); and (3) employees of the Group (awarded 36,000,000 Shares of the Company). These Awarded Shares were granted as a gift at nil consideration with an exercise period ranging from 1 month to 49 months.
4. On 28 June 2021, Mr. Jiang Xiaohuang completed the second annual share contribution plan and indirectly transferred an aggregate of 20,000,000 Shares of the Company as a gift at nil consideration, as the pool of Shares.
5. On 4 January 2022, the Board, based on the recommendation of the remuneration committee of the Company, resolved to grant a total of 16,000,000 Awarded Shares, which have been held by the Trustee on behalf of the Selected Participants, at nil consideration to the Share Award Grantees. The grant of Awarded Shares has been effective from 5 January 2022. The Share Award Grantees are employees (excluding the Directors) of the Group. These Awarded Shares were granted as a gift at nil consideration with an exercise period ranging from 1 month to 37 months.
6. On 22 July 2022, Mr. Jiang Xiaohuang completed the third annual share contribution plan and indirectly transferred an aggregate of 20,000,000 Shares of the Company at nil consideration as the pool of Shares. By that time, the three-year gift plan of Mr. Jiang Xiaohuang has been completed.
7. On 2 and 5 January 2023, the Board, based on the recommendation of the remuneration committee of the Company, resolved to grant 2,152,000 and 6,461,600 Awarded Shares respectively, which have been held by the Trustee on behalf of the Selected Participants, at nil consideration to the Share Award Grantees. The grant of Awarded Shares has been effective from 2 and 5 January 2023 respectively. The Share Award Grantees are employees (excluding the Directors) of the Group. These Awarded Shares were granted as a gift at nil consideration with an exercise period ranging from 1 month to 37 months.

8. As of 31 December 2023, a total of 69,850,000 shares of the Company are purchased as the pool of Shares under the Share Award Scheme.

The number of Shares available for grant under the Share Award Scheme as at 1 January 2023 and 31 December 2023 was 38,585,000 and 100,763,000, representing approximately 1.8% and approximately 4.6% of the total number of Shares in issue as at 1 January 2023 and 31 December 2023, respectively.

Set out below are the details of the number of Awarded Shares granted and movements under the Share Award Scheme for the year ended 31 December 2023:

Name or category of the participant	Date of grant	Vesting period	Purchase price	Unvested as at 1 January 2023	Granted during the year	Number of Awarded Shares			Unvested as at 31 December 2023
						Vested during the year	Lapsed during the year	Cancelled during the year	
Directors									
Mr. Wu Jie (resigned on 19 May 2023 as executive Director)	1 January 2021	1 January 2021 to 31 January 2023	nil ⁽⁴⁾	400,000	-	-	(400,000)	-	-
		1 January 2021 to 31 January 2024	nil ⁽⁴⁾	400,000	-	-	-	-	400,000
		1 January 2021 to 31 January 2025	nil ⁽⁴⁾	200,000	-	-	-	-	200,000
Mr. Sun Bo	1 January 2021	1 January 2021 to 31 January 2023	nil ⁽⁴⁾	400,000	-	-	(400,000)	-	-
		1 January 2021 to 31 January 2024	nil ⁽⁴⁾	400,000	-	-	-	-	400,000
		1 January 2021 to 31 January 2025	nil ⁽⁴⁾	200,000	-	-	-	-	200,000

Name or category of the participant	Date of grant	Vesting period	Purchase price	Unvested as at 1 January 2023	Granted during the year	Number of Awarded Shares			Unvested as at 31 December 2023
						Vested during the year	Lapsed during the year	Cancelled during the year	
Five highest paid individuals (excluding directors) during the Reporting Period in aggregate									
In aggregate	1 January 2021	1 January 2021 to 31 January 2023	nil ⁽⁴⁾	1,346,000	–	(966,000) ⁽³⁾	(380,000)	–	–
		1 January 2021 to 31 January 2024	nil ⁽⁴⁾	1,340,000	–	–	–	–	1,340,000
		1 January 2021 to 31 January 2025	nil ⁽⁴⁾	750,000	–	–	–	–	750,000
In aggregate	5 January 2022	5 January 2022 to 31 January 2023	nil ⁽⁴⁾	1,360,000	–	–	(1,360,000)	–	–
		5 January 2022 to 31 January 2024	nil ⁽⁴⁾	1,360,000	–	–	–	–	1,360,000
In aggregate	2 January 2023	2 January 2023 to 31 January 2024	nil ⁽⁴⁾	–	100,000 ⁽¹⁾	–	–	–	100,000
		2 January 2023 to 31 January 2025	nil ⁽⁴⁾	–	100,000 ⁽¹⁾	–	–	–	100,000
		2 January 2023 to 31 January 2026	nil ⁽⁴⁾	–	300,000 ⁽¹⁾	–	–	–	300,000
In aggregate	5 January 2023	5 January 2023 to 31 January 2023	nil ⁽⁴⁾	–	2,180,000 ⁽²⁾	(2,180,000) ⁽³⁾	–	–	–

Name or category of the participant	Date of grant	Vesting period	Purchase price	Unvested as at 1 January 2023	Number of Awarded Shares				Unvested as at 31 December 2023
					Granted during the year	Vested during the year	Lapsed during the year	Cancelled during the year	
Employee Participants									
In aggregate	1 January 2021	1 January 2021 to 31 January 2023	nil ⁽⁴⁾	5,053,600	-	(1,872,000) ⁽³⁾	(3,181,600)	-	-
		1 January 2021 to 31 January 2024	nil ⁽⁴⁾	4,997,600	-	-	(320,000)	-	4,677,600
		1 January 2021 to 31 January 2025	nil ⁽⁴⁾	3,528,800	-	-	(440,000)	-	3,088,800
In aggregate	5 January 2022	5 January 2022 to 31 January 2023	nil ⁽⁴⁾	1,050,000	-	(610,000) ⁽³⁾	(440,000)	-	-
		5 January 2022 to 31 January 2024	nil ⁽⁴⁾	1,800,000	-	-	(200,000)	-	1,600,000
		5 January 2022 to 31 January 2025	nil ⁽⁴⁾	1,600,000	-	-	-	-	1,600,000
In aggregate	2 January 2023	2 January 2023 to 31 January 2023	nil ⁽⁴⁾	-	1,152,000 ⁽¹⁾	(1,152,000) ⁽³⁾	-	-	-
		2 January 2023 to 31 January 2024	nil ⁽⁴⁾	-	200,000 ⁽¹⁾	-	-	-	200,000
		2 January 2023 to 31 January 2025	nil ⁽⁴⁾	-	300,000 ⁽¹⁾	-	-	-	300,000
In aggregate	5 January 2023	5 January 2023 to 31 January 2023	nil ⁽⁴⁾	-	4,281,600 ⁽²⁾	(4,281,600) ⁽³⁾	-	-	-
Total				<u>26,186,000</u>	<u>8,613,600</u>	<u>(11,061,600)</u>	<u>(7,121,600)</u>	<u>-</u>	<u>16,616,400</u>

Note:

- (1) The Awarded Shares are subject to certain performance targets with reference to the annual results of the Company and the selected employees' individual key performance indicators for the financial year preceding the respective vesting date. The closing price of the Shares immediately before the date (i.e. 2 January 2023) on which the Awarded Shares were granted during the year was HK\$0.96.
- (2) The Awarded Shares are subject to certain performance targets with reference to the annual results of the Company and the selected employees' individual key performance indicators for the financial year preceding the respective vesting date. The closing price of the Shares immediately before the date (i.e. 5 January 2023) on which the Awarded Shares were granted during the year was HK\$0.97.
- (3) The weighted average closing price of the Shares immediately before the date (i.e. 31 January 2023) on which the Awarded Shares were vested during the Reporting Period was HK\$1.26.
- (4) As all the aforementioned Awarded Shares are donated by Mr. Jiang Xiaohuang, the Board has decided to grant the aforementioned Awarded Shares to the Eligible Participants at nil consideration.
- (5) There is no participant with Awarded Shares granted and to be granted in excess of the 1% individual limit, nor related entity participant or service provider with Awarded Shares granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue.

The fair value per awarded share granted on 2 January 2023 and 5 January 2023 was HKD0.96 and HKD0.99, which was measured based on the market price of the Company's Shares at the respective grant dates. No expected dividends were incorporated into the measurement of fair value. Information on the fair value is provided in Part (c) of note 9 to the consolidated financial report in this announcement.

Compliance with the CG Code

The Company has adopted the code provisions as set out in the CG Code as its corporate governance framework. For the year ended 31 December 2023, the Company has complied with the code provisions set out in the CG Code except for the deviation from code provision C.2.1 as disclosed below.

Pursuant to the code provision C.2.1 of the CG Code, the roles of Chairman and CEO should be separated and should not be performed by the same individual.

Mr. Jiang Xiaohuang is the chairman of the Board and CEO of the Company currently. Due to Mr. Jiang's background, qualifications and experiences in the Company, he is considered to be the best candidate for both roles at present. The Board considers that Mr. Jiang's dual role at this stage is conducive to maintaining the continuity of the Company's policies and the operation efficiency and stability of the Company, which is appropriate and in the best interest of the Company and the Shareholders.

Besides, all major decisions of the Company have been made in appropriate consultation with members of the Board and appropriate committees, as well as the Senior Management. In addition, Directors are encouraged to participate actively in all meetings of the Board and of such Board committees of which they are members, and the Chairman ensures that all issues raised are properly briefed at the Board meetings, and he works with the Senior Management to provide adequate, accurate, clear, complete and reliable information to all members of the Board in a timely manner. Further, the Board meets with Mr. Jiang regularly to discuss issues relating to the operation of the Group.

The Board is therefore of the view that there is an adequate balance of power and that appropriate safeguards are in place. Mr. Jiang holding both positions of the chairman of the Board and CEO of the Company will not have any impact on the balance between power and authority of the Board and the Senior Management of the Company. However, the Board will continue to regularly monitor and review the Company's current structure and to make necessary changes when appropriate.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as its code for Directors to conduct securities transactions. The Company has made specified enquiry with all the Directors, who have confirmed that, they have complied with the required standards set out in the Model Code during the year ended 31 December 2023.

The Company has also established employee stock trading regulations on terms no less exacting than the Model Code for employees who are likely to be in possession of unpublished price-sensitive data of the Company. No incident of non-compliance of the employee stock trading regulations by the employees was noted by the Company.

Fiscal Policies

The Group has adopted centralized financing and fiscal policies to strengthen control over bank deposits and ensure the safe and efficient operation of the Group's funds. The Group's surplus cash is generally short-term deposits in RMB, U.S. dollars or HK dollars. It is the Group's policy to conduct only conservative deposit transactions and restrict investment in high-risk financial products.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, as at the date of this announcement, at least 25% of the Company's total number of issued Shares were held by the public at all time since Listing Date.

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 CG Code. The Audit Committee comprises three members, namely, Mr. Zhu Wei, Ms. Tang Haiyan and Mr. Zhang Jinsong, all being independent non-executive Directors of the Company. Mr. Zhu Wei is the chairman of the Audit Committee, who possesses suitable professional qualifications.

The Audit Committee has reviewed the Company's audited consolidated results for the year ended 31 December 2023 and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee has also discussed the auditing, internal control and financial reporting matters.

Scope of Work of the Company's Auditor

The financial figures in respect of the Group's consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary results announcement have been compared by the Group's Auditor, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2023 and the amounts were found to be in agreement. The work performed by the Auditor in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor.

Publication of the Annual Results and Annual Report

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.friendtimes.net). The 2023 annual report of the Group will be despatched to the Shareholders and published on the aforementioned websites in due course in accordance with Rule 13.46 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Adoption Date”	14 September 2020, being the date on which the Board adopted the Share Award Scheme
“AGM”	the forthcoming annual general meeting of the Company to be held on 16 May 2024
“AI”	Artificial intelligence
“AIGC”	the abbreviation for “Artificial Intelligence Generated Content”, refers to the contents generated by using artificial intelligence technology, including images, texts, audio messages, and videos
“Articles” or “Articles of Association”	The second amended and restated articles of association of the Company, adopted by the Company by way of special resolution on 16 May 2023 with effect from the same date
“Audit Committee”	the Company’s audit committee which was established in accordance with the requirements of the Listing Rules, for the purposes of reviewing and providing supervision over the Group’s financial reporting system, risk management and internal control
“Auditor”	KPMG, Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
“Award”	an award by the Board to a Selected Participant entitling the Selected Participant to receive such number of Awarded Shares and the related income on such terms and conditions as the Board may determine

“Awarded Shares”	in respect of a Selected Participant, such number of Shares determined by the Board under an Award
“Board” or “Board of Directors”	board of directors of the Company
“CEO”	chief executive officer
“CG Code”	Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Chairman”	chairman of the Board
“China” or “PRC”	the People’s Republic of China, unless otherwise stated, excludes the special administrative regions of Hong Kong and Macau, and Taiwan
“Company” or “our Company” or “the Company”	FriendTimes Inc., an exempted company incorporated in the Cayman Islands on 16 November 2018 with limited liability and listed on the Stock Exchange on 8 October 2019 (Stock code: 6820)
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of this announcement, refers to the controlling shareholders of our Company, being Mr. Jiang, Gorgeous Sunshine, Eternal Heart, Ling Long, Future Wisdom, Warm Sunshine, Agile Eagle, Purple Dream, Purple Crystal (as defined respectively in the Prospectus)
“Ministry of Culture and Tourism”	Ministry of Culture and Tourism of the People’s Republic of China
“Director(s)”	director(s) of the Company
“Eligible Participant”	any senior and mid-level management, core technical personnel and key employees who, at the absolute discretion of the Board, will contribute or have contributed to any member of the Group
“Group”, “our Group”, “the Group”, “we”, “us”, “our”, or “FriendTimes”	the Company and its subsidiaries, or where the context refers to any time prior to the Company becoming the holding company of its present subsidiaries, the present subsidiaries of the Company and the businesses operated by such subsidiaries or their predecessors (as the case may be)

“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$” or “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“H5 Mini Games”	New game products in form of a mini program, conveniently providing click-to-play experiences without downloading
“IP”	intellectual property
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	8 October 2019, the date on which the Shares of the Company were listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code of Securities Transactions by Directors of the Listed Issuers as set out in Appendix C3 to the Listing Rules
“Prospectus”	the prospectus of the Company dated 24 September 2019
“NPC”	The abbreviation for “Non-Player Character”, which refers to the game characters in electronic games that are not controlled by players
“Reporting Period”	1 January 2023 to 31 December 2023
“RMB”	Renminbi, the lawful currency of the PRC
“Selected Participant”	Eligible Participant(s) selected by the Board pursuant to the Scheme Rules who holds a subsisting Award

“Scheme Rules”	the rules of the Share Award Scheme, as amended from time to time
“Senior Management”	senior management of the Company
“Share(s)”	ordinary share(s) in the issued capital of the Company with nominal value of US\$0.00001 each
“Shareholder(s)”	holder(s) of the Shares
“Share Award Scheme”	the share award scheme adopted by the Company on the Adoption Date (in its present or any amended form)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust”	the trust constituted by the Trust Deed
“Trust Deed”	a trust deed entered into by and among the Company, the Trustee and its nominee (as restated, supplemented and amended from time to time)
“Trustee”	the trustee which has been appointed by the Company to manage the Share Award Scheme
“UI”	the abbreviation for “User Interface,” which is the overall design concerning the human-machine interaction, operational logic, and aesthetic appeal of the interface of software
“XR”	the abbreviation for “Extended Reality”, collectively referred to AR, VR, MR, and other technologies, a combination of physical and virtual environments created through computer technology, enabling human-machine interaction
“%”	per cent

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the management members and staff of the Group for their hard work in the past year. I would also like to give my sincere gratitude to our Shareholders, partners and stakeholders for their continued support, and hope to receive their continued support in the future.

By Order of the Board
FriendTimes Inc.
Jiang Xiaohuang
Chairman and Executive Director

Hong Kong, 20 March 2024

As at the date of this announcement, the board of directors comprises Mr. Jiang Xiaohuang, Mr. Xu Lin and Mr. Sun Bo as executive Directors; and Mr. Zhu Wei, Ms. Tang Haiyan and Mr. Zhang Jinsong as independent non-executive Directors.