

2023

ANNUAL REPORT



IGG INC STOCK CODE: 799

Incorporated in the Cayman Islands with limited liability

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zongjian Cai (*Chairman and chief executive officer*)

Mr. Yuan Xu

Mr. Hong Zhang

Ms. Jessie Shen

Mr. Feng Chen

Non-executive Director

Mr. Yuan Chi

Independent Non-executive Directors

Dr. Horn Kee Leong

Ms. Zhao Lu

Mr. Kam Wai Man (appointed on 29 June 2023)

Mr. Dajian Yu (resigned on 29 June 2023)

BOARD COMMITTEES

Audit Committee

Dr. Horn Kee Leong (*Chairman*)

Ms. Zhao Lu

Mr. Kam Wai Man (appointed on 29 June 2023)

Mr. Dajian Yu (resigned on 29 June 2023)

Nomination Committee

Dr. Horn Kee Leong (*Chairman*)

Mr. Zongjian Cai

Ms. Zhao Lu

Mr. Kam Wai Man (appointed on 29 June 2023)

Mr. Dajian Yu (resigned on 29 June 2023)

Remuneration Committee

Ms. Zhao Lu (*Chairman*)

Mr. Zongjian Cai

Mr. Kam Wai Man (appointed on 29 June 2023)

Mr. Dajian Yu (resigned on 29 June 2023)

JOINT COMPANY SECRETARIES

Ms. Jessie Shen

Ms. Yin Ping Yvonne Kwong (*FCG, HKFCG*)

AUTHORISED REPRESENTATIVES

Mr. Zongjian Cai

Ms. Jessie Shen

Ms. Yin Ping Yvonne Kwong

REGISTERED OFFICE

P.O. Box 31119, Grand Pavilion, Hibiscus Way

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Singapore 117372

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai

Hong Kong

AUDITOR

KPMG

Certified Public Accountants

(Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance)

CORPORATE INFORMATION

LEGAL ADVISER AS TO HONG KONG LAWS

Jingtian & Gongcheng LLP

LEGAL ADVISER AS TO PRC LAWS

Jingtian & Gongcheng

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D
P.O. Box 1586, Gardenia Court
Camana Bay, Grand Cayman, KY1-1100
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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183 Queen's Road East
Wanchai
Hong Kong

COMPANY WEBSITE

www.igg.com

PRINCIPAL BANKS

Citibank N.A. Singapore Branch
Standard Chartered Bank (Singapore) Limited
The Hongkong and Shanghai Banking Corporation
Limited

INVESTOR RELATIONS CONSULTANTS

Strategic Financial Relations Limited

CHAIRMAN'S STATEMENT

17 YEARS OF RESOLUTE DEDICATION: EMBRACING A NEW CHAPTER

In 2023, the Group ushered in a new chapter marked by a breakthrough in business and a remarkable turnaround from loss. After experiencing losses for the past two years, we have successfully turned a profit of HK\$73 million in 2023. Years of strategic investment and continuous innovation have paid off, as the Group's core game business with three strategy games – “Lords Mobile”, “Doomsday: Last Survivors”, and “Viking Rise” – and our APP Business¹ are now forging an exciting new path forward.

“Castle Clash”, our groundbreaking mobile strategy game released in 2013, has generated approximately HK\$6.5 billion in revenue over a decade of global operations, establishing IGG as a prominent player in the global games industry. “Lords Mobile” was released in 2016 with an emphasis on “marathon-like” long-term operations, focusing on retention and active users. Since its debut, “Lords Mobile” has become an industry staple, generating approximately HK\$30 billion in revenue, consistently dominating the download and monthly active users rankings for strategy games in 2023² and establishing a constant presence in the market. The success of “Castle Clash” and “Lords Mobile” fuelled our commitment to continuously improve and invest in product development, and push the boundaries of our expertise in the strategy genre. Through the establishment of new development centres in Shanghai and Chengdu, streamlined team structures, and optimised headcounts, we have enhanced the capabilities of our talented employees. This has resulted in the successful development of two highly-rated strategy games, “Doomsday: Last Survivors” and “Viking Rise”, each surpassing HK\$100 million in accumulated gross billing within two years. These achievements mark a new starting point for our future growth and success.

2023 marks a significant milestone in our APP Business' growth. Over the past decade, we have embarked on a journey that started with live chat applications, gradually expanding into a wide range of utility applications, before venturing into content applications. This progression has been instrumental in driving our growth, enabling us to develop a diverse portfolio of high-quality products and achieve significant success.

Initially comprising less than 5% of the Group's total gross billing, the two new games and the APP Business experienced remarkable growth throughout the Year, ultimately surpassing 40%. Amidst the challenges of slow growth and reduced spending power among users in the post-Covid pandemic era, IGG's diversification into the APP Business while anchored by multiple core games enabled it to excel in the fiercely competitive games industry and ultimately regain profitability.

¹ APP Business: The Group's application and mobile advertisement mediation platform business

² Source: The authoritative third-party data.ai, and media coverage of “Insight Report of SLG Game Market” by GameLook

CHAIRMAN'S STATEMENT

CONTINUOUS INNOVATION AND SUSTAINABLE OPERATION: DRIVING GROWTH AND LONG-TERM SUCCESS

IGG's strategic combination of a long-term operational approach and relentless innovation in development has solidified its global competitive advantage. Our journey, from the development of "Castle Clash" a decade ago, to "Lords Mobile" eight years ago, has been guided by the unwavering pursuit of gameplay innovation, setting us apart from competitors. Our dedication to continuous innovation has enabled us to create a series of enduring games and achieve sustained success in the industry. When our two new strategy games hit the market in 2023, we remained committed to our long-term strategy.

By incorporating new "immigration" features into "Doomsday: Last Survivors", thus enabling players to select their own guilds and servers, we fostered a heightened sense of player engagement. Additionally, we introduced an immersive survival competition gameplay and revolutionised the guild battle system, delivering a fresh gaming experience. Through working with influencers, cross-industry collaborations, and a customised theme song, we successfully expanded our user base, increased gross billing, and strengthened our brand recognition.

For "Viking Rise", our objective was to deliver a distinctive Viking-themed experience within the strategy game genre. To achieve this, we meticulously recreated the historical environment of the Vikings throughout all aspects of the game, including art style, music, and scenery. At the same time, we seamlessly blended simulation and strategy features into the gameplay, allowing players to unlock core gameplay mechanics in a user-friendly and intuitive manner, thereby reducing the learning curve. Our dedication to enriching the gameplay experience persisted beyond the game's launch. We unveiled a range of Viking-themed marketing initiatives, including celebrity endorsements and a collaboration with renowned Hollywood composer Trevor Morris to compose an exclusive theme song for the game.

The gaming industry experiences ups and downs like all other industries, and in the face of upcoming challenges, we firmly believe that our commitment to continuous improvement will ensure the steady growth of "Doomsday: Last Survivors" and "Viking Rise". This will establish them as our new flagship games after "Lords Mobile", guiding IGG through the industry cycles.

EMBRACING TECHNOLOGY: PUSHING THE BOUNDARIES OF OUR POTENTIAL

In 2023, as the AI revolution unfolds, we seized the opportunity and fully embraced AI, actively integrating "Artificial Intelligence Generated Content" ("AIGC") technology across various aspects of our product development and operations. Besides expecting employees to be skilled in utilising AI tools, we also apply AIGC technology extensively to areas ranging from art production and language translation to customer service, marketing, and advertising, to boost productivity.

As we look back on the 17 years since IGG was founded, we are filled with ambition and aspirations to surpass ourselves in the new era and achieve revolutionary progress. Embracing the corporate spirit of "Innovators at Work, Gamers at Heart", IGG will relentlessly pursue and push its boundaries.

Zongjian Cai
Chairman and Executive Director

27 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

GLOBAL PRESENCE

Established in 2006, IGG is a renowned developer and publisher of mobile games and applications with a strong global presence and an international customer base of over 1.7 billion users with over 25 million MAU¹. Leveraging its success in client and browser PC online games, the Group changed its strategy to target the mobile games market in 2013. After years of effort, the Group's mobile games are now available in 23 different languages worldwide, and the APP Business has also hit its stride after a decade of perseverance. Embracing our corporate spirit of "Innovators at Work, Gamers at Heart", the Group is dedicated to creating high-quality and enjoyable games and applications that will stand the test of time.

IGG is headquartered in Singapore with local offices in the United States, China, Canada, Japan, South Korea, Thailand, the Philippines, Indonesia, Brazil, Türkiye, Italy and Spain, and users from more than 200 countries and regions worldwide. Over the years, IGG has aggressively pursued a strategy of globalisation in R&D and operations, establishing long-term relationships with over 100 business partners, including global platforms, advertising channels, and vendors such as Apple, Google, and Meta. The Group's international presence and partnerships have enhanced its competitive advantage in the industry.

BUSINESS REVIEW

In 2023, the Group ushered in a new chapter marked by a breakthrough in business and a remarkable turnaround from loss. Drawing on over a decade of experience and expertise in the strategy games genre, the Group developed two highly-rated strategy games – "Doomsday: Last Survivors" and "Viking Rise" – following the success of "Castle Clash" and "Lords Mobile".

"Lords Mobile", IGG's flagship title launched nearly eight years ago, continued to generate stable revenue, contributing over HK\$3.1 billion. Throughout the Year, intensive marketing campaigns for "Doomsday: Last Survivors" and "Viking Rise" yielded strong growth momentum, with "Doomsday: Last Survivors" generating nearly HK\$700 million in revenue and "Viking Rise" contributing HK\$400 million. Adding to the Group's growth trajectory, the APP Business contributed HK\$580 million, accounting for 11% of IGG's revenue. The combination of two new strategy games and the APP Business not only propelled the Group to an impressive HK\$5.3 billion in revenue – a remarkable 15% year-on-year increase – but have also contributed a net profit of over HK\$160 million in the second half of 2023, marking a new era of growth and diversification. During the Year, revenue from Asia, Europe and North America accounted for 44%, 28% and 23%, respectively, of the Group's total revenue.

¹ The Group's users and MAU include users of mobile games and apps.

MANAGEMENT DISCUSSION AND ANALYSIS

With the valuable contribution of the aforementioned businesses and continuous resource optimisation, the Group successfully turned its losses around, resulting in a net profit of over HK\$430 million in the second half of 2023 and an annual net profit of HK\$73 million. After experiencing losses in previous stages, the Group's core business turned the tide and generated a net profit of approximately HK\$380 million in the second half of 2023 and an annual net profit of over HK\$17 million. The Group's investments recorded a net profit of over HK\$55 million due to fair value gains.

“Lords Mobile”

“Lords Mobile”, released in March 2016, is the Group's blockbuster title with innovative features. Being the first cross-platform, multi-language, real-time game designed for global gamers, “Lords Mobile” has garnered widespread acclaim from gamers, recognised for its longevity² and ability to generate stable revenue for the Group. Leveraging its previous successful collaborations with “Saint Seiya” and “Kung Fu Panda”, the game further expanded its user base this year through collaborations featuring “How to Train Your Dragon”, “Armored Combat Worldwide”, and “Dreamworks Shrek”. Entering 2024, the Group remains dedicated to releasing exciting new game content, including a new feature “Guild Expedition”, thereby ensuring that monthly gross billing stays above HK\$240 million. As at 31 December 2023, the game has amassed 670 million registered users worldwide and has 9 million MAU.

“Doomsday: Last Survivors”

“Doomsday: Last Survivors”, released in August 2021, has become a favorite for 33 million gamers with its distinctive post-apocalyptic survival theme, deep integration of “real-time” and “strategy” gameplay, and epic 3D visuals. Following a marketing campaign that began in early 2023, the game's monthly gross billing reached a noteworthy milestone of HK\$82 million and experienced a subsequent increase to HK\$100 million in March 2024. The Group continued to release new content for the game, including features such as “New Immigration Decree”, a “Bounty Ground” Battle Royale gameplay, and “Archipelago Raid”, a large-scale cross-kingdom event, to provide players a truly unique battle experience. During the Year, “Doomsday: Last Survivors” garnered multiple awards, including five awards at the NYX Game Awards, “Mobile Game – Strategy”, “Mobile Game – Best Gameplay”, “Mobile Game – Best Character Design”, “Mobile Game – Best Game Design”, and “Mobile Game – Best Art Direction”, and “Best Overseas Game” by Youxi Tuoluo. These awards are a testament to the game's exceptional quality and global appeal.

MANAGEMENT DISCUSSION AND ANALYSIS

“Viking Rise”

“Viking Rise”, released in December 2022, is a real-time war strategy game based on Norse mythology and Viking history. Through continuous improvement, the gaming experience was elevated to new heights. The introduction of a “Mounts” system, along with a large-scale battle event “Kingdom Mayhem – Expedition to England”, and the addition of “Mystic Realm”, was well-received by the game’s 21 million players and earned it the “Best of 2023 Awards -- Best for Tablets” by Google Play.

APP Business

The Group has been developing various mobile APPs since 2013. After a decade of perseverance, the APP Business finally hit its stride this year. Continuing the good performance in the first half of 2023, the APP Business’ remarkable revenue of HK\$580 million for the Year constituted 11% of total revenue, and emerged as a pivotal force driving the Group’s revenue growth and diversification. As at 31 December 2023, it has over 350 million registered users worldwide and approximately 9.5 million MAU. The Group is committed to the ongoing promotion and diversification of its product portfolio, to take the APP Business to the next level.

Investments

The main objectives of the Group’s investments are to strengthen its overall R&D capability and enrich its product portfolio. Through strategic agreements with companies in the games industry, including licensed publishing and outsourced game development, the Group strives to diversify its game portfolio. At the same time, the Group tracks strategic directions in the Internet industry by investing in private equity funds with outstanding performance and portfolios focused on mobile Internet business. During the Year, the Group’s investments recorded a net profit of over HK\$55 million due to fair value gains.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

By adhering to its long-term operational strategy, the Group will drive steady growth in both the core game business and the APP Business. Additionally, the Group will continue to embrace and adopt Artificial Intelligence Generated Content (“AIGC”) technology to optimise costs and enhance profitability. In the first quarter of 2024, the game business demonstrated continued growth, with the Group’s total gross billing estimated to achieve HK\$1.4 billion, representing an approximate 20% increase compared to the corresponding period of 2023. As the Group seizes opportunities to drive growth, aggressive marketing campaigns may lead to short-term volatility in profits. Nonetheless, IGG remains confident of its overall financial performance for the full year and long-term growth.

Embracing the corporate spirit of “Innovators at Work, Gamers at Heart”, the Group will continue to strengthen its global R&D and operation capabilities, to relentlessly pursue its strategy of quality, innovation, and excellence in creating innovative yet timeless games.

KEY FINANCIAL INFORMATION

	Year ended 31 December	
	2023	2022
	HK\$' 000	HK\$' 000
Revenue	5,265,911	4,591,327
Cost of revenue	(1,346,854)	(1,440,494)
Other net gains/(losses)	90,369	(263,752)
Selling and distribution expenses	(2,665,908)	(1,702,443)
Administrative expenses	(317,177)	(363,295)
Research and development expenses	(934,852)	(1,305,078)
Profit/(loss) for the year	73,053	(503,589)
Including: Net profit/(loss) for core business ³	17,596	(176,795)
Gain/(loss) on investments ⁴	55,457	(326,794)
Profit/(loss) for the year attributable to equity shareholders of the Company	73,053	(503,589)
Adjusted net income/(loss) ⁵	114,987	(406,025)

³ Net profit/(loss) for core business: Net profit/(loss) excluding gain/(loss) on investments

⁴ Gain/(loss) on investments including: (1) fair value change and gain/loss on disposal of financial assets at fair value through profit or loss (“FVTPL”) or other financial liabilities, and dividend income; and (2) share of results of associates and joint ventures, impairment loss on interest in associates and joint ventures and net gain/loss on disposal and deemed disposal of associates and joint ventures.

⁵ Adjusted net income/(loss) represents profit/(loss) for the period attributable to equity shareholders of the Company excluding share-based compensation. It is considered a useful supplement to the consolidated statement of profit or loss indicating the Group’s profitability and operational performance for the financial periods presented.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2023 was HK\$5,266 million, representing an increase of 15% compared to HK\$4,591 million for the year ended 31 December 2022. The two strategy games "Doomsday: Last Survivors", "Viking Rise" and the APP Business have become the new driving force of the Group, their revenue contribution promoted the revenue increasing of the Group during the Year.

The following table sets forth a breakdown of the Group's revenue for the years ended 31 December 2023 and 2022, respectively:

	Year ended 31 December			
	2023		2022	
	HK\$' 000	%	HK\$' 000	%
Games:				
"Lords Mobile"	3,107,515	59.0	3,671,404	80.0
"Doomsday: Last survivors"	678,575	12.9	41,632	0.9
"Viking Rise"	408,551	7.8	14	0.0
Other games	491,627	9.3	773,517	16.8
APP Business	579,643	11.0	104,760	2.3
Total	5,265,911	100.0	4,591,327	100.0

Cost of revenue

The Group's cost of revenue for the year ended 31 December 2023 was HK\$1,347 million, representing a decrease of 6% compared to HK\$1,440 million for the year ended 31 December 2022, primarily due to the decrease of channel costs.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 December 2023 was HK\$3,919 million, representing an increase of 24% compared to HK\$3,151 million for the year ended 31 December 2022, primarily due to the revenue increasing promoted by new games and APP Business.

The Group's gross profit margin for the year ended 31 December 2023 was 74%, increase of 5% as compared to 69% for the corresponding period in 2022. The rise of gross profit margin was primarily due to the increase in proportion of APP Business revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Other net gains/(losses)

The Group's other net gains for the year ended 31 December 2023 was HK\$90 million, primarily derived from fair value increase of the investee companies and funds. For the year ended 31 December 2022, the Group recorded other net losses of HK\$264 million, mainly attributed to impairment losses of investments. More details on other net gains/losses are set out in note 5 to the financial statements, and details on the Group's investments are set out below in the "Investments" section.

Selling and distribution expenses

The Group's selling and distribution expenses for the year ended 31 December 2023 was HK\$2,666 million, representing an increase of 57% compared to HK\$1,702 million for the year ended 31 December 2022. During the Year, the Group launched marketing campaigns for its two new games "Doomsday: Last Survivors" and "Viking Rise", as the promotion of new games was essential for the Group's sustained growth and long-term success.

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2023 was HK\$317 million, representing a decrease of 13% compared to HK\$363 million for the year ended 31 December 2022. The decrease in administrative expenses was primarily due to the Group's continuous efforts in resource optimisation, cost control and precision management.

Research and development expenses

The Group's research and development expenses for the year ended 31 December 2023 was HK\$935 million, representing a decrease of 28% compared to HK\$1,305 million for the year ended 31 December 2022. The Group continued to optimise and integrate its teams, strictly controlled R&D expenses, resulting in cost savings and boost productivity during the Year.

Share of results of associates and joint ventures

The Group's share of results of associates and joint ventures for the year ended 31 December 2023 was a net gain of over HK\$9 million, representing more than triple the net gain of approximately HK\$3 million for the year ended 31 December 2022. This was primarily due to the increase in profits of certain associates and joint ventures. More details on share of results of associates and joint ventures are set out in note 16 to the financial statements, and details on the Group's investments are set out below in the "Investments" section.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expenses

The Group's income tax expenses for the year ended 31 December 2023 was HK\$24 million, representing an increase of 30% compared to HK\$18 million for the year ended 31 December 2022. The income tax expenses primarily came from some subsidiaries which recorded profit, as well as withholding tax from overseas income during the Year.

Capital expenditures

During the Year, the Group's capital expenditures were mainly related to purchases of property, plant and equipment, including construction of self-use office building in Fuzhou, China, renovation of offices in various regions, purchases of servers and computers; and purchases of intangible assets, such as software. Capital expenditures for the years ended 31 December 2023 and 2022 are set forth as below:

	Year ended 31 December	
	2023	2022
	HK\$' 000	HK\$' 000
Purchase of property, plant and equipment:		
Office premises and renovations [#]	123,138	115,403
Servers and computers	9,649	14,981
Purchase of intangible assets:		
Software	1,139	4,023

It was mainly related to the payment for the Year for construction of self-use office building in Fuzhou. On 18 January 2022, Fuzhou Tianping, an indirect wholly-owned subsidiary of the Company, entered into a letter of award with the First Company of China Eighth Engineering Division Ltd.* (中建八局第一建设有限公司) ("the Contractor"), pursuant to which Fuzhou Tianping has awarded a construction contract to the Contractor with an aggregate construction area of approximately 49,200 square meters at a contract sum of RMB422 million (equivalent to approximately HK\$515 million, at the exchange rate on the signing date) in respect of the construction of office building(s) on the Land located in Jin'an District, Fuzhou, the PRC. As of the date of this report, the construction work is at the main structure construction stage and is expected to be completed in the second half of 2024. Please refer to the announcement of the Company dated 18 January 2022 for further details. Except for the aforesaid construction of self-use office building, during the Year, there was no property held by the Group for development, sale or investment for which the percentage ratios (as defined under rule 14.04(9) of the Listing Rules) exceed 5%.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, capital resources and gearing ratio

As at 31 December 2023, the Group had net current assets of HK\$1,115 million (31 December 2022: HK\$1,147 million), and the gearing ratio of the Group, calculated as total liabilities divided by total assets, was 26.0% (31 December 2022: 25.4%).

As at 31 December 2023, the Group had cash and cash equivalents of HK\$1,470 million (31 December 2022: HK\$1,582 million).

Except for lease liabilities set out in note 23 to the financial statements, the Group did not have any bank borrowings or other financing facilities as at 31 December 2023 and 31 December 2022.

The table below sets forth selected cash flow data from our consolidated statement of cash flows:

	Year ended 31 December	
	2023	2022
	HK\$' 000	HK\$' 000
Net cash generated from/(used in) operating activities	128,577	(98,239)
Net cash used in investing activities	(96,229)	(152,029)
Net cash used in financing activities	(143,671)	(73,848)
Net change in cash and cash equivalents	(111,323)	(324,116)
Cash and cash equivalents at 1 January	1,581,832	1,949,971
Effect of foreign exchange rate changes	(757)	(44,023)
Cash and cash equivalents at 31 December	1,469,752	1,581,832

Operating activities

Net cash inflow generated from operating activities was HK\$129 million for the year ended 31 December 2023, compared to net cash outflow of HK\$98 million for the year ended 31 December 2022. The net cash inflow from operating activities was primarily due to the increase in revenue during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Investing activities

Net cash outflow used in investing activities was HK\$96 million for the year ended 31 December 2023, and net cash outflow for the year ended 31 December 2022 was HK\$152 million. The cash outflow used in investing activities was primarily due to the payment for the construction of self-use office building in Fuzhou, China.

Financing activities

Net cash outflow used in financing activities was HK\$144 million for the year ended 31 December 2023, primarily attributable to the lease rentals paid for right-of-use assets and payment for share repurchase and purchase of shares for Share Award Scheme of the Company. Net cash outflow used in financing activities was HK\$74 million for the year ended 31 December 2022, primarily attributable to the lease rentals paid for right-of-use assets.

Foreign currency risk

The Group's sales and purchases during the Year were mostly denominated in USD and SGD. The management team closely monitors foreign exchange exposure to ensure that appropriate measures are implemented in a timely and effective manner. Historically, the Group has not incurred any significant foreign currency exchange loss in its operation.

Legal compliance

As the Group is continuously expanding its businesses worldwide, it is required to comply with the new applicable laws and regulations in different jurisdictions that are specifically relevant to the Group's business, such as laws relating to data protection, internet information security, intellectual property and gaming industry.

Protecting users' personal data is the top priority of operations, and the Group is fully aware that any misuse, loss or leakage of users' data could have a negative impact on affected users and the Group's reputation, and may even lead to potential legal action against the Group. The Group is committed to safeguarding the security of users' personal data. In this regard, the update of privacy policy and the treatment and control measures of users' personal data form part of this commitment. When collecting and processing such data, the Group explains the purpose of the acquired data and obtains consents from users. Users also have rights to request to modify or delete their personal data. In addition, information security keeps the personal data anonymous to the maximum extent possible through effective management systems. The Group also employs internal processing mechanisms of data management, separation of access and restrictions on access, to ensure the highest level of protection of personal data.

For further details, please refer to the section headed "Corporate Social Responsibility Report – 6.5 Information Security and Personal Information Protection" in this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

Dividend

The Board does not recommend the payment of any final dividend for the year ended 31 December 2023 (for the year ended 31 December 2022: nil).

Share repurchase

The Group had repurchased 13,875,000 Shares during the Year, amounting to HK\$44.56 million, which was 61% of the net profit for the Year (for the year ended 31 December 2022: nil).

Human resources

As at 31 December 2023, the Group had 1,976 employees (31 December 2022: 2,503).

The Group's total staff-related costs amounted to HK\$1,026 million for the year ended 31 December 2023 (for the year ended 31 December 2022: HK\$1,300 million).

Investments

As at 31 December 2023, the Group's investments was HK\$675 million (as at 31 December 2022: HK\$655 million), including interests in associates and joint ventures and financial assets at fair value through profit or loss. Details of the investments of the Group are set out in notes 16 and 17 to the financial statements.

Details of gain/(loss) on investments of the years ended 31 December 2023 and 2022 are set forth below:

	Year ended 31 December	
	2023	2022
	HK\$' 000	HK\$' 000
Fair value change and gain on disposal of other financial assets and dividend income		
– Griffin Gaming Partners, L.P.	4,304	1,727
– MFund, L.P.	67,286	(6,925)
– Other funds and equity investments	17,758	(82,908)
Impairment loss on interests in associates and joint ventures	(43,279)	(242,170)
Net gains on disposal and deemed disposal of associates and joint ventures	–	660
Share of results of associates and joint ventures	9,388	2,822
Total	55,457	(326,794)

MANAGEMENT DISCUSSION AND ANALYSIS

Private equity funds

As at 31 December 2023, the Group held private equity funds at fair value through profit or loss amounting to approximately HK\$380 million, mainly including MFund, L.P. and Griffin Gaming Partners, L.P., which are set out below:

Name of investee company	Percentage of interests held by the Group	Investments cost as at 31 December 2022 HK\$' 000	Investments cost as at 31 December 2023 HK\$' 000	Fair value as at 31 December 2022 HK\$' 000	Fair value as at 31 December 2023 HK\$' 000	Unrealised gain/(loss) on change in fair value for the Year HK\$' 000	Realised gain for the Year HK\$' 000	Dividend received/receivable during the Year HK\$' 000
MFund, L.P. ("MFund")	4.71%	23,286	23,286	118,659	186,261	67,286	–	–
Griffin Gaming Partners, L.P. ("Griffin")	5.44%	89,532	89,532	114,205	110,103	(4,354)	–	8,658

Note: During the Year, the unrealised exchange gain of the above investments was approximately HK\$0.57 million.

The Group first entered into a limited partnership agreement with MFund, an Independent Third Party private equity fund, in 2014. The Group, as a limited partner, undertook to subscribe for the share of assets in MFund at a sum of US\$3.0 million (equivalent to HK\$23.29 million), accounting for approximately 4.37% interests⁶. MFund has a diversified investment portfolio, including equity investments in mobile internet industry, which is in alignment with the Group's strategic investment objectives. The investment cost and fair value of the Group's interests in MFund comprised approximately 0.63% and 5.04% of the total assets of the Group as at 31 December 2023, respectively.

The Group first entered into a limited partnership agreement with an Independent Third Party to subscribe for the relevant share of interest of Griffin in 2019. Griffin mainly focuses on the investment in gaming related companies worldwide, and its investment portfolio is in line with the Group's strategic investment objective. Subsequently in 2020, the Group entered into a subscription increase letter, pursuant to which the Group's total commitment in Griffin was US\$12.0 million (equivalent to approximately HK\$93.3 million) for an aggregate of approximately 5.44% interests in it. As of 31 December 2023, the Group has contributed US\$11.52 million (equivalent to approximately HK\$89.53 million) to Griffin, and the investment cost and fair value of the Group's interests in Griffin comprised approximately 2.42% and 2.98% of the total assets of the Group, respectively.

Save as disclosed above, there were no other material investments held by the Group as at 31 December 2023.

⁶ Due to the fund partner shareholding changes, the Group's interest raised to 4.71% during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Material acquisitions and disposals of subsidiaries and associates and joint ventures

During the Year, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures (for the year ended 31 December 2022: nil) and has no future plans for material investments on capital assets as at the date of this report. More details on associates and joint ventures are set out in note 16 to the financial statements.

Capital commitment

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
Construction of self-use office building [#]	174,119	373,017
Acquisition of self-use office premises	–	13,521
Renovations and design	–	12,102
Investment contracts	5,315	3,742
	<hr/>	<hr/>
Total	179,434	402,382

[#] On 18 January 2022, Fuzhou Tianping, an indirect wholly-owned subsidiary of the Company, entered into a letter of award with the First Company of China Eighth Engineering Division Ltd.* (中建八局第一建设有限公司) (“the Contractor”), pursuant to which Fuzhou Tianping has awarded a construction contract to the Contractor with a contract sum of RMB422 million (equivalent to approximately HK\$515 million, at the exchange rate on the signing date) in respect of the construction of office building(s) on the Land located in Jin’an District, Fuzhou, the PRC. The construction contract has been signed on the same day after the letter of award was made. Please refer to the announcement of the Company dated 18 January 2022 for further details.

As at 31 December 2023, the Group had a capital commitment of HK\$179 million, which was mainly related to a balance due regarding the construction of self-use office building on the Land by Fuzhou Tianping and contract payments of investments in the mobile internet and gaming related companies and funds (31 December 2022: HK\$402 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge on assets

On 6 April 2022, Fuzhou Tianping provided a letter of guarantee issued by China Merchants Bank Co., Ltd. Fuzhou Branch (“CMB”) in favour of the Contractor, namely The First Company of China Eighth Engineering Division Ltd.* (中建八局第一建设有限公司), for a maximum amount of RMB27 million (equivalent to approximately HK\$34 million, at the exchange rate on the signing date) to secure Fuzhou Tianping’s performance of payment obligations under the construction contract (“Construction Contract”) entered into between Fuzhou Tianping and the Contractor in relation to the construction works contemplated under the letter of award entered between the parties on 18 January 2022 (the “Letter of Guarantee”). Fuzhou Tianping shall deposit such amount equivalent to the maximum guarantee amount under the Letter of Guarantee in cash into the designated bank account opened with CMB pursuant to the terms and conditions of the guarantee cooperation agreement dated 6 April 2022 entered into between Fuzhou Tianping and CMB. For further details of the transaction, please refer to the announcement of the Company dated 6 April 2022.

As contemplated under the Letter of Guarantee, the said guarantee shall lapse on 13 February 2024 or upon the full payment of the maximum amount under the Letter of Guarantee to the Contractor pursuant to the terms therein, whichever is earlier. As at the date of this report, in light of the delay in the construction schedule, the validity period of the said guarantee is extended and the guarantee shall remain valid until the full payment of the total amount under the Construction Contract to the Contractor.

Save as disclosed above, no asset of the Group was pledged as a security for bank borrowing or any other financing activities as at 31 December 2023 (31 December 2022: nil).

Contingent liabilities

The Group had no significant contingent liabilities as at 31 December 2023 (31 December 2022: nil).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zongjian Cai (蔡宗建), aged 46, was appointed as an executive Director of the Company on 31 October 2007 and is the chairman of the Board and chief executive officer of the Group. Mr. Cai is one of the Founders of the Group and is primarily responsible for the corporate strategic planning and overall business development of the Group. Mr. Cai also acts as a director of the Company's subsidiaries, Skyunion Hong Kong Holdings Limited and OptiMobi. Mr. Cai has approximately 24 years of experience in online game industry. He worked at Fujian NetDragon Websoft Co., Ltd.* (福建網龍計算機網絡信息技術有限公司), as a vice president from May 2000 to November 2003 and piloted the development of 17173.com. Mr. Cai also worked as the chief executive officer of 17173.com, which was acquired by Sohu.com Inc., a company listed on NASDAQ (Stock Code: SOHU), from November 2003 to January 2005 and a consultant for both Beijing Sohu New Era Information Technology Co., Ltd.* (北京搜狐新時代信息技術有限公司) and 17173.com from January 2005 to June 2005. Mr. Cai graduated from Fuzhou University (福州大學) with a college diploma in computer and accounting in June 1998.

Mr. Yuan Xu (許元), aged 49, was appointed as an executive Director of the Company on 21 August 2015 and is the Group's chief operating officer. Mr. Xu has approximately 24 years of experience in corporate management. He joined the Group in September 2007 and is primarily responsible for global operation strategies of the Group. Prior to joining the Group, Mr. Xu worked as a graduate researcher at University of California, Santa Cruz, from September 1999 to July 2004. He also worked at Nanoconduction Inc. as a project leader from September 2004 to June 2007. Mr. Xu graduated from Beijing University of Technology (北京工業大學) with a bachelor's degree in applied physics in July 1998. He also graduated from University of California, Santa Cruz, with a degree of doctor of philosophy in electrical engineering in June 2004.

Mr. Hong Zhang (張竑), aged 52, was appointed as an executive Director of the Company on 21 August 2015 and is the Group's chief technology officer. Mr. Zhang has approximately 27 years of experience in information technology industry. He joined the Group in December 2008 and is primarily responsible for the overall technology operation of the Group. Prior to joining the Group, Mr. Zhang worked at Charles Schwab as a senior staff technology from August 2000 to November 2005. He was also employed by Corporate Computer Services Inc. from November 2005 to November 2008 as a software engineer, assigned to Barclays Global Investors as an information technology consultant. Mr. Zhang graduated from Zhejiang University (浙江大學) with a bachelor's degree in engineering in June 1994, a master's degree in engineering in June 1997. He also graduated from University of California, San Francisco, with a master's degree in science in September 2000.

* For identification purpose only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Jessie Shen (沈潔菁), aged 53, was elected as an executive Director on 3 June 2016 and is the Group's chief financial officer and one of the joint company secretaries. Ms. Shen also acts as a director of the Company's subsidiaries, IGG Taiwan Ltd., IGG Capital, IGG Capital Limited, and IGG (Hainan) Capital. Ms. Shen has approximately 27 years of experience in accounting and corporate management. She was appointed as the chief financial officer of the Group on 10 November 2014. She joined the Group in March 2009 as the senior vice president of finance and has been primarily responsible for corporate finance, legal and listing compliance matters on the Stock Exchange. Prior to joining the Group, she worked as an auditor at Diwan, Ernst & Young from July 1992 to August 1994, and a finance associate manager of Aurora Corporation, a company listed on the Taiwan Stock Exchange (Stock Code: 2373), from March 1995 to March 1998 and from August 2001 to January 2002. Ms. Shen also held finance and company secretary positions at Rock Mobile Group from January 2003 to March 2007. She worked at Neo Solar Power Corp., a company listed on Taiwan Stock Exchange (Stock Code: 3576), as a finance manager from December 2007 to March 2009. Ms. Shen graduated from Tunghai University with a bachelor's degree in accounting in June 1992. She also graduated from Rutgers, The State University of New Jersey with a master's degree in business administration in October 1999. Ms. Shen passed the examination of American Institute of Certified Public Accountants (AICPA), Certified Public Accountant examination in Taiwan, Certified Internal Auditor examination by the Institute of Internal Auditors, and the certification examination by Taiwan Institute of Internal Auditors.

Mr. Feng Chen (陳豐), aged 51, was elected as an executive Director on 3 June 2016 and was one of the individual investors investing in the Company prior to the listing of the Company on the Stock Exchange in 2013. In April 2014, Mr. Chen joined the Company as the senior vice president of corporate strategy and has been responsible for leading several strategic investments made by the Company in external startups and internal incubated projects. Mr. Chen also acts as a director of the Company's subsidiaries, Skylines Investment Holdings Pte. Ltd., SkyScape Investment Holdings Pte. Ltd., IGG Capital, IGG Capital Limited, IGG (Hainan) Capital, and OptiMobi. Mr. Chen also acts as a director of the Company's joint venture, Tap Media Technology Inc., as well as a director of the Company's associates, Fujian Tianzhi Internet Information Technology Co., Ltd.* (福建天志互聯信息科技股份有限公司) and Fuzhou Yunding Network Technology Co., Ltd.* (福州雲頂網絡科技有限公司). Prior to joining the Company, from July 1996 to August 2001, Mr. Chen served as a senior design engineer at Broadcom Corporation (currently known as Broadcom Ltd.), an American fabless semiconductor company, and was responsible for the development of one of the world's first DOCSIS standard compliant cable modem chipset. From May 2002 to June 2007, Mr. Chen served various positions at NetDragon Websoft Holdings Limited (網龍網絡控股有限公司), an online game developer and operator in the PRC listed on the Stock Exchange (Stock Code: 777), including the senior vice president of overseas business development. In August 2007, Mr. Chen founded Ingle Games Ltd., a publisher that aimed at publishing MMORPG games developed by Chinese game developers in the western market, and served as the chief executive officer of Ingle Games Ltd. from August 2007 to December 2010. From March 2011 to March 2014, Mr. Chen served as the senior vice president of overseas development at 91.com, a mobile internet distribution platform in the PRC. Mr. Chen graduated from University of California, Los Angeles with a Master of Science Degree in electrical engineering in 1995.

* For identification purpose only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director

Mr. Yuan Chi (池元), aged 67, was re-designated as a non-executive Director on 21 August 2015. Mr. Chi is one of the Founders of the Group and also acts as a director of the Company's subsidiary, Skyunion Hong Kong Holdings Limited. Mr. Chi has approximately 26 years of experience in the information technology industry. Prior to joining the Group, Mr. Chi worked as the general manager of Fujian Window Network Information Co., Ltd.* (福建之窗網絡信息有限公司) (www.66163.com) from April 1998 to June 2007. He was the vice president of Fujian Rongji Software Co., Ltd.* (福建榕基軟件股份有限公司), a company listed on Shenzhen Stock Exchange (Stock Code: 002474), from November 2000 to September 2003. Mr. Chi also worked at Fujian NetDragon Websoft Co., Ltd.* (福建網龍計算機網絡信息技術有限公司), from October 2003 to November 2007. Mr. Chi graduated from Fuzhou University (福州大學) with a bachelor's degree in water resources and hydropower engineering in July 1982 and a master's degree in hydraulic structure in March 1990.

Independent Non-executive Directors

Dr. Horn Kee Leong (梁漢基), aged 72, was appointed as an independent non-executive Director on 16 September 2013. Dr. Leong is currently the chairman of CapitalCorp Ventures Pte. Ltd. He has been Singapore's Non-resident Ambassador to Argentina since September 2020. Dr. Leong held various management positions including as an executive director and consultant of Far East Organization Centre Pte. Ltd., the chief executive officer of Yeo Hiap Seng Ltd, the managing director of Orchard Parade Holdings Limited, a corporate finance director of Rothschild (Singapore) Limited. From 1977 to 1983, Dr. Leong held various positions at the Ministry of Finance and at the Ministry of Trade & Industry of Singapore. He was a member of Parliament of Singapore from 1984 to 2006. He was Singapore's Non-resident Ambassador to Mexico from 2006 to 2013, and was Singapore's Non-resident High Commissioner to Cyprus from 2014 to 2021. In addition to the above, Dr. Leong currently holds or held directorships in the following listed companies in the past three years preceding the date of this annual report:

Period	Name of company	Position
10 June 2013 - present	PARAGON REIT Management Pte. Ltd. (formerly known as SPH REIT Management Pte. Ltd.), which is the management company of PARAGON REIT listed on Singapore Stock Exchange	Chairman of the board
28 July 2018 - present	CSC Holding Limited, listed on Singapore Stock Exchange	Independent non-executive chairman
8 January 2019 - 15 May 2023	ESR-LOGOS Funds Management (S) Limited (formerly known as ESR Funds Management (S) Limited), which is the management company of ESR-LOGOS REIT listed on Singapore Stock Exchange	Independent non-executive director

* For identification purpose only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Leong graduated from Loughborough University with a bachelor's degree of technology in production engineering and management in July 1975. He completed distance learning and obtained a bachelor's degree of science in economics from University of London in August 1979 and he also finished part-time study and obtained a bachelor's degree of arts in Chinese Language and Literature from Beijing Normal University (北京師範大學) in March 2009. Dr. Leong graduated from the European Institute of Business Administration (INSEAD) with a master's degree of business administration in 1980 and he also finished part time study and obtained a master's degree of business research from the University of Western Australia in September 2009. He also graduated from the University of Western Australia with the degree of doctor of business administration in September 2013.

Ms. Zhao Lu (陸釗), aged 56, was appointed as an independent non-executive Director on 16 September 2013. Ms. Lu is currently the president of Fujian New Media Animation Game Associate* (福建省動漫遊戲協會新媒體產業聯盟). Ms. Lu was the general manager of Fuzhou Lingdong Network Technology Co., Ltd.* (福州靈動網絡科技有限公司) from February 2009 to December 2012 and from November 2018 to February 2023. She was the vice president of Amphenol AssembleTech (Ningde) Co., Ltd.* (安費諾(寧德)電子有限公司) from September 2016 to October 2018, and the general manager of Tian Liang Customer Service* (天亮客服) of FuJian NetDragon Websoft Co., Ltd.* (福建網龍計算機網絡信息技術有限公司) from December 2003 to February 2009. Ms. Lu graduated from Beijing University of Posts and Telecommunications (北京郵電大學) (formerly known as Beijing Institute of Posts and Telecommunications* (北京郵電學院)) with a bachelor's degree in communication in July 1989.

Mr. Kam Wai Man (甘偉民), aged 49, was appointed as an independent non-executive Director on 29 June 2023. Mr. Kam has over 20 years of working experience in corporate finance. He has served as a managing director of Innovax Capital Limited ("Innovax Capital") and been a responsible officer of Innovax Capital for Type 6 regulated activities (advising on corporate finance) under the SFO since 2017, and he is also one of the sponsor principals of Innovax Capital. From April 2003 to November 2005, Mr. Kam served as a licensed representative at Kingsway Capital Limited. He then worked at China Everbright Capital Limited from November 2005 to February 2017 with his last position being the managing director and head of the corporate finance department. Mr. Kam has been an independent non-executive director of Duiba Group Limited (Stock code: 1753) since April 2019 and Haosen Fintech Group Limited (formerly known as Wealthy Way Group Limited) (Stock code: 3848) since January 2020, both of which are companies listed on the Stock Exchange. He obtained a bachelor of arts (honors) in business studies from City University of Hong Kong in November 1997 and a Postgraduate Diploma in Professional Accountancy from the Chinese University of Hong Kong in December 2004. Mr. Kam is a member of the Hong Kong Institute of Certified Public Accountants and a CFA Institute charterholder.

SENIOR MANAGEMENT

Mr. Zongjian Cai, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Jessie Shen and Mr. Feng Chen are also members of senior management. Please refer to their biography details in the subsection headed "Executive Directors" above.

* For identification purpose only

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view towards being a transparent and responsible organisation which is open and accountable to the Shareholders. The Board strives to adhere to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, while focusing on areas such as internal control and risk management, as well as fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company.

The Company believes that effective corporate governance is essential to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimise return for Shareholders.

The Company is committed to maintaining high standards of corporate governance in the best interests of Shareholders. During the year ended 31 December 2023, except for the deviation from code provision C.2.1 of the Corporate Governance Code, the Company has complied with the code provisions of the Corporate Governance Code.

Under code provision C.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Group does not at present separate the roles of the chairman and chief executive officer. Mr. Zongjian Cai is the chairman and chief executive officer of the Group. He has extensive experience in online game industry and is responsible for the overall corporate strategic planning and business development of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same individual can provide strong leadership to the Group and ensures efficient execution of corporate plans and objectives. In addition, the balance of power and authorities is ensured by the composition of the Board, which comprises experienced and high caliber individuals. The Board currently comprises five executive Directors, one non-executive Director and three independent non-executive Directors, who would be able to offer advice from different perspectives. All major decisions are made by the Board members in consultation with the management team of the Company. Based on the above, the Board considers that the current arrangement has appropriate checks and balance of power in place to safeguard the interest of the Group and the Shareholders as a whole.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The overall management of the Company's operation is vested in the Board. The Board takes overall responsibilities to oversee all major matters of the Group, including the formulation and approval of all policy matters, overall strategic development of the Group, monitoring and controlling the Group's operation and financial performance, internal control and risk management systems, and monitoring of the performance of the management team of the Group. The Directors have to make decisions objectively in the interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the chief executive officer and the management team of the Company. The delegated functions and work tasks are periodically reviewed by the Board.

The Board currently comprises nine Directors, consisting of five executive Directors, Mr. Zongjian Cai (the chairman of the Board), Mr. Yuan Xu, Mr. Hong Zhang, Ms. Jessie Shen and Mr. Feng Chen, one non-executive Director, Mr. Yuan Chi, and three independent non-executive Directors, Dr. Horn Kee Leong, Ms. Zhao Lu and Mr. Kam Wai Man. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his/her position, and has sufficient experience to hold the position so as to carry out his/her duties effectively and efficiently.

To the best knowledge of the Company, there is no other financial, business or family relationship among the members of the Board. The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

During the year ended 31 December 2023, the Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three independent non-executive Directors. In addition, at least one independent non-executive Director possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules. The Company has appointed three independent non-executive Directors representing one-third of the Board and is in compliance with Rule 3.10A of the Listing Rules.

CORPORATE GOVERNANCE REPORT

Board Diversity Policy

The Board first adopted a board diversity policy in September 2013 which is subject to annual review to ensure that diversity and inclusion are given serious consideration in the succession planning, selection and nomination of the Board. The latest board diversity policy was reviewed and adopted in March 2022. The board diversity policy sets out the basic principles to ensure that the Board has the requisite knowledge of the Company and experience in different business and cultural conditions of different regions and markets and a variety of perspectives necessary to maintain and enhance the overall effectiveness of the Board and taking account of succession planning. All Board appointments will continue to be made on a merit basis based on the Group's business needs from time to time while taking into account the benefit of diversity. The Company will ensure that the Board has a balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Selection of board candidates will be based on a range of factors with reference to the Company's business needs, including but not limited to age, gender, nationality, educational background, industry and professional experience. The nomination committee of the Board will select board members in accordance with the Company's nomination policy and will also give consideration to the board diversity policy. The Board and the nomination committee of the Board have set measurable objectives for the implementation of the board diversity policy to ensure that the Board has the appropriate balance in the above aspects of diversity, and review the board diversity policy periodically to ensure its continued effectiveness.

Taking into account the nature and scope of the Group's business, the nomination committee of the Board is of the opinion that the current Board has sufficient element of independence and is well-balanced in terms of gender, age, nationality, professional experience, skills and knowledge, to support the execution of business strategy and maintain the effectiveness of the Board. There are two female Directors, accounting for 22% of the Board. The Company considers the current gender ratio satisfies the Company's board diversity policy. Please refer to the section headed "7.1 Equal Employment" in Corporate Social Responsibility Report for diversity in the workforce (including senior management). The gender distribution of the Group's employees reflect characteristics of the game industry, with 32% of females as at 31 December 2023.

Model Code

During the year ended 31 December 2023, the Company has also adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code regarding directors' securities transactions during the year ended 31 December 2023.

CORPORATE GOVERNANCE REPORT

Independent Non-Executive Directors

Independent non-executive Directors have played a significant role in the Board by bringing their independent judgment at Board meetings and scrutinising the Group's performance. Their views carry significant weight in the Board's decisions, in particular, they bring an impartial view to bear on issues of the Group's strategy, performance and control. All independent non-executive Directors possess strong academic background, professionalism and industry expertise and management experience and have provided their professional advices to the Board. The independent non-executive Directors provide independent advice on the Group's business strategy, results and management so that all interests of Shareholders can be taken into account, to protect the interests of the Company and its Shareholders.

The Board has three independent non-executive Directors with two of the independent non-executive Directors, Dr. Horn Kee Leong and Mr. Kam Wai Man, possessing appropriate financial management expertise in compliance with the requirements set out in Rule 3.10(2) of the Listing Rules.

Mechanisms to ensure that independent views and input are available to the Board include but not limited to engaging external experts to assist the Directors to perform their duties. The Company seeks formal annual confirmations of independence from each of the existing independent non-executive Directors. When considering whether an independent non-executive director should be proposed for re-election, and whether a potential candidate for independent non-executive director is qualified, the Nomination Committee and the Board will assess whether the director or candidate is able to bring independent views to the Board on a case-by-case basis, with reference to the Director's professional qualifications and experience in related industries. The Board annually reviews the implementation and effectiveness of such mechanisms.

Based on the contents of independence confirmations and assessments, the Company considers that all the independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules during the year ended 31 December 2023.

Dr. Horn Kee Leong, Ms. Zhao Lu and Mr. Dajian Yu (prior to his resignation on 29 June 2023) have been serving the Company for more than nine years with comprehensive understanding and in-depth insight into the Company's business strategies and operations. They have demonstrated strong independence by providing objective views, professional advice and insights to the Board during their tenure on the Board. They have not taken part in the day-to-day management. The nomination committee of the Board and the Board considered that the independent non-executive Directors' independence is not compromised by their length of service, and each of the long-serving Directors has the integrity and expertise to continue to exercise independent judgment, fulfill their duties as Directors, and contribute to the Board.

According to code provision B.2.4 of the Corporate Governance Code, where all the independent non-executive Directors of the Company have served more than nine years on the Board, the Board should appoint a new independent non-executive Director to the Board. Therefore, the Company has appointed Mr. Kam Wai Man as an independent non-executive Director by ordinary resolution passed and effective at the 2023 AGM. The Board further

CORPORATE GOVERNANCE REPORT

proposed to appoint a new independent non-executive Director to the Board at the forthcoming annual general meeting. For further details, please refer to the circular for the forthcoming annual general meeting of the Company to be despatched in due course. As at the date of this report, Ms. Lu Zhao has informed the Board her intention to resign as an independent non-executive Director upon the appointment of the new independent non-executive Director at the forthcoming annual general meeting, in order to devote more time to her family and personal commitments. The Nomination Committee reviewed and considered that the resignation of Ms. Lu Zhao did not have a material impact on the structure and diversity of the Board. The Board is of the view that the appointment of the new independent non-executive Director and the subsequent resignation of Ms. Lu Zhao will maintain the stability and refreshment of the Board structure.

Training and Support for Directors

All Directors must keep abreast of their collective responsibilities. Any newly appointed Director would receive an induction package covering the Group's operations, businesses, governance policies and the statutory regulatory obligations and responsibilities of a director of a listed company. The Directors have been informed of the requirement under code provision C.1.4 of the Corporate Governance Code regarding continuous professional development. According to the records provided by the Directors, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the Corporate Governance Code on continuous professional development for the year ended 31 December 2023:

Name of Director	Corporate Governance (include anti-corruption)/Updates on Laws, Rules and Regulations		Accounting/Financial/Management or Other Professional Skills	
	Read Materials	Attend Seminars/Briefings	Read Materials	Attend Seminars/Briefings
<i>Executive Directors</i>				
Mr. Zongjian Cai (Chairman and chief executive officer)	√	√	√	√
Mr. Yuan Xu	√	√	√	√
Mr. Hong Zhang	√	√	√	√
Ms. Jessie Shen	√	√	√	√
Mr. Feng Chen	√	√	√	√
<i>Non-executive Director</i>				
Mr. Yuan Chi	√	√	√	√
<i>Independent non-executive Directors</i>				
Dr. Horn Kee Leong	√	√	√	√
Ms. Zhao Lu	√	√	√	√
Mr. Kam Wai Man (appointed on 29 June 2023)	√	√	√	√
Mr. Dajian Yu (resigned on 29 June 2023)	√	√	√	√

CORPORATE GOVERNANCE REPORT

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Dividend Policy

The Board adopted the dividend policy on 29 December 2018 in order to enhance transparency of the Company and facilitate shareholders and investors to make informed investment decisions. The Board is committed to providing sustained dividends to the Shareholders, and the dividend policy sets the foundation for a prudent and disciplined dividend payment to shareholders while preserving the Company's liquidity to capture future growth opportunities. The Board will determine the level of dividends after considering the factors of the Company including (i) the results of operations, (ii) cash flows, (iii) future prospects, (iv) financial condition, (v) economic and political conditions of the business environment, (vi) share buy-back and (vii) the statutory and regulatory restrictions on the payment of dividends and other factors that the Board may consider to be relevant. The Board will review the dividend policy as appropriate to ensure its continued effectiveness from time to time. The Board will also continue to consider Shareholders' return of capital by using share buy-back as an opportunity to increase earnings per share.

Meetings

The Board meets to discuss the overall strategy as well as the operation and financial performance of the Group from time to time. Directors may participate either in person or through electronic means of communications. During the year ended 31 December 2023, nine Board meetings and one general meeting were held.

The individual attendance records of each Director at the Board meetings and the general meeting of the Company held during the year ended 31 December 2023 is set out below:

Name of Director	Attendance/ Number of Board Meetings eligible to attend	Attendance/ Number of General Meeting eligible to attend
<i>Executive Directors</i>		
Mr. Zongjian Cai (<i>Chairman and chief executive officer</i>)	9/9	1/1
Mr. Yuan Xu	9/9	1/1
Mr. Hong Zhang	9/9	1/1
Ms. Jessie Shen	9/9	1/1
Mr. Feng Chen	9/9	1/1
<i>Non-executive Director</i>		
Mr. Yuan Chi	9/9	1/1

CORPORATE GOVERNANCE REPORT

Name of Director	Attendance/ Number of Board Meetings eligible to attend	Attendance/ Number of General Meeting eligible to attend
<i>Independent non-executive Directors</i>		
Dr. Horn Kee Leong	9/9	1/1
Ms. Zhao Lu	9/9	1/1
Mr. Kam Wai Man (appointed on 29 June 2023)	4/4	–
Mr. Dajian Yu (resigned on 29 June 2023)	5/5	1/1

All Directors are provided with relevant materials relating to the matters brought before the meetings. They have separate and independent access to the management team and the company secretary of the Company at all times and may seek independent professional advice at the Company's expense. Where queries are raised by Directors, steps would be taken to respond as promptly and comprehensively as possible. All Directors have the authority to include matters in the agenda for Board meetings. Notices are given to the Directors at least 14 days before Board meetings and the procedures for Board meetings comply with the Articles of Association, as well as relevant rules and regulations.

Appointments, Re-election and Removal of Directors

Each of the executive Directors has entered into a service contract with the Company for a specific term of three years commencing from the date of the respective service contracts and will automatically continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of the non-executive Director and independent non-executive Directors has entered into a service contract with the Company for a specific term of three years commencing from the date of the respective service contracts and will automatically continue for another three years thereafter until terminated by not less than two months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

CORPORATE GOVERNANCE REPORT

The Directors are subject to retirement by rotation and re-election at an annual general meeting of the Company at least once every three years in accordance with the Articles of Association.

The Articles of Association provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first annual general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. No Director proposed for election/re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Board Committees

The Board has established (i) audit committee; (ii) remuneration committee; and (iii) nomination committee, with defined terms of reference. The terms of reference of the Board committees which explain their respective role and the authority delegated to them by the Board are available on the website of the Company at www.igg.com and the website of the Stock Exchange at www.hkexnews.hk. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expense.

Audit Committee

The Board has established an audit committee (the "Audit Committee") on 5 December 2008, with written terms of reference in compliance with the Listing Rules. The terms of reference were amended on 29 December 2018 with reference to the changes relating to Corporate Governance Code. The primary duties of the Audit Committee are, among other things, to review and to supervise the financial reporting process and risk management (including ESG risks) and internal control systems of the Group. The Audit Committee comprises all independent non-executive Directors, namely, Dr. Horn Kee Leong (chairman of the Audit Committee), Ms. Zhao Lu, Mr. Kam Wai Man (appointed on 29 June 2023) and Mr. Dajian Yu (resigned on 29 June 2023).

The Audit Committee had reviewed the Group's audited annual results for the year ended 31 December 2022 and the Group's unaudited interim results for the six months ended 30 June 2023, and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditors. In addition, the Audit Committee reviewed annually the risk management and internal control systems of the Group, as well as the effectiveness of the Group's internal audit function, during the year ended 31 December 2023. During the year ended 31 December 2023, the Audit Committee held two meetings with the external auditors without the presence of any members of management of the Company.

During the year ended 31 December 2023, four meetings were held by the Audit Committee. The individual attendance record of each member of the Audit Committee at the meetings of the Audit Committee is set out below:

CORPORATE GOVERNANCE REPORT

Name of Director	Attendance/ Number of Committee Meetings eligible to attend
Dr. Horn Kee Leong	4/4
Ms. Zhao Lu	4/4
Mr. Kam Wai Man (appointed on 29 June 2023)	2/2
Mr. Dajian Yu (resigned on 29 June 2023)	2/2

Remuneration Committee

The Board established a remuneration committee (the “Remuneration Committee”) on 5 December 2008 with written terms of reference in compliance with the Listing Rules. The primary duties of the Remuneration Committee are, among other things, to evaluate the performance, to review, approve and make recommendations to the Board on the remuneration package of the Directors and senior management, as well as to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules. The Remuneration Committee consists of three members, namely, the independent non-executive Directors, Ms. Zhao Lu (chairman of the Remuneration Committee), Mr. Kam Wai Man (appointed on 29 June 2023) and Mr. Dajian Yu (resigned on 29 June 2023), and the executive Director, Mr. Zongjian Cai.

For the year ended 31 December 2023, the Remuneration Committee surveyed peer companies’ remuneration packages and reviewed the remuneration packages of the executive Directors and the senior management. The Remuneration Committee also reviewed granting of awarded shares under the Share Award Scheme, vesting results of Performance-based Awarded Shares under the Performance-based Share Award Scheme, and other benefit plans to key employees.

For the year ended 31 December 2023, six meetings were held by the Remuneration Committee. The individual attendance record of each member of the Remuneration Committee at the meetings of the Remuneration Committee is set out below:

Name of Director	Attendance/ Number of Committee Meetings eligible to attend
Ms. Zhao Lu	6/6
Mr. Zongjian Cai	6/6
Mr. Kam Wai Man (appointed on 29 June 2023)	2/2
Mr. Dajian Yu (resigned on 29 June 2023)	4/4

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Board established a nomination committee (the “Nomination Committee”) on 16 September 2013 with written terms of reference in compliance with the Listing Rules. The terms of reference were amended on 29 December 2018 with reference to the changes relating to Corporate Governance Code. The primary duties of the Nomination Committee are, among other things, to review the nomination policy, to nominate potential candidates for directorship, to make recommendations to the Board on terms of appointment or re-appointment of directors of the Company and succession planning for directors of the Company and review the board diversity policy. Their written terms of reference are in line with the Corporate Governance Code provisions. The Nomination Committee consists of four members, namely, the independent non-executive Directors, Dr. Horn Kee Leong (chairman of the Nomination Committee), Ms. Zhao Lu, Mr. Kam Wai Man (appointed on 29 June 2023) and Mr. Dajian Yu (resigned on 29 June 2023), and the executive Director, Mr. Zongjian Cai.

During the year ended 31 December 2023, the Nomination Committee reviewed, among other things, the structure, size, composition and diversity (including without limitation, age, gender, nationality and educational background, ethnicity, industrial professional experience, skills, knowledge and length of service) of the Board, and made recommendations to the Board on appointment or re-appointment of directors of the Company and succession planning for directors of the Company, the independence of independent non-executive directors and the board diversity policy.

During the year ended 31 December 2023, one meeting was held by the Nomination Committee. The individual attendance record of each member of the Nomination Committee at the meeting of the Nomination Committee is set out below:

Name of Director	Attendance/ Number of Committee Meeting eligible to attend
Dr. Horn Kee Leong	1/1
Mr. Zongjian Cai	1/1
Ms. Zhao Lu	1/1
Mr. Kam Wai Man (appointed on 29 June 2023)	–
Mr. Dajian Yu (resigned on 29 June 2023)	1/1

CORPORATE GOVERNANCE REPORT

Nomination Policy

Pursuant to the Corporate Governance Code, the Board adopted a nomination policy on 29 December 2018. The nomination policy provides guidelines to the Nomination Committee on the selection of suitable candidates for directorship. The selection criteria include but not limited to (i) reputation for integrity, (ii) commitment in respect of available time, and (iii) creativity and professional knowledge in the business operation of the Company. Board diversity will continue to be an important aspect for the Nomination Committee in assessing the suitability and capability of a proposed candidate to become a Board member and in making recommendations to the Board of individuals nominated for directorships. The Nomination Committee will also base on the aforesaid selection criteria to make recommendations to the Board on the appointment or re-appointment of Directors and when considering succession planning for the Board. The Nomination Committee will review the nomination policy on an annual basis to ensure its continued effectiveness.

Corporate Governance Function

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with the Listing Rules, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and the management team of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report. During the year ended 31 December 2023, the Board reviewed and determined the policy for the corporate governance of the Company.

Joint Company Secretaries

The joint company secretaries of the Company are Ms. Jessie Shen and Ms. Yin Ping Yvonne Kwong. Ms. Yin Ping Yvonne Kwong, vice president of SWCS Corporate Services Group (Hong Kong) Limited, an external service provider, has been engaged by the Company as its company secretary to act jointly with Ms. Jessie Shen. The primary contact person at the Company is Ms. Jessie Shen. Both Ms. Jessie Shen and Ms. Yin Ping Yvonne Kwong have informed the Company that they have taken no less than 15 hours of relevant professional training during the year ended 31 December 2023. Their trainings satisfied the requirements under Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

FINANCIAL REPORTING

The Board, supported by the chief financial officer and the finance department, is responsible for the preparation of the financial statements of the Company and the Group for each financial year, and shall give a true and fair view of the financial position, operating results and cash flow of the Company and its subsidiaries for each financial year.

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

The responsibilities of KPMG, the Company's external auditor, on the financial statements are set out in the section headed "Independent Auditor's Report" in this annual report.

Auditor's Remuneration

The Audit Committee of the Company is responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors of the Company and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors. The Company engages KPMG as its external auditor. Details of the fees paid/payable to KPMG during the year ended 31 December 2023 are as follows:

	HK\$' 000
Audit services	2,478
Non-audit services	
– interim review services	1,364
– tax services	470
	<hr/>
Total	4,312

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risk that the Company is willing to take to achieve the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board has developed its internal management systems, which include but not limited to the following processes:

- The Board receives regular updates from the management team and reviews the Group's business plan, financial results, investment strategies, business indicators and performance appraisal to ensure that the business risks are identified and managed;

CORPORATE GOVERNANCE REPORT

- The management team supervises the Group's business performance on an on-going basis via regular meetings with respective departments and project teams, to identify potential risks and develop strategies to address the risk;
- The Group monitors a wide range of indicators, such as game statistics, player feedbacks and employee turnover rate, and responds promptly if any risk indicators arise;
- The Group works with external legal, accounting, tax, and other professional advisers at various jurisdictions to ensure that it is in compliance with relevant legislation and regulations; and
- The internal audit department of the Group performs independent reviews on the internal control systems and operational activities, and presents its findings to the Board on a regular basis.

However, the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has included "environmental, social, and governance" risks into its risk management system. Please refer to the section headed "2.3 ESG Risk Management" in Corporate Social Responsibility Report for further details.

The Board is responsible for overseeing the management in the design, implementation and monitoring of risk management and internal control systems, and reviewing and maintaining appropriate and effective risk management and internal control systems. During the year ended 31 December 2023, the Board has conducted quarterly reviews of the risk management and internal control systems of the Group and considered the risk management and internal control systems of the Group have been implemented effectively and are adequate. Such reviews covered financial, compliance and operational controls. The Board has also discussed the business risk, financial risk, compliance risk, operational risk, external risk and other risks.

In addition, the Board has reviewed and considered the adequacy and effectiveness of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, legal and financial reporting functions, as well as those relating to ESG performance and reporting, and compliance with the provisions of the Corporate Governance Code during the year ended 31 December 2023.

The Group attaches utmost importance to the proper handling and dissemination of inside information. Internal policies are put in place to ensure that inside information is adequately controlled. All employees are provided with learning materials and guidelines regarding the handling and dissemination of inside information on a yearly basis. IT system controls are implemented to ensure the access to sensitive data is restricted to authorised personnel only.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting and put forward proposals at Shareholders' meeting

Pursuant to Article 58 of the Articles of Association, any one or more member(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, on a one vote per share basis, shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may convene a physical meeting at only one location which will be the Principal Meeting Place (as defined under the Articles of Association), and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Communications with Shareholders

The Board recognises the importance of maintaining clear, timely and effective communication with Shareholders of the Company and prospective investors. Therefore, the Group adopted the shareholders communication policy, which was reviewed by the Board annually to enhance effective communication between the Company and Shareholders. The Group is committed to maintaining a high degree of transparency to ensure that Shareholders of the Company and prospective investors receive accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, announcements and circulars. All corporate correspondence are published on the Company's website at www.igg.com and the Stock Exchange's website at www.hkexnews.hk. The Board maintains regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategies, operations, management and plans. Members of the Board and of the various Board committees will attend the annual general meeting of the Company and answer questions raised during the meeting. Separate resolutions would be proposed at the general meeting on each substantially separate issue. The chairman of the general meetings of the Company would explain the procedures for conducting poll before putting a resolution to vote. The results of the voting by poll will be declared at the meeting and published on the websites of the Stock Exchange and the Company respectively.

CORPORATE GOVERNANCE REPORT

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to Ms. Jessie Shen, one of the joint company secretaries of the Company via following:

Attention: Ms. Jessie Shen

Address: Level 34, Tower 1, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

Telephone No.: (852) 3951 0370

Fax No.: (852) 2311 5768

Email: cosec@igg.com

The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the chief executive officer of the Company.

The Board has reviewed the implementation and effectiveness of the shareholders communication policy, such as measures taken at general meetings and inquiries received, and considers the policy's implementation effective during the Year.

Constitutional documents

The Company has adopted the third amended and restated memorandum of association and articles of association of the Company (i.e. the Articles of Association) by special resolution passed and effective at the 2023 AGM.

On 27 March 2024, the Board proposed to amend the Articles of Association and adopt the fourth amended and restated articles of association in substitution for the Articles of Association at the forthcoming annual general meeting of the Company. The fourth amended and restated articles of association shall become effective upon the approval by the Shareholders at the forthcoming annual general meeting of the Company. For further details, please refer to the circular for the forthcoming annual general meeting of the Company to be despatched in due course.

CORPORATE SOCIAL RESPONSIBILITY REPORT

1 ABOUT THIS REPORT

Overview

This report focuses on the disclosure of information on the economic, social and environmental performance of the Group for the period from 1 January 2023 to 31 December 2023.

Basis of Preparation

This report mainly makes reference to the Environmental, Social and Governance (“ESG”) Reporting Guide issued by the Stock Exchange. The contents of this report are determined based on a set of systematic procedures, such as identifying and prioritising key stakeholders, identifying and prioritising key ESG issues, determining the scope of corporate social responsibility report, collecting relevant materials and data, compiling the report based on relevant information, and reviewing information in the report.

Scope of the Report

Unless otherwise stated, the disclosure scope of local offices in this report is consistent with the 2023 annual report of the Company, covering the Group’s principal activities.

Explanation for Abbreviations

In order to facilitate the presentation and reading, for the purpose of this report, each of “IGG”, “the Group” and “we” refers to IGG Inc and its subsidiaries.

Data Source and Reliability Assurance

The data and information in this report are mainly from the relevant documents, reports and statistics of IGG. The Board undertakes that this report contains no false or misleading statements and is responsible for the truthfulness, accuracy and completeness of its contents.

Statement from the Board

As a leading global mobile game developer and operator, the Group strives to achieve long-term business development, and shoulder its corporate social responsibility at the same time. To incorporate ESG concepts into all aspects of corporate management, the Board takes overall responsibility for the Group’s ESG strategy and reporting, guiding and overseeing various ESG-related issues. The Group has established an ESG working group directly led by the Board to implement effective execution, supervision and enhancement of ESG management, and periodically report to the Board.

CORPORATE SOCIAL RESPONSIBILITY REPORT

We have formulated ESG-related policies to balance business objectives and stakeholders' interests, aiming to put sustainable development into practice. Please refer to respective chapters of this report for the policies, measures and sustainable development achievements of the Group.

In 2023, after understanding stakeholders' expectations and needs, taking into consideration business objectives and market environment, we analysed and identified ESG-related risks and material issues. IGG strives to create high-quality games for players to provide the best gaming experience, optimise game features, and improve information security and privacy protection systems. Caring for employees, we provided comprehensive training and a wide array of activities, and maintained a safe and equal working environment. We fulfilled our social responsibilities, not only actively participating in conventional events such as charity activities and donations, but also leveraging our influence in games to integrate industry expertise with corporate social responsibility. Besides, committing to protect the environment, we adhered to the qualitative targets of 2022, including meeting the Chinese national "Assessment Standard for Green Building" for our new office building, and promoting and implementing measures to improve energy use efficiency, lower water consumption, reduce waste generation and carbon emissions. We continued to periodically review the effectiveness of strategies for ESG risks and progress on meeting targets, and continuously improved ESG-related targets and policies.

The report was approved on 27 March 2024 upon confirmation by the Board.

Reporting Principles

This report is prepared based on the principle of materiality, quantitative, balance and consistency.

Materiality: This report covers material ESG information identified by the Group. The procedures used to assess the materiality of ESG issues are set out in "2.5 Identification of Material Issues".

Quantitative: The data collection standards, methodology, and assumptions to calculate the quantitative key performance indicators have been disclosed in relevant chapters of this report.

Balance: This report provides an unbiased picture of the Group's performance, avoiding selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.

Consistency: We have clarified in relevant chapters of this report if there are any changes in statistics or key performance indicators, or other influencing factors.

CORPORATE SOCIAL RESPONSIBILITY REPORT

2 ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRUCTURE

2.1 Sustainable Development Principles

The Group is developing its sustainable development principles and objectives by considering results of stakeholder communication, industry best practices and nature of business, striving for its long-term development in areas of corporate governance, business operation, community involvement and environmental protection.

2.2 Environmental, Social and Governance Mechanism

IGG ESG Management Structure

Governing Bodies or Departments	Responsibilities
Board of Directors	<ul style="list-style-type: none"> • Be overall responsible for ESG strategy and reporting • Discuss major issues and future development regarding ESG matters • Decide and approve the Group’s ESG strategies, targets, and work performance • Ensure appropriate ESG risk management and internal control systems are in place • Ensure the Group complies with relevant laws and regulations, monitor and respond to latest ESG matters • Review significant ESG issues identified by stakeholders • Review the ESG risks and opportunities identified • Assess and review effectiveness of ESG working mechanism and progress made against ESG-related targets
ESG working group (led by executive Director Ms. Jessie Shen, with direct participation by person-in-charge from respective departments)	<ul style="list-style-type: none"> • Report to the Board periodically • Identify and assess ESG risks and opportunities • Understand and access significant ESG issues identified by stakeholders • Incorporate ESG matters into business objectives, strategies and targets • Coordinate ESG information management and reporting • Lead the execution of ESG objectives, targets, policies and work steps
Various departments	<ul style="list-style-type: none"> • Collaborate and promote ESG practices of the Group • Collect, process and report relevant information on a regular basis • Provide timely update and feedback on ESG-related progress • Take responsibility for internal communication on ESG-related matters

CORPORATE SOCIAL RESPONSIBILITY REPORT

2.3 ESG Risk Management

We have included ESG matters into our risk management system. By formulating the “Risk Management Policy”, we set up the risk management mechanism to identify potential risk events and meet business objectives. The Board is responsible for oversight of risk management matters to ensure the effectiveness of risk management and internal control systems, including determining the nature and extent of risks the Group is willing to undertake to achieve its strategic objectives, and reviewing effectiveness of internal risk monitoring systems annually. Risk management procedures include collecting risk-related data, assessing risk factors, setting risk management strategies, formulating and implementing risk management solutions, monitoring and improving relevant practices.

2.4 Stakeholder Engagement

IGG has continuously maintained good communication with various stakeholders through a variety of channels to understand and take the initiative to respond to the expectations of different stakeholders. The opinions of stakeholders are important for us to actively fulfill our social responsibilities, implement good governance, and improve on our sustainable development capability.

Category of and Engagement with Stakeholders

Category of Stakeholders	Expectations	Main Communication Methods
Customers	<ul style="list-style-type: none"> • Information safety and privacy protection • Quality of games and operation • Anti-cheating and fairness in games 	<ul style="list-style-type: none"> • Customer service channels such as live chat and e-mail • Interaction on social media • Offline player gatherings • Game exposition events
Government and regulatory authorities	<ul style="list-style-type: none"> • Operational compliance • Promoting regional economic development • Creating employment opportunities 	<ul style="list-style-type: none"> • Participation in relevant government meetings and cooperation projects • Paying close attention to regulation updates • Cooperation with organisations such as higher education institutions and charities

CORPORATE SOCIAL RESPONSIBILITY REPORT

Category of Stakeholders	Expectations	Main Communication Methods
Shareholders	<ul style="list-style-type: none"> • Investment return • Information transparency 	<ul style="list-style-type: none"> • General meetings • Announcements and information disclosures • Investor relations hotline and e-mail • Company's official website and the Stock Exchange's website
Employees	<ul style="list-style-type: none"> • Protection of employee rights • Career development • Occupational health and safety 	<ul style="list-style-type: none"> • Team building and training activities • Dialogue sessions • Internal employee websites, publications, and forums • Internal feedback collection mechanism
Suppliers and business partners	<ul style="list-style-type: none"> • Long-term partnership • Fair competition 	<ul style="list-style-type: none"> • Regular communication • Supplier management mechanism
Industry associations	<ul style="list-style-type: none"> • Fair competition • Adhere to industry standards • Exchange and cooperation 	<ul style="list-style-type: none"> • Participation in industry conferences and events
Non-governmental organisations and public service organisations	<ul style="list-style-type: none"> • Support community development • Leverage industry expertise to fulfill social responsibilities 	<ul style="list-style-type: none"> • Volunteering events • Charitable donations • Cooperation with commonweal organisations

CORPORATE SOCIAL RESPONSIBILITY REPORT

2.5 Identification of Material Issues

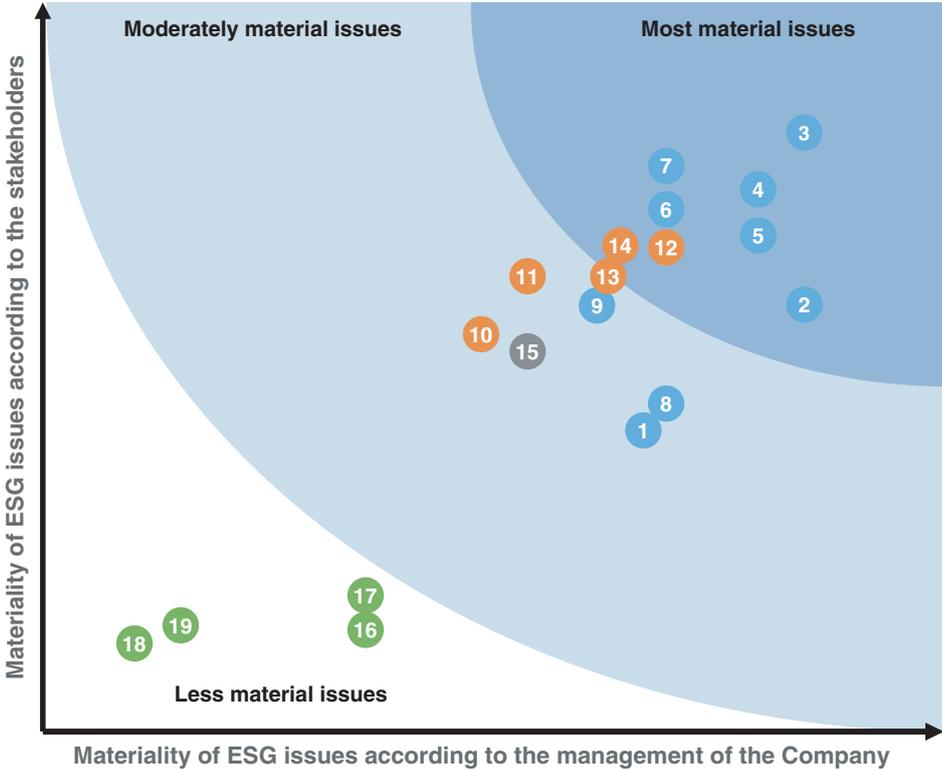
The Group has periodically conducted surveys on its related ESG issues to have a better understanding of the opinions of stakeholders, so as to derive the priorities of ESG issues, and formulate the framework and contents of disclosure in response to the requests of the stakeholders.

Our assessment on major issues comprised the following procedures:

Identification of stakeholders	Identify each of the important stakeholders and formulate specific engagement plans for them.
Engagement of stakeholders	Conduct study of stakeholders through questionnaires to understand their concerns and expectations on the Group in respect of ESG issues.
Prioritisation of material issues	Analyse and prioritise the ESG issues after quantification of the result on study of the stakeholders.
Confirmation by the management	Submit the analysis result to the management for final confirmation.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Materiality Analysis Matrix of ESG Issues



List of ESG Issues

● Products and operation ● Employment ● Environment ● Community

- | | | |
|-----------------------------------------------|-------------------------------------------|----------------------------------|
| 1 Supply chain management | 8 Advertising and marketing compliance | 14 Labour standards |
| 2 Business integrity | 9 Intellectual property rights protection | 15 Community contribution |
| 3 Games' quality | 10 Equal and diversified employment | 16 Climate change |
| 4 Operation quality | 11 Training and career development | 17 Energy consumption management |
| 5 Product health and safety | 12 Remuneration and benefits | 18 Water management |
| 6 User services and communication | 13 Occupational health and safety | 19 Waste management |
| 7 Information security and privacy protection | | |

The material ESG issues identified include games' quality, operation quality, product health and safety, information security and privacy protection, user services and communication, business integrity, remuneration and benefits, labour standards, and occupational health and safety.

CORPORATE SOCIAL RESPONSIBILITY REPORT

3 CORPORATE CULTURE

As a mobile game and application developer and operator, we uphold the corporate culture of “Innovators at Work, Gamers at Heart”, dedicated to IGG’s mission of “becoming the leader in the global gaming industry, creating high-quality and widely loved gaming products for players all around the world”.

We advocate for the following corporate values established by our culture and mission throughout the Group.

Our Values

Pursuing innovation, we dare to dream;

With discipline and dedication, our craft we esteem.

Upholding integrity and fairness with great pride;

Open communication and close collaboration by our side;

Determined and focused, towards success we stride.

While pursuing growth and innovation, we also integrate social responsibility into our products, services, corporate management, employee care, community, and other aspects, promoting sustainable social development together with various stakeholders. We establish guidance to all employees through the employee handbook, internal policies and measures to ensure that the Group’s operations are aligned with our corporate culture, mission, and values.

4 BUSINESS ETHICS

4.1 Anti-corruption

We comply with the United Nations Convention against Corruption, the Prevention of Corruption Act of Singapore, and other anti-corruption laws and regulations in countries and regions where we operate, such as the Anti-Unfair Competition Law of the People’s Republic of China (《中華人民共和國反不正當競爭法》). Internally, IGG has formulated the “Anti-Fraud Policy”, laying down prohibitions on behaviours such as corruptions, embezzlement and forgery, and establishing regulated and effective mechanisms to detect, deter, report and handle fraud cases. The board of directors, through the Audit Committee, independently oversees and strengthens corporate governance and internal controls to safeguard the legitimate rights and interests of the Group and its shareholders. The anti-corruption team was set up by the Audit Committee to ensure thorough and effective implementation of the Group’s Anti-Fraud Policy, in order to prevent, detect and investigate fraud cases. The anti-corruption team directly reports to the Audit Committee to ensure its independence.

CORPORATE SOCIAL RESPONSIBILITY REPORT

To prevent and deter fraud, IGG's "Policy on Acceptance of Gifts and Hospitality" stipulates that, all employees and their associates should not receive any rebates, gifts or other benefits which may influence a business decision, and are not allowed to have any monetary or material interest exchange with suppliers. In situations in which gifts, entertainment, or benefits in any form have been received, regardless of the value of the gift or hospitality, the relevant employee should politely reject the gift and disclose the information to his/her department leaders. If it is not feasible to return the gifts, gifts with value higher than a specific amount should be managed by respective subsidiaries. In addition, major suppliers need to acknowledge IGG's anti-corruption expectations and fraud reporting channels, and submit declarations of interest if they have any connections with any IGG employees, or vice versa, to prevent the relevant employees from participating in supplier selection.

Both external parties and our employees can report unethical behaviours by a member of management or an employee from any subsidiary in the Group via channels published on the Group's website, such as e-mail, telephone, or webpage, with anonymous options available. Whistleblowers may receive rewards from IGG for providing useful information or evidence. Measures such as encrypted protections and access right restriction are introduced to fraud-reporting channels to strictly protect information of whistleblowers. Reported issues are investigated by the anti-corruption team, and supervised by the Audit Committee.

The Group is committed to raising awareness of integrity. All Directors and employees have received annual training in anti-fraud policies and requirements, which include anti-fraud regulations, the identification of fraud, reporting channels, punishment for fraud cases, etc. IGG has joined the Trust and Integrity Enterprise Alliance, an anti-corruption alliance established by leading internet enterprises, and we will continue to strengthen internal controls and anti-corruption practices.

During the Year, a case of fraud has been investigated and convicted. The case does not have any significant impact on the Group's business.

4.2 Prohibition on Insider Trading

The Group has implemented the "Policy on Information Disclosure and Prevention of Insider Trading", with the objectives to regulate information disclosure and trading of shares by responsible personnel, and protect the rights of the Group, its shareholders and other stakeholders. We have implemented information technology system controls to ensure price-sensitive data can only be assessed by authorised personnel. Before the start of blackout period or when inside information exists, the Group notifies inside information holders to refrain from dealing in IGG's shares. In addition, we conduct training for all employees periodically to emphasise on requirements regarding information confidentiality and prohibition on insider trading. In 2023, IGG won the "Annual Information Disclosure Award" from renowned global investment research platform – Gelonghui, exemplifying recognition by the capital market regarding the Group's communication with investors and the public.

CORPORATE SOCIAL RESPONSIBILITY REPORT

4.3 Business Ethics Awareness

All employees participate in ethics and business conduct training and quiz annually, to reinforce their awareness of relevant regulations, internal policies, procedural requirements and code of conduct. Contents such as protection of trade secret, avoiding conflict of interest, business ethics, prohibition of insider dealing, anti-corruption regulations, prohibition of intellectual property infringement and plagiarism, personal information protection, and feedback and communication channels are included. To enhance employees' understanding of regulations and company requirements, during the Year, we have organised focused trainings and tests for all employees. Topics were related to common violations in the industry such as copyright infringement, leakage of trade secret, conflicts of interest, and corruption.

5 SUPPLIER MANAGEMENT

The Group has suppliers in areas such as app distribution platforms, marketing, game development and game content production, information technology related services, professional and consulting services, construction contracting, etc. There are about 360 major suppliers for year 2023, with 80% located in Asia, 12% in North America, and 8% in Europe and other regions.

Internal policies such as the "Procurement Management Policy" are implemented to ensure an open, fair and transparent procurement process. Taking supplier selection as an example, for purchases higher than a certain value, the procurement information in principle should be published openly at IGG's procurement platform, and at least three potential suppliers should be compared by criteria such as price, capability, service, delivery time, environmental and social responsibilities. Bid invitation is required for major procurement projects, engaging both internal representatives and external experts for tender evaluations, and compliance departments for overall supervision.

During cooperation, we assess suppliers from time to time to ensure the quality of goods or services and achieve win-win cooperation. Assessment criteria were set for suppliers in various categories to check for quality of products and services, with measures such as sampling, surveying, and customer rating systems. Since the Group mainly focuses on the development and operation of games, environmental risks in supply chain management are relatively low. Products and services meeting higher environmental standards will be given priorities when selecting suppliers of office facilities, to create a healthy workspace for all employees.

Please refer to the chapter headed "4.1 Anti-corruption" of this report for anti-corruption policies and practices relating to suppliers. Furthermore, intellectual property protection requirements are set out in contracts with suppliers for game development related services, and details can be found in the chapter headed "6.7 Intellectual Property Protection" of this report.

Due to the increasing trend of phone and internet scams in recent years, we have established a series of verification procedures for requests to change supplier bank accounts, aiming to minimise fraud risk.

CORPORATE SOCIAL RESPONSIBILITY REPORT

6 PRODUCTS AND SERVICES

6.1 Enhance Player Experience

The Group understands that as a game company, creating high-quality gaming experience is the most important product responsibility, as well as the key to attracting and retaining players.

Starting from the research and development stage, IGG attracts talents from all over the world and now has a number of R&D teams worldwide. With over a decade of experience in the game industry, the team strives for continuous innovation and excellence in creating games of the highest quality. Apart from frequent content updates and regular addition of new game features, the Group also cooperates with other elites to create state of the art gaming experience for our gamers, such as engaging world-famous music artistes to produce exclusive game soundtracks and inviting popular voice actors to dub game characters. Besides, IGG's development teams actively venture into different genres to diversify product offerings for players.

While internationalising its products, the Group strives for the localisation of its operations to know our customers' cultural backgrounds and gaming preferences, serve them better, and adopt more effective and focused marketing approaches. Local operation teams around the world work closely to roll out a full range of marketing initiatives, such as partnering with hit IP, holding joint events with museums, producing cinematic-quality video advertisements, featuring popular artists and athletes, cooperating with popular Internet influencers in live broadcasts and customised exclusive songs, launching campaigns on TV commercials, print media and outdoor advertising display. Our diverse promotional strategies also include organising international game tournaments and player meetings, having co-marketing campaigns with companies, developing game merchandise, and introducing the Creator Turf for player-generated content. "Lords Mobile" released its PC version on Steam, a leading global game distribution platform, to enhance the overall player experience by strengthening cross-platform integration.

CORPORATE SOCIAL RESPONSIBILITY REPORT

6.2 Business Continuity and Resilience

In addition to the pursuit of the best game quality and player experience, the operation and maintenance of games and server reliability are also crucial. We engage leading service providers in the industry and take measures to ensure the operation quality of our servers, maintain reliable connectivity and reduce network latency in order to create seamless game experience for global players.

As a game company, IGG possesses industry-leading attack mitigation ability. Striving to defend the legitimate interests of players and maintain fairness in games, the Group has established internal policies such as the “IGG Information Security Safeguard Measures” and has taken a number of measures to ensure network system security and reliable operation at the physical, network, system and application layers.

Gaming experience is affected directly by the fairness in games. Game plug-ins not only affect revenue of the Group, but also undermine the fairness of games and player experience. The operation teams look for evidence by analysing players’ behaviours through backend data, identify and rapidly crack down on plug-ins in order to maintain a fair gaming environment.

In addition, we have established crisis management policies, including the “Customer Center Urgent Problem Addressing Procedures” and the “Practice Guidelines for Server Maintenance and Management”. These internal policies address urgent scenarios and potential risks during game operation, such as server failure, network issue, game platform or software defects, power interruption and natural disasters, and lay out standard procedures on the testing, communicating, handling, and recording of issues, as well as issuing maintenance notice and in-game rewards, with the objective to safeguard the legitimate interests of our players and ensure business continuity. Besides, we have implemented remote backup and disaster recovery plans, and held periodic rehearsals, to ensure key business can resume operation timely in the unlikely event of extreme natural disasters.

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6.3 Product Health and Safety

Promoting healthy gaming is the social responsibility of a mobile game company and is also an important aspect of high-quality player experience. The Group understands that our players are from different cultural and religious backgrounds, and our games operate in countries and regions with various regulations. For example, when operating in China where more specific regulations are implemented, as of the end of 2023, we have obtained licenses such as Business License of Value-Added Telecommunications Services (《增值電信業務經營許可證》) from governing bodies in accordance with applicable regulations. Furthermore, we strictly follow the laws of the countries and regions where we operate and requirements on healthy gaming of various app distribution platforms. Measures such as choosing appropriate game character image designs, player real name authentication, game rating, objectionable information filtering, display of “Healthy Gaming Advice” during game login are taken. We also comply with regulations on protection of minors. Take China as an example, as required by the Law of the People’s Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》) and the Notice of Preventing Minors from Indulging in Online Games by the National Press and Publication Administration (《國家新聞出版署關於防止未成年人沉迷網路遊戲的通知》), children protection mechanism, player age restriction and gaming hours limit are implemented accordingly.

A guide on user conduct has been included in the “Terms of Services” published on the Group’s website, stipulating measures against inappropriate behaviours and user-generated content, such as suspending accounts and removing contents. Objectionable actions include any behaviours against the laws, or using languages that may be rude, humiliating, defamatory, vulgar, hurtful, threatening, abusive, obscene, libelous, hateful, offensive or discriminatory in nature.

CORPORATE SOCIAL RESPONSIBILITY REPORT

6.4 Improvement of Service Quality

Players are the most important stakeholders in the games and it is therefore crucial to collect their feedback. The Group continuously communicates with players by collecting their suggestions via social platforms, customer service channels and questionnaires, fosters interaction, and ensures game content updates to attract and retain players.

For mobile games, ratings at app stores are the most direct channels for players to express their opinions. We regularly monitor and collect our games' ratings and user comments from various major app distribution platforms, and address players' feedback timely, so that the development and operation teams can effectively improve on products and services.

6.4.1 Customer Services

The Group is a global mobile game and application developer and operator with users from more than 200 countries and regions around the world. Communication with players is an integral part of game experience. Our customer service center provides industry-leading support for players 24 hours a day, 365 days a year.

We have formulated the "Customer Service Requirements" to set out detailed standard practices that ensure comprehensive, accurate and timely customer services. In 2023, our customer service addressed customer inquiries via various channels, including over 972,000 questions via in-game ticket submission, about 630,000 questions raised through live chat, and more than 344,000 e-mails. Customer complaint channel received about 209 complaints. Players' queries and complaints were related to, among other things, purchases, game features and system bugs which have been followed up and addressed according to the Group's "Customer Service Requirements".

By monitoring the real-time service data on the operating platform, we are able to meet the consulting needs of players in a timely manner. Our customer service center insists on four principles, namely timeliness, completeness, convenience and openness, and seeks to respond to customers' questions within 12 or 24 hours depending on the nature of questions raised. In 2023, the average responding time for player complaints is within 22 hours. For routine and prescheduled server maintenance, players will be informed by notices published on various social media 24 to 48 hours in advance, and after the relevant maintenance is completed, in-game gifts will be provided to players. To facilitate customer communication in unexpected situations, we have developed the "Customer Service Guidelines for Emergency Scenarios" and set out protocols for incidents such as issuing urgent maintenance notice and compensation plan.

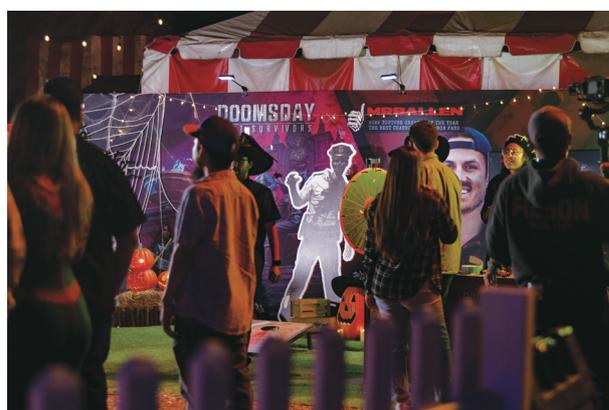
CORPORATE SOCIAL RESPONSIBILITY REPORT

We continuously upgrade the customer service and quality inspection system to enhance service efficiency, by improving searches for questionable tickets, automatic identification of irregular orders and multilingual service workflow. The evaluation and inspection on customer service quality has been carried out by a combination of internal spot check and external customer scoring. The internal quality inspection review conducts a comprehensive quality assessment on response speed, service attitude, wordings, and correctness of answers and solutions. We continuously promote service philosophy and enhance training on handling of various issues, to ensure the best customer service. At the same time, we regularly analyse player ratings and reviews of in-game service live chat to improve game and service quality.

6.4.2 Players Activities

We conduct a variety of interactive events which have been well-received by players. Offline activities include international game tournaments, player gatherings and exhibition at major game shows, which create multidimensional experience and establish exchange communities outside the cyberspace. At the same time, we hold regular online events, including designing contest, talent show, and interactive live streaming. While expanding the influence of our games, these events reach out to players in more channels, enhance player engagement, and promote close connection between players and IGG's games.

In 2023, upon the seventh anniversary of “Lords Mobile”, we held events such as player meetings and live interactive broadcasts in 16 countries and regions to celebrate with players worldwide and thank them for their support over the seven years. As a reward for guild contests in “Lords Mobile”, winners from the winning guild have the opportunity to enjoy a luxurious island trip “Summer Fest” in one of seven island resorts around the world. In addition, major games roll out offline activities based on their unique themes. For example, “Lords Mobile” invited players to Armored Combat Worldwide to experience the medieval knight battle scenes from games restored into reality. The post-apocalyptic themed “Doomsday: Last Survivors” held offline events such as Halloween parties in Spain, Germany, Brazil and the United States, allowing players to interact with game scenes immersively.



Player Interactive Events

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6.5 Information Security and Personal Information Protection

Privacy Protection

The Group ensures compliance with existing privacy laws and regulations in all countries and regions in which it operates, and closely follows the updates of laws and regulations worldwide, including but not limited to the Personal Data Protection Act 2012 (2020 Revised Edition) of Singapore, European Union's General Data Protection Regulation, California Consumer Privacy Act and California Privacy Rights Act in the USA, Regulations on Network Protection of Children's Personal Information in the PRC 《兒童個人信息網絡保護規定》, Cybersecurity Law of the People's Republic of China 《中華人民共和國網絡安全法》, Data Security Law of the People's Republic of China 《中華人民共和國數據安全法》, Personal Information Protection Law of the People's Republic of China 《中華人民共和國個人信息保護法》, Regulation on the Protection of Minors in Cyberspace 《未成年人網絡保護條例》 and South Korea's Personal Information Protection Act. In accordance with the relevant regulations, the Group has appointed a group Data Protection Officer, a European Union representative and designated responsible personnel for data security, and is assisted by external professionals to carry out necessary internal control measures in order to ensure compliance. In addition, the Group has communicated data privacy requirements to the relevant staffs from R&D, operation, customer services, and other supporting departments via trainings and briefings.

To strengthen information protection and handle customers' data with care, IGG's "Privacy Policy" published on the website of the Group provides information regarding the collection, use and disclosure of user information. Customer consent will be obtained before collection of information, and customers can request to amend or delete the information provided. IGG is committed to collecting, storing and using user information only within the scope declared in the "Privacy Policy" and "Terms of Service". Internally, we have formulated the "User Information Protection Measures" and "Information Security Measures" to standardise the information security management mechanism and emergency response plans, and strictly protect user information. To ensure optimal protection of data security, the Group's information management and protection mechanism includes storage encryption of users' sensitive information, using data anonymisation techniques to de-identify personal data, and adhering to internal data handling and storage protocols. Making every effort to protect users' information, we have also implemented hierarchical controls and strict authorisation matrices on data access and storage. Periodic reviews are conducted by relevant departments on access rights to database and operation support system to prevent unauthorised activities.

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Information Security

Information security is protected through effective measures and management mechanism. The measures cover server hardware, network, operating system and database, etc. The network and information security work group and emergency response team, comprising management and team members from information technology department, operation department, and customer service department, are responsible for oversight of information safety and execution of information security incidents. Periodic security scanning was conducted for database and operation system to detect and repair any risk factors in a timely manner. Security risks should be re-assessed when making major system changes. Risk assessment methods can include self-check using anti-virus software, penetration testing tool, vulnerability scanning tool or engaging independent third-party reviewers.

For training and awareness-raising, employees responsible for information security regularly participate in related courses and technical training to keep their technical skills up to date. Information technology department regularly organises courses or seminars of different levels and categories, so that employees with roles related to information management at all levels can be equipped with the knowledge and skills of information security emergency response. Furthermore, we deliver messages about information security precautions to all employees from time to time via trainings, e-mail, and intranet announcements.

6.6 Operation and Marketing Compliance

To provide better service to global players, the Group establishes R&D and operation centres in various countries and regions, and takes active efforts to ensure its operations comply with local regulations. The Group selects and engages local lawyers, tax advisers, secretarial companies and other professional consultants in respective phases from commencement of establishment to operation to provide professional services including local law and tax consulting, as well as assistance in the operation phase such as contract review, business consulting and risk management.

In respect of game advertising and marketing activities, we comply with Singapore Code of Advertising Practice and other relevant laws and regulations in the places where we operate, such as the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》). Promotional materials and public announcements will be reviewed by relevant departments before publicising, to ensure the compliance and accuracy of information disclosed.

CORPORATE SOCIAL RESPONSIBILITY REPORT

6.7 Intellectual Property Protection

Intellectual property protection has been a focus of the Group since its inception. Therefore, the Group has dedicated staff in charge of intellectual property management and engaged professional intellectual property agents and lawyers in different regions across the world to assist in intellectual property management, which has laid a solid foundation for protecting our rights. The Group registers and maintains its various intellectual property rights in a timely manner, taking rapid response to infringement of our intellectual property rights in the market. Besides, the Group works with databases to perform periodic search on similar trademarks registered by third parties, to minimise the risk of infringement.

The concept of protecting intellectual property rights has been rooted within the Group and has been shared and promoted among all employees regularly to enhance awareness. We always respect others' intellectual property rights. The Group strictly manages and controls its operations to avoid infringement. We focus on communicating with and educating relevant departments to ensure that game contents are originally created by our employees. All employees with relevant job functions have attended trainings and passed the tests on game-related intellectual property knowledge and regulations. We also actively protect our intellectual property rights. In cases of infringement on our intellectual property, we take immediate action to significantly reduce the actual damages caused to our intellectual property and avoid further infringement.

To prevent risks of intellectual property infringement by suppliers, contract terms on the originality of work and confidentiality clauses have been included in all agreements with service providers of game content and promotional materials. At the same time, we strictly inspect the work received to prevent infringement disputes.

6.8 Recognition and Awards

IGG and its games won recognition from the industry and received several awards. At the 2023 NYX Game Awards, a prestigious international competition in the gaming industry, "Doomsday: Last Survivors" was selected as a winner in five categories, including "Mobile Game – Strategy", "Best Gameplay", "Best Character Design", "Best Game Design", and "Best Art Direction". It also won "Best Game Art Design" at the 15th China Game Developers Award (CGDA), "Outstanding Overseas Game of the Year" from mobile game media "Game Tuoluo", "Best Overseas Game" from mobile game industry media "Game Teahouse", and "Best New Game" from mobile game media "Gamkezhan". "Lords Mobile" was awarded the "Best for Strategy" at Huawei AppGallery Editors' Choice Awards 2023, "Outstanding Overseas Product of the Year" from internet industry information platform "Sailing Global", and "Best Game Marketing Award" from "Gamkezhan". "Viking Rise" was awarded "Best of 2023 Awards – Best for Tablets" by Google Play India, and "New Overseas Game of the Year" by "Sailing Global". "Mythic Heroes" was awarded "Best New Game Award" from big data service provider "Thinking Data". The honors and awards received by the Group exemplify the gaming industry's recognition of our product quality, global operation and granular marketing capabilities.

CORPORATE SOCIAL RESPONSIBILITY REPORT

7 CARING FOR EMPLOYEES

7.1 Equal Employment

We endeavour to establish a standardised, orderly, fair and effective human resource management system. Also, we strictly comply with laws, regulations and labour policies relating to human rights and labour in the places where we operate. Regarding recruitment, evaluation, promotion, staff development, benefits and termination of employment contract, the Group's employment handbook states that discrimination will not be tolerated and violations will lead to disciplinary actions. We prohibit discrimination by, among others, race, skin colour, nationality, language, wealth, age, gender, sexual orientation, disability, religion, political faction, member of association and marital status. Furthermore, we comply with laws on prevention of child labour in the places where we operate, such as the Employment (Children and Young Persons) Regulations of Singapore, Law of the People's Republic of China on the Protection of Minors 《中華人民共和國未成年人保護法》 and the Provisions on the Prohibition of Using Child Labour of the People's Republic of China 《中華人民共和國禁止使用童工規定》. When hiring new employees, by means of verifying identification documents, education certificates and employment background, we strictly prohibit employing child labour and forced labour, and strive to maintain positive employee relations. In addition, IGG strictly complies with relevant laws and regulations in places where we operate by signing labour contracts with its employees according to law, making contributions to social insurance plan in compliance with relevant requirements and protecting employees' privacy.

IGG has taken extensive measures to assess the Group's needs for human capital and maintained a talent pipeline. The Group keeps a close watch on the latest industrial news and technological development, and plan recruitment accordingly. Besides, IGG manages its database on global talent pools, utilising various channels such as external hiring and internal referral, to ensure sufficient talent supplies that matches IGG's strategies and needs. We conduct analysis periodically, making timely replenishment and adjustment to the Group's talent structure.

IGG actively encourages the employment of persons with disabilities and works closely with organisations such as the Federation of Disabled Persons to provide employment opportunities for the disabled. Subject to meeting the job requirements, IGG gives priority to hiring people with disabilities and provides financial assistance to them. There are several disabled employees with strong will who have accomplished outstanding work achievements at IGG.

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In response to workplace bullying, discrimination, sexual harassment and other issues, we regularly carry out “Sunshine Workplace” training to promote relevant laws, cases, and response methods, and communicate positive workplace values. Through taking part in quizzes to win prizes, employees enthusiastically participated in trainings and enhanced their knowledge of the course.

As at 31 December 2023, IGG had 1,976 employees in total, decreased by 21% as the Group has been continuously streamlining resources and optimising team structures to improve its competitiveness. The gender distribution of IGG’s employees reflect characteristics of the game industry, with 32% of females. 29% of employees in management roles are female, and 22% of board of directors and senior management are female.

Category	Headcount	Turnover rate
All employees	1,976	27%
By gender		
Female	629	27%
Male	1,347	27%
By age group		
Below 30 years old	526	40%
30-50 years old	1,430	22%
Above 50 years old	20	5%
By geographical region		
Asia	1,851	24%
North America	94	73%
Europe	22	38%
Others	9	64%
By employment type		
Non-management roles	1,564	
Management roles	412	

CORPORATE SOCIAL RESPONSIBILITY REPORT

7.2 Comprehensive Training and Career Development

With love and passion for games, gifted game makers gather in IGG, incorporating the sense of mission and accomplishment into work and aiming to create long-lasting classics for gamers around the world. The Group attaches great importance to encouraging innovation, offers a creative and conducive work environment that promotes learning and growth, and strives to maximise employees' potential and help them achieve their goals.

To better support employee trainings, IGG has established the "Training Management Policy". The Group customises training courses and provides training budgets based on business goals of various departments and career development needs of employees. The human resource department prepares training targets and plans according to different levels and job functions, covering onboarding, compliance, mental health, technical skills, soft skills, leadership, foreign language courses, etc. In addition to classroom training, on-the-job coaching and experience sharing session, IGG has introduced an online learning system "IGG Pocket Academy", which provides hundreds of courses and enables staff to learn during fragmented time. In order to encourage more employees to participate in continuous learning and sharing, outstanding lecturers and active learning participants are awarded with attractive prizes. Furthermore, reviewing the efficacy of training programmes are required, in order to improve training quality.

In 2023, IGG held about 60 internal sharing sessions, covering applications of artificial intelligence, game design, production, art, programming, successful case studies and more. Employees from all over the world attended more than 100 courses, lectures or training sessions.

Category	Percentage trained	Average training hours
All employees	100%	44
By gender		
Female	100%	57
Male	100%	38
By employee category		
Non-management roles	100%	41
Management roles	100%	54

CORPORATE SOCIAL RESPONSIBILITY REPORT

7.3 Cross-cultural Integration

Strong global presence is the core competitiveness of IGG. Creating the best games for players all over the world requires international talents with different cultural backgrounds. Teams worldwide interact and exchange ideas frequently via cross-border learning and sharing opportunities, which break cultural barriers and enable the Group to develop international game and application products.

IGG has offices around the world, and many employees from diverse backgrounds are working across international borders. We provide international employees with air tickets for home visits, as well as extra holidays according to their traditions and religions. Additionally, subject to individual preference and internal policies, we offer global health insurance plan and translation assistance for doctor visits, to support employees who are living outside their home countries.

Coming from diversified cultural backgrounds, staff at the same office may speak different languages. To overcome communication barriers caused by language differences, IGG has implemented bilingual versions of all electronic office systems and intranet information system. Meanwhile, the Group has launched an instant multilingual translation function in its internal messaging tools, enabling staff who use different languages to communicate more conveniently.

7.4 Compensation and Benefits

We comply with employment regulations in respective countries and regions, such as the Employment Act 1968 of Singapore, the Labour Law of the People's Republic of China 《中華人民共和國勞動法》 and the Contract Law of the People's Republic of China 《中華人民共和國勞動合同法》. Depending on local circumstances, we employ staff and provide social security benefits for them, such as pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and contribution to housing provident funds. Our staff are also entitled to paid leaves such as marriage leave, prenatal check and examination leave, maternity leave, paternity leave, childcare leave and annual leave, subject to local requirements. Under the circumstances permitted by local laws, we provide key employees with housing assistance policies to buy a home of their own so that employees can live and work in the best condition, and pursue long-term development together with IGG.

In order to continuously attract and retain talents, IGG has always been improving its staff remuneration management mechanism and performance appraisal system, to create an objective, motivated and fair incentive system for its staff around the world, including promotion, bonuses and equity incentive plan, etc.

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Employee Communication

The Group values opinions from employees at all levels, and collects feedback and suggestions via several internal communication channels including online suggestion system, employee surveys, and feedback sections of intranet discussion forums.

IGG's online feedback system for work-related suggestions welcomes all staff to raise suggestions on areas such as corporation development, operation and management, team building, and workflow improvement. Specific staff is assigned to collect and process the suggestions raised, and to coordinate relevant parties on the discussion and follow-up of the issue. Suggestions adopted will be implemented in a timely manner and provide updates on the results to the proposer. The reasons for unaccepted suggestions will also be replied to the proposer within seven days. Users can choose to remain anonymous when raising suggestions.

The Company holds fairness and equality as core values and is committed to protecting employees' rights. Employees can file a complaint with their supervisors or human resources department regarding any unfair treatment at work. Responsible persons need to investigate and get back to the employees promptly, and ensure the privacy of relevant employees are protected. IGG has established "Girls Help Girls Union", a system for female employees to support each other in the workplace, comprising senior management members as the jury and female staff volunteers as supporting team, with the aim to provide confidential appeal channel and psychological counselling support.

For communication regarding employee services, using the online feedback system of offices in China as examples, employees can openly or anonymously submit complaints or suggestions on areas such as office environment, canteens and meals, or other facilities. Approximately 180 feedback were received and addressed promptly by responsible departments in 2023, decreased by 40% from the previous year.

Care Undertakings for Staff

Many IGG employees are working parents. Activity centre for children has been established at the Group's main operating site to provide a wide array of books, educational toys and other facilities. We have also hired professional and caring teachers. Parents can bring their children to study and play in the centre during off hours and weekends. The centre regularly conducts parent-child bonding activities, and provides children with interest classes during winter and summer vacations. Depending on local circumstances, children of employees will receive birthday gifts, or toy and book allowance from IGG. In addition, the Group has established an employee welfare committee and set up a trust for middle and senior management level employees and their immediate family members, to provide them with benefits such as medical subsidies, accidental death compensation, and children's scholarship. In 2023, we established "G-Help", a platform providing assistance to employees or their immediate family members in urgent needs. When encountering major difficulties or unexpected situations, such as natural disasters, injuries or disabilities caused by accidents, lack of basic livelihood support, in need of medical treatment or other assistance, IGG will serve as a strong backing to help.

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7.5 Occupational Health and Safety

Complying with the Workplace Safety and Health Act 2006 of Singapore and occupational health and safety regulations in other countries and regions where it operates, IGG is committed to providing its staff with a safe, healthy and comfortable working environment. At various major operating sites of the Group, subject to availability, staff not only can enjoy comfortable office spaces, but also have free access to ancillary facilities such as gymnasium, staff canteen, and library.

Office facilities of the Group are equipped with security and fire safety systems to strictly protect workplace safety. To regulate security management at major office premises, internal policies such as the “Fire Emergency Plan”, “Emergency Plan for Flood Prevention”, “Entrance/Exit Policy for Visitors, Assets and Vehicles” stipulate responsible departments, task allocation, response protocols for respective roles and areas for attention. Besides, we organise fire drill annually to enable all staff to familiarise with fire safety knowledge, evacuation routes and use of fire extinguisher. Examination and assessment on fire facilities are conducted monthly to eradicate all fire hazards in the workplace. Furthermore, anti-terrorism and anti-attack drills were held from time to time at some operating sites for the emergency response team and security team to practice on the anti-terrorism procedures in simulated situations, in order to clarify roles and responsibilities, and improve emergency response ability.

At offices with staff canteens, internal policies such as the “Staff Canteen Management and Penalty Policy”, “Staff Canteen Hygiene Management Policy”, and “Policy for Procurement and Acceptance of Food Items” are implemented to ensure food safety, setting out standards for hygiene requirements, food safety, food procurement, and code of conduct for canteen staff.

We strive to promote health and wellbeing among employees. The Group’s main operating sites have in-house clinic and doctors to offer medical assistance and health counselling services. We organise staff to receive periodic physical examination, publish articles to promote knowledge and awareness on healthy living and disease prevention, and invite doctors of various specialties to conduct health knowledge lectures and free consultations, covering topics such as occupational health, prevention and treatment of common infectious diseases, first aid, traditional Chinese medicine, and mental wellness. In 2023, subsidiary companies organised nearly a hundred free medical consultations, health seminars, and health knowledge campaigns, with over 5,900 times of participation in health check-ups and health-themed activities. In addition to the statutory basic health insurance, we also purchase commercial medical insurance and accident insurance subject to local circumstances, individual preferences and needs. In order to reduce health risks caused by sedentary work, IGG has purchased ergonomic office chairs for all staff.

IGG also cares for employees’ mental wellbeing. We have partnered with an external professional psychological counselling organisation to provide free mental health assistance to our employees. This assistance aims to help identify and address mental health issues through services such as professional psychological assessments, counselling, and problem guidance. We have launched online emotional management micro-courses and encouraged employees to use the psychological counselling resources to help them manage emotions and alleviate anxiety.

For the past three years (including the reporting year), the Group has no work-related fatalities or lost days due to work injury.

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Comfortable Office Environment

7.6 Staff Activities

Arts and Sports Activity Clubs

IGG has set up several staff clubs, including sports, dance, volunteering, art and culture, and book club, and provided funding for club activities. The clubs held nearly 1,000 activities in 2023, providing employees with a wide array of activities outside working hours.

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Holiday Events and Team Activities

IGG always brings fun and pleasant surprise to its employees with creative events. On traditional festivals, holidays, and staff birthdays, IGG will prepare gifts, food, games and more. In addition to holiday activities, IGG also organises team bonding activities for all employees to ease work stress while enhancing team cohesion.



Festival Events

8 COMMUNITY CONTRIBUTION

As a leading game company, IGG has been actively fulfilling its social responsibilities, participating in local community events in the places where it operates. We not only incorporate conventional ways such as charitable donations and volunteer activities in our community engagement efforts, but also leverage our industry expertise to give back to the society, integrating information and internet technology with corporate social responsibility.

In 2023, the Group made charitable donations of approximately HK\$1.7 million.

CORPORATE SOCIAL RESPONSIBILITY REPORT

8.1 Assisting in Future Development in the Gaming Industry

Cultivating talents with passion and expertise for the gaming industry and providing them with career opportunities are an investment for IGG's and the industry's future. Through a variety of projects around the world, IGG cooperates with tertiary institutions to provide young people who are interested in games with opportunities to understand and enter the game industry, broaden their career development prospects, and grow a talent pool for the Group. In 2023, 163 interns have completed their training programmes with IGG.

IGG worked with universities, serving as the schools' technical training base and sharing its industry insights with college students. The Group developed an internship programme for aspiring game designers and game artists, and students can earn professional training credits to fulfil respective course requirements at tertiary institutions in Singapore from their internship at IGG. We donated scholarship to tertiary institutions in Singapore (including Singapore Institute of Technology, Singapore Polytechnic and Nanyang Polytechnic) for students from game-related majors with outstanding academic achievement.

8.2 Charity Activities

By introducing charitable initiatives into our games, we can spread the word to advocate awareness for social causes. In May 2023, "Lords Mobile" collaborated with the China Environmental Protection Foundation and the BlueRibbon Ocean Conservation Association to hold "Protecting the Azure Ocean" charity project on Tianheng Island in Shandong, China. The volunteers cleaned up 698 kilograms of marine debris on the beach, and participated in "Ocean Fact Quizzes" to deepen understanding on the necessity of ocean protection.

We continuously dedicate to history and cultural heritage protection by leveraging on our advantage in games. In recent years, we cooperated with several traditional cultural artists and world-renowned museums including Kunsthistorisches Museum Wien in Austria, Xi'an Museum in China, and the Louvre Museum in France, and innovatively integrated classic relics, intangible cultural heritage, and other cultural elements into the design and operation of games, to let more players experience the charm of classic art and cultural treasures. In 2023, "Time Princess" worked with the Museo del Baile Flamenco in Sevilla, Spain. By integrating multiple sets of flamenco-themed stories, game props and peripheral products, we introduced flamenco dance, an Intangible Cultural Heritage, to the public. "Lords Mobile" invited Mr. Zhang Xiaodong, a master of world intangible cultural heritage kite making from Weifang, to create customised kites for the game, allowing intangible cultural heritage to be presented in a novel way. "Viking Rise", which is based on Nordic history and culture, sponsored the "Viking Temple Festival" held in Catoira, Spain, and was invited by local government to participate in cultural exhibitions to promote the Viking spirit.

CORPORATE SOCIAL RESPONSIBILITY REPORT

IGG keeps a keen interest and participates in charitable programmes worldwide. Thanks to the support from players worldwide, IGG has become a global company. IGG sees it as our duty to give back to the world in the time of need. In February 2023, after learning about the deadly earthquake in Türkiye and Syria, IGG immediately responded to support the rehabilitation effort by mobilising several subsidiaries to procure and donate disaster-relief supplies, such as first aid kits, power generators, clothes and food. Players of IGG's games also volunteered to help with the preparation of supplies at IGG's office in Türkiye after learning about our donation plan. To support education, we have provided financial aid to several disadvantaged students to complete school education for six consecutive years. Over the years, IGG has made donations to a range of other philanthropic organisations dedicating to areas such as village school support, care for sick children, welfare for senior citizens, and protection of traditional cultures.

IGG supports its employees in volunteering activities. Employees initiate a volunteering community and events, such as charity sales of second-hand items or local produces to raise funds for the less fortunate. In 2023, employees from IGG's Hong Kong subsidiary volunteered in donation drives of Make-A-Wish Foundation, to grant wishes of children with critical illnesses.



“Protecting the Azure Ocean” charity project



Integrating traditional art elements into games



Donating rescue supplies to earthquake-stricken areas



CORPORATE SOCIAL RESPONSIBILITY REPORT

9 GREEN OPERATION

9.1 Environmental Targets

IGG gradually established its own environmental management and information collection procedures and disclosed to various stakeholders in this report. The Board continuously took a responsible attitude towards the environmental impact of the Group and incorporated the environmental factors such as climate change into the risk management and cost control system by monitoring the environmental data. Therefore, IGG has established a unified environment management system in the locations where it operates and is committed to improving its environment management further. We have also introduced to employees the concept of energy saving and environmental protection, encouraging every employee to adopt a sustainable lifestyle and spread the concept of sustainability to their families and communities.

In 2023, the Board approved to adhere to the following qualitative targets, relating to areas in saving energy and water, and reducing waste and emissions. The ESG working group will monitor progress made against the targets and report to the Board periodically.

Targets	Steps taken and progress
The self-use office building in Fuzhou, Fujian Province, China meets the Chinese national "Assessment Standard for Green Building".	We are working closely with construction project management advisor and various consultants, and the applicable standards of Green Building assessment have been incorporated in the project's goals.
Promote and implement relevant energy conservation measures, and conduct periodical review, with the aim to achieve the goal of improving energy use efficiency, reducing waste generation and carbon emissions.	We have increased the frequency of data collection and analysis, in order to promptly detect and follow up on irregular indicators. Please refer to "9.3 Energy Management" and "9.4 Waste and Water Resource Management" for detailed measures and data for the Year.

9.2 Climate Change Risks

We have incorporated climate change in the risk assessment procedure. When assessing climate risks, we have considered physical risks such as power interruption, closure of office facilities, fatalities and casualties from accidents caused by natural disasters such as typhoons and floods, as well as transition risks such as new regulations by respective governments responding to climate change. The overall climate change risks of IGG is assessed to be low.

Regarding extreme weather events such as typhoons and floods, we have implemented policies and conducted safety trainings to respond to the events. Please refer to "7.5 Occupational Health and Safety" of this report for details. Besides, we pay close attention in regulatory changes related to climate change to ensure compliance of the Group's operation.

CORPORATE SOCIAL RESPONSIBILITY REPORT

9.3 Energy Management

During the design and construction phases for the self-use office building in China, we have taken environment protection into consideration, to ensure to meet Chinese national “Assessment Standard for Green Building”.

As a game company which is mainly engaged in the business of game software development and operation, gas emission is not a significant issue, and relevant laws and regulations do not have a significant impact on the Group. Energy consumption of IGG mainly associates with electricity for office use and gasoline used by company’s vehicles. To achieve qualitative targets to lower energy consumption and GHG emissions, the Group strengthens measures such as increase the frequency of data collection and analysis, follow up on irregular indicators, enhance promoting environmental awareness, and improve management of lighting and air conditioning facilities.

Energy Consumption

Type of Energy	Unit	2023
Energy consumption	kWh	5,531,650
Energy use intensity	kWh per capita	2,819
Gasoline ¹	liter	4,338
Grid electricity consumed by office ²	kWh	5,465,980

GHG Emissions

Type of GHG Emissions	Unit ³	2023
Scope I GHG emissions ⁴	tonne, CO ₂ equivalent	10
Scope II GHG emissions ⁵	tonne, CO ₂ equivalent	2,764
Total GHG emissions	tonne, CO ₂ equivalent	2,774
GHG emissions intensity	tonne, CO ₂ equivalent per capita	1.41

¹ The scope of statistics for gasoline consumption covers vehicles owned by IGG and all entities controlled by it.

² The scope of statistics for grid electricity consumed by office includes IGG and entities controlled by it which have independent statistic collection mechanism for electricity consumed, covering more than 99% of employees of the Group.

³ Carbon dioxide equivalent is used as a measure to compare greenhouse gas emissions. The calculations of carbon dioxide equivalent have included GHG emissions from sources, including carbon dioxide, methane and nitrous oxide etc.

⁴ According to the ISO 14064 GHG inventory standards, Scope I GHG emissions refers to direct greenhouse gas emissions, particularly direct emission sources owned and controlled by the organisation, such as emissions from its own vehicles.

⁵ According to the ISO 14064 GHG inventory standards, Scope II GHG emissions refers to indirect energy emission sources, such as indirect greenhouse gas emissions caused by purchased electricity.

CORPORATE SOCIAL RESPONSIBILITY REPORT

9.4 Waste and Water Resource Management

As an information technology company, the Group's major products and services are sold online and do not involve packaging materials. IGG identified the two major sources of waste: scrapped IT equipment and printing consumables. Therefore, IGG has adopted corresponding measures to reduce resource consumption, encourage recycling and reduce waste generation.

For IT equipment unable to meet working requirements, we will dispose of it through donating to charities or engaging professional recycling agents depending on the condition of the equipment, with the aim of making the best use of the equipment and minimising impact on environment by electronic waste. For printing consumables, we have always been promoting a low-carbon and eco-friendly work place among all employees, by encouraging going paperless in work processes, recycling paper, reducing usage of paper and printing consumables, to reduce waste production from the source.

The Group's water comes from municipal sources, and sourcing water is not a relevant issue. To achieve qualitative targets to lower water consumption, we strengthen measures such as increase the frequency of data collection and analysis, follow up on irregular indicators, enhance on promoting water-saving awareness, and improve management and maintenance of water facilities.

Generation of Hazardous and Non-Hazardous Waste

Type of Waste Produced	Unit	2023
Discarded modulator tube	piece	566
Discarded toner and ink cartridge	piece	178
Discarded battery	piece	1,155
Scrapped IT equipment – host and monitor	piece	232
Scrapped IT equipment – others	piece	109
Domestic waste ⁶	liter	2,889,042
Printer paper	kg	1,372

Water Consumption

Type of Water Consumption	Unit	2023
Office water consumption ⁷	tonne	19,910

⁶ Density: 1,462 liters per capita. Domestic waste was handled by property management or waste clearance service providers of respective offices, and detailed clearance records are not available. Estimated volume of domestic waste was calculated by considering the approximate average amount produced daily, number of working days, and estimated volume of waste at the time of clearing from office premise before compression.

⁷ Density: 13.18 tonnes per capita. The scope of statistics for office water consumption includes IGG and entities controlled by it which have independent statistic collection mechanism for water consumed, covering more than 76% of employees of the Group.

CORPORATE SOCIAL RESPONSIBILITY REPORT

APPENDIX KPI INDEX OF ESG GUIDE OF THE STOCK EXCHANGE

This KPI index provides a description of compliance with each of the “comply or explain” indicators of the ESG Reporting Guide by the Group during the reporting period.

Issue	ESG Reporting Guide Requirements	Report Chapter	Remarks
A. Environmental			
A1 Emissions	General disclosure Key performance indicators A1.2, A1.3, A1.4, A1.5, A1.6	Green operation	Since the Group is principally engaged in the development and operation of games, and gas emission and hazardous waste are not significant issues of business activities, data under A1.1 and density under A1.3 are not included.
A2 Use of resources	General disclosure Key performance indicators A2.1, A2.2, A2.3, A2.4	Green operation	Since major products and services provided by the Group are sold online and do not involve packaging materials, A2.5 is not included.
A3 The environment and natural resources	General disclosure	N/A	The Group is principally engaged in the development and operation of games without any significant impact on the environment and natural resources.
A4 Climate change	General disclosure Key performance indicator A4.1	Green operation – 9.2	

CORPORATE SOCIAL RESPONSIBILITY REPORT

Issue	ESG Reporting Guide Requirements	Report Chapter	Remarks
B. Social			
B1 Employment	General disclosure Key performance indicators B1.1, B1.2	Caring for employees – 7.1	
B2 Health and safety	General disclosure Key performance indicators B2.1, B2.2, B2.3	Caring for employees – 7.5	
B3 Development and training	General disclosure Key performance indicators B3.1, B3.2	Caring for employees – 7.2	
B4 Labour standards	General disclosure Key performance indicators B4.1, B4.2	Caring for employees	During the reporting period, the laws and regulations regarding the prevention of child labour and compulsory labour were complied with.
B5 Supply chain management	General disclosure Key performance indicators B5.1, B5.2, B5.3, B5.4	Supplier management	
B6 Product responsibility	General disclosure Key performance indicators B6.2, B6.3, B6.4, B6.5	Products and services – 6.3, 6.4, 6.5, 6.6, 6.7	The products and services provided by the Group do not include items which may lead to recall due to health and safety reasons. Hence data under B6.1 and recall procedures under B6.4 are not included.
B7 Anti-corruption	General disclosure Key performance indicators B7.1, B7.2, B7.3	Business ethics – 4.1	
B8 Community investment	General disclosure Key performance indicators B8.1, B8.2	Community contribution	

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Group is a renowned global developer and operator of mobile games and applications with headquarters in Singapore and local offices in the United States, China, Canada, Japan, South Korea, Thailand, the Philippines, Indonesia, Brazil, Türkiye, Italy and Spain. There has been no significant change in the Group's principal activities during the Year.

SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 31 December 2023 are set out in note 15 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five years ended 31 December 2023 is set out on pages 214 and 215 of the annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2023 are set out in the audited consolidated statement of comprehensive income/(loss) in this annual report.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2023.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2024 annual general meeting

The annual general meeting of the Company is scheduled to be held on Wednesday, 29 May 2024. The register of members of the Company will be closed from Thursday, 23 May 2024 to Wednesday, 29 May 2024, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for attending and voting at the annual general meeting, all transfers of Shares, accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 22 May 2024.

DIRECTORS' REPORT

RESERVES

Details of movements in reserves of the Group and the Company for the Year are set out in the consolidated statement of changes in equity and note 28 to the financial statement, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's reserves available for distribution, calculated in accordance with the Companies Act (As Revised) of the Cayman Islands, amounted to approximately HK\$2,940 million. The amount represents the Company's share premium and retained earnings in aggregate as at 31 December 2023, which may be distributed provided that immediately following the date on which dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

CHARITABLE DONATIONS

Details of the charitable donations by the Group for the Year are set out in the section headed "Corporate Social Responsibility Report – 8 Community Contribution".

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group for the Year are set out in note 11 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Year are set out in note 28 to the financial statements.

DIRECTORS' REPORT

DIRECTORS

The Directors during the Year and as of the date of this annual report were:

Executive Directors

Mr. Zongjian Cai (*Chairman and chief executive officer*)

Mr. Yuan Xu

Mr. Hong Zhang

Ms. Jessie Shen

Mr. Feng Chen

Non-executive Director

Mr. Yuan Chi

Independent Non-executive Directors

Dr. Horn Kee Leong

Ms. Zhao Lu

Mr. Kam Wai Man (appointed on 29 June 2023)

Mr. Dajian Yu (resigned on 29 June 2023)

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors. The Company considers that all the independent non-executive Directors are independent in accordance with the Listing Rules.

In accordance with Article 84 of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

Base on the above, Mr. Yuan Xu, Mr. Hong Zhang and Mr. Yuan Chi shall retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

According to code provision B.2.4 of the Corporate Governance Code, where all the independent non-executive Directors of the Company have served more than nine years on the Board, the Board should appoint a new independent non-executive Director to the Board. Therefore, the Company has appointed Mr. Kam Wai Man as an independent non-executive Director by ordinary resolution passed and effective at the 2023 AGM. The Board proposed to appoint a new independent non-executive Director to the Board at the forthcoming annual general meeting. For further details, please refer to the circular for the forthcoming annual general meeting of the Company to be despatched in due course. As at the date of this report, Ms. Lu Zhao has informed the Board her intention to resign as an independent non-executive Director upon the appointment of the new independent non-executive Director at the forthcoming annual general meeting, in order to devote more time to her family and personal commitments. The Nomination Committee reviewed and considered that the resignation of Ms. Lu Zhao did not have a material impact on the structure and diversity of the Board. The Board is of the view that the appointment of the new independent non-executive Director and the subsequent resignation of Ms. Lu Zhao will maintain the stability and refreshment of the Board structure.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out on pages 19 to 22 of this annual report.

DIRECTORS' REPORT

DISCLOSURE OF INTEREST AS PER REGISTERS KEPT PURSUANT TO THE SFO

(a) Directors' and chief executives' interests and short positions in Shares, underlying shares and debentures

As at 31 December 2023, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Listing Rules were as follows:

Long positions in shares of the Company and its associated corporation

Interests in	Name	Capacity/Nature of interest	Number of Shares/ underlying shares held	Approximate percentage of shareholding
1. The Company	Mr. Zongjian Cai (Notes 1, 2)	Beneficial owner, interest in a controlled corporation, spouse interest, interests held jointly with another person	295,559,643	24.91%
	Mr. Yuan Xu (Notes 1, 2)	Beneficial owner, interests held jointly with another person	295,559,643	24.91%
	Mr. Hong Zhang (Notes 1, 2)	Beneficial owner, interests held jointly with another person	295,559,643	24.91%
	Ms. Jessie Shen (Note 3)	Beneficial owner	7,673,955	0.65%
	Mr. Feng Chen (Note 4)	Beneficial owner	15,750,248	1.33%
	Mr. Yuan Chi (Note 5)	Beneficial owner, interest in a controlled corporation	154,002,000	12.98%
	Dr. Horn Kee Leong (Note 6)	Beneficial owner	132,000	0.01%
	Ms. Zhao Lu (Note 7)	Beneficial owner	249,000	0.02%
2. Associated corporation: UGen World Inc.	Mr. Dajian Yu (Resigned on 29 June 2023) (Note 8)	Beneficial owner	810,188	0.07%
	Mr. Yuan Xu (Note 9)	Beneficial owner	384,978	4.67%
	Mr. Hong Zhang (Note 10)	Beneficial owner	230,986	2.80%

DIRECTORS' REPORT

Notes:

- (1) Pursuant to an acting in concert agreement dated 16 September 2013, as amended by an amendment dated 18 October 2016, Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Kai Chen (spouse of Mr. Zongjian Cai) and Mr. Zhixiang Chen agreed that they would act in concert with each other with respect to material matters relating to the Company's operation. Each of Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Kai Chen and Mr. Zhixiang Chen is therefore deemed to be interested in the Shares held by one another under the SFO.
- (2) Mr. Zongjian Cai was the beneficial owner of 746,000 Shares. Mr. Zongjian Cai was also interested in all the issued share capital of Duke Online and he is the sole director of Duke Online. Therefore, he was deemed to be interested in 193,752,027 Shares held by Duke Online under the SFO. Mr. Zongjian Cai was deemed to be interested in all Shares held by Ms. Kai Chen under the SFO. On 21 May 2021, 38,444,306 Performance-based Awarded Shares were awarded to Mr. Zongjian Cai under the Performance-based Share Award Scheme. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant. On 27 April 2022 and 27 April 2023, 7,688,862 and 7,688,861 Performance-based Awarded Shares have lapsed, respectively, due to the failure in satisfying all the vesting conditions. Upon the full vest of such Performance-based Awarded Shares, Mr. Zongjian Cai will be beneficially interested in 23,066,583 Shares.

Mr. Yuan Xu was the beneficial owner of 23,073,917 Shares. On 23 March 2015, he was also granted 613,000 share options under the Share Option Scheme. On 21 May 2021, 7,163,535 Performance-based Awarded Shares were awarded to Mr. Yuan Xu under the Performance-based Share Award Scheme. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant. On 27 April 2022 and 27 April 2023, each of 1,432,707 Performance-based Awarded Shares have lapsed, respectively, due to the failure in satisfying all the vesting conditions. Upon the full exercise and vest of such share options and Performance-based Awarded Shares, Mr. Yuan Xu will be beneficially interested in 4,911,121 Shares.

Mr. Hong Zhang was the beneficial owner of 11,659,835 Shares. On 23 March 2015, Mr. Hong Zhang was also granted 605,000 share options under the Share Option Scheme. On 21 May 2021, 6,447,181 Performance-based Awarded Shares were awarded to Mr. Hong Zhang under the Performance-based Share Award Scheme. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant. On 27 April 2022 and 27 April 2023, 1,289,437 and 1,289,436 Performance-based Awarded Shares have lapsed, respectively, due to the failure in satisfying all the vesting conditions. Upon the full exercise and vest of such share options and Performance-based Awarded Shares, Mr. Hong Zhang will be beneficially interested in 4,473,308 Shares.

Ms. Kai Chen was the beneficial owner of 17,876,852 Shares. She was also deemed to be interested in all Shares held by Mr. Zongjian Cai under the SFO.

Mr. Zhixiang Chen was the beneficial owner of 16,000,000 Shares.

- (3) Ms. Jessie Shen was the beneficial owner of 4,014,000 Shares. On 21 November 2014 and 23 March 2015, 367,000 share options and 141,000 share options were granted to Ms. Jessie Shen under the Share Option Scheme, respectively. On 21 May 2021, 5,253,259 Performance-based Awarded Shares were awarded to Ms. Jessie Shen under the Performance-based Share Award Scheme. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant. On 27 April 2022 and 27 April 2023, each of 1,050,652 Performance-based Awarded Shares have lapsed, respectively, due to the failure in satisfying all the vesting conditions. Upon the full exercise and vest of such share options and Performance-based Awarded Shares, Ms. Jessie Shen will be beneficially interested in 3,659,955 Shares.

DIRECTORS' REPORT

- (4) Mr. Feng Chen was the beneficial owner of 13,731,000 Shares. On 23 March 2015, 300,000 share options were granted to Mr. Feng Chen under the Share Option Scheme. On 21 May 2021, 2,865,414 Performance-based Awarded Shares were awarded to Mr. Feng Chen under the Performance-based Share Award Scheme. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant. On 27 April 2022 and 27 April 2023, each of 573,083 Performance-based Awarded Shares have lapsed, respectively, due to the failure in satisfying all the vesting conditions. Upon the full exercise and vest of such share options and Performance-based Awarded Shares, Mr. Feng Chen will be beneficially interested in 2,019,248 Shares.
- (5) Mr. Yuan Chi was the beneficial owner of 568,000 Shares. Mr. Yuan Chi was also interested in all the issued share capital of Edmond Online and he is one of the directors of Edmond Online. Therefore, he was deemed to be interested in 153,434,000 Shares held by Edmond Online under the SFO.
- (6) Dr. Horn Kee Leong was the beneficial owner of 132,000 Shares.
- (7) Ms. Zhao Lu was the beneficial owner of 99,000 Shares. On 23 March 2015, Ms. Zhao Lu was granted 250,000 share options under the Share Option Scheme, among which 100,000 share options have been exercised. Upon the full exercise of such share options, Ms. Zhao Lu will be beneficially interested in 150,000 Shares.
- (8) Mr. Dajian Yu was the beneficial owner of 660,188 Shares. On 23 March 2015, Mr. Dajian Yu was granted 250,000 share options under the Share Option Scheme, among which 100,000 share options have been exercised. Upon the full exercise of such share options, Mr. Dajian Yu will be beneficially interested in 150,000 Shares.
- (9) Mr. Yuan Xu will be the beneficial owner of 384,978 most senior class of shares of UGen World Inc. upon full conversion of the relevant share subscription warrants pursuant to the terms thereof and is the holder of US\$100,000 convertible promissory note of UGen World Inc. which can be converted into such number of the most senior class or series of equity securities of UGen World Inc. or such class or series of equity securities of UGen World Inc. existing immediately prior to such conversion as elected by him in his sole discretion pursuant to the terms of the relevant convertible promissory note.
- (10) Mr. Hong Zhang will be the beneficial owner of 230,986 most senior class of shares of UGen World Inc. upon full conversion of the relevant share subscription warrants pursuant to the terms thereof and is the holder of US\$60,000 convertible promissory note of UGen World Inc. which can be converted into such number of the most senior class or series of equity securities of UGen World Inc. or such class or series of equity securities of UGen World Inc. existing immediately prior to such conversion as elected by him in his sole discretion pursuant to the terms of the relevant convertible promissory note.

Save as disclosed above, as of 31 December 2023, none of the Directors and chief executive of the Company was, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to Listing Rules.

DIRECTORS' REPORT

(b) Substantial shareholders' and other persons' interests and short positions in Shares and underlying shares

So far as were known to the Directors or chief executive of the Company, as at 31 December 2023, the following persons had interests and/or short positions of 5% or more of the Shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares/underlying shares held	Approximate percentage of shareholding
Duke Online (Notes 1, 2)	Beneficial owner, interests held jointly with another person	295,559,643	24.91%
Mr. Zongjian Cai (Notes 1, 2)	Beneficial owner, interest in a controlled corporation, spouse interest, interests held jointly with another person	295,559,643	24.91%
Mr. Yuan Xu (Notes 1, 2)	Beneficial owner, interests held jointly with another person	295,559,643	24.91%
Mr. Hong Zhang (Notes 1, 2)	Beneficial owner, interests held jointly with another person	295,559,643	24.91%
Ms. Kai Chen (Notes 1, 2)	Beneficial owner, spouse interest, interests held jointly with another person	295,559,643	24.91%
Mr. Zhixiang Chen (Notes 1, 2)	Beneficial owner, interests held jointly with another person	295,559,643	24.91%
Edmond Online (Note 3)	Beneficial owner	153,434,000	12.93%
Mr. Yuan Chi (Note 3)	Beneficial owner, interest in a controlled corporation	154,002,000	12.98%

Notes:

- (1) Pursuant to an acting in concert agreement dated 16 September 2013, as amended by an amendment dated 18 October 2016, Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Kai Chen (spouse of Mr. Zongjian Cai) and Mr. Zhixiang Chen agreed that they would act in concert with each other with respect to material matters relating to the Company's operation. Each of Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Kai Chen and Mr. Zhixiang Chen is therefore deemed to be interested in the Shares held by one another under the SFO.

DIRECTORS' REPORT

- (2) Mr. Zongjian Cai was the beneficial owner of 746,000 Shares. Mr. Zongjian Cai was also interested in all the issued share capital of Duke Online and he is the sole director of Duke Online. Therefore, he was deemed to be interested in 193,752,027 Shares held by Duke Online under the SFO. Mr. Zongjian Cai was deemed to be interested in all Shares held by Ms. Kai Chen under the SFO. On 21 May 2021, 38,444,306 Performance-based Awarded Shares were awarded to Mr. Zongjian Cai under the Performance-based Share Award Scheme. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant. On 27 April 2022 and 27 April 2023, 7,688,862 and 7,688,861 Performance-based Awarded Shares have lapsed, respectively, due to the failure in satisfying all the vesting conditions. Upon the full vest of such Performance-based Awarded Shares, Mr. Zongjian Cai will be beneficially interested in 23,066,583 Shares.

Mr. Yuan Xu was the beneficial owner of 23,073,917 Shares. On 23 March 2015, he was also granted 613,000 share options under the Share Option Scheme. On 21 May 2021, 7,163,535 Performance-based Awarded Shares were awarded to Mr. Yuan Xu under the Performance-based Share Award Scheme. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant. On 27 April 2022 and 27 April 2023, each of 1,432,707 Performance-based Awarded Shares have lapsed, respectively, due to the failure in satisfying all the vesting conditions. Upon the full exercise and vest of such share options and Performance-based Awarded Shares, Mr. Yuan Xu will be beneficially interested in 4,911,121 Shares.

Mr. Hong Zhang was the beneficial owner of 11,659,835 Shares. On 23 March 2015, Mr. Hong Zhang was also granted 605,000 share options under the Share Option Scheme. On 21 May 2021, 6,447,181 Performance-based Awarded Shares were awarded to Mr. Hong Zhang under the Performance-based Share Award Scheme. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant. On 27 April 2022 and 27 April 2023, 1,289,437 and 1,289,436 Performance-based Awarded Shares have lapsed, respectively, due to the failure in satisfying all the vesting conditions. Upon the full exercise and vest of such share options and Performance-based Awarded Shares, Mr. Hong Zhang will be beneficially interested in 4,473,308 Shares.

Ms. Kai Chen was the beneficial owner of 17,876,852 Shares. She was also deemed to be interested in all Shares held by Mr. Zongjian Cai under the SFO.

Mr. Zhixiang Chen was the beneficial owner of 16,000,000 Shares.

- (3) Mr. Yuan Chi was the beneficial owner of 568,000 Shares. Mr. Yuan Chi was also interested in all the issued share capital of Edmond Online and he is one of the directors of Edmond Online. Therefore, he was deemed to be interested in 153,434,000 Shares held by Edmond Online under the SFO.

Save as disclosed above, as at 31 December 2023, the Directors are not aware of any other persons, other than the Directors and chief executives of the Company, whose interests are set out in the section headed "Directors' and chief executives' interests and short positions in Shares, underlying shares and debentures" above in this report, had interests or short positions in the Shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' REPORT

SHARE SCHEMES

1. Pre-IPO Share Option Scheme (Expired on 29 October 2022 and No Outstanding Share Options as at 31 December 2023)

The Pre-IPO Share Option Scheme was adopted by the Company on 12 November 2008 and amended on 16 September 2013 by written resolutions of all the Shareholders. The purpose of the Pre-IPO Share Option Scheme is to offer selected persons an opportunity to acquire a proprietary interest in the success of the Company, or to increase such interest, by purchasing Shares. The terms of the Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-IPO Share Option Scheme will not involve the grant of options by the Company to subscribe for Shares once the Company has become a listed issuer. The Company should not and did not grant any share options under the Pre-IPO Share Option Scheme after the Listing. The Pre-IPO Share Option Scheme shall be valid and effective for a period of 10 years from the later date on which (i) the Board adopted the Pre-IPO Share Option Scheme, or (ii) the Board approved the most recent increase in the number of Shares reserved under the Pre-IPO Share Option Scheme which was also approved by the Shareholders. As the most recent increase in the number of Shares reserved under the Pre-IPO Share Option Scheme was approved by the Board on 30 October 2012, the Pre-IPO Share Option Scheme has expired on 29 October 2022.

Below table sets forth the exercise price of the share options granted on respective dates:

Date of grant	Exercise price
20 January 2007, 1 July 2007	US\$0.004026
1 July 2008	US\$0.008052
5 December 2008, 19 March 2009	US\$0.03775
1 August 2009, 1 November 2009	US\$0.05
18 April 2011, 21 April 2011, 25 April 2011, 3 May 2011, 16 May 2011, 13 June 2011	US\$0.0525
2 July 2011, 14 August 2011, 15 January 2012, 21 May 2012, 31 March 2013	US\$0.0865

Particulars and movements of share options under the Pre-IPO Share Option Scheme during the year ended 31 December 2023 by category of grantees were as follows:

Category of grantees	Date of grant	Exercise price per Share	Number of Pre-IPO share options				Outstanding as at 31 December 2023
			Outstanding as at 31 December 2022	Exercised during the Year	Lapsed/ forfeited during the Year	Cancelled during the Year	
Employees (Total no.: 10)	31 March 2013	US\$0.0865	512,000	512,000	-	-	-

Note: The weighted average closing price of the Shares immediately before the dates on which the share options under the Pre-IPO Share Options Scheme were exercised was HK\$2.77 (for the year ended 31 December 2022: HK\$4.22).

As at 31 December 2023, all outstanding share options granted under the Pre-IPO Share Option Scheme had been exercised, and hence there were no more outstanding share options granted under the Pre-IPO Share Option Scheme. Save as disclosed above, no other share options under the Pre-IPO Share Option Scheme have been exercised, lapsed or cancelled during the Year.

DIRECTORS' REPORT

2. Share Option Scheme (Terminated on 29 June 2023)

The Company has adopted the Share Option Scheme on 16 September 2013 for the purpose of giving the eligible persons an opportunity to have a personal stake in the Company and help motivate them to optimise their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Eligible persons shall be (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group; (b) a director or proposed director (including a non-executive director and/or an independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; (g) an associate of any of the persons referred to in paragraphs (a) to (c) above; and (h) who, in the sole opinion of the Board, will contribute to or have contributed to the Group.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date, i.e., 130,973,709 Shares. No option may be granted to any participant of the Share Option Scheme such that the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant on or before 28 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheets on the offer date; and
- (c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the offer date.

DIRECTORS' REPORT

The Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date (i.e. 18 October 2013) and expire on 17 October 2023 (or such earlier date as resolved by shareholders in general meeting), after which no further options will be granted or offered.

In view of the amendments to the Listing Rules, the Share Option Scheme has been terminated with effect from 29 June 2023 (the "Termination Date") by way of an ordinary resolution at the 2023 AGM. For further details, please refer to the announcement and circular of the Company dated 28 March 2023 and 28 April 2023, respectively. Since the Termination Date, no further options has been granted under the Share Option Scheme, and there were 4,635,000 outstanding share options granted but not yet exercised under the Share Option Scheme as at the Termination Date. As at the date of this report, the total number of shares which may be issued upon exercise of all outstanding share options granted but not yet exercised under the Share Option Scheme was 4,635,000, representing approximately 0.39% of the issued Shares as at the date of this report.

Pursuant to Rule 17.07 of the Listing Rules, particulars and movements of share options under the Share Option Scheme during the Year by category of grantees were as follows:

Category of grantees	Date of grant	Exercise price per Share	Outstanding as at 31 December 2022	Number of share options				Outstanding as at 31 December 2023
				Granted during the Year	Exercised during the Year ^(Note)	Lapsed/ forfeited during the Year	Cancelled during the Year	
Directors								
Mr. Yuan Xu	23 March 2015	HK\$3.90	613,000	-	-	-	-	613,000
Mr. Hong Zhang	23 March 2015	HK\$3.90	605,000	-	-	-	-	605,000
Ms. Jessie Shen	21 November 2014	HK\$3.51	367,000	-	-	-	-	367,000
	23 March 2015	HK\$3.90	141,000	-	-	-	-	141,000
Mr. Feng Chen	23 March 2015	HK\$3.90	300,000	-	-	-	-	300,000
Ms. Zhao Lu	23 March 2015	HK\$3.90	150,000	-	-	-	-	150,000
Mr. Dajian Yu	23 March 2015	HK\$3.90	150,000	-	-	-	-	150,000
	(Resigned on 29 June 2023)							
Director's associate								
Ms. Meijia Chen	23 March 2015	HK\$3.90	553,000	-	-	-	-	553,000
	(cousin of Mr. Yuan Xu)							
Employees (Total no.: 15)								
	11 August 2014	HK\$5.47	100,000	-	-	100,000	-	-
	21 November 2014	HK\$3.51	75,000	-	-	-	-	75,000
	23 March 2015	HK\$3.90	999,000	-	-	-	-	999,000
	19 August 2019	HK\$5.75	370,000	-	-	-	-	370,000
	6 May 2020	HK\$4.91	342,000	-	30,000	-	-	312,000
Total			4,765,000	-	30,000	100,000	-	4,635,000

Note: The weighted average closing price of the Shares immediately before the dates on which the share options under the Share Option Scheme were exercised during the year ended 31 December 2023 was HK\$6.42 (there were no share options under the Share Option Scheme exercised during the year ended 31 December 2022).

DIRECTORS' REPORT

11 August 2014

Share options granted on 11 August 2014 were vested in eligible grantees from 11 August 2015 to 11 August 2018. During the vesting period, 25% of the total number of share options granted were vested on each anniversary date of grant. The grantees can exercise the share options commencing from the relevant vesting dates and ending 10 years after the date of grant.

21 November 2014

Share options granted on 21 November 2014 were vested in eligible grantees from 21 November 2015 to 21 November 2018. During the vesting period, 25% of the total number of share options granted were vested on each anniversary date of grant. The grantees can exercise the share options commencing from the relevant vesting dates and ending 10 years after the date of grant.

23 March 2015

Share options granted on 23 March 2015 can be exercised from a period commencing from the relevant vesting dates and ending 10 years after the date of grant.

Certain number of share options were granted to certain non-executive Directors and all independent non-executive Directors, of which one-third of the total number of share options were vested on each of the date of the annual general meeting in 2016, 2017 and 2018.

The remaining share options were vested in the other eligible grantees from 23 March 2016 to 23 March 2019, of which 25% of the total number of the share options granted were vested on each anniversary date of grant.

19 August 2019

Share options granted on 19 August 2019 were vested in eligible grantees from 19 August 2020 to 19 August 2023. During the vesting period, 25% of the total number of share options granted was vested on each anniversary date of grant. The grantees can exercise the share options commencing from the relevant vesting date and ending 10 years after the date of grant.

6 May 2020

Share options granted on 6 May 2020 are vested in eligible grantees from 6 May 2021 to 6 May 2024. During the vesting period, 25% of the total number of share options granted will be vested on each anniversary date of grant. The grantees can exercise the share options commencing from the relevant vesting date and ending 10 years after the date of grant.

Save as disclosed above, during the Year, no other share options under the Share Option Scheme have been granted, exercised, lapsed or cancelled.

3. Share Award Scheme (Funded by Existing Shares Only)

The Share Award Scheme of the Company was adopted by the Board on 24 December 2013 and amended on 19 August 2021 and 28 March 2023 (effective date: 28 June 2023). The purpose of the Share Award Scheme is to recognise the contributions by certain selected grantees and to give incentives thereto in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group.

The Board may, from time to time, at their absolute discretion select any eligible person, who shall be any employee, director or consultant of any member of the Group (excluding any excluded grantee), for participation in the Share Award Scheme as a selected grantee. However, until so selected, no eligible person shall be entitled to participate in the Share Award Scheme. The awarded shares (where the Board has determined such number pursuant to the terms of the Share Award Scheme) shall be acquired by Computershare Hong Kong Trustees Limited, as the trustee (the “Trustee”) from the open market by utilising the Company’s resources provided to the Trustee, subject to the absolute discretion of the Board, and no Shares will be issued under the Share Award Scheme. The Company will contribute or grant cash to the Trustee to enable the Share Award Scheme to operate with necessary funds to purchase Shares. The vesting period shall, in any event, be no longer than 10 years.

It is intended that the awarded shares under the Share Award Scheme will be offered to the selected grantees to take up the relevant awarded shares for no consideration subject to the compliance with the relevant laws and regulations, and certain conditions to be decided by the Board at the time of grant of the awarded shares under the Share Award Scheme. Awarded shares shall be deemed to be accepted by the selected grantee when the Company receives a duplicate of the letter of grant signed by such selected grantee within 28 days after the granting. No amount is payable on acceptance of the awarded shares.

Shares held by the Trustee upon the trust and which are referable to a selected grantee shall vest to that selected grantee in accordance with a vesting schedule determined at the discretion of the Board, provided that the selected grantee remains at all times after the reference date (the date of final approval by the Board of the total number of shares to be awarded to the selected grantees in a single occasion pursuant to the Share Award Scheme or the date of an award by the Trustee pursuant to the trust deed) and on each relevant vesting date(s) an eligible person. The Board may also, in its absolute discretion, determine the performance, operating and financial targets and other criteria, if any, to be satisfied by the selected grantee before the awarded shares can vest.

The Board shall not make any further award which will result in the number of shares awarded by the Board under the Share Award Scheme in excess of 10% of the issued share capital of the Company as at 24 December 2013. In any event, the unvested shares held by the Trustee at any time shall be less than 5% of the issued share capital of the Company. The Trustee shall not exercise any voting right attached in respect of any Shares held by it under the trust. The maximum number of Shares to all controlling shareholders which may be subject to an award or awards in any of the 12 months shall not in aggregate exceed 2% of the issued share capital of the Company from time to time. The maximum number of Shares which may be subject to an award or awards to a participant at any time under the Share Award Scheme shall not in aggregate exceed 1% of the issued share capital of the Company as at 24 December 2013.

DIRECTORS' REPORT

Subject to any early termination as may be determined by the Board pursuant to the terms of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a renewal term of 10 years commencing on the effective date of the last amendment (i.e. 28 June 2023). As at 31 December 2023, the remaining life of the Share Award Scheme is approximately 9 and a half years.

Details of the Share Award Scheme are set out in the Company's announcements dated 24 December 2013, 19 August 2021 and 28 March 2023.

Particulars and movements of the awarded shares under the Share Award Scheme during the year ended 31 December 2023 were as follows:

Category of grantees	Date of grant	Outstanding as at 31 December 2022	Number of awarded shares			Outstanding as at 31 December 2023
			Granted during the Year (Notes 3, 4)	Vested during the Year (Note 2)	Lapsed/ forfeited during the Year (Note 1)	
Directors						
Mr. Zongjian Cai	6 May 2021	373,000	–	373,000	–	–
Mr. Yuan Xu	6 May 2021	289,500	–	289,500	–	–
Mr. Hong Zhang	6 May 2021	246,500	–	246,500	–	–
Ms. Jessie Shen	6 May 2021	272,000	–	272,000	–	–
Mr. Feng Chen	6 May 2021	195,500	–	195,500	–	–
Mr. Yuan Chi	6 May 2021	41,000	–	41,000	–	–
Dr. Horn Kee Leong	6 May 2021	36,000	–	36,000	–	–
Ms. Zhao Lu	6 May 2021	19,500	–	19,500	–	–
Mr. Dajian Yu (Resigned on 29 June 2023)	6 May 2021	19,500	–	19,500	–	–
Directors' respective associate						
Ms. Kai Chen (spouse of Mr. Zongjian Cai)	19 August 2021	14,450	–	14,450	–	–
Ms. Mejia Chen (cousin of Mr. Yuan Xu)	19 August 2021	250,920	–	250,920	–	–
Substantial shareholder's associate						
Ms. Zhiying Chen (sister of Mr. Zhixiang Chen, a member of concert party group)	19 August 2021	3,845	–	3,845	–	–

DIRECTORS' REPORT

Category of grantees	Date of grant	Number of awarded shares					Outstanding as at 31 December 2023
		Outstanding as at 31 December 2022	Granted during the Year (Notes 3, 4)	Vested during the Year (Note 2)	Lapsed/ forfeited during the Year (Note 1)	Cancelled during the Year	
Employees and other connected persons (Total no.: 665)	20 March 2019	50,000	-	50,000	-	-	-
	6 May 2019	46,122	-	31,122	15,000	-	-
	19 August 2019	125,000	-	120,000	5,000	-	-
	6 May 2020	717,852	-	346,424	76,075	-	295,353
	20 August 2020	320,000	-	135,000	85,000	-	100,000
	6 November 2020	444,364	-	222,183	20,000	-	202,181
	11 March 2021	600,636	-	195,277	22,395	-	382,964
	6 May 2021	111,757	-	44,764	25,500	-	41,493
	19 August 2021	5,119,646	-	4,599,211	440,435	-	80,000
	5 November 2021	662,500	-	172,500	347,500	-	142,500
	11 April 2022	3,376,298	-	991,794	198,511	-	2,185,993
	25 August 2022	102,500	-	18,125	84,375	-	-
	30 November 2022	110,000	-	40,000	30,000	-	40,000
	7 April 2023	-	464,354	-	21,000	-	443,354
	24 May 2023	-	10,000	-	-	-	10,000
6 September 2023	-	4,397,206	-	43,750	-	4,353,456	
29 November 2023	-	442,873	-	-	-	442,873	
Consultant (Total no.: 1)	6 May 2019	2,750	-	2,750	-	-	-
	6 May 2020	4,000	-	2,000	-	-	2,000
Total		13,555,140	5,314,433	8,732,865	1,414,541	-	8,722,167

- Notes:
- The lapse of awarded shares during the Year was due to the termination of employment of certain grantees.
 - The weighted average closing price of the Shares immediately before the dates on which the awarded shares granted under the Share Award Scheme were vested was HK\$3.83 (for the year ended 31 December 2022: HK\$3.13) and the purchase price of the awarded shares granted under the Share Award Scheme were vested was at nil consideration.
 - The awarded shares granted under the Share Award Scheme during the year ended 31 December 2023 were not conditional upon satisfaction of performance target. There was no performance target set as a prerequisite for the grant, which aligns with the purpose of the Share Award Scheme in terms of rewarding employees for their past contribution to the Group.
 - During the year ended 31 December 2023, there were no awarded shares granted under the Share Award Scheme to the five highest paid individuals.

DIRECTORS' REPORT

20 March 2019

On 20 March 2019, the Board granted a total of 245,000 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain eligible grantees (including certain directors and substantial shareholders of certain wholly-owned subsidiaries of the Company) pursuant to the Share Award Scheme at nil consideration. Such awarded shares were vested in eligible grantees from 20 March 2020 to 20 March 2023. During the vesting period, 25% of the total number of awarded shares granted were vested on each anniversary date of grant.

6 May 2019

On 6 May 2019, the Board granted a total of 215,482 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain eligible grantees pursuant to the Share Award Scheme at nil consideration. Such awarded shares were vested in eligible grantees from 6 May 2020 to 6 May 2023. During the vesting period, 25% of the total number of awarded shares granted were vested on each anniversary date of grant.

19 August 2019

On 19 August 2019, the Board granted a total of 1,000,000 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain eligible grantees pursuant to the Share Award Scheme at nil consideration. Such awarded shares were vested in eligible grantees from 19 August 2020 to 19 August 2023. During the vesting period, 25% of the total number of awarded shares granted were vested on each anniversary date of grant.

6 May 2020

On 6 May 2020, the Board granted a total of 1,881,000 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain eligible grantees pursuant to the Share Award Scheme at nil consideration. Such awarded shares are vested in eligible grantees from 6 May 2021 to 6 May 2024. During the vesting period, 25% of the total number of awarded shares granted would be vested on each anniversary date of grant.

DIRECTORS' REPORT

20 August 2020

On 20 August 2020, the Board granted a total of 1,288,333 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain eligible grantees (including all independent non-executive Directors, and certain directors of certain wholly-owned subsidiaries of the Company) pursuant to the Share Award Scheme at nil consideration. 100% of the total number of the awarded shares granted to independent non-executive Directors were vested on the date of the annual general meeting in 2021. 100% of the total number of the awarded shares granted to certain directors of certain wholly-owned subsidiaries of the Company and certain eligible grantees were vested on 20 August 2021. Certain number of awarded shares were vested in certain eligible grantees from 20 August 2021 to 20 August 2022, during which 50% of the total number of the awarded shares granted were vested on each anniversary date of grant. The remaining awarded shares would be vested in certain eligible grantees from 20 August 2021 to 20 August 2024, during which 25% of the total number of awarded shares granted would be vested on each anniversary date of grant.

6 November 2020

On 6 November 2020, the Board granted a total of 963,730 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain eligible grantees pursuant to the Share Award Scheme at nil consideration. Such awarded shares are vested in eligible grantees from 6 November 2021 to 6 November 2024, during which 25% of the total number of awarded shares granted would be vested on each anniversary date of grant.

11 March 2021

On 11 March 2021, the Board granted a total of 1,117,890 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain eligible grantees pursuant to the Share Award Scheme at nil consideration. Such awarded shares are vested in eligible grantees from 11 March 2022 to 11 March 2025. During the vesting period, 25% of the total number of awarded shares granted would be vested on each anniversary date of grant.

6 May 2021

On 6 May 2021, the Board granted a total of 3,192,565 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain eligible grantees (including all Directors) pursuant to the Share Award Scheme at nil consideration. Certain number of awarded shares were granted to the Directors, of which 50% of the total number of the awarded shares were vested on each of the date of the annual general meeting in 2022 and 2023. Certain number of awarded shares were vested in certain eligible grantees from 6 May 2022 to 6 May 2023, during which 50% of the total number of the awarded shares granted were vested on each anniversary date of grant. The remaining awarded shares would be vested in certain eligible grantees from 6 May 2022 to 6 May 2025, during which 25% of the total number of awarded shares granted would be vested on each anniversary date of grant.

DIRECTORS' REPORT

19 August 2021

On 19 August 2021, the Board granted a total of 12,516,650 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain eligible grantees (including connected persons) pursuant to the Share Award Scheme at nil consideration. Certain number of awarded shares were vested in certain eligible grantees (including Ms. Kai Chen, Ms. Mejia Chen, Ms. Zhiying Chen and other connected persons) from 19 August 2022 to 19 August 2023, during which 50% of the total number of the awarded shares granted were vested on each anniversary date of grant. The remaining awarded shares would be vested in certain eligible grantees from 19 August 2022 to 19 August 2025, during which 25% of the total number of awarded shares granted would be vested on each anniversary date of grant.

5 November 2021

On 5 November 2021, the Board granted a total of 1,100,000 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain eligible grantees pursuant to the Share Award Scheme at nil consideration. Certain number of awarded shares were vested in certain eligible grantees from 5 November 2022 to 5 November 2023, during which 50% of the total number of the awarded shares granted were vested on each anniversary date of grant. The remaining awarded shares will be vested in certain eligible grantees from 5 November 2022 to 5 November 2025, during which 25% of the total number of awarded shares granted would be vested on each anniversary date of grant.

11 April 2022

On 11 April 2022, the Board granted a total of 3,498,580 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to connected persons and certain employees of the Group pursuant to the Share Award Scheme at nil consideration. Certain number of awarded shares would be vested in certain eligible grantees (including Mr. Shuo Wang, Mr. Chengfeng Luo, Mr. Xiandong Liu and Mr. Richard Chua Choon Kiat) from 11 April 2023 to 11 April 2026, during which 25% of the total number of the awarded shares granted would be vested on each anniversary date of grant. The remaining awarded shares would be vested in certain eligible grantees from 11 April 2023 to 11 April 2024, during which 50% of the total number of awarded shares granted would be vested on each anniversary date of grant.

25 August 2022

On 25 August 2022, the Board granted a total of 102,500 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain employees of the Group pursuant to the Share Award Scheme at nil consideration. Such awarded shares will be vested in the eligible grantees from 25 August 2023 to 25 August 2026. During the vesting period, 25% of the total number of the awarded shares granted will be vested on each anniversary date of grant.

DIRECTORS' REPORT

30 November 2022

On 30 November 2022, the Board granted a total of 110,000 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain employees of the Group pursuant to the Share Award Scheme at nil consideration. Such awarded shares will be vested in the eligible grantees from 30 November 2023 to 30 November 2024. During the vesting period, 50% of the total number of the awarded shares granted will be vested on each anniversary date of grant.

During the Year, the Company granted the awarded shares as follows:

7 April 2023

On 7 April 2023, the Board granted a total of 464,354 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain employees of the Group pursuant to the Share Award Scheme at nil consideration. The closing price immediately before the date on which the awarded shares were granted on 7 April 2023 was HK\$4.35 and the fair value of the awarded shares on the date of grant was HK\$4.35 per share, amounting to approximately HK\$2.02 million in total. Please refer to Note 2(p)(ii) and 25(c) to the financial statements for the accounting standard and policy adopted in respect of the fair value of awarded shares. Certain number of awarded shares will be vested in certain eligible grantees from 7 April 2024 to 7 April 2027, during which 25% of the total number of the awarded shares granted will be vested on each anniversary date of grant. Certain number of awarded shares will be vested in certain eligible grantees from 7 April 2024 to 7 April 2025, during which 50% of the total number of the awarded shares granted will be vested on each anniversary date of grant.

24 May 2023

On 24 May 2023, the Board granted a total of 10,000 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain employees of the Group pursuant to the Share Award Scheme at nil consideration. The closing price immediately before the date on which the awarded shares were granted on 24 May 2023 was HK\$4.32 and the fair value of the awarded shares on the date of grant was HK\$4.25 per share, amounting to HK\$42,500 in total. Please refer to Note 2(p)(ii) and 25(c) to the financial statements for the accounting standard and policy adopted in respect of the fair value of awarded shares. Such awarded shares will be vested in the eligible grantees from 24 May 2024 to 24 May 2025. During the vesting period, 50% of the total number of the awarded shares granted will be vested on each anniversary date of grant.

DIRECTORS' REPORT

6 September 2023

On 6 September 2023, the Board granted a total of 4,397,206 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain employees of the Group pursuant to the Share Award Scheme at nil consideration. The closing price immediately before the date on which the awarded shares were granted on 6 September 2023 was HK\$3.50 and the fair value of the awarded shares on the date of grant was HK\$3.54 per share, amounting to approximately HK\$15.57 million in total. Please refer to Note 2(p)(ii) and 25(c) to the financial statements for the accounting standard and policy adopted in respect of the fair value of awarded shares. Certain number of awarded shares will be vested in certain eligible grantees from 6 September 2024 to 6 September 2027, during which 25% of the total number of the awarded shares granted will be vested on each anniversary date of grant. Certain number of awarded shares will be vested in certain eligible grantees from 6 September 2024 to 6 September 2025, during which 50% of the total number of the awarded shares granted will be vested on each anniversary date of grant.

29 November 2023

On 29 November 2023, the Board granted a total of 442,873 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain employees of the Group pursuant to the Share Award Scheme at nil consideration. The closing price immediately before the date on which the awarded shares were granted on 29 November 2023 was HK\$3.35 and the fair value of the awarded shares on the date of grant was HK\$3.30 per share, amounting to approximately HK\$1.46 million in total. Please refer to Note 2(p)(ii) and 25(c) to the financial statements for the accounting standard and policy adopted in respect of the fair value of awarded shares. Such awarded shares will be vested in the eligible grantees from 29 November 2024 to 29 November 2025. During the vesting period, 50% of the total number of the awarded shares granted will be vested on each anniversary date of grant.

Save as disclosed above, during the year ended 31 December 2023, no awarded shares were granted, vested, lapsed or cancelled under the Share Award Scheme.

DIRECTORS' REPORT

During the Year and up to the date of this report, the Trustee, pursuant to the terms of the trust deed constituting the Share Award Scheme, purchased on the market a total of 11,004,000 Shares with a total consideration of HK\$37,719,767.96. Particulars were as follows:

Period of Shares purchased	Number of Shares purchased	Average consideration per Share	Consideration
6 January 2023 to 20 January 2023	649,000	HK\$3.0043	HK\$1,949,816.47
3 July 2023 to 21 July 2023	1,939,000	HK\$3.9751	HK\$7,707,778.37
31 August 2023 to 28 September 2023	2,281,000	HK\$3.4272	HK\$7,817,473.30
9 November 2023 to 8 December 2023	3,494,000	HK\$3.3569	HK\$11,729,114.64
18 December 2023 to 16 January 2024	2,641,000	HK\$3.2244	HK\$8,515,585.18
Total	11,004,000		HK\$37,719,767.96

4. Performance-based Share Award Scheme

The Performance-based Share Award Scheme of the Company was adopted by the Board on 21 May 2021. The purpose of the Performance-based Share Award Scheme is to recognise the contributions by certain eligible persons, particularly the Directors, senior management and key personnel of certain divisions of the Group.

The Board may, at its absolute discretion, determine the vesting schedule and impose certain vesting conditions, such as performance index to the grant of Performance-based Awarded Shares which shall incentivize the selected grantees in achieving targeted performance indicators for the continuing development and growth of the Group, and to retain suitable personnel for further development of the Group. The Board may, from time to time, at its absolute discretion select any eligible person (excluding any excluded grantee) for participation in the Performance-based Share Award Scheme as a selected grantee. However, until so selected, no eligible person shall be entitled to participate in the Performance-based Share Award Scheme. The Performance-based Share Award Scheme shall be either (i) allotted and issued by the Company under general mandates or specific mandates granted to the Board by the Shareholders in the general meetings of the Company from time to time; (ii) allotted and issued by the Company under specific mandates granted to the Board by the Shareholders in the general meetings of the Company where (a) any grant of the performance-based awarded shares would cause the Company to issue and allot Shares in excess of the permitted amount in the general mandate available from time to time; or (b) any award of the Performance-based Awarded Shares by the Board to a selected grantee is made to a connected person of the Company; or (iii) acquired by the trustee from the open market by utilising the Company's resources provided to the trustee, subject to the absolute discretion of the Board.

DIRECTORS' REPORT

It is intended that the Performance-based Awarded Shares under the Performance-based Share Award Scheme will be offered to the selected grantees to take up the relevant Performance-based Awarded Shares for no consideration subject to the compliance with the relevant laws and regulations, and certain conditions to be decided by the Board at the time of grant of the Performance-based Awarded Shares under the Performance-based Share Award Scheme. The Performance-based Awarded Shares shall be deemed to be accepted by the selected grantee when the Company receives a duplicate of the letter of grant signed by such selected grantee within 28 days after the granting. No amount is payable on acceptance of the Performance-based Awarded Shares.

No Shares shall be subscribed for and/or purchased pursuant to the Performance-based Share Award Scheme nor any amounts paid to the trustee for the purpose of making such a subscription and/or purchase, if as a result of such subscription and/or purchase, the number of Shares administered under the Performance-based Share Award Scheme would represent more than 6% of the number of the issued Shares as at 21 May 2021 (subject to adjustment in the event of sub-division, consolidation or bonus issue of Shares in accordance with the rules of the Performance-based Share Award Scheme). There is no provision in respect of the maximum entitlement of each participant under the Performance-based Share Award Scheme.

Subject to any early termination as may be determined by the Board pursuant to the terms of the Performance-based Share Award Scheme, the Performance-based Share Award Scheme shall be valid and effective for a term of five years commencing on 21 May 2021. As at 31 December 2023, the remaining life of the Performance-based Share Award Scheme is approximately 2 years and 5 months.

On 21 May 2021, the Board resolved to conditionally grant up to 71,635,355 Performance-based Awarded Shares, representing approximately 6% of the total issued share capital of the Company as at 21 May 2021 and being the maximum number of Performance-based Awarded Shares that can be granted under the Performance-based Share Award Scheme, to the grantees as set out below. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant.

DIRECTORS' REPORT

Particulars and movements of the Performance-based Awarded Shares under the Performance-based Share Award Scheme during the Year were as follows:

Category of grantees	Granted as approved by the Shareholders on 20 July 2021	Number of Performance-Based Awarded Shares			Outstanding as at 31 December 2023
		Outstanding as at 31 December 2022	Vested during the Year	Lapsed/forfeited during the Year	
Directors					
Mr. Zongjian Cai	38,444,306	30,755,444	–	7,688,861	23,066,583
Mr. Yuan Xu	7,163,535	5,730,828	–	1,432,707	4,298,121
Mr. Hong Zhang	6,447,181	5,157,744	–	1,289,436	3,868,308
Ms. Jessie Shen	5,253,259	4,202,607	–	1,050,652	3,151,955
Mr. Feng Chen	2,865,414	2,292,331	–	573,083	1,719,248
Other connected persons of the Company					
Ms. Meijia Chen (director of subsidiaries of the Company and senior vice president of the Group)	7,163,536	5,730,828	–	1,432,707	4,298,121
Mr. Hanling Fang (director of subsidiaries of the Company and vice president of the Group)	716,354	573,084	–	143,271	429,813
Mr. Shuo Wang (director of subsidiaries of the Company and vice president of the Group)	716,354	573,083	–	143,271	429,812
Mr. Chengfeng Luo (director of subsidiaries of the Company and senior director of research and development)	716,354	573,083	–	143,271	429,812
Employees (Total No.: 3)	<u>2,149,062</u>	<u>1,719,249</u>	<u>–</u>	<u>429,813</u>	<u>1,289,436</u>
Total	<u>71,635,355</u>	<u>57,308,281</u>	<u>–</u>	<u>14,327,072</u>	<u>42,981,209</u>

Subject to the terms and conditions of the Performance-based Share Award Scheme and the satisfaction of the vesting conditions, an aggregate of up to 71,635,355 Performance-based Awarded Shares will be vested in five tranches, each to be vested to the grantees at nil consideration as soon as reasonably practicable after the end of each of the relevant measurement period (being the trading days within the thirty calendar days immediately after the date on which the annual results for the relevant financial year are published by the Company on the Stock Exchange) for the relevant financial year as set out below and upon determination by the Board (excluding Directors who are grantees) as to whether the vesting conditions have been satisfied for each such tranche and the actual number of Performance-based Awarded Shares to be vested under each such tranche.

DIRECTORS' REPORT

Financial year	Percentage of Performance-based Awarded Shares to vest
Financial year ended 31 December 2021	20%
Financial year ended 31 December 2022	20%
Financial year ended 31 December 2023	20%
Financial year ending 31 December 2024	20%
Financial year ending 31 December 2025	20%

On 27 April 2022 and 27 April 2023, 14,327,074 and 14,327,072 Performance-based Awarded Shares have lapsed, respectively, due to the failure in satisfying all the vesting conditions. Save as disclosed above, as at the date of this report, no Performance-based Awarded Shares were vested, lapsed or cancelled under the Performance-based Share Award Scheme. Details of the Performance-based Share Award Scheme are set out in the Company's announcement dated 21 May 2021 and circular dated 28 June 2021.

As at the date of this report, the total number of Shares available for issue under the Performance-based Share Award Scheme is 42,981,209, which represents approximately 3.64% of the issued Shares as at the date of this report.

During the Year, no Performance-based Awarded Shares have been vested under the Performance-based Share Award Scheme.

5. Share Incentive Scheme

The Share Incentive Scheme was adopted by the Company on 29 June 2023 by way of an ordinary resolution at the 2023 AGM. The purpose of the Share Incentive Scheme is to motivate eligible persons (including directors and employees of the Group, related entity participants and service providers) to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons.

The Board may, in its absolute discretion, select any eligible persons for offering the grant of any award. The Board shall, in its absolute discretion and at any time prior to the relevant offer date, determine whether the relevant award shall take the form of an option and/or a restricted share. To the extent permitted by the Listing Rules and other applicable laws, options which have been exercised or vesting of a restricted share under an award will be satisfied by the allotment and issue of new Shares by the Company. The Company may appoint a trustee to assist with the administration, exercise and vesting of awards granted under the Share Incentive Scheme. Save for the specific circumstances as prescribed under the Share Incentive Scheme, the vesting period for options and/or restricted shares under the Share Incentive Scheme shall not be less than 12 months from the offer date.

DIRECTORS' REPORT

The maximum number of Shares which may be issued in respect of all awards to be granted under the Share Incentive Scheme and any other scheme(s) of the Company shall not in aggregate exceed 10% of the total issued Shares as at the date of the 2023 AGM, i.e., 119,800,659 Shares. Unless otherwise approved by Shareholders in general meeting in accordance with the Listing Rules, no awards may be granted to any eligible person of the Share Incentive Scheme such that the total number of Shares issued and to be issued in respect of all awards granted to such person pursuant to the Share Incentive Scheme and any other share schemes of the Company in any 12-month period up to and including the date of the latest grant exceeds 1% of the Company's issued share capital on the date of the latest grant. In particular, (i) unless otherwise approved by Shareholders in general meeting in accordance with the Listing Rules, no awards (excluding grant of options) may be granted to any Director (other than an independent non-executive Director), chief executive of the Company or any of their respective associates such that the total number of Shares issued and to be issued in respect of all awards granted to such person pursuant to the Share Incentive Scheme and any other share schemes of the Company in any 12-month period up to and including the date of the latest grant exceeds 0.1% of the Company's issued share capital on the date of the latest grant; and (ii) unless otherwise approved by Shareholders in general meeting in accordance with the Listing Rules, no awards (i.e. including grant of options and restricted shares) may be granted to an independent non-executive Director or a substantial shareholder of the Company or any of their respective associates such that the total number of Shares issued and to be issued in respect of all awards granted to such person pursuant to the Share Incentive Scheme and any other shares schemes of the Company in the 12-month period up to and including the date of the latest grant exceeds 0.1% of the Company's issued share capital on the date of the latest grant. As at the date of this report, the total number of Shares available for issue under the Share Incentive Scheme is 119,800,659, representing approximately 10.15% of the issued Shares as at the date of this report.

An option to be granted under the Share Incentive Scheme may be exercised in accordance with the terms of the Share Incentive Scheme at any time during a period as determined by the Board and not exceeding 10 years from the offer date. The grantees accepting any grant of awards under the Share Incentive Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant on or before the 28 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheets on the offer date; and
- (c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the offer date.

The Share Incentive Scheme shall be valid and effective for a period of 10 years from 29 June 2023 and will expire on 28 June 2033 (or such earlier date as resolved by shareholders in general meeting), after which no further awards will be granted or offered. As at 31 December 2023, the remaining life of the Share Incentive Scheme is approximately 9 and a half years. During the Year, no awards under the Share Incentive Scheme had been granted, exercised, vested, outstanding, lapsed or cancelled.

DIRECTORS' REPORT

The aggregate number of options and awards available for grant involving the allotment and issue of new Shares under the Share Option Scheme, the Performance-based Share Award Scheme and the Share Incentive Scheme as at 1 January 2023 and 31 December 2023 is set out below:

	As at 31 December 2023	As at 1 January 2023
Number of options available for grant under the Share Option Scheme	–	121,129,209
Number of awards available for grant under the Performance-based Share Award Scheme	–	–
Number of awards available for grant under the Share Incentive Scheme	119,800,659 ¹	–
Total number of options and awards available for grant	119,800,659	121,129,209

1. The number of awards available for grant to service providers under the Share Incentive Scheme is 11,980,065.

The aggregate number of awards available for grant involving of existing Shares under the Share Award Scheme as at 1 January 2023 and 31 December 2023 is set out below:

	As at 31 December 2023	As at 1 January 2023
Number of awards available for grant under the Share Award Scheme	84,832,389 ²	88,732,281

2. On 28 March 2023, the Board resolved to delete the provisions of allowing the Board to allot and issue Shares by general mandate granted to the Board to satisfy the issue of awarded shares upon vesting of an award under the Share Award Scheme with effect from 28 June 2023.

During the Year, (1) no share option was granted under the Share Option Scheme; (2) no Performance-based Awarded Shares was available for grant under the Performance-based Share Award Scheme; (3) the aggregate of 5,314,433 awarded shares granted to the eligible grantees have been purchased by the Trustee from the open market pursuant to the Share Award Scheme, therefore, no Shares will be issued in respect of the awarded shares granted under the Share Award Scheme; and (4) no award was granted under the Share Incentive Scheme. The number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the Year divided by the weighted average number of Shares in issue for the Year is therefore not applicable.

DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the year ended 31 December 2023 and up until the date of this report, except that as disclosed in the sections headed "Pre-IPO Share Option Scheme", "Share Option Scheme", "Share Award Scheme", "Performance-based Share Award Scheme" and "Share Incentive Scheme", none of the Directors or chief executives of the Company was granted any share options and/or awarded shares under the Pre-IPO Share Option Scheme, the Share Option Scheme, the Share Award Scheme, the Performance-based Share Award Scheme or the Share Incentive Scheme.

Save as disclosed above and in the section headed "Disclosure of Interest as per registers kept pursuant to the SFO" in this report, at no time for the year ended 31 December 2023 were there rights to acquire benefits by means of the acquisition of shares in, or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

COMPETING INTEREST

To the best knowledge of the Company, none of the Directors or the substantial shareholders of the Company or their respective associates has any interest in any business which competed or may compete with the business of the Group during the Year.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts to which the Company or any of its subsidiaries was a party to and in which a Director or its connected entity (within the meaning of section 486 of the Companies Ordinance) had a material interest in, whether directly or indirectly, subsisted as at 31 December 2023 or at any time during the year ended 31 December 2023.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors during the Year are set out below:

Ms. Zhao Lu retired as the general manager to Fuzhou Lingdong Network Technology Co., Ltd.* (福州靈動網絡科技有限公司) in February 2023; Dr. Horn Kee Leong resigned as an independent non-executive director from ESR-LOGOS Funds Management (S) Limited (formerly known as ESR Funds Management (S) Limited) with effect from May 2023.

Save as disclosed above, there is no other change in the Directors' information required to be disclosed pursuant to Rules 13.51B(1) of the Listing Rules.

* For identification purpose only

DIRECTORS' REPORT

MANAGEMENT CONTRACTS

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

EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed "Pre-IPO Share Option Scheme", "Share Option Scheme", "Share Award Scheme", "Performance-based Share Award Scheme" and "Share Incentive Scheme", as at the end of and during the year ended 31 December 2023, the Company did not enter into (i) any agreement that will or may result in the Company issuing Shares; or (ii) any agreement requiring the Company to enter into any agreement specified in (i).

PERMITTED INDEMNITY PROVISION

Pursuant to Article 164 of the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which the Directors or any of the Directors shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of the Directors shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

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

The Company had bought back the Shares on the Stock Exchange during the year ended 31 December 2023 with details as follows:

Month of Purchase	Number of Shares Bought Back	Price per Share		Total Consideration Paid HK\$
		Highest Price Paid HK\$	Lowest Price Paid HK\$	
October 2023	1,698,000	2.74	2.66	4,598,880
November 2023	7,568,000	3.49	2.76	25,271,160
December 2023	4,609,000	3.33	3.05	14,689,700
Total	13,875,000			44,559,740

As at the date of this report, all of the Shares bought back were cancelled.

The Board performed the share repurchase in accordance with buy-back mandate granted by the Shareholders at the annual general meetings and in the best interests of the Company and the Shareholders as a whole. The share buy-backs were carried out having considered the market conditions and financial arrangements, the Board believes that the share buy-back would enhance the value of the Company and Shareholders in the long term.

DIRECTORS' REPORT

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and to supervise the financial reporting process and risk management and internal control systems of the Group. The Audit Committee comprises all independent non-executive Directors, namely, Dr. Horn Kee Leong (chairman of the Audit Committee), Ms. Zhao Lu, Mr. Kam Wai Man (appointed on 29 June 2023) and Mr. Dajian Yu (resigned on 29 June 2023).

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2023 and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure in accordance with the Listing Rules has been made in respect thereof.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered by the Group during the Year are set out in note 31 to the financial statements. The grant of Performance-based Awarded Shares under the related party transaction set out in note 31(a) as part of equity-settled share-based payment constituted a connected transaction subject to reporting, announcement and independent shareholders' approval requirement, details of which are set out in section headed "Directors' Report - Connected Transaction" in this annual report, and other related party transactions set out in note 31(a) constitute continuing connected transactions that are fully exempt from disclosure requirements under Chapter 14A of the Listing Rules. The related party transactions set out in note 31(b) do not constitute connected transactions or continuing connected transactions as defined under Chapter 14A of the Listing Rules.

The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Save as disclosed in this annual report, the Group had not entered into any connected transaction which was required to be disclosed under the Listing Rules.

DIRECTORS' REPORT

CONNECTED TRANSACTION

On 21 May 2021, the Board approved the adoption of the Performance-based Share Award Scheme and resolved to conditionally grant up to 71,635,355 Performance-based Awarded Shares to be vested subject to the satisfaction of certain growth performance conditions in five tranches over five financial years ending 31 December 2025, representing 6% of the total issued share capital of the Company as at 21 May 2021, to certain grantees at nil consideration. Among the 71,635,355 Performance-based Awarded Shares granted, up to 69,486,293 Performance-based Awarded Shares were granted to nine connected grantees, including five executive Directors (namely, Mr. Zongjian Cai, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Jessie Shen and Mr. Feng Chen) and four directors of the Company's subsidiaries (namely, Ms. Meijia Chen, Mr. Hanling Fang, Mr. Shuo Wang and Mr. Chengfeng Luo), who are connected persons of the Company. For further details of the Performance-based Share Award Scheme and the grant of the Performance-based Awarded Shares, please refer to the section headed "Directors' Report – Share Schemes – Performance-based Share Award Scheme" of this annual report, the announcements of the Company dated 21 May 2021 and 20 July 2021 and the circular of the Company dated 28 June 2021.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Fuzhou Tianmeng Structured Contracts

The existing PRC laws and regulations restrict foreign ownership in the value-added telecommunication businesses, and prohibit foreign ownership on internet culture operation (except for music) services in the PRC. The wholly-owned subsidiary of the Company, Fuzhou Tianji, being a foreign-owned enterprise, does not have the requisite licenses to operate the online games business regarding value-added telecommunication businesses, and is not allowed to carry out internet culture operation (except for music) services in the PRC.

In order to comply with the above-mentioned PRC laws, the Group operated the online games business in China through Fuzhou Tianmeng. Fuzhou Tianmeng, as a domestic company established in China, holds certain of important licenses, including the ICP License, to operate our business.

In 2007, Fuzhou Tianji, the Founders and Fuzhou Tianmeng entered into the Previous Structured Contracts, as supplemented by the agreements in 2009 and 2013, pursuant to which the financial results of Fuzhou Tianmeng would be combined with the Company as if Fuzhou Tianmeng were a subsidiary of the Group. For details of terms of the Previous Structured Contracts, please refer to page 84 to page 85 of 2018 Annual Report of the Company.

DIRECTORS' REPORT

Termination of the Previous Structured Contracts and the entering into of the Fuzhou Tianmeng Structured Contracts

On 28 December 2018, each of the Founders and the Fuzhou Tianmeng Registered Holders entered into an equity transfer agreement (the "Equity Transfer Agreement"), pursuant to which each of the Founders agreed to transfer 50% and 50% of the equity interests in Fuzhou Tianmeng to Mr. Deyang Zheng and Mr. Chengfeng Luo, respectively, at a total consideration of RMB10.51 million. On the same date, the relevant parties as detailed below also entered into the following agreements as detailed below to change the registered shareholders of Fuzhou Tianmeng:

- (i) the termination agreement, pursuant to which the Founders, Fuzhou Tianmeng and Fuzhou Tianji agreed that subject to the entering into of the Fuzhou Tianmeng Structured Contracts by Fuzhou Tianmeng, Fuzhou Tianji and the Fuzhou Tianmeng Registered Holders, the Previous Structured Contracts would be terminated;
- (ii) the loan agreement, pursuant to which, among others, Fuzhou Tianji agreed to offer each of Mr. Deyang Zheng and Mr. Chengfeng Luo a loan for the purpose of providing to the Fuzhou Tianmeng Registered Holders the consideration under the Equity Transfer Agreement; and
- (iii) the tripartite agreement, pursuant to which, among others, Fuzhou Tianji, the Founders and the Fuzhou Tianmeng Registered Holders agreed to set-off the consideration under the Equity Transfer Agreement payable by the Fuzhou Tianmeng Registered Holders against the loans owed by the Founders to Fuzhou Tianji.

The Fuzhou Tianmeng Structured Contracts comprise eight agreements, the details of which are summarised as below:

- (i) **New Call Option Agreement:** on 28 December 2018, Fuzhou Tianmeng, Fuzhou Tianji and the Fuzhou Tianmeng Registered Holders entered into the call option agreement (the "New Call Option Agreement"), pursuant to which each of the Fuzhou Tianmeng Registered Holders irrevocably granted the exclusive right to Fuzhou Tianji or its designee(s) to acquire equity interest in or assets of Fuzhou Tianmeng as and when permitted by the PRC laws. The amount of consideration payable by Fuzhou Tianji to the equity holders of Fuzhou Tianmeng shall be RMB1.0 or the lowest possible amount permissible under the applicable PRC laws. The Fuzhou Tianmeng Registered Holders shall return any consideration they receive in the event that Fuzhou Tianji exercises the call option under the New Call Option Agreement to acquire equity interest in or assets of Fuzhou Tianmeng.
- (ii) **New Equity Pledge Agreement:** on 28 December 2018, Fuzhou Tianji and the Fuzhou Tianmeng Registered Holders entered into the equity pledge agreement (the "New Equity Pledge Agreement"), pursuant to which the Fuzhou Tianmeng Registered Holders granted Fuzhou Tianji a continuing first priority security interest over their respective equity interest in Fuzhou Tianmeng, representing all of the equity interest in Fuzhou Tianmeng's registered capital, for the purpose of securing the performance of contractual obligations by Fuzhou Tianmeng under the Fuzhou Tianmeng Structured Contracts. In addition, the Fuzhou Tianmeng Registered Holders agreed to allocate, use or deal with the dividends and other non-cash distributions paid for the equity interest in Fuzhou Tianmeng in any way according to the instruction of Fuzhou Tianji.

DIRECTORS' REPORT

- (iii) Power of Attorney of Mr. Deyang Zheng: on 28 December 2018, Mr. Deyang Zheng issued a power of attorney (the “Power of Attorney of Mr. Deyang Zheng”), pursuant to which Mr. Deyang Zheng irrevocably authorised the Directors and their successors or the Company’s liquidator to exercise all the shareholders’ rights of Mr. Deyang Zheng in Fuzhou Tianmeng.
- (iv) Power of Attorney of Mr. Chengfeng Luo: on 28 December 2018, Mr. Chengfeng Luo issued a power of attorney (the “Power of Attorney of Mr. Chengfeng Luo”, together with the Power of Attorney of Mr. Deyang Zheng, the “New Power of Attorney”), pursuant to which Mr. Chengfeng Luo irrevocably authorised the Directors and their successors or the Company’s liquidator to exercise all the shareholders’ rights of Mr. Chengfeng Luo in Fuzhou Tianmeng.
- (v) New Exclusive Technical Consulting Service Agreement: on 28 December 2018, Fuzhou Tianmeng, Fuzhou Tianji and the Fuzhou Tianmeng Registered Holders entered into the exclusive technical consulting service agreement (the “New Exclusive Technical Consulting Service Agreement”), pursuant to which Fuzhou Tianmeng agreed to pay a fee to Fuzhou Tianji in return for Fuzhou Tianji providing exclusive technical consulting services as required by Fuzhou Tianmeng to support its operations. According to the New Exclusive Technical Consulting Service Agreement, unless otherwise agreed by both parties, Fuzhou Tianji would provide technical support and consultation services to Fuzhou Tianmeng, as the consideration, and the technical services fees will be paid on a quarterly basis and equal to Fuzhou Tianmeng’s total revenue deducting all related expenses, costs and taxes payable by Fuzhou Tianmeng.
- (vi) New Online Game Licensing Agreement: on 28 December 2018, Fuzhou Tianji and Fuzhou Tianmeng entered into the online game licensing agreement (the “New Online Game Licensing Agreement”), pursuant to which Fuzhou Tianji agreed to grant to Fuzhou Tianmeng usage rights on various online game software for operation in the PRC. As the consideration, Fuzhou Tianmeng is required to pay to Fuzhou Tianji (i) an initial licensing fee, payable after the signing date; and (ii) commissions payable on a quarterly basis according to a percentage generally accepted in the market and such commission shall be a fair value.
- (vii) Spouse Undertaking of Mr. Deyang Zheng: on 28 December 2018, the spouse of Mr. Deyang Zheng issued a spouse undertaking (the “Spouse Undertaking of Mr. Deyang Zheng”) to the effect that (i) Mr. Deyang Zheng’s interests in Fuzhou Tianmeng (together with any other interests therein) do not fall within the scope of communal properties; (ii) she has no right to or control over such interests of Mr. Deyang Zheng and will not have any claim on such interest. No authorisation or consent will be needed from her for the performance, amendment or termination of the Fuzhou Tianmeng Structured Contracts by Mr. Deyang Zheng; (iii) she will execute all necessary documents and take all necessary actions to ensure the performance of the Fuzhou Tianmeng Structured Contracts; and (iv) in the event that she obtains any interests in Fuzhou Tianmeng, she will be subject to and abide by the terms of the Fuzhou Tianmeng Structured Contracts, and at the request of Fuzhou Tianji, she will sign any documents in the form and substance consistent with the Fuzhou Tianmeng Structured Contracts.

DIRECTORS' REPORT

- (viii) Spouse Undertaking of Mr. Chengfeng Luo: on 28 December 2018, the spouse of Mr. Chengfeng Luo issued a spouse undertaking (the “Spouse Undertaking of Mr. Chengfeng Luo”, together with the Spouse Undertaking of Mr. Deyang Zheng, the “Spouse Undertakings”) to the effect that (i) Mr. Chengfeng Luo’s interests in Fuzhou Tianmeng (together with any other interests therein) do not fall within the scope of communal properties; (ii) she has no right to or control over such interests of Mr. Chengfeng Luo and will not have any claim on such interest. No authorisation or consent will be needed from her for the performance, amendment or termination of the Fuzhou Tianmeng Structured Contracts by Mr. Chengfeng Luo; (iii) she will execute all necessary documents and take all necessary actions to ensure the performance of the Fuzhou Tianmeng Structured Contracts; and (iv) in the event that she obtains any interests in Fuzhou Tianmeng, she will be subject to and abide by the terms of the Fuzhou Tianmeng Structured Contracts, and at the request of Fuzhou Tianji, she will sign any documents in the form and substance consistent with the Fuzhou Tianmeng Structured Contracts.

Please refer to the announcement dated 28 December 2018 for details of the continuing connected transactions relating to the entering into of the Fuzhou Tianmeng Structured Contracts.

The Xinhan Liaokuo Structured Contracts

Xinhan Liaokuo is a domestic company established in China in September 2020 and holds an ICP License to operate the online games business in the PRC.

After the analysis of the Group’s game operating strategy and in order to extend the game publishing network in the PRC, the Directors believe that the entry into another set of structured contracts is in the best interests of the Company and the Shareholders as a whole. Therefore, in 2020, Hainan Tianzhi, Xinhan Liaokuo and Xinhan Liaokuo Registered Holders entered into the Xinhan Liaokuo Structured Contracts, pursuant to which the financial results of Xinhan Liaokuo would be combined with the Company as if Xinhan Liaokuo were a subsidiary of the Group.

The Xinhan Liaokuo Structured Contracts comprise eight agreements, the details of which are summarised as below:

- (i) Xinhan Liaokuo Call Option Agreement: on 30 October 2020, Hainan Tianzhi, Xinhan Liaokuo and the Xinhan Liaokuo Registered Holders entered into the call option agreement (the “Xinhan Liaokuo Call Option Agreement”), pursuant to which each of the Xinhan Liaokuo Registered Holders irrevocably granted the exclusive right to Hainan Tianzhi or its designee(s) to acquire equity interest in or assets of Xinhan Liaokuo as and when permitted by the PRC laws. The amount of consideration payable by Hainan Tianzhi to the equity holders of Xinhan Liaokuo shall be RMB1.0 or the lowest possible amount permissible under the applicable PRC laws. The Xinhan Liaokuo Registered Holders shall return any consideration they receive in the event that Hainan Tianzhi exercises the call option under the Xinhan Liaokuo Call Option Agreement to acquire equity interest in or assets of Xinhan Liaokuo.

DIRECTORS' REPORT

- (ii) Xinhua Liaokuo Equity Pledge Agreement: on 30 October 2020, Hainan Tianzhi and the Xinhua Liaokuo Registered Holders entered into the equity pledge agreement (the "Xinhua Liaokuo Equity Pledge Agreement"), pursuant to which the Xinhua Liaokuo Registered Holders granted Hainan Tianzhi a continuing first priority security interest over their respective equity interest in Xinhua Liaokuo, representing all of the equity interest in Xinhua Liaokuo's registered capital, for the purpose of securing the performance of contractual obligations by Xinhua Liaokuo under the Xinhua Liaokuo Structured Contracts. In addition, the Xinhua Liaokuo Registered Holders agreed to allocate, use or deal with the dividends and other non-cash distributions paid for the equity interest in Xinhua Liaokuo in any way according to the instruction of Hainan Tianzhi.
- (iii) Second Power of Attorney of Mr. Deyang Zheng: on 30 October 2020, Mr. Deyang Zheng issued a power of attorney (the "Second Power of Attorney of Mr. Deyang Zheng"), pursuant to which Mr. Deyang Zheng irrevocably authorised the Directors and their successors or the Company's liquidator to exercise all the shareholders' rights of Mr. Deyang Zheng in Xinhua Liaokuo.
- (iv) Second Power of Attorney of Mr. Chengfeng Luo: on 30 October 2020, Mr. Chengfeng Luo issued a power of attorney (the "Second Power of Attorney of Mr. Chengfeng Luo", together with the Second Power of Attorney of Mr. Deyang Zheng, the "Second Power of Attorney"), pursuant to which Mr. Chengfeng Luo irrevocably authorised the Directors and their successors or the Company's liquidator to exercise all the shareholders' rights of Mr. Chengfeng Luo in Xinhua Liaokuo.
- (v) Xinhua Liaokuo Exclusive Technical Consulting Service Agreement: on 30 October 2020, Xinhua Liaokuo, Hainan Tianzhi and the Xinhua Liaokuo Registered Holders entered into the exclusive technical consulting service agreement (the "Xinhua Liaokuo Exclusive Technical Consulting Service Agreement"), pursuant to which Xinhua Liaokuo agreed to pay a fee to Hainan Tianzhi in return for Hainan Tianzhi providing exclusive technical consulting services as required by Xinhua Liaokuo to support its operations. According to the Xinhua Liaokuo Exclusive Technical Consulting Service Agreement, unless otherwise agreed by both parties, Hainan Tianzhi would provide technical support and consultation services to Xinhua Liaokuo, as the consideration, and the technical services fees will be paid on a quarterly basis and equal to Xinhua Liaokuo's total revenue deducting all related expenses, costs and taxes payable by Xinhua Liaokuo.
- (vi) Xinhua Liaokuo Online Game Licensing Agreement: on 30 October 2020, Hainan Tianzhi and Xinhua Liaokuo entered into the online game licensing agreement (the "Xinhua Liaokuo Online Game Licensing Agreement"), pursuant to which Hainan Tianzhi agreed to grant to Xinhua Liaokuo usage rights on various online game software for operation in the PRC. As the consideration, Xinhua Liaokuo is required to pay to Hainan Tianzhi (i) an initial licensing fee, payable after the signing date; and (ii) commissions payable on a quarterly basis according to a percentage generally accepted in the market and such commission shall be a fair value.

DIRECTORS' REPORT

- (vii) Second Spouse Undertaking of Mr. Deyang Zheng: on 30 October 2020, the spouse of Mr. Deyang Zheng issued a spouse undertaking (the “Second Spouse Undertaking of Mr. Deyang Zheng”) to the effect that (i) Mr. Deyang Zheng’s interests in Xinhua Liaokuo (together with any other interests therein) do not fall within the scope of communal properties; (ii) she has no right to or control over such interests of Mr. Deyang Zheng and will not have any claim on such interest. No authorisation or consent will be needed from her for the performance, amendment or termination of the Xinhua Liaokuo Structured Contracts by Mr. Deyang Zheng; (iii) she will execute all necessary documents and take all necessary actions to ensure the performance of the Xinhua Liaokuo Structured Contracts; and (iv) in the event that she obtains any interests in Xinhua Liaokuo, she will be subject to and abide by the terms of the Xinhua Liaokuo Structured Contracts, and at the request of Hainan Tianzhi, she will sign any documents in the form and substance consistent with the Xinhua Liaokuo Structured Contracts.
- (viii) Second Spouse Undertaking of Mr. Chengfeng Luo: on 30 October 2020, the spouse of Mr. Chengfeng Luo issued a spouse undertaking (the “Second Spouse Undertaking of Mr. Chengfeng Luo”, together with the Second Spouse Undertaking of Mr. Deyang Zheng, the “Second Spouse Undertakings”) to the effect that (i) Mr. Chengfeng Luo’s interests in Xinhua Liaokuo (together with any other interests therein) do not fall within the scope of communal properties; (ii) she has no right to or control over such interests of Mr. Chengfeng Luo and will not have any claim on such interest. No authorisation or consent will be needed from her for the performance, amendment or termination of the Xinhua Liaokuo Structured Contracts by Mr. Chengfeng Luo; (iii) she will execute all necessary documents and take all necessary actions to ensure the performance of the Xinhua Liaokuo Structured Contracts; and (iv) in the event that she obtains any interests in Xinhua Liaokuo, she will be subject to and abide by the terms of the Xinhua Liaokuo Structured Contracts, and at the request of Hainan Tianzhi, she will sign any documents in the form and substance consistent with the Xinhua Liaokuo Structured Contracts.

For the purpose of the Listing, the Company applied to the Stock Exchange, and the Stock Exchange granted a waiver from (i) strict compliance with the announcement and independent Shareholders’ approval of the Company, (ii) setting a maximum aggregate annual value under Fuzhou Tianmeng Structured Contracts, and (iii) fixing the terms of Fuzhou Tianmeng Structured Contracts to three years or less, for as long as Shares are listed on the Stock Exchange, subject to numerous conditions as set out in the section headed “Continuing Connected Transactions” of the Prospectus. The Xinhua Liaokuo Structured Contracts are cloned from the Fuzhou Tianmeng Structured Contracts with substantially the same terms. Pursuant to the aforementioned conditions, cloning of structured contracts similar to the Fuzhou Tianmeng Structured Contracts will not be subject to the strict requirements of announcement and shareholders’ approval under Chapter 14A of the Listing Rules.

Contribution of the Structured Contracts to the Group

The Directors are of the view that the Group kept the Structured Contracts to maintain presence in the PRC for further development but the business and operation of the Group do not rely on Fuzhou Tianmeng, Xinhua Liaokuo or the Structured Contracts.

DIRECTORS' REPORT

The tables below compare the number of games operated, game revenue and assets attributable to Fuzhou Tianmeng and Xinhan Liaokuo during the year ended 31 December 2023:

Number of games operated:

	As at 31 December 2023	
	Developed in-house	Licensed
Fuzhou Tianmeng	2	1
Xinhan Liaokuo	–	–

Game revenue*:

	For the year ended 31 December 2023	
	Revenue attributable to the relevant entity HK\$' 000	Percentage of the total revenue of the Group %
Fuzhou Tianmeng	133,005	2.53
Xinhan Liaokuo	–	–

* Game revenue is from external customers.

Assets:

	As at 31 December 2023	
	Assets attributable to the relevant entity HK\$' 000	Percentage of the total assets of the Group %
Fuzhou Tianmeng	282,302	7.64
Xinhan Liaokuo	40	0.00*

* This percentage represents a percentage less than 0.01.

DIRECTORS' REPORT

On-going reporting and approvals

The Company confirmed that, as at the date hereof, the Structured Contracts had not been challenged by the relevant authorities in the PRC and the Group had not encountered any interference or encumbrance from any PRC governing bodies in operating their business through Fuzhou Tianmeng and Xinhan Liaokuo under the Structured Contracts.

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

- The Company confirms that in order to ensure the operation of the Structured Contracts, the Company has reviewed the overall performance and compliance with the Structured Contracts for the year ended 31 December 2023.
- The independent non-executive Directors will review the Structured Contracts annually and confirm in the annual reports that (i) the transactions carried out during such year have been entered into in accordance with relevant terms of the Structured Contracts such that all revenue generated by Fuzhou Tianmeng and Xinhan Liaokuo deducting all related expenses, costs and the taxes payable by them has been retained by the Group; (ii) no dividends or other distributions have been made by Fuzhou Tianmeng and Xinhan Liaokuo to their respective equity interest holders; and (iii) no new contracts or renewed contracts have been entered into on the same terms as the Structured Contracts.
- Major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis.
- The Company will disclose the overall performance and compliance with the Structured Contracts in its annual/interim report to update the Shareholders and potential investors.
- The Directors will provide periodic updates in the annual/interim reports regarding the qualification requirements as stipulated under the FITE Regulations and the development of laws and regulations on foreign investment, including the latest relevant regulatory development.
- The Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Structured Contracts, review the legal compliance of Fuzhou Tianji, Fuzhou Tianmeng, Hainan Tianzhi and Xinhan Liaokuo to deal with specific issues or matters arising from the Structured Contracts.

DIRECTORS' REPORT

- The Company has engaged KPMG as its auditor to perform procedures annually on the transactions contemplated under the Structured Contracts and the auditor will carry out procedures annually to ensure that no dividend or other distributions have been distributed by Fuzhou Tianmeng and Xinhan Liaokuo to their respective equity holders which was not subsequently assigned or transferred to our Group and relevant transactions have received approval of the Board and were entered into in accordance with the terms of the Structured Contracts.
- Save as disclosed in the annual report and in compliance with the applicable requirements under the Listing Rules, the Group has not renewed and/or reproduced any of the framework of and terms and conditions similar to those of the Structured Contracts in relation to any existing or new wholly foreign-owned enterprise or operating company.
- Each of Fuzhou Tianmeng and Xinhan Liaokuo has provided the Company's management and auditors with full access to relevant records for the purpose of the auditors' performance of review procedures on relevant transactions under the Structured Contracts.

Regulatory Matters in Relation to the Structured Contracts

FITE Regulations

Foreign investment in telecommunications sector is governed by the Regulations on Administration of Foreign Invested Telecommunications Enterprises (外商投資電信企業管理規定) (the "FITE Regulations"), which were promulgated by the State Council on 11 December 2001 and amended on 10 September 2008, 6 February 2016 and 29 March 2022. A foreign-invested telecommunications enterprise, or FITE, is allowed to be engaged in value-added telecommunications business, provided that the foreign investor's ultimate equity holding percentage in a value-added telecommunications business shall not exceed 50% unless otherwise prescribed by the State. The current operation of the Company in the online games business in the PRC is subject to the aforementioned regulation where the foreign investor's ultimate equity holding percentage of which shall not exceed 50%. Under the amendment to the FITE Regulations on 29 March 2022, it removed the requirement that the principal foreign investors of FITE operating value-added telecommunications businesses should have "a good track record and operational experience" in their value-added telecommunications businesses.

DIRECTORS' REPORT

In this regard, our PRC legal advisers, Jingtian & Gongcheng, advised that (i) the current operation of the Group in the online games business in the PRC involves internet cultural activities regulated in the Interim Provisions on the Administration of Internet Culture 《互聯網文化管理暫行規定》; and (ii) internet culture operation (except for music) fall within the scope of prohibited areas of foreign investments under the Special Administrative Measure (Negative List) for the Access of Foreign Investment (2021) 《外商投資准入特別管理措施(負面清單)(2021年版)》. Our PRC legal advisers, Jingtian & Gongcheng, also advised that the Group shall continue to comply with the requirement as disclosed in the Prospectus with regard to the PRC laws and regulations restricting foreign ownership in the value-added telecommunication businesses, and foreign ownership prohibitions on carrying out internet culture operation (except for music) services since the Listing Date up to the date of this report. We intend to be qualified to acquire the entire equity interests in Fuzhou Tianmeng and Xinhan Liaokuo to the extent permitted by PRC laws when the abovementioned laws and regulations are lifted.

Foreign Investment Law

The Foreign Investment Law (外商投資法) (the “FIL”), approved by the second session of the 13th National People’s Congress, and the Regulation on the Implementation of the Foreign Investment Law (外商投資法實施條例) (the “FIL Implementation Regulation”), promulgated by the State Council, have come into effect on 1 January 2020.

According to the FIL, the investment in China directly or indirectly by foreign natural persons, enterprises or other organisations (“Foreign Investors”) is defined as foreign investment (“Foreign Investment”), which includes the following situations: (1) Foreign Investors alone or cooperate with other investors to establish foreign-invested enterprises in China; (2) Foreign Investors acquire shares, equities, property shares or other similar rights of Chinese domestic enterprises; (3) Foreign Investors alone or cooperate with other investors invest projects in China; (4) other means of investment prescribed by laws, administrative regulations or rules promulgated by the State Council. According to Jingtian & Gongcheng, our PRC legal advisers, the FIL and the FIL Implementation Regulation don’t clearly stipulate whether the Structured Contracts are a form of Foreign Investment.

In accordance with the existing provisions of the FIL and the FIL Implementation Regulation and if the laws, administrative regulations and the State Council do not include the Structured Contracts as a form of Foreign Investment, the Structured Contracts will not be materially affected. However, in view of the provisions of the above-mentioned situation (4) of Foreign Investment in the FIL, it is not excluded that the Structured Contracts may be regarded as a form of Foreign Investment according to laws, administrative regulations or rules promulgated by the State Council in the future. In this regard, the Company cannot guarantee that the Structured Contracts and the operations of Fuzhou Tianmeng and Xinhan Liaokuo will not be materially and adversely affected by changes in PRC laws and regulations in the future.

DIRECTORS' REPORT

Since the FIL and the FIL Implementation Regulation do not clarify whether the Structured Contracts are a form of Foreign Investment, the Company believes that it may not be appropriate at this stage to formulate specific measures to avoid the Structured Contracts being recognised as a form of Foreign Investment under the FIL. If the Structured Contracts is recognised as a form of Foreign Investment in the future, and there is no special provision for the Structured Contracts that allows Fuzhou Tianmeng and Xinhan Liaokuo, provided that certain conditions are met, to continue to carry out relevant foreign investment restricted or prohibited businesses, the Company might be requested to dispose of its interests in Fuzhou Tianmeng and Xinhan Liaokuo. The appropriate risk factors had already been disclosed in the paragraph headed “Risks And Limitations Relating To The New VIE Structure – There is no assurance that the contractual arrangements between Fuzhou Tianji and Fuzhou Tianmeng will be deemed to be in compliance with existing or future PRC laws and regulations” in the announcement of the Company dated 28 December 2018.

The Company confirms that if the Structured Contracts are required to be unwind or the Company is required to dispose of the interests in Fuzhou Tianmeng and Xinhan Liaokuo in the future, it can engage other domestic publishers with the due qualifications and licenses to operate its online games in the PRC, which may adversely affect the Group's operational and financial performance because engaging other domestic publishers may impose more costs to the Group. However, the Company expects that such adverse impact on the Group's operational and financial performance will not be material considering that (1) the revenue and assets attributable to the Structured Contracts are about 2.53% and 7.64% for the Year, respectively, and (2) there is no legal obstacle for Fuzhou Tianmeng and Xinhan Liaokuo to transfer their respective assets to Fuzhou Tianji, Hainan Tianzhi or IGG Singapore, as the case maybe, a subsidiary of the Group.

Confirmation of independent non-executive Directors

The independent non-executive Directors have reviewed the Structured Contracts (collectively referred to as the “Continuing Connected Transactions”) and confirmed that during the year ended 31 December 2023:

- (i) the Continuing Connected Transactions have been entered into in the ordinary and usual course of business of the Company;
- (ii) as appropriate, the Continuing Connected Transactions are on normal commercial terms or, on terms no less favourable to the Company than terms available to or from Independent Third Parties;
- (iii) the Continuing Connected Transactions have been entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and
- (iv) the Continuing Connected Transactions carried out during the Year have been entered into in accordance with relevant terms of the Structured Contracts such that all revenue generated by Fuzhou Tianmeng and Xinhan Liaokuo deducting all related expenses, costs and the taxes payable by them has been retained by the Group; no dividends or other distributions have been made by Fuzhou Tianmeng and Xinhan Liaokuo to their respective equity interest holders; and no new contracts or renewed contracts have been entered into on the same terms as the Structured Contracts.

DIRECTORS' REPORT

Confirmation of auditor of the Company

KPMG, the Company's auditor, were engaged to report on the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

After performing the procedure related to Continuing Connected Transactions, KPMG confirmed that:

- a. nothing has come to their attention that causes them to believe that the disclosed Continuing Connected Transactions have not been approved by the Board.
- b. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the disclosed Continuing Connected Transactions were not, in all material respects, in accordance with the pricing policies of the Group.
- c. nothing has come to their attention that causes them to believe that the disclosed Continuing Connected Transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- d. with respect of the Continuing Connected Transactions with Fuzhou Tianmeng and Xinhan Liaokuo under the Structured Contracts, nothing has come to their attention that causes them to believe that dividends or other distributions have been made by Fuzhou Tianmeng and Xinhan Liaokuo to Fuzhou Tianmeng Registered Holders and Xinhan Liaokuo Registered Holders, which are not otherwise subsequently assigned or transferred to the Group.

KPMG have issued their letter containing their findings and conclusions in respect of the Continuing Connected Transactions in accordance with Rule 14A.56 of the Listing Rules.

EMPLOYEES

Emolument Policy

The Group's emolument policies are based on the merit, qualifications and competence of individual employees and are reviewed by the Remuneration Committee periodically.

The emoluments of the Directors are recommended by the Remuneration Committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics. Details of Directors' remuneration and five individuals with highest emoluments are set out in notes 8 and 9 to the financial statements.

DIRECTORS' REPORT

The Company has adopted incentive schemes to motivate and reward Directors and eligible employees. Details of the incentive schemes are set out in the section headed "Directors' Report - Share Schemes" of this report and note 25 to the financial statements. None of the Directors waived any emoluments during the year ended 31 December 2023.

Pension Scheme

Particulars of the pension scheme of the Group are set out in note 24 to the financial statements.

Key Relationship

Employees are regarded as the most important and valuable assets of the Group. The objectives of the Group's human resource management are to: (i) reward and recognise performing staff by providing a fair, efficient and competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, (ii) build a sense of belongings among employees by offering them a better working environment, and (iii) promote career development and progression through offering on-job training to employees and providing opportunities within the Group for career advancement.

For further details, please refer to the section headed "Corporate Social Responsibility Report – 7 Caring for Employees" in this report.

MAJOR CUSTOMERS AND SUPPLIERS

The customers of the Group primarily consist of hundreds of millions of individual players and advertising agencies of APP Business. The five largest customers of the Group during the year ended 31 December 2023 accounted for 10.8% of the Group's total revenue.

The Group's suppliers primarily include advertising service providers, payment service providers, licensors of games, and server, data center and bandwidth providers. The Group maintains sound relationships with these suppliers and receives professional and value-added services from them. Most of the key service providers have ongoing business relationship with the Group for years. The largest and five largest suppliers of the Group during the year ended 31 December 2023 accounted for 28.2% and 54.5% of the Group's total purchases respectively.

So far as is known to the Directors, at no time during the year ended 31 December 2023 did a Director, his/her associate(s) or a Shareholder, which to the knowledge of the Director owns more than 5% of the Company's share capital have an interest in any of the Group's five largest customers and suppliers.

DIRECTORS' REPORT

BANK LOAN AND OTHER BORROWINGS

Except for lease liabilities set out in note 23 to the financial statements, the Group did not record any bank loans or other borrowings as at 31 December 2023.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of Cayman Islands where the Company is incorporated applicable to the Company.

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares. Intending holders and investors of the Company's shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in the Shares. It is emphasised that none of the Company or its Directors or officers will accept any responsibility for any tax effect on, or liabilities of, holders of shares in the Company resulting from their subscription for, purchase, holding, disposal of or dealing in such Shares.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2023 as set out in the section headed "Management Discussion and Analysis – Business Review" in this annual report is expressly included in this report and forms part of this directors' report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has engaged professional service firms for advices regarding compliance matters with various jurisdictions which the Group's subsidiaries operate, such as compliance with the Listing Rules and other regulatory requirements issued or required by the Stock Exchange and Securities and Futures Commission, the anti-corruption laws and the privacy and personal data protection laws. The Group also keeps a close watch on any new laws or regulatory changes.

During the year ended 31 December 2023 and up to the date of this report, the Group has complied with the relevant laws and regulations that have a significant impact on the Company.

BUSINESS RISKS AND RISK MANAGEMENT

The Board acknowledges its responsibility for the effectiveness of the risk management and internal control systems of the Group, which are designed to manage the risk of failure to achieve objectives and provide reasonable assurance against material misstatement or loss. When conducting business activities globally, the Group is exposed to a variety of key risks. Management team of the Group regularly monitors and updates risk profile and exposure and report to the audit committee regarding the effectiveness of the Group's system of internal control in mitigating risks.

DIRECTORS' REPORT

Business Risk

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

Financial Risk

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

Compliance Risk

The Group has adopted internal procedures to monitor the Group's compliance risk to ensure that the Group's compliance with the laws and regulations in regions which the Group conducts business. In addition, the Group from time to time engages consulting firms and professional advisers to keep the Group updated with the latest development in the regulatory environments.

Operational Risk

The Group has adopted procedures to manage its operational risk exposures, such as human resources risks and IT governance risks. The Group monitors the overall employee turnover rate, degree of satisfaction, and IT system status on a monthly basis, and adopts countermeasures if any risk indicators arise.

ENVIRONMENTAL PROTECTION

The Group is committed to acting in an environmentally responsible manner. To encourage sustainable use of resources, the Group has adopted initiatives of reducing energy consumption and recycling consumables such as computer hardware, paper and other consumables.

The Group's business activities do not involve any significant industrial and environmental pollution since the Group is not engaged in any manufacturing activities. The Group has awarded a construction contract to a contractor, The First Company of China Eighth Engineering Division Ltd.* (中建八局第一建设有限公司), in respect of the construction of office building(s) on the Land, details of which are set out in the section headed "Management Discussion and Analysis – Capital Expenditures" and the announcements of the Company dated 15 September 2020 and 18 January 2022. The Group will closely monitor the construction progress and remain alert to regulatory changes in countries where it is present.

Details of the environmental protection activities of the Group for the Year are set out in the section headed "Corporate Social Responsibility Report – 9 Green Operation".

* For identification purpose only

DIRECTORS' REPORT

IMPORTANT EVENTS SINCE THE YEAR END

No important events occurred for the Group since 31 December 2023.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float of not less than 25% of the Company's issued Shares as required under the Listing Rules for the year ended 31 December 2023 and up to the date hereof.

AUDITOR

The consolidated financial statements for the financial year ended 31 December 2023 have been audited by KPMG who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment will be proposed at the forthcoming annual general meeting. The Company did not change its auditor over the past three years.

On behalf of the Board

Zongjian Cai

Chairman

Hong Kong, 27 March 2024

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report to the shareholders of IGG Inc

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of IGG Inc ("the Company") and its subsidiaries ("the Group") set out on pages 122 to 213, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of comprehensive income/(loss), the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including material accounting policy information.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

Recognition of revenue from mobile games and computation of deferred revenue	
<i>Refer to notes 3, 4 and 27 to the consolidated financial statements and the accounting policies in note 2(s)(i)(a).</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>The Group mainly generates revenue from its self-developed mobile games by operating the games under a free to play model while providing the players with the option to purchase Premium Gaming Resources for cash. Premium Gaming Resources are virtual items within the game that can be used to provide the players with additional abilities to enhance their game-playing experience. Players pay for Premium Gaming Resources using payment platforms such as Google Play and Apple App Store. These third-party payment platforms are entitled to service fees which are withheld and deducted from the gross proceeds collected from the players, with the net amounts remitted to the Group.</p> <p>Revenues from the Premium Gaming Resource are recognised ratably over the period the paying players are expected to benefit from an enhanced in-game experience associated with each purchase. The Group estimates the length of this period on a game-by-game basis. Management has arrived at this judgement after taking into account game profile, paying player behavior patterns, and the rights of the players within the games to benefit from the Premium Gaming Resources.</p>	<p>Our audit procedures to assess the recognition of revenue from mobile games and computation of deferred revenue included the following:</p> <ul style="list-style-type: none"> • assessing the design, implementation and operating effectiveness of management's key internal controls over the completeness, existence, accuracy of revenue, with our internal information technology risk management specialists involved to assess the relevant general and automated information technology controls; • inspecting the purchase patterns of the Premium Gaming Resource of the games which individually generate material amounts of revenue from mobile games to the Group, and the terms of service provided to players by the Group, to understand the terms of the sale on Premium Gaming Resources, including the obligations of the Group derived from the sales of Premium Gaming Resources, and to assess the Group's revenue recognition criteria with reference to the requirements of the prevailing accounting standards;

INDEPENDENT AUDITOR’S REPORT

Recognition of revenue from mobile games and computation of deferred revenue	
<i>Refer to notes 3, 4 and 27 to the consolidated financial statements and the accounting policies in note 2(s)(i)(a).</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>At each reporting date, the unamortised portion of income received in respect of Premium Gaming Resource is recognised as deferred revenue.</p> <p>We identified recognition of revenue from mobile games and the computation of deferred revenue as a key audit matter because revenue from mobile games is one of the key performance indicators of the Group and because there is an inherent risk of manipulation of the timing of recognition of revenue from mobile games by management to meet specific targets or expectations.</p>	<ul style="list-style-type: none"> • assessing the assumptions and judgements made by the management for the length of the period on selected types of games, on a sample basis, by performing a retrospective review of the historical accuracy of these estimates; • obtaining monthly settlement statements sent by the payment platforms to the Group and the bank-in slips on a sample basis, comparing the settlement amounts on the statements to bank-in slips and reconciling the settlement amounts in the statements to the amounts recorded in the books and records of the Group, and assessing if the reconciling items have been accounted for in accordance with the requirements of the prevailing accounting standards; and • recalculating the Group’s revenue and deferred revenue with reference to the major estimations and assumptions and comparing the results to the revenue and deferred revenue as at the end of the financial reporting period.

INDEPENDENT AUDITOR'S REPORT

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

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

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Liu Hin Pan.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000
Revenue	4	5,265,911	4,591,327
Cost of revenue		<u>(1,346,854)</u>	<u>(1,440,494)</u>
Gross profit		3,919,057	3,150,833
Other net gains/(losses)	5	90,369	(263,752)
Selling and distribution expenses		(2,665,908)	(1,702,443)
Administrative expenses		(317,177)	(363,295)
Research and development expenses		(934,852)	(1,305,078)
Profit/(loss) from operations		91,489	(483,735)
Finance costs	6(b)	(3,844)	(4,291)
Share of results of associates and joint ventures		9,388	2,822
Profit/(loss) before taxation	6	97,033	(485,204)
Income tax expenses	7(a)	(23,980)	(18,385)
Profit/(loss) for the year		<u>73,053</u>	<u>(503,589)</u>
Earnings/(loss) per share (in HK\$ per share)	10		
Basic		<u>0.0625</u>	<u>(0.4329)</u>
Diluted		<u>0.0620</u>	<u>(0.4329)</u>

The notes on pages 130 to 213 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 28(b).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

for the year ended 31 December 2023

	2023 HK\$' 000	2022 HK\$' 000
Profit/(loss) for the year	73,053	(503,589)
Other comprehensive income/(loss) for the year, after tax		
<i>Item that is or may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	(24,527)	(195,227)
<i>Item that will not be reclassified to profit or loss:</i>		
Exchange differences on translation from functional currency to presentation currency	8,791	1,922
Total comprehensive income/(loss) for the year	57,317	(696,894)

The notes on pages 130 to 213 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2023

	Note	31 December 2023 HK\$'000	31 December 2022 HK\$'000
Non-current assets			
Property, plant and equipment	11	661,897	585,838
Investment properties	11	26,106	–
Intangible assets	12	3,134	7,690
Land use rights	13	213,809	222,693
Other non-current assets	14	49,575	48,295
Interests in associates and joint ventures	16	185,134	222,893
Financial assets at fair value through profit or loss	17	471,038	432,452
Deferred tax assets	26(b)	40,593	38,867
Restricted deposits	20	–	30,643
Total non-current assets		1,651,286	1,589,371
Current assets			
Inventories		433	578
Trade and other receivables	18	119,237	70,627
Funds receivable	19	356,750	333,576
Prepayments		36,621	40,987
Financial assets at fair value through profit or loss	17	19,017	–
Restricted deposits	20	44,341	14,077
Fixed deposits held at bank with maturity over 3 months when acquired		–	5,089
Cash and cash equivalents	21	1,469,752	1,581,832
Total current assets		2,046,151	2,046,766
Current liabilities			
Trade and other payables	22	570,691	538,213
Other financial liabilities		234	–
Lease liabilities	23	35,263	43,418
Tax payable	26(a)	117,809	130,395
Deferred revenue	27	207,145	187,893
Total current liabilities		931,142	899,919
Net current assets		1,115,009	1,146,847
Total assets less current liabilities		2,766,295	2,736,218

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2023

	Note	31 December 2023 HK\$' 000	31 December 2022 HK\$' 000
Non-current liabilities			
Lease liabilities	23	27,957	19,581
Deferred tax liabilities	26(b)	3,575	4,770
Total non-current liabilities		<u>31,532</u>	<u>24,351</u>
NET ASSETS		<u>2,734,763</u>	<u>2,711,867</u>
CAPITAL AND RESERVES			
Share capital	28(c)	23	23
Reserves		<u>2,734,740</u>	<u>2,711,844</u>
TOTAL EQUITY		<u>2,734,763</u>	<u>2,711,867</u>

Approved and authorised for issue by the board of directors on 27 March 2024.

Zongjian Cai
Director

Jessie Shen
Director

The notes on pages 130 to 213 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

Attributable to equity shareholders of the Company									
	Share capital (note 28(c))	Share premium (note 28(d)(i))	Share-based payment reserve (note 28(d)(ii))	Shares held for share award scheme	Statutory reserve	Other reserve (note 28(d)(iv))	Exchange reserve (note 28(d)(iii))	Retained earnings	Total equity
Note	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
Balance at 1 January 2022	23	-	126,404	(301,661)	900	56,095	44,887	3,386,808	3,313,456
Changes in equity for the year ended 31 December 2022:									
Loss for the year	-	-	-	-	-	-	-	(503,589)	(503,589)
Other comprehensive loss	-	-	-	-	-	-	(193,305)	-	(193,305)
Total comprehensive loss	-	-	-	-	-	-	(193,305)	(503,589)	(696,894)
Equity-settled share-based payment	-	-	97,564	-	-	-	-	-	97,564
Shares purchased for the share award scheme	28(c)	-	-	(4,900)	-	-	-	-	(4,900)
Exercise of share options	28(c)	-*	3,978	(1,337)	-	-	-	-	2,641
Vesting of awarded shares	28(c)	-	2,593	(76,403)	73,810	-	-	-	-
Appropriation to statutory reserves	-	-	-	-	699	-	-	(699)	-
Balance at 31 December 2022	23	6,571	146,228	(232,751)	1,599	56,095	(148,418)	2,882,520	2,711,867

* These amounts represent amounts less than HK\$1,000.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

Attributable to equity shareholders of the Company

Note	Share capital	Share premium	Share-based payment reserve	Shares held for share award scheme	Share repurchased for cancellation	Statutory reserve	Other reserve	Exchange reserve	Retained earnings	Total equity
	(note 28(c))	(note 28(d)(i))	(note 28(d)(ii))				(note 28(d)(iv))	(note 28(d)(iii))		
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
Balance at 31 December 2022	23	6,571	146,228	(232,751)	-	1,599	56,095	(148,418)	2,882,520	2,711,867
Changes in equity for the year ended 31 December 2023:										
Profit for the year	-	-	-	-	-	-	-	-	73,053	73,053
Other comprehensive loss	-	-	-	-	-	-	-	(15,736)	-	(15,736)
Total comprehensive income	-	-	-	-	-	-	-	(15,736)	73,053	57,317
Equity-settled share-based payment	-	-	41,934	-	-	-	-	-	-	41,934
Shares purchased for the share award scheme	28(c)	-	-	(32,286)	-	-	-	-	-	(32,286)
Repurchase of ordinary shares	28(c)	-	-	-	(44,560)	-	-	-	-	(44,560)
Cancellation of ordinary shares	28(c)	-*	(9,634)	-	36,629	-	-	-	(26,995)	-
Exercise of share options	28(c)	-*	836	(345)	-	-	-	-	-	491
Vesting of awarded shares	28(c)	-	2,227	(68,561)	66,334	-	-	-	-	-
Appropriation to statutory reserves	-	-	-	-	-	7,069	-	-	(7,069)	-
Balance at 31 December 2023	23	-	119,256	(198,703)	(7,931)	8,668	56,095	(164,154)	2,921,509	2,734,763

* These amounts represent amounts less than HK\$1,000.

The notes on pages 130 to 213 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000
Operating activities			
Cash generated from/(used in) operations	21(b)	111,485	(14,445)
Income tax paid		(17,535)	(98,827)
Interest received		34,627	15,033
		<hr/>	<hr/>
Net cash generated from/(used in) operating activities		128,577	(98,239)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Investing activities			
Payments for the purchases of property, plant and equipment and intangible assets		(133,926)	(134,407)
Dividends received		10,201	16,557
Proceeds from disposal of property, plant and equipment and intangible assets		153	860
Payment for purchases of financial assets and liabilities at fair value through profit or loss		(29,903)	(23,752)
Proceeds from disposal of financial assets and liabilities at fair value through profit or loss		52,157	–
Investments in associates and joint ventures		–	(6,278)
Loan to a third party		–	(7,862)
Loan repayment from a third party		–	7,942
Drawdown/(placement) of fixed deposits held at bank with original maturity over 3 months when acquired		5,089	(5,089)
		<hr/>	<hr/>
Net cash used in investing activities		(96,229)	(152,029)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2023

	Note	2023 HK\$' 000	2022 HK\$' 000
Financing activities			
Capital element of lease rentals paid	21(c)	(63,472)	(67,298)
Interest element of lease rentals paid	21(c)	(3,844)	(4,291)
Payments for repurchase of shares		(44,560)	–
Payments for purchase of shares for share award scheme		(32,286)	(4,900)
Proceeds from exercise of share options	28	491	2,641
Net cash used in financing activities		(143,671)	(73,848)
Net change in cash and cash equivalents		(111,323)	(324,116)
Cash and cash equivalents at 1 January	21(a)	1,581,832	1,949,971
Effect of foreign exchange rate changes		(757)	(44,023)
Cash and cash equivalents at 31 December	21(a)	1,469,752	1,581,832

The notes on pages 130 to 213 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE AND GROUP INFORMATION

IGG Inc (the “Company”) was incorporated in the Cayman Islands on 16 August 2007 as an exempted company with limited liability under the Companies Act (As Revised) of the Cayman Islands. The registered address of the Company is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The shares of the Company were listed on the GEM of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 18 October 2013. The shares of the Company were transferred to the Main Board of the Stock Exchange on 7 July 2015.

The principal activity of the Company is investment holding. The Group was principally engaged in the development and operation of mobile games and applications in the international market. There has been no significant change in the Group’s principal activities during the year.

In the opinion of the directors of the Company, as of the date of this report, there were no controlling shareholders for the Company.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards, which collective term includes all applicable individual International Financial Reporting Standards and International Accounting Standards (“IASs”) issued by the International Accounting Standard Board (“IASB”). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates and joint ventures.

In order to comply with PRC law restricting foreign ownership in the value-added telecommunications in Mainland China, or foreign ownership prohibitions on Internet content and information services, the Group currently is operating its mobile games business in Mainland China through Fuzhou Skyunion Digital Co., Ltd. (“Fuzhou Tianmeng”), and Hainan Xinhan Liaokuo Network Technology Co., Ltd. (“Hainan Xinhan Liaokuo”), structured entities.

In November 2007, certain structured contracts (“Previous Structured Contracts”) became effective among Fuzhou Tianmeng, Fuzhou TJ Digital Entertainment Co., Ltd. (“Fuzhou Tianji”), Mr. Zongjian Cai and Mr. Yuan Chi (the “Original Registered Holders”) who were the former legal shareholders of Fuzhou Tianmeng and also the core founders of the Company.

The Previous Structured Contracts provided the Group through Fuzhou Tianji with effective control over Fuzhou Tianmeng. In particular, Fuzhou Tianji undertook to provide Fuzhou Tianmeng with certain technical services as required to support their operations. In return, the Group was entitled to substantially all of the operating profits and residual benefits generated by Fuzhou Tianmeng through intercompany charges levied on these services rendered. The Original Registered Holders were also required to transfer their interests in Fuzhou Tianmeng to the Group or the Group’s designee upon a request made by the Group when permitted by the PRC laws for a consideration, as permitted under the PRC laws. The ownership interests in Fuzhou Tianmeng had also been pledged by the Original Registered Holders to the Group in respect of the continuing obligations of Fuzhou Tianmeng. Fuzhou Tianji intent continuously to provide to or assist Fuzhou Tianmeng in obtaining financial support when deemed necessary. Accordingly, the Group had rights to variable returns from its involvement with Fuzhou Tianmeng and had the ability to affect those returns through its power over Fuzhou Tianmeng.

On 28 December 2018, Mr. Zongjian Cai and Mr. Yuan Chi transferred their shareholdings in Fuzhou Tianmeng respectively to Mr. Deyang Zheng and Mr. Chengfeng Luo (the “Fuzhou Tianmeng Registered Holders”). On the same day, a series of new structured contracts (“Fuzhou Tianmeng Structured Contracts”) became effective among Fuzhou Tianmeng, Fuzhou Tianji and the Fuzhou Tianmeng Registered Holders. The Fuzhou Tianmeng Structured Contracts are substantially on the same terms as the Previous Structured Contracts except for the identity of the registered holders. The Fuzhou Tianmeng Structured Contracts also provide the Group with the rights to variable returns from its involvement with Fuzhou Tianmeng. The change of registered holders does not affect the Group’s control over Fuzhou Tianmeng.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

In October 2020, certain structured contracts (“Xinhan Liaokuo Structured Contracts”) became effective among Hainan Xinhan Liaokuo, Hainan Tianzhi Network Technology Co., Ltd. (“Hainan Tianzhi”), Mr. Deyang Zheng and Mr. Chengfeng Luo (the “Xinhan Liaokuo Registered Holders”) who were the legal shareholders of Hainan Xinhan Liaokuo.

The Xinhan Liaokuo Structured Contracts provided the Group through Hainan Tianzhi with effective control over Hainan Xinhan Liaokuo. In particular, Hainan Tianzhi undertook to provide Hainan Xinhan Liaokuo with certain technical services as required to support their operations. In return, the Group was entitled to substantially all of the operating profits and residual benefits generated by Hainan Xinhan Liaokuo through intercompany charges levied on these services rendered. The Xinhan Liaokuo Registered Holders were also required to transfer their interests in Hainan Xinhan Liaokuo to the Group or the Group’s designee upon a request made by the Group when permitted by the PRC laws for a consideration, as permitted under the PRC laws. The ownership interests in Hainan Xinhan Liaokuo had also been pledged by the Xinhan Liaokuo Registered Holders to the Group in respect of the continuing obligations of Hainan Xinhan Liaokuo. Hainan Tianzhi intent continuously to provide to or assist Hainan Xinhan Liaokuo in obtaining financial support when deemed necessary. Accordingly, the Group had rights to variable returns from its involvement with Hainan Xinhan Liaokuo and had the ability to affect those returns through its power over Hainan Xinhan Liaokuo.

As a result, Fuzhou Tianmeng and Hainan Xinhan Liaokuo were accounted for as subsidiaries of the Company.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for certain financial instruments which have been measured at fair value.

The functional currency of the Company is United States dollars (“US\$”). These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

The preparation of financial statements in conformity with IFRS Accounting Standards 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.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

(i) *New and amended IFRS Accounting Standards*

The Group has applied the following new and amended IFRS Accounting Standards issued by IASB to these financial statements for the current accounting period:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements* and IFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

(i) *New and amended IFRS Accounting Standards (Continued)*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended IFRS Accounting Standards are discussed below:

IFRS 17, Insurance contracts

IFRS 17, which replaces IFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of IFRS 17.

Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to IAS 1, Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(i) New and amended IFRS Accounting Standards (Continued)

Amendments to IAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases. For leases, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in note 26(b), but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

Amendments to IAS 12, Income taxes: International tax reform – Pillar Two model rules

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (“OECD”) (income tax arising from such tax laws is hereafter referred to as “Pillar Two income taxes”), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application. The amendments do not have a material impact on these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022 the Hong Kong SAR Government (the “Government”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will come into effect from 1 May 2025 (the “Transition Date”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund (“MPF”) scheme to reduce the long service payment (“LSP”) in respect of an employee’s service from the Transition Date (the abolition of the “offsetting mechanism”). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of Hong Kong Accounting Standard 19 that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

This change in accounting policy did not have any material impact on the opening balance of equity at 1 January 2022, and the cash flows and loss per share amounts for the year ended 31 December 2022. It also did not have any material impact on the company-level statement of financial position as at 31 December 2022 and 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

In the Company's statement of financial position, investments in subsidiaries are accounted under the equity method.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(e) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group or the Company has joint control, whereby the Group or the Company has the rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

An interest in an associate or a joint venture is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture, after applying the ECL model to such other long-term interests where applicable (see note 2(l)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company's statement of financial position, investments in associates and joint ventures are accounted under the equity method.

(f) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 29(f). These investments are subsequently accounted for as follows, depending on their classification.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(f) Other investments in securities *(Continued)*

(i) *Non-equity investments*

Non-equity investments are classified as FVPL if the investment does not meet the criteria for being measured at amortised cost or fair value through other comprehensive income (FVOCI) (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) *Equity investments*

An investment in equity securities is classified as FVPL unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income (see note 2(s)(ii)(a)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(g) Investment property

Investment property is initially measured at cost, and subsequently cost less accumulated depreciation and impairment losses (see note 2(l)(ii)). Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of investment property, i.e., 26 years.

Any gain or loss on disposal of investment property is recognised in profit or loss. Rental income from investment properties is recognised in accordance with note 2(s)(ii)(d).

(h) Property, plant and equipment

Property, plant and equipment (including construction in progress) are stated at cost less accumulated depreciation and impairment losses (see note 2(l)(ii)):

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

No depreciation is provided in respect of construction in progress.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	depreciation rate of 3% or 26 years
Right-of-use assets: office premises	1.5 – 8 years
Leasehold improvements	The lease terms
Computer equipment	3 years
Office equipment and furniture	3 years
Motor vehicles	5 years

Except for the above categories, freehold land and others are not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(i) Intangible assets

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see note 2(l)(ii)).

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

– Licenses	License period
– Trademarks and domain names, software and copyright	3 – 5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Land use rights

Land use rights are measured at cost, less any accumulated amortisation and any impairment losses. Land use rights are amortised on a straight-line basis over the unexpired term of lease.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less and leases of low-value items. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(h) and 2(l)(ii)).

Refundable rental deposits are accounted for separately from the right-of-use assets and measured at amortised cost. Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(k) Leased assets *(Continued)*

As a lessee (Continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets in 'property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(I) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (“ECLs”) on financial assets measured at amortised cost (including cash and cash equivalents, restricted deposits, trade receivables and other receivables and funds receivable) and lease receivables.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

Loss allowances for trade receivables and funds receivable are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is 90 days past due.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(I) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments *(Continued)*

Significant increases in credit risk *(Continued)*

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the group on terms that the group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(I) Credit losses and impairment of assets *(Continued)*

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amount of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amount of the other assets in the CGU on a pro rata basis. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Interim financial reporting and impairment

Under the Rule Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(I)(i) and 2(I)(ii)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. All receivables are subsequently stated at amortised cost (see note 2(l)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see note 2(l)(i)).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(p) Employee benefits

(i) Defined contribution retirement plans

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in various jurisdictions where the Group's subsidiaries operate are recognised as an expense in profit or loss as incurred.

The Group's subsidiaries participate in several defined contribution retirement benefit schemes organised by local government authorities whereby the Group is required to make contributions to at applicable rates of the eligible employees' salaries. The Group's liability in respect of these plans is limited to the contributions payable at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(p) Employee benefits *(Continued)*

(ii) Share-based payments

The fair values of share options and shares granted to employees are recognised as employee costs with corresponding increases in a capital reserve within equity. The fair values are measured at grant date using (a) in respect of share options, the binomial lattice model taking into account the terms and conditions upon which the options were granted; and (b) in respect of awarded shares, the market price of the Company's shares. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options or awarded shares, the total estimated fair values of the options and awarded shares are spread over the vesting period, taking into account the probability that the options and awarded shares will vest.

During the vesting period, the number of share options and awarded shares that are expected to be vested is reviewed. Any resulting adjustments to the cumulative fair value recognised in prior years are charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with corresponding adjustments to the capital reserve. On vesting date, the amounts recognised as expenses are adjusted to reflect the actual number of options and awarded shares that vest (with corresponding adjustments to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amounts are recognised in the share-based payment reserve until (a) in respect of share options, either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained earnings); and (b) in respect of awarded shares, the awarded share is vested (when it is transferred to the share premium account).

As disclosed in note 25 to the financial statements, the Group has set up the Share Award Scheme Trust for the share award scheme, where the Share Award Scheme Trust purchases shares issued by the Group. The consideration paid by the Company, including any directly attributable incremental costs, is presented as "Shares held for share award scheme" and deducted from the Group's equity.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(q) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity, or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(q) Income tax *(Continued)*

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(r) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(s) Revenue and other income

(i) *Revenue from contracts with customers*

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled. Revenue excludes value added tax and is after deduction of any chargebacks.

(a) Revenue from mobile games

The Group primarily operates its mobile games under free to play model. Players can purchase Premium Gaming Resource (e.g. virtual items) to enhance their game-playing experience. Players can pay for Premium Gaming Resource using different payment platforms such as Google Play and Apple App Store. These third-party payment platforms are entitled to service fees which are withheld and deducted from the gross proceeds collected from the players, with the net amounts remitted to the Group. These service fees are commonly referred to as channel costs. The Group recognises revenue on a gross basis given it is the principal in these transactions, and records the channel cost under cost of revenue in the consolidated statement of profit or loss.

Revenues from the Premium Gaming Resource are recognised ratably over the period the paying players are expected to benefit from an enhanced in-game experience associated with each purchase. At each reporting date, the unamortised portion of income received in respect of Premium Gaming Resource is recognised as deferred revenue.

(b) Revenue from application and mobile advertisement mediation platform business

Revenue from application and mobile advertisement mediation platform business (the “APP Business”) mainly represents revenue generated from in-apps marketing and promotion services. The marketing and promotion contracts are signed between the Group and the advertising agencies to establish the service to be provided by the Group and relevant performance measures, mainly including cost per click (based on the number of clicks of the advertisement), or cost per mile (based on per one thousand impressions of the advertisement). Revenue from performance-based in-apps marketing and promotion service is recognized when the services are provided and confirmed by the advertising agencies.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(s) Revenue and other income *(Continued)*

(ii) Revenue from other sources and other income

(a) Dividend income

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(b) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

(c) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

(d) Rental income from operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(t) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the transaction date. Foreign currency differences are generally recognised in profit or loss.

These financial statements are presented in Hong Kong dollars, while the Company's functional currency is United States Dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollars. As at the reporting date, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rate at the reporting date and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(u) Related parties

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's type of goods or services delivered or provided.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

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

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 2. The Group believes the following accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Estimation of the length of period customers are expected to benefit from Premium Gaming Resource

The Group estimates the period on a game-by-game basis and reassess such periods semi-annually. Revenue from the sales of Premium Gaming Resource is recognised ratably over the period the players are expected to benefit from the enhanced in-game experience associated with each purchase. This period is currently estimated to be one month from the time that the player pays the payment platform to purchase non-refundable game credits. Management has arrived at this judgement after taking into account paying player behavior patterns, and the rights of the players within the games to benefit from the Premium Gaming Resource. Future paying player behaviour patterns may differ from the historical patterns and therefore the estimated length of the period may change in the future.

(b) Fair value measurement of financial assets at fair value through profit or loss

The fair value assessment of financial assets at fair value through profit or loss that are measured at level 3 fair value hierarchy requires significant estimates, which include determining comparable public companies and enterprise value to revenue multiple of comparable companies, discount for lack of marketability and other assumptions. Changes in these assumptions and estimates could affect the respective fair value of these investments. The Group monitors its investments for their fair value assessment by considering factors including, but not limited to, current economic and market conditions, the latest round financing transactions undertaken by the investees, the operating performance of the investees and other company-specific information.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND OPERATING SEGMENT INFORMATION

The Group was principally engaged in the development and operation of mobile games and applications in the international market.

For the year ended 31 December 2023, substantially all revenue is generated from mobile games and applications, and recognised over time. All revenue generated from the Group's business is within the scope of IFRS 15.

The Group's customer base was diversified and no customer had transactions with the Group exceeding 10% of the Group's revenue during the financial periods presented.

As at 31 December 2023, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing game players contracts is HK\$207,145,000 (2022: HK\$187,893,000), and the Group will recognise this revenue in 2024.

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance, focuses on financial results of the Group as a whole reported under IFRS Accounting Standards. Other information provided to the chief operating decision-makers also included a breakdown of the Group's revenue which is as follows:

	2023 HK\$'000	2022 HK\$'000
Revenue from mobile games		
– “Lords Mobile”	3,107,515	3,671,404
– “Doomsday: Last Survivors”	678,575	41,632
– “Viking Rise”	408,551	14
– Others	491,627	773,517
	<u>4,686,268</u>	<u>4,486,567</u>
Revenue from APP Business	<u>579,643</u>	<u>104,760</u>
	<u>5,265,911</u>	<u>4,591,327</u>

Except for the above information, no further information about the operating segment is presented.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND OPERATING SEGMENT INFORMATION (Continued)

Geographical information

The following tables set out information about the geographical locations of the Group's revenue from external customers and the Group's specified non-current assets. Specified non-current assets exclude financial assets at fair value through profit or loss and deferred tax assets. For mobile games revenue, the geographical locations of customers are based on the Internet Protocol locations of the game players. For revenue from APP Business, the geographical locations of customers are based on the locations of operations of the customers. The geographical locations of the specified non-current assets are based on the physical locations or the location of operations of the assets:

(a) Revenues by geographical regions

	2023		2022	
	HK\$' 000	% of total revenues	HK\$' 000	% of total revenues
Asia	2,289,443	44%	1,761,396	39%
Europe	1,489,825	28%	1,106,404	24%
North America	1,216,658	23%	1,435,952	31%
Others	269,985	5%	287,575	6%
	<u>5,265,911</u>	<u>100%</u>	<u>4,591,327</u>	<u>100%</u>

(b) Specified non-current assets

	2023		2022	
	HK\$' 000	% of specified non-current assets	HK\$' 000	% of specified non-current assets
Asia	938,319	82%	917,742	82%
Europe	154,857	14%	163,437	15%
North America	39,725	3%	35,693	3%
Others	6,754	1%	1,180	0%*
	<u>1,139,655</u>	<u>100%</u>	<u>1,118,052</u>	<u>100%</u>

* This percentage represent a percentage less than 1%.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

5 OTHER NET GAINS/(LOSSES)

	2023 HK\$' 000	2022 HK\$' 000
Net fair value gains/(losses) on investments	74,374	(130,341)
Gain on disposal of financial assets at fair value through profit or loss	6,097	–
Dividend income	8,877	42,235
Net gains on disposal and deemed disposal of associates and joint ventures	–	660
Impairment loss on interests in associates and joint ventures (Note 16)	(43,279)	(242,170)
Bank interest income	34,627	15,033
Exchange gain	10,090	40,445
Government grants*	14,354	12,788
Rental income from investment properties	690	–
Others	(15,461)	(2,402)
	<u>90,369</u>	<u>(263,752)</u>

* Government grants mainly included cash grants related to financial subsidies for enterprises and cash grants to enterprises in cultural industry. There are no unfulfilled conditions or contingencies relating to the grants.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

6 PROFIT/(LOSS) BEFORE TAXATION

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

	2023 HK\$' 000	2022 HK\$' 000
(a) Staff costs		
Salaries, wages and other benefits	935,832	1,136,641
Equity-settled share-based payment expenses	41,934	97,564
Contributions to defined contribution retirement plan	48,716	65,578
	<u>1,026,482</u>	<u>1,299,783</u>
	2023 HK\$' 000	2022 HK\$' 000
(b) Finance costs		
Interest on lease liabilities (note 21(c))	<u>3,844</u>	<u>4,291</u>
	2023 HK\$' 000	2022 HK\$' 000
(c) Other items		
Promotion and advertising expenses	2,600,908	1,607,943
Channel cost	1,148,840	1,224,577
Net fair value (gains)/losses on investments	(74,374)	130,341
Amortisation		
– intangible assets (note 12)	5,784	8,578
– land use rights (note 13)	5,756	6,058
Depreciation charge (note 11)		
– owned property, plant and equipment	52,719	53,083
– right-of-use assets	62,098	65,763
– investment properties	731	–
Impairment loss on interests in associates and joint ventures	43,279	242,170
Provision of/(reversal of) impairment loss for trade and other receivables and funds receivable	16,715	(60)
Net foreign exchange gain	(10,090)	(40,445)
Auditors' remuneration		
– audit services	2,478	2,341
– non-audit services	1,834	1,817
Losses on disposal of property, plant and equipment and intangible assets	666	1,063

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

7 INCOME TAX

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

	2023 HK\$'000	2022 HK\$'000
Current tax		
Provision for corporate income tax for the year	9,925	12,067
Provision for withholding tax for the year	23,300	20,452
Over-provision in respect of prior years	(5,774)	(494)
	<u>27,451</u>	<u>32,025</u>
Deferred tax (note 26(b))		
Origination and reversal of temporary differences	(3,471)	(13,640)
	<u>23,980</u>	<u>18,385</u>

Taxation for subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

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

	2023 HK\$'000	2022 HK\$'000
Profit/(loss) before taxation	<u>97,033</u>	<u>(485,204)</u>
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profits in the countries concerned	42,447	(64,783)
Tax effect of non-deductible expenses	112,529	92,267
Tax effect of non-taxable income	(109,958)	(40,434)
Tax effect of unused tax losses	7,637	20,045
Utilisation of previously unrecognised tax losses and temporary differences	(14,969)	(12,230)
Statutory tax concession	(5,169)	24,014
Over-provision in prior years	(5,774)	(494)
Super deduction for qualified research and development costs	(2,763)	–
Actual tax expenses	<u>23,980</u>	<u>18,385</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

7 INCOME TAX (Continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates: (Continued)

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

IGG Singapore Pte. Ltd. is subject to the prevailing corporate tax rate of 17% in Singapore (2022: 17%).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, mainly ranging from 15% to 34% (2022: 15% to 34%).

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payment (Note)	2023 Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors							
Mr. Zongjian Cai*	746	6,393	1,500	18	8,657	10,522	19,179
Mr. Yuan Xu	746	4,469	909	78	6,202	2,524	8,726
Mr. Hong Zhang	746	4,073	772	78	5,669	2,235	7,904
Ms. Jessie Shen	746	3,797	273	–	4,816	2,004	6,820
Mr. Feng Chen	746	1,620	196	–	2,562	1,214	3,776
Non-executive director							
Mr. Yuan Chi	746	–	–	–	746	105	851
Independent non-executive directors							
Dr. Horn Kee Leong	646	–	–	–	646	92	738
Mr. Dajian Yu (resigned on 29 June 2023)	108	–	–	–	108	50	158
Ms. Zhao Lu	352	–	–	–	352	50	402
Mr. Kam Wai Man (appointed on 29 June 2023)	192	–	–	–	192	–	192
	<u>5,774</u>	<u>20,352</u>	<u>3,650</u>	<u>174</u>	<u>29,950</u>	<u>18,796</u>	<u>48,746</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS (Continued)

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payment (Note)	2022 Total
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
Executive directors							
Mr. Zongjian Cai*	494	3,989	372	18	4,873	21,659	26,532
Mr. Yuan Xu	494	3,164	288	69	4,015	6,383	10,398
Mr. Hong Zhang	494	2,658	245	69	3,466	5,595	9,061
Ms. Jessie Shen	494	2,757	271	–	3,522	5,318	8,840
Mr. Feng Chen	494	1,372	194	–	2,060	3,404	5,464
Non-executive director							
Mr. Yuan Chi	494	–	–	–	494	437	931
Independent non-executive directors							
Dr. Horn Kee Leong	427	–	–	–	427	384	811
Mr. Dajian Yu	233	–	–	–	233	208	441
Ms. Zhao Lu	233	–	–	–	233	208	441
	<u>3,857</u>	<u>13,940</u>	<u>1,370</u>	<u>156</u>	<u>19,323</u>	<u>43,596</u>	<u>62,919</u>

* Mr. Zongjian Cai is the chief executive officer of the Group.

Note: These represent the estimated value of share options and awarded shares granted to the directors under the Company's share option scheme, share award scheme and performance-based share award scheme. The value of these share options and awarded shares is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(p)(ii).

The details of these benefits in kind, including the principal terms and number of options and shares granted, are disclosed under the paragraph "Share option scheme", the paragraph "Share award scheme" and the paragraph "Performance-based share award scheme" in the directors' report and note 25.

No director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office. No director waived or has agreed to waive any emolument during the years ended 31 December 2023 and 2022.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, 4 (2022: 4) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other 1 individual for the year ended 31 December 2023 are as follows:

	2023 HK\$' 000	2022 HK\$' 000
Salaries and other emoluments	4,297	4,774
Discretionary bonuses	951	264
Retirement scheme contributions	78	71
Equity-settled share-based payment (Note)	<u>2,386</u>	<u>5,455</u>
	<u><u>7,712</u></u>	<u><u>10,564</u></u>

Note: These represent the estimated value of awarded shares granted to the individual under the Company's share award scheme and performance-based share award scheme. The value of these awarded shares is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(p)(ii).

The details of these benefits in kind, including the principal terms and number of shares granted, are disclosed under the paragraph "Share award scheme" and the paragraph "Performance-based share award scheme" in the directors' report and note 25.

The emoluments of the 1 individual with the highest emoluments for the year ended 31 December 2023 are within the following bands:

	2023 Number of individuals	2022 Number of individuals
HK\$7,500,001 – HK\$8,000,000	1	–
HK\$10,500,001 – HK\$11,000,000	<u>–</u>	<u>1</u>
	<u><u>1</u></u>	<u><u>1</u></u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

10 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the profit/(loss) attributable to equity shareholders of the Company and the weighted average number of ordinary shares in issue during the year.

	2023	2022
Profit/(loss) attributable to equity shareholders of the Company (HK\$'000)	<u>73,053</u>	<u>(503,589)</u>
Weighted average number of ordinary shares in issue ('000 shares)	<u>1,168,063</u>	<u>1,163,358</u>
Basic earnings/(loss) per share (HK\$ per share)	<u>0.0625</u>	<u>(0.4329)</u>
Weighted average number of ordinary shares:		
	2023	2022
	'000	'000
Issued ordinary shares at 1 January	1,197,465	1,193,527
Effect of share award scheme	(28,348)	(33,203)
Effect of shares options exercised	438	3,034
Effect of repurchase of ordinary shares	<u>(1,492)</u>	<u>–</u>
Weighted average number of ordinary shares at 31 December	<u>1,168,063</u>	<u>1,163,358</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

10 EARNINGS/(LOSS) PER SHARE *(Continued)*

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on profit/(loss) attributable to equity shareholders of the Company and the weighted average number of ordinary shares during the year.

	2023
Profit attributable to equity shareholders of the Company (HK\$' 000)	<u><u>73,053</u></u>
Weighted average number of ordinary shares (diluted) (' 000 shares)	<u><u>1,177,537</u></u>
Diluted earnings per share (HK\$ per share)	<u><u>0.0620</u></u>

Weighted average number of ordinary shares (diluted):

	2023
	' 000
Weighted average number of ordinary shares at 31 December	1,168,063
Effect of deemed issue of shares under the Company's share option scheme	104
Effect of deemed issue of shares under the Company's share award scheme (including performance-based share award scheme)	<u>9,370</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u><u>1,177,537</u></u>

As the Group incurred loss for the year ended 31 December 2022, the impact of share option scheme and share award scheme (including performance-based share award scheme) was not included in the calculation of the diluted losses per share as their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the year ended 31 December 2022 are the same as basic losses per share.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INVESTMENT PROPERTY AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount of property, plant and equipment

	Freehold land	Buildings	Other properties leased for own use	Leasehold improvements	Computer equipment	Office equipment and furniture	Motor vehicles	Construction in progress	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:										
At 1 January 2022	30,906	142,021	263,517	104,350	134,487	17,403	7,673	-	3,566	703,923
Exchange adjustments	(1,823)	(6,526)	(19,913)	(4,654)	(5,403)	(1,376)	(787)	(10,088)	(210)	(50,780)
Additions	-	4,038	2,013	12,467	8,815	4,719	1,447	299,201	-	332,700
Transfer from construction in progress	-	160,761	-	-	-	-	-	(160,761)	-	-
Disposals	-	-	(76,050)	(1,331)	(18,408)	(468)	(257)	-	-	(96,514)
At 31 December 2022	29,083	300,294	169,567	110,832	119,491	20,278	8,076	128,352	3,356	889,329
Exchange adjustments	1,271	3,477	(2,021)	(819)	(359)	(230)	(25)	(1,495)	147	(54)
Additions	-	-	70,660	-	7,503	888	1,259	138,996	-	219,306
Transfer to investment properties	-	(28,207)	-	-	-	-	-	-	-	(28,207)
Disposals	-	(262)	(70,390)	(18,674)	(2,968)	(1,703)	(329)	-	-	(94,326)
At 31 December 2023	30,354	275,302	167,816	91,339	123,667	19,233	8,981	265,853	3,503	986,048

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INVESTMENT PROPERTY AND OTHER PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Reconciliation of carrying amount of property, plant and equipment (Continued)

	Freehold land	Buildings	Other properties leased for own use	Leasehold improvements	Computer equipment	Office equipment and furniture	Motor vehicles	Construction in progress	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accumulated depreciation:										
At 1 January 2022	-	(10,652)	(113,209)	(62,413)	(75,060)	(11,926)	(2,856)	-	-	(276,116)
Exchange adjustments	-	353	7,215	1,457	3,620	852	283	-	-	13,780
Charge for the year	-	(4,190)	(65,763)	(21,076)	(24,306)	(2,032)	(1,479)	-	-	(118,846)
Written back on disposals	-	-	59,150	830	17,128	339	244	-	-	77,691
At 31 December 2022	-	(14,489)	(112,607)	(81,202)	(78,618)	(12,767)	(3,808)	-	-	(303,491)
Exchange adjustments	-	(717)	655	455	155	95	6	-	-	649
Charge for the year	-	(9,409)	(62,098)	(17,325)	(21,598)	(2,908)	(1,479)	-	-	(114,817)
Transfer to investment properties	-	607	-	-	-	-	-	-	-	607
Written back on disposals	-	69	70,390	18,659	2,579	892	312	-	-	92,901
At 31 December 2023	-	(23,939)	(103,660)	(79,413)	(97,482)	(14,688)	(4,969)	-	-	(324,151)
Net book value:										
At 31 December 2023	30,354	251,363	64,156	11,926	26,185	4,545	4,012	265,853	3,503	661,897
At 31 December 2022	29,083	285,805	56,960	29,630	40,873	7,511	4,268	128,352	3,356	585,838

Construction in progress comprises costs incurred on buildings in Fuzhou, China, which have not yet been completed at the end of the respective reporting periods.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INVESTMENT PROPERTY AND OTHER PROPERTY, PLANT AND EQUIPMENT (*Continued*)

(b) Ownership interests in buildings held for own use

The Group holds office premises as research and development offices in Chengdu, China. As at 31 December 2023, the buildings were carried at depreciated cost, with total carrying amount of HK\$130,424,000 (31 December 2022: HK\$165,223,000), and the remaining term is 24.3 years. During the year ended 31 December 2023, the Group transferred an office premise to investment properties with a cost of HK\$28,207,000. As at 31 December 2023, the Group is in the process of applying for the property ownership certificate in respect of the office premise.

(c) Other properties leased for own use

As at 31 December 2023, other properties leased for own use were carried at depreciated cost, with total carrying amount of HK\$64,156,000 (31 December 2022: HK\$56,960,000). During the year ended 31 December 2023, the Group entered into a number of lease agreements for office premises, and recognised the addition to other properties leased for own use of HK\$70,660,000 (2022: HK\$2,013,000). This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2023 HK\$'000	2022 HK\$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	<u>62,098</u>	<u>65,763</u>
Interest on lease liabilities (note 6(b))	3,844	4,291
Expense relating to short-term leases	6,268	6,722

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 21(d) and 23, respectively.

The Group has obtained the right to use certain properties as its office premises through tenancy agreements. The leases typically run for an initial period of 1.5 to 8 years. Except for those fixed lease payments, other lease payments are usually increased every 1 to 3 years to reflect market rentals.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INVESTMENT PROPERTY AND OTHER PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(c) Other properties leased for own use *(Continued)*

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

	Lease liabilities recognised (discounted)		Potential future lease payments under extension options not included in lease liabilities (undiscounted)	
	2023	2022	2023	2022
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
Office premises	9,245	1,255	12,032	11,188

During the years ended 31 December 2023 and 2022, none of the leases contain variable lease payment terms.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INVESTMENT PROPERTY AND OTHER PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(d) Investment properties

	2023 HK\$'000	2022 HK\$'000
Cost:		
At 1 January	–	–
Exchange adjustments	(750)	–
Transfer from property, plant and equipment	28,207	–
	<hr/>	<hr/>
At 31 December	27,457	–
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Accumulated depreciation:		
At 1 January	–	–
Exchange adjustments	(13)	–
Transfer from property, plant and equipment	(607)	–
Charge for the year	(731)	–
	<hr/>	<hr/>
At 31 December	(1,351)	–
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net book value:		
At 31 December	26,106	–
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INVESTMENT PROPERTY AND OTHER PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(d) Investment properties *(Continued)*

Investment properties is an office premise that is located in Chengdu, China. The Group leases out these investment properties. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. As at 31 December 2023, the fair value of the investment properties as determined by the Directors of the Company by reference to the market price of similar properties in the respective area amounted to HK\$30,213,000.

Rental income recognised by the Group during the year ended 31 December 2023 was HK\$690,000 (2022: Nil).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2023 HK\$' 000	2022 HK\$' 000
Within one year (inclusive)	1,513	–
Over one year but within three years (inclusive)	3,378	–
Over three years but within five years (inclusive)	3,547	–
Over five years	5,794	–
	<hr/>	<hr/>
Total	<u>14,232</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

12 INTANGIBLE ASSETS

	Trademarks and domain names HK\$' 000	Software HK\$' 000	Copyright HK\$' 000	Licenses HK\$' 000	Others HK\$' 000	Total HK\$' 000
Cost:						
At 1 January 2022	11,319	27,942	21,831	31,012	–	92,104
Exchange adjustments	(54)	(1,429)	(120)	79	(5)	(1,529)
Additions	–	3,238	–	–	785	4,023
Disposals	–	(339)	–	–	–	(339)
At 31 December 2022	11,265	29,412	21,711	31,091	780	94,259
Exchange adjustments	19	86	33	77	(2)	213
Additions	–	354	–	–	785	1,139
Disposals	–	(49)	–	–	–	(49)
At 31 December 2023	11,284	29,803	21,744	31,168	1,563	95,562
Accumulated amortisation and impairment:						
At 1 January 2022	(11,318)	(22,207)	(15,419)	(31,012)	–	(79,956)
Exchange adjustments	54	1,389	262	(79)	–	1,626
Charge for the year	(1)	(4,937)	(3,640)	–	–	(8,578)
Written back on disposals	–	339	–	–	–	339
At 31 December 2022	(11,265)	(25,416)	(18,797)	(31,091)	–	(86,569)
Exchange adjustments	(19)	(13)	(15)	(77)	–	(124)
Charge for the year	–	(2,852)	(2,932)	–	–	(5,784)
Written back on disposals	–	49	–	–	–	49
At 31 December 2023	(11,284)	(28,232)	(21,744)	(31,168)	–	(92,428)
Net book value:						
At 31 December 2023	–	1,571	–	–	1,563	3,134
At 31 December 2022	–	3,996	2,914	–	780	7,690

During the year ended 31 December 2023, no impairment losses (2022: nil) on intangible assets were charged to the consolidated statement of profit or loss under “Other net gains/(losses)”.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

13 LAND USE RIGHTS

The Group has obtained land use rights of the Land for periods of 40 years in Fuzhou, China.

	Land use rights HK\$'000
Cost:	
At 31 December 2021	253,340
Exchange adjustments	<u>(21,469)</u>
At 31 December 2022	231,871
Exchange adjustments	<u>(3,300)</u>
At 31 December 2023	<u>228,571</u>
Accumulated amortisation:	
At 31 December 2021	(3,695)
Exchange adjustments	575
Charge for the year	<u>(6,058)</u>
At 31 December 2022	(9,178)
Exchange adjustments	172
Charge for the year	<u>(5,756)</u>
At 31 December 2023	<u>(14,762)</u>
Net book value:	
At 31 December 2023	<u>213,809</u>
At 31 December 2022	<u>222,693</u>

14 OTHER NON-CURRENT ASSETS

Other non-current assets mainly represent rental deposits. Rental deposits were expected to be collected beyond one year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name of company	Place of incorporation and business	Particulars of registered capital and paid-up capital	Proportion of ownership interest		Principal activities
			Direct	Indirect	
IGG Singapore Pte. Ltd. ("IGG Singapore")	Singapore	1,500,000 shares of S\$1 each	100%	–	Research and development of games, operation and licensing of mobile games globally
Fuzhou Tianji*	Chinese Mainland	US\$100,000,000	–	100%	Research and development, provision of technical maintenance service, customer support and technical support services
Fuzhou Tianmeng**	Chinese Mainland	RMB10,000,000	–	100%#	Research and development of games, operation of mobile games in Mainland China and provision of customer support services
Fuzhou Tianlong Digital Technology Co., Ltd.*	Chinese Mainland	US\$115,500,000/ US\$65,000,000##	–	100%	Investment holding
Fuzhou TianPing Digital Technology Co., Ltd.**	Chinese Mainland	RMB750,000,000/ RMB432,000,000###	–	100%	Construction of self-use office premises
Skylines Investment Holdings Pte. Ltd.	Singapore	8,000,000 shares of US\$1 each	100%	–	Investment holding

* Registered as a wholly-foreign-owned enterprise under the law of Chinese Mainland.

** Registered as a limited liability company under the law of Chinese Mainland.

Fuzhou Tianmeng was legally owned by the Fuzhou Tianmeng Registered Holders. Fuzhou Tianji entered into the Fuzhou Tianmeng Structured Contracts with Fuzhou Tianmeng and the Fuzhou Tianmeng Registered Holders. As a result of the contractual arrangements, Fuzhou Tianmeng was ultimately controlled by Fuzhou Tianji, which is a wholly-owned subsidiary of the Company.

As at 31 December 2023, the registered share capital of Fuzhou Tianlong Digital Technology Co., Ltd. was US\$115,500,000 of which paid-up capital was US\$65,000,000.

As at 31 December 2023, the registered share capital of Fuzhou TianPing Digital Technology Co., Ltd. was RMB750,000,000 of which paid-up capital was RMB432,000,000.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INTERESTS IN ASSOCIATES AND JOINT VENTURES

(a) Interest in associates

Aggregate information of associates that are not individually material:

	2023 HK\$' 000	2022 HK\$' 000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	184,339	211,497
Aggregate amounts of the Group's shares of these associates' gains/(losses)	<u>10,963</u>	<u>(1,567)</u>
	2023 HK\$' 000	2022 HK\$' 000
At 1 January	211,497	469,301
Additions	–	6,278
Deemed disposal gains	–	660
Dividends	(1,324)	(1,835)
Share of results of associates	10,963	(1,567)
Impairment loss on interests in associates (Note)	(34,390)	(232,109)
Currency translation differences	<u>(2,407)</u>	<u>(29,231)</u>
At 31 December	<u>184,339</u>	<u>211,497</u>

Note:

Both external and internal sources of information of associates are considered in assessing whether there is any indication that the investment may be impaired, including but not limited to financial position and business performance.

During the year ended 31 December 2023, the Group made impairment provisions of HK\$34,390,000 (2022: HK\$232,109,000) against the carrying amounts of associates. The impairment loss was recognised in "Other net gains/(losses)" during the year. And these associates are principally engaged in mobile games business.

The recoverable amounts of these associates were nil as the majority of these associates had net liabilities and were running out of cash, which were resulted from serious deterioration of operation due to the inability to generate sufficient cash flow from financing or existing games and the inability to launch new games due to failure of research and development.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(a) Interest in associates (Continued)

Management has assessed the level of influence that the Group exercises on certain associates with the respective shareholding below 20%, with total carrying amount of HK\$156,995,000 (31 December 2022: HK\$144,782,000). Management determined that it has significant influence thereon through the board representation. Consequently, these investments have been classified as associates.

(b) Interest in joint ventures

Aggregate information of joint ventures that are not individually material:

	2023 HK\$' 000	2022 HK\$' 000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	795	11,396
Aggregate amounts of the Group's shares of these joint ventures' (losses)/gains	<u>(1,575)</u>	<u>4,389</u>
	2023 HK\$' 000	2022 HK\$' 000
At 1 January	11,396	18,106
Share of results of joint ventures	(1,575)	4,389
Impairment loss on interests in joint ventures (Note)	(8,889)	(10,061)
Currency translation differences	<u>(137)</u>	<u>(1,038)</u>
At 31 December	<u>795</u>	<u>11,396</u>

Note:

Both external and internal sources of information of joint ventures are considered in assessing whether there is any indication that the investment may be impaired, including but not limited to financial position and business performance.

During the year ended 31 December 2023, the Group made impairment provisions of HK\$8,889,000 (2022: HK\$10,061,000) against the carrying amounts of joint ventures. The impairment loss was recognised in "Other net gains/(losses)" during the year. And these joint ventures are principally engaged in mobile games business.

The recoverable amounts of these joint ventures were nil as these joint ventures had net liability and were running out of cash, which were resulted from serious deterioration of operation due to the inability to generate sufficient cash flow from financing or existing games and the inability to launch new games due to failure of research and development.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 HK\$' 000	2022 HK\$' 000
Included in current assets:		
– Treasury investments and others	19,017	–
Included in non-current assets:		
– Listed equity securities ¹	2,200	36,610
– Unquoted equity investments ²	468,838	395,842
	<u>490,055</u>	<u>432,452</u>

Notes:

- 1 Listed equity securities mainly comprised equity securities listed in the United States and Hong Kong.
- 2 Unquoted equity investments mainly comprised the following:
 - (i) an equity investment in Mfund, L.P., a private equity fund which is principally engaged in equity investments in mobile internet industry. No dividends were received on this investment for the year ended 31 December 2023 (2022: Dividends of HK\$14,722,000 and listed equity securities of HK\$27,513,000).
 - (ii) an equity investment in Griffin Gaming Partners, L.P., a private equity fund which focuses on the investment in gaming related companies worldwide. Dividends of HK\$8,658,000 were received on this investment for the year ended 31 December 2023 (2022: Nil).
 - (iii) equity investments in certain non-listed internet companies and several private equity funds which are principally engaged in investment holding of entities in the mobile internet, media, telecommunication and other innovative technologies sectors.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

18 TRADE AND OTHER RECEIVABLES

	2023 HK\$' 000	2022 HK\$' 000
Trade receivables, net of loss allowance	65,516	19,300
Deposits	151	1,061
Other receivables	53,570	50,266
	<u>119,237</u>	<u>70,627</u>

Trade receivables were all from third-party customers. The Group's credit terms with its customers are generally from one to three months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

As of the end of the reporting period, the ageing analysis of trade debtors and net of loss allowance, based on the invoice date, is as follows:

	2023 HK\$' 000	2022 HK\$' 000
Within 3 months	<u>65,516</u>	<u>19,300</u>

Further details on the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 29(a).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

19 FUNDS RECEIVABLE

Funds receivable represent balances due from third-party payment service providers for the cash collected from users. The Company carefully considers and monitors the creditworthiness of the third-party payment service providers.

As at 31 December 2023, all the funds receivable were aged within three months and HK\$15,613,000 of loss allowance was provided for the funds receivable (31 December 2022: HK\$274,000). Further details on the Group's credit policy and credit risk arising from funds receivable are set out in note 29(a).

20 RESTRICTED DEPOSITS

Restricted deposits mainly represent pledged deposits under a letter of guarantee issued by China Merchants Bank Co., Ltd. Fuzhou Branch. The guarantee is in relation to the office building construction contract in Fuzhou, China and shall lapse on 13 February 2024 or upon the full payment under the letter of guarantee to the contractor pursuant to the terms therein, whichever is earlier.

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2023 HK\$' 000	2022 HK\$' 000
Cash at bank and on hand	1,429,862	1,573,231
Deposits with other financial institutions	39,890	8,601
	<hr/>	<hr/>
Cash and cash equivalents in the consolidated cash flow statement	<u>1,469,752</u>	<u>1,581,832</u>

Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control. As at 31 December 2023, cash and cash equivalents situated in Chinese Mainland amounted to HK\$279,426,000 (31 December 2022: HK\$387,684,000).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(b) Reconciliation of profit/(loss) before taxation to cash generated from operations:

	Note	2023 HK\$' 000	2022 HK\$' 000
Profit/(loss) before taxation		97,033	(485,204)
Adjustments for:			
Gain on disposal of financial assets at fair value through profit or loss	5	(6,097)	–
Net gains on disposal and deemed disposal of associates and joint ventures	5	–	(660)
Share of results of associates and joint ventures	16	(9,388)	(2,822)
Impairment loss on interests in associates and joint ventures	16	43,279	242,170
Losses on disposal of property, plant and equipment and intangible asset	6(c)	666	1,063
Depreciation	6(c)	115,548	118,846
Amortisation	6(c)	11,540	14,636
Dividend income	5	(8,877)	(42,235)
Interest income	5	(34,627)	(15,033)
Finance costs	6(b)	3,844	4,291
Equity-settled share-based payment expenses	6(a)	41,934	97,564
Net fair value (gains)/losses on investments	5	(74,374)	130,341
Provision of/(reversal of) impairment loss for trade and other receivables and funds receivable	6(c)	16,715	(60)
Changes in working capital:			
Decrease in inventories		145	1,748
(Increase)/decrease in funds receivable		(61,264)	68,986
Decrease/(increase) in restricted deposits		379	(38,322)
Increase in trade and other receivables		(60,361)	(46,174)
Increase/(decrease) in trade and other payables		13,846	(23,907)
Increase/(decrease) in deferred revenue		19,252	(44,767)
Decrease in other non-current assets		2,292	5,094
Cash generated from/(used in) operations		<u>111,485</u>	<u>(14,445)</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Lease liabilities HK\$' 000 (note 23)
At 1 January 2023	62,999
Changes from financing cash flows:	
Capital element of lease rentals paid	(63,472)
Interest element of lease rentals paid	(3,844)
Total changes from financing cash flows	(67,316)
Exchange adjustments	(6,362)
Other changes:	
Increase in lease liabilities from entering into new leases during the year	70,660
Termination of lease liabilities	(605)
Interest expenses (note 6(b))	3,844
Total other changes	73,899
At 31 December 2023	63,220

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Lease liabilities
	HK\$' 000
	(note 23)
At 1 January 2022	158,908

Changes from financing cash flows:	
Capital element of lease rentals paid	(67,298)
Interest element of lease rentals paid	(4,291)

Total changes from financing cash flows	(71,589)

Exchange adjustments	(13,724)

Other changes:	
Increase in lease liabilities from entering into new leases during the year	2,013
Termination of lease liabilities	(16,900)
Interest expenses (note 6(b))	4,291

Total other changes	(10,596)

At 31 December 2022	<u>62,999</u>

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2023	2022
	HK\$' 000	HK\$' 000
Within operating cash flows	4,386	1,925
Within financing cash flows	67,316	71,589
	-----	-----
	<u>71,702</u>	<u>73,514</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(d) Total cash outflow for leases *(Continued)*

These amounts relate to the following:

	2023 HK\$' 000	2022 HK\$' 000
Lease rentals paid	<u>71,702</u>	<u>73,514</u>

22 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	2023 HK\$' 000	2022 HK\$' 000
Within 3 months	350,584	319,577
3 to 6 months	–	–
6 months to 1 year	26	1,312
Over 1 year	–	9
Total creditors	<u>350,610</u>	320,898
Salary and welfare payables	70,435	84,873
Other tax payables	41,227	49,042
Other payables and accruals	<u>108,419</u>	<u>83,400</u>
	<u>570,691</u>	<u>538,213</u>

The trade and other payables are non-interest bearing and are expected to be settled within three months or repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

23 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2023		2022	
	Present value of the minimum lease payments HK\$' 000	Total minimum lease payments HK\$' 000	Present value of the minimum lease payments HK\$' 000	Total minimum lease payments HK\$' 000
Within 1 year	35,263	35,896	43,418	44,833
After 1 year but within 2 years	20,701	22,147	16,078	17,032
After 2 years but within 5 years	7,256	7,885	3,503	3,980
	<u>27,957</u>	<u>30,032</u>	<u>19,581</u>	<u>21,012</u>
	<u>63,220</u>	<u>65,928</u>	<u>62,999</u>	65,845
Less: total future interest expenses		<u>(2,708)</u>		<u>(2,846)</u>
Present value of lease liabilities		<u>63,220</u>		<u>62,999</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

24 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The Group operates a Central Provident Fund (“the CPF”) regulated/governed by Singapore government. Under the CPF, the employer and its employees are each required to make contributions to the fund at the applicable rates of the eligible employees’ salaries.

The Chinese Mainland subsidiaries of the Group participate in defined contribution retirement benefit schemes (“the Schemes”) organised by the municipal and provincial government authorities whereby the Group is required to make contributions to the Schemes at the applicable rates of the eligible employees’ salaries. The local government authority is responsible for the entire pension obligations payable to retired employees.

In addition, the Group also contributes on a monthly basis to various defined contribution plans pursuant to the relevant labour rules and regulations in the jurisdictions where the Group’s other subsidiaries operate.

The Group’s liability in respect of the aforementioned plans is limited to the contribution payable in each period. The Group’s contributions to the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

25 SHARE-BASED PAYMENTS

(a) Pre-IPO Share Option Scheme

The Company adopted a pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) on 12 November 2008 and amended it on 16 September 2013 by the written resolution of all shareholders, and the Pre-IPO Share Option Scheme has expired on 29 October 2022.

The following share options were outstanding and exercisable under the Pre-IPO Share Option Scheme during the year:

	2023		2022	
	Weighted average exercise price US\$	Number of options	Weighted average exercise price US\$	Number of options
Outstanding at the beginning of the year	0.0865	512,000	0.0865	4,570,000
Exercised during the year	0.0865	(512,000)	0.0865	(3,938,000)
Forfeited/lapsed during the year	–	–	0.0865	(120,000)
Outstanding at the end of the year	–	–	0.0865	512,000
Exercisable at the end of the year	–	–	0.0865	512,000

There were no Pre-IPO share options outstanding as at 31 December 2023, and the Pre-IPO share options outstanding had a weighted average remaining contractual life of 0.25 years as 31 December 2022. For Pre-IPO share options, the weighted average closing price of the Company’s shares at the date share options were exercised during the year was HK\$3.07 (year ended 31 December 2022: HK\$4.05).

(b) Share Option Scheme

The Company adopted a share option scheme (the “Share Option Scheme”), approved by the written resolution of all shareholders passed on 16 September 2013. Following the changes to the Listing Rules relating to Share Schemes of Listed Issuers, the Company terminated the Share Option Scheme, approved by way of an ordinary resolution of the annual general meeting of the Company held on 29 June 2023. In such event, no further options will be offered but the provision of the Share Option Scheme would remain in force and effect in all other respects. All options granted under the Share Option Scheme prior to such termination and not then exercised would continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

25 SHARE-BASED PAYMENTS (Continued)

(b) Share Option Scheme (Continued)

The following share options were outstanding and exercisable under the Share Option Scheme during the year:

	2023		2022	
	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$	Number of options
Outstanding at the beginning of the year	4.11	4,765,000	4.13	4,801,000
Exercised during the year	4.91	(30,000)	–	–
Forfeited/Lapsed during the year	5.47	(100,000)	5.75	(36,000)
Outstanding at the end of the year	4.08	<u>4,635,000</u>	4.11	<u>4,765,000</u>
Exercisable at the end of the year	4.06	<u>4,545,750</u>	4.05	<u>4,488,750</u>

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2023 Number of options	Exercise price per share HK\$	Grant date	Expiry date
442,000	3.51	21 November 2014	20 November 2024
3,511,000	3.90	23 March 2015	22 March 2025
370,000	5.75	19 August 2019	18 August 2029
312,000	4.91	6 May 2020	5 May 2030
<u>4,635,000</u>			

The share options granted under the Share Option Scheme outstanding as at the end of the reporting period will vest in anniversary of grant date with each of 25% being vested annually. As at 31 December 2023, 89,250 share options have not be vested and were not exercisable.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

25 SHARE-BASED PAYMENTS *(Continued)*

(b) Share Option Scheme *(Continued)*

As at 31 December 2023, the share options outstanding under the Share Option Scheme had a weighted average remaining contractual life of 1.49 years (31 December 2022: 2.46 years). For share options under the Share Option Scheme, the weighted average closing price of the Company's shares at the date share options were exercised during the year ended 31 December 2023 was HK\$6.10 (2022: Nil).

Share options exercised under Pre-IPO Share Option Scheme and Share Option Scheme during the year ended 31 December 2023 resulted in the issuance of 542,000 (2022: 3,938,000) ordinary shares of the Company and share premium of HK\$836,000 (2022: HK\$3,978,000), as further detailed in note 28(c) to the financial statements.

(c) Share Award Scheme

The share award scheme of the Company was adopted by the Board on 24 December 2013. The purpose of the share award scheme is to recognise the contributions by certain selected grantees and to give incentives thereto in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group.

Movements in the number of shares held for the share award scheme and awarded shares for the year ended 31 December 2023 are as follows:

	Number of shares held for the share award scheme not yet granted	Number of awarded shares granted but not yet vested	Total
At 1 January 2023	16,221,892	13,555,140	29,777,032
Purchased	9,340,000	–	9,340,000
Granted	(5,314,433)	5,314,433	–
Forfeited/Lapsed	1,414,541	(1,414,541)	–
Vested	–	(8,732,865)	(8,732,865)
	<u>21,662,000</u>	<u>8,722,167</u>	<u>30,384,167</u>
At 31 December 2023			
Vested but not transferred as at 31 December 2023			<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

25 SHARE-BASED PAYMENTS *(Continued)*

(c) Share Award Scheme *(Continued)*

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares.

The fair values of awarded shares granted on 7 April 2023, 24 May 2023, 6 September 2023 and 29 November 2023 were HK\$4.35, HK\$4.25, HK\$3.54 and HK\$3.30 respectively. The weighted average fair value of awarded shares granted during the year ended 31 December 2023 was HK\$3.59 per share.

On 7 April 2023, the Group granted a total of 464,354 awarded shares, among which 126,000 awarded shares will vest in anniversary of grant date with each of 50% being vested annually.

On 24 May 2023, the Group granted a total of 10,000 awarded shares, which will vest in anniversary of grant date with each of 50% being vested annually.

On 6 September 2023, the Group granted a total of 4,397,206 awarded shares, among which 4,297,206 awarded shares will vest in anniversary of grant date with each of 50% being vested annually.

On 29 November 2023, the Group granted a total of 442,873 awarded shares, which will vest in anniversary of grant date with each of 50% being vested annually.

The remaining awarded shares granted during the year ended 31 December 2023 and outstanding as at the period then ended will be vested in anniversary of grant date with each of 25% being vested annually. The consideration paid by the Company, including any directly attributable incremental costs, is deducted from the Group's equity.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

25 SHARE-BASED PAYMENTS *(Continued)*

(d) Performance-based Share Award Scheme

The Company adopted a performance-based share award scheme on 21 May 2021, and the scheme was approved by the resolution of shareholders passed on 20 July 2021. The purpose of the performance-based share award scheme is to recognise the contributions by certain eligible persons.

Under the performance-based share award scheme, the Company grants 71,635,355 performance-based awarded shares to the grantees. The award shares will vest, in whole or in part, after 8.5 months to 56.5 months from the grant date, on condition that certain market performance criteria is met. The actual number of awarded shares to be vested to the grantees varies based on the growth rate of share price of the Company.

Movements in the number of awarded shares for the year ended 31 December 2023 are as follows:

	Number of awarded shares granted but not yet vested
At 1 January 2023	57,308,281
Forfeited/Lapsed	(14,327,072)
	<hr/>
At 31 December 2023	42,981,209
	<hr/> <hr/>
Vested but not transferred as at 31 December 2023	–
	<hr/> <hr/>

As at 31 December 2023, there were no shares of the Company held for the performance-based share award scheme (31 December 2022: Nil).

(e) Share Incentive Scheme

The Company adopted a share incentive scheme (the “Share Incentive Scheme”), approved by way of an ordinary resolution of the annual general meeting of the Company held on 29 June 2023.

As at 31 December 2023, there were no shares granted under the Share Incentive Scheme.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2023 HK\$' 000	2022 HK\$' 000
Balance at the beginning of the year	130,395	216,325
Provision for corporate income tax for the year	4,151	11,573
Provision for withholding tax for the year	23,300	20,452
Withholding Tax	(23,300)	(20,452)
Income tax paid during the year	(17,535)	(98,827)
Exchange adjustments	798	1,324
	<u>117,809</u>	<u>130,395</u>
Balance at the end of the year	<u>117,809</u>	<u>130,395</u>

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities:

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Allowances in depreciation/ amortisation HK\$' 000	Right-of-use asset HK\$' 000	Lease liabilities HK\$' 000	Credit loss allowance HK\$' 000	Accumulated tax losses arising from subsidiaries HK\$' 000	Others HK\$' 000	Total HK\$' 000
Deferred tax arising from:							
At 1 January 2022	8,207	26,331	(28,274)	(79)	(28,674)	-	(22,489)
(Credited)/charged to profit or loss	(3,122)	(15,499)	16,471	26	(5,710)	(5,806)	(13,640)
Currency translation differences	13	(72)	(77)	-	2,333	(165)	2,032
	<u>5,098</u>	<u>10,760</u>	<u>(11,880)</u>	<u>(53)</u>	<u>(32,051)</u>	<u>(5,971)</u>	<u>(34,097)</u>
At 31 December 2022	5,098	10,760	(11,880)	(53)	(32,051)	(5,971)	(34,097)
(Credited)/charged to profit or loss	(1,718)	(653)	1,575	(65)	7,986	(10,596)	(3,471)
Currency translation differences	18	(3)	2	-	652	(119)	550
	<u>3,398</u>	<u>10,104</u>	<u>(10,303)</u>	<u>(118)</u>	<u>(23,413)</u>	<u>(16,686)</u>	<u>(37,018)</u>
At 31 December 2023	<u>3,398</u>	<u>10,104</u>	<u>(10,303)</u>	<u>(118)</u>	<u>(23,413)</u>	<u>(16,686)</u>	<u>(37,018)</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognised: *(Continued)*

(ii) Reconciliation to the consolidated statement of financial position:

	2023 HK\$'000	2022 HK\$'000
Net deferred tax asset in the consolidated statement of financial position	(40,593)	(38,867)
Net deferred tax liability in the consolidated statement of financial position	<u>3,575</u>	<u>4,770</u>
	<u>(37,018)</u>	<u>(34,097)</u>

(c) Deferred tax assets not recognised

The Group had accumulated tax losses arising from subsidiaries of approximately HK\$34,431,000 (2022: HK\$169,408,000). Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the taxable losses can be utilised.

(d) Deferred tax liabilities not recognised

Pursuant to the PRC Corporate Income Tax Law (the "New CIT Law") which was approved and became effective on 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective on 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding tax on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries. In the opinion of the directors, it is not probable that the subsidiaries established in Chinese Mainland will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investment in the subsidiaries for which deferred tax liabilities have not been recognised was HK\$58,214,000 at 31 December 2023 (2022: HK\$43,335,000).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

27 DEFERRED REVENUE

Deferred revenue mainly represents the unamortised portion of income received in respect of Premium Gaming Resource paid by game players for mobile game services.

Revenue of HK\$187,893,000 recognised in the year ended 31 December 2023 was included in the balance of deferred revenue at the beginning of the year.

28 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

Company	Note	Share	Share	Share-based	Shares held for	Other	Exchange	Retained	Total
		capital	premium	payment	share award	reserve	reserve	earnings	
		(note 28(d)(i))	(note 28(d)(ii))			(note 28(d)(iv))	(note 28(d)(iii))		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 31 December 2021 and									
1 January 2022	23	-	-	125,891	(301,661)	56,033	18,791	3,397,896	3,296,973
Changes in equity for 2022:									
Loss for the year		-	-	-	-	-	-	(503,589)	(503,589)
Other comprehensive loss		-	-	-	-	-	(10,926)	-	(10,926)
Equity-settled share-based payment		-	-	97,564	-	-	-	-	97,564
Shares purchased for the share award scheme	28(c)	-	-	-	(4,900)	-	-	-	(4,900)
Exercise of share options	28(c)	-*	3,978	(1,337)	-	-	-	-	2,641
Vesting of awarded shares	28(c)	-	2,593	(76,403)	73,810	-	-	-	-
Balance at 31 December 2022	23	6,571	145,715	(232,751)	56,033	7,865	2,894,307	2,877,763	

* These amounts represent amounts less than HK\$1,000.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(a) Movements in components of equity (Continued)

Company	Note	Share	Share	Share-based	Shares held for	Shares	Other	Exchange	Retained	Total
		capital	premium	payment	share award	repurchased for	reserve	reserve	earnings	
		(note 28(d)(i))	(note 28(d)(i))	(note 28(d)(ii))	scheme	cancellation	(note 28(d)(iv))	(note 28(d)(iii))		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 31 December										
2022 and 1 January 2023	23	6,571	145,715	(232,751)	-	56,033	7,865	2,894,307	2,877,763	
Changes in equity for 2023:										
Profit for the year		-	-	-	-	-	-	73,053	73,053	
Other comprehensive income		-	-	-	-	-	9,550	-	9,550	
Equity-settled share-based payment		-	-	41,934	-	-	-	-	41,934	
Shares purchased for the share award scheme	28(c)	-	-	-	(32,286)	-	-	-	(32,286)	
Repurchase of ordinary shares	28(c)	-	-	-	-	(44,560)	-	-	(44,560)	
Cancellation of ordinary shares	28(c)	*	(9,634)	-	-	36,629	-	(26,995)	-	
Exercise of share options	28(c)	*	836	(345)	-	-	-	-	491	
Vesting of awarded shares	28(c)	-	2,227	(68,561)	66,334	-	-	-	-	
Balance at 31 December										
2023	23	-	118,743	(198,703)	(7,931)	56,033	17,415	2,940,365	2,925,945	

* These amounts represent amounts less than HK\$1,000.

(b) Dividends

No dividends were paid, declared or proposed during the year ended 31 December 2023 (2022: Nil). The Board does not recommend the payment of any final dividend for the year ended 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital

As at 31 December 2023 and 2022, the authorised share capital of the Company comprises 2,000,000,000 ordinary shares with par value of US\$0.0000025 per share.

A summary of the transactions during the year in the Company's issued share capital is as follows:

	Note	Number of shares issued and fully paid [^]	Issued capital HK\$' 000	Share premium HK\$' 000	Shares held for share award scheme HK\$' 000	Shares repurchased for cancellation HK\$' 000
At 1 January 2022		1,193,526,599	23	–	(301,661)	–
Vesting of awarded shares		–	–	2,593	73,810	–
Share options exercised (note 25)		3,938,000	–*	3,978	–	–
Shares purchased for the share award scheme	i	–	–	–	(4,900)	–
At 31 December 2022		1,197,464,599	23	6,571	(232,751)	–
Vesting of awarded shares		–	–	2,227	66,334	–
Share options exercised (note 25)		542,000	–*	836	–	–
Shares purchased for the share award scheme	i	–	–	–	(32,286)	–
Repurchase of ordinary shares	ii	–	–	–	–	(44,560)
Cancellation of ordinary shares		(11,368,000)	–*	(9,634)	–	36,629
At 31 December 2023		<u>1,186,638,599</u>	<u>23</u>	<u>–</u>	<u>(198,703)</u>	<u>(7,931)</u>

* These amounts represent amounts less than HK\$1,000.

[^] As at 31 December 2023, the total number of issued ordinary shares of the Company included 30,384,167 shares (31 December 2022: 29,777,032 shares) held under the share award scheme and 2,507,000 shares held for cancellation respectively (31 December 2022: Nil).

Note:

- (i) During the year ended 31 December 2023, the Company purchased 9,340,000 shares on the Stock Exchange pursuant to the share award scheme at an average price of approximately HK\$3.46 per share with total consideration of HK\$32,285,977.
- (ii) During the year ended 31 December 2023, the Company repurchased 13,875,000 shares on the Stock Exchange with an average price of approximately HK\$3.21 per share. The total amount paid on the repurchased shares was HK\$44,559,740.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the share premium of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

(ii) Share-based payment reserve

The share-based payment reserve comprises the fair value of share options and awarded shares granted which are yet to be exercised. The amount will either be transferred to the share premium when the related share options are exercised, or be transferred to treasury shares when the related awarded shares are vested and transferred, or be transferred to retained earnings should the related options expire or be forfeited.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(t).

(iv) Other reserve

Other reserve represents dividends received for shares held by the trustee account for the Group's share award scheme.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, repurchase the Company's own shares or issue new shares. No change was made in the objectives, policies or processes for managing capital during the reporting period.

The Group monitors capital by regularly reviewing the gearing ratio, which is total liabilities, divided by total assets. Capital represents total equity shown in the consolidated statement of financial position.

The Group's gearing ratio at 31 December 2023 and 2022 was as follows:

	2023 HK\$' 000	2022 HK\$' 000
Total current liabilities	931,142	899,919
Total non-current liabilities	<u>31,532</u>	<u>24,351</u>
	<u>962,674</u>	<u>924,270</u>
Total current assets	2,046,151	2,046,766
Total non-current assets	<u>1,651,286</u>	<u>1,589,371</u>
	<u>3,697,437</u>	<u>3,636,137</u>
Gearing ratio	<u>26.0%</u>	<u>25.4%</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and funds receivable.

Trade receivables and Funds receivable

The Group's credit terms with its customers are generally one to three months.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Funds receivable from third-party payment service providers are normally settled within three months. The Group carefully considers and monitors the creditworthiness of these third-party payment service providers. The Group has a large number of customers and there is no significant concentration of credit risk.

The Group does not hold any collateral or other credit enhancements over its trade receivables and funds receivable balances. Trade receivables and funds receivable are non-interest bearing.

The Group measures loss allowances for trade receivables and funds receivable at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance is not further distinguished between the Group's different customer bases.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables and Funds receivable (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2023		
	Expected loss rate	Gross carrying amount HK\$' 000	Loss allowance HK\$' 000
Current (not past due)	2.40%	<u>67,124</u>	<u>1,608</u>

	2022		
	Expected loss rate	Gross carrying amount HK\$' 000	Loss allowance HK\$' 000
Current (not past due)	1.19%	<u>19,532</u>	<u>232</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables and Funds receivable (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for funds receivable:

	2023		
	Expected loss rate	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current (not past due)	0.29%	<u>357,799</u>	<u>1,049</u>

	2022		
	Expected loss rate	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current (not past due)	0.08%	<u>333,850</u>	<u>274</u>

In addition to above provision matrix for funds receivable, the Group has made individual loss allowance for certain third-party payment service provider. As at 31 December 2023, the accumulated individual loss allowance was HK\$14,564,000, with the carrying amounts before loss allowance of HK\$14,564,000.

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables and Funds receivable (Continued)

Movement in the loss allowance account in respect of trade receivables and funds receivable during the year is as follows:

	2023 HK\$' 000	2022 HK\$' 000
Balance at 1 January	506	566
Impairment losses reversed during the year	–	(60)
Impairment losses recognised during the year	<u>16,715</u>	<u>–</u>
Balance at 31 December	<u><u>17,221</u></u>	<u><u>506</u></u>

There are no significant changes in the gross carrying amounts of trade receivables and funds receivable during the year contributed to changes in the loss allowance.

(b) Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As at 31 December 2023, the Group held cash and cash equivalents of HK\$1,469,752,000 (2022: HK\$1,581,832,000) and had no bank or other interest-bearing borrowings except for lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

The following table show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay.

	2023				Carrying amount at 31 December HK\$' 000
	Contractual undiscounted cash outflow				
	Within 1 year or on demand HK\$' 000	More than 1 year but less than 2 years HK\$' 000	More than 2 years but less than 5 years HK\$' 000	Total HK\$' 000	
Trade and other payables	529,464	–	–	529,464	529,464
Lease liabilities	35,896	22,147	7,885	65,928	63,220
	<u>565,360</u>	<u>22,147</u>	<u>7,885</u>	<u>595,392</u>	<u>592,684</u>

	2022				Carrying amount at 31 December HK\$' 000
	Contractual undiscounted cash outflow				
	Within 1 year or on demand HK\$' 000	More than 1 year but less than 2 years HK\$' 000	More than 2 years but less than 5 years HK\$' 000	Total HK\$' 000	
Trade and other payables	489,171	–	–	489,171	489,171
Lease liabilities	44,833	17,032	3,980	65,845	62,999
	<u>534,004</u>	<u>17,032</u>	<u>3,980</u>	<u>555,016</u>	<u>552,170</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from lease liabilities. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's lease liabilities at the end of the reporting period.

	2023		2022	
	Effective		Effective	
	interest rate	HK\$' 000	interest rate	HK\$' 000
Fixed rate borrowings:				
Lease liabilities	4.60%	<u>63,220</u>	4.70%	<u>62,999</u>

(ii) Sensitivity analysis

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss. Therefore, in respect of the fixed rate instrument, a change in interest rates at the reporting date would not affect the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(d) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table indicates the instantaneous change in the Group's profit after tax and retained earnings that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant:

	2023			2022		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax HK\$' 000	Effect on retained earnings HK\$' 000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax HK\$' 000	Effect on retained earnings HK\$' 000
Renminbi	5%	(21,590)	(21,590)	5%	(18,341)	(18,341)
	(5%)	21,590	21,590	(5%)	18,341	18,341
Singapore dollars	5%	4,221	4,221	5%	4,499	4,499
	(5%)	(4,221)	(4,221)	(5%)	(4,499)	(4,499)
Hong Kong dollars	5%	2,452	2,452	5%	735	735
	(5%)	(2,452)	(2,452)	(5%)	(735)	(735)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2022.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(e) Equity price risk

The Group is mainly exposed to equity price changes arising from financial assets measured as FVPL (see note 17).

The Group's listed investments are listed on the NASDAQ, Stock Exchange of Hong Kong and the New York Stock Exchange. Listed investments that are not held for trading purposes have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

All of the Group's unquoted investments are held for long-term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long-term strategic plans.

At 31 December 2023, it is estimated that with all other variables held constant, an increase/(decrease) of 5% (2022: 5%) in prices of the respective instruments would have increased/decreased the Group's profit after tax (and retained earnings) by HK\$22,518,000 (2022: HK\$20,107,000).

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained earnings) that would arise assuming that the changes in prices had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2022.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2023	Fair value measurements as at 31 December 2023 categorised into		
	HK\$' 000	Level 1 HK\$' 000	Level 2 HK\$' 000	Level 3 HK\$' 000
Recurring fair value measurements				
<i>Assets:</i>				
Treasury investments and others	19,017	19,017	–	–
Listed equity securities	2,200	2,200	–	–
Unquoted equity securities	468,838	–	–	468,838
<i>Liabilities:</i>				
Other financial liabilities	234	–	234	–

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(f) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

	Fair value at 31 December 2022 HK\$' 000	Fair value measurements as at 31 December 2022 categorised into	
		Level 1 HK\$' 000	Level 3 HK\$' 000

Recurring fair value measurements

Assets:

Listed equity securities	36,610	36,610	–
Unquoted equity securities	395,842	–	395,842

During the year ended 31 December 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2022: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

Other financial liabilities represent put options on stocks. The fair value of other financial liabilities in Level 2 is determined by discounting the difference between the strike price and the underlying asset price. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period.

Information about Level 3 fair value measurements

The Group's financial team performs valuation on level 3 financial instruments for financial reporting purpose. The team performs valuation, or necessary updates at each interim and annual reporting date. The team adopts various valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts may also be involved and consulted when it is necessary.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(f) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Information about Level 3 fair value measurements (Continued)

Unquoted equity securities mainly represented investments in certain private equity funds and non-listed internet companies. The fair value of these private equity funds was mainly determined using the latest available financial information. The latest available financial information was adjusted by unobservable inputs such as the latest round financing of the funds' underlying investments, when applicable. The higher the price of the latest round financing for these underlying investments, the higher the fair value of the private equity funds would be.

And the fair value of non-listed internet companies was mainly determined using a market-based valuation model or the latest available financial information. The market-based valuation model requires the Group to determine comparable public companies based on industry, size, leverage and strategy, and to calculate enterprise value to revenue ("EV/Revenue") multiple for each comparable company identified. And the equity value of non-listed investments is calculated based on the multiple, revenue, surplus assets and surplus liability of non-listed investments and the discount for lack of marketability. The discount is used for considerations such as illiquidity between the comparable companies based on company-specific facts and circumstances. Below is a summary of quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Market-based valuation model	EV/Revenue multiple of comparable companies	2023: 6.5 (2022: 5.9)	5% increase/decrease in multiple would result in increase/decrease in fair value by HK\$2,303,000/HK\$2,303,000 (2022: HK\$2,089,000/HK\$2,089,000)
	Discount for lack of marketability ("DLOM")	2023: 25% (2022: 25%)	5% increase/decrease in DLOM would result in decrease/increase in fair value by HK\$991,000/HK\$991,000 (2022: HK\$1,002,000/HK\$1,003,000)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(f) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Information about Level 3 fair value measurements (Continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2023 HK\$' 000	2022 HK\$' 000
Unquoted equity securities:		
At 1 January	395,842	529,475
Additional investments acquired	–	23,883
Net unrealised gains/(losses) recognised in profit or loss during the year	74,084	(135,025)
Exchange adjustments	(1,088)	(22,491)
	<u>468,838</u>	<u>395,842</u>
At 31 December	<u>468,838</u>	<u>395,842</u>
Total gains/(losses) for the year included in profit or loss for assets held at the end of the reporting period	<u>74,084</u>	<u>(135,025)</u>

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2022 and 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

30 COMMITMENTS

Capital commitments outstanding at 31 December 2023 not provided for in the financial statements were as follows:

	2023 HK\$' 000	2022 HK\$' 000
Contracted for:		
Construction of self-use office building	174,119	373,017
Acquisition of self-use office premises	–	13,521
Renovations and design	–	12,102
Investment contracts	5,315	3,742
	<u>179,434</u>	<u>402,382</u>

In addition, the Group was not committed at 31 December 2023 to enter into new leases of that are not yet commenced (2022: certain leases of 3 years with lease payments amounted to HK\$21,294,000).

31 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's executive directors as disclosed in note 8, is as follows:

	2023 HK\$' 000	2022 HK\$' 000
Short-term employee benefits	27,732	17,780
Post-employment benefits	174	156
Equity-settled share-based payment	18,499	42,359
	<u>46,405</u>	<u>60,295</u>

Total remuneration is included in "staff costs" (see note 6(a)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

31 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Other transactions and outstanding balances with related parties

For the year ended 31 December 2023, Tap Media Technology Pte. Ltd., a joint venture of the Group, provided advertising services to the Group. The advertising expense recognised for the year ended 31 December 2023 was HK\$22,627,000 (for the year to 31 December 2022: HK\$16,247,000).

Save as disclosed above, the Group did not have any other material transactions or outstanding balances with related parties.

None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	31 December 2023 HK\$' 000	31 December 2022 HK\$' 000
Non-current assets		
Investments in subsidiaries	2,545,230	2,493,786
Interest in associates and joint ventures	797	590
Financial assets at fair value through profit or loss	330,970	304,339
Total non-current assets	<u>2,876,997</u>	<u>2,798,715</u>
Current assets		
Prepayments, deposits and other receivables	552	666
Amounts due from subsidiaries	3,264	9,171
Cash and cash equivalents	141,699	164,849
Total current assets	<u>145,515</u>	<u>174,686</u>
Current liabilities		
Amounts due to subsidiaries	91,789	93,115
Other payables and accruals	4,778	2,523
Total current liabilities	<u>96,567</u>	<u>95,638</u>
Net current assets	<u>48,948</u>	<u>79,048</u>
Total assets less current liabilities	<u>2,925,945</u>	<u>2,877,763</u>
NET ASSETS	<u>2,925,945</u>	<u>2,877,763</u>
CAPITAL AND RESERVES		
Share capital	23	23
Reserves	2,925,922	2,877,740
TOTAL EQUITY	<u>2,925,945</u>	<u>2,877,763</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, <i>Presentation of financial statements: Classification of liabilities as current or non-current</i> ("2020 amendments")	1 January 2024
Amendments to IAS 1, <i>Presentation of financial statements: Classification of Non-current liabilities as current or non-current with covenants</i> ("2022 amendments")	1 January 2024
Amendments to IFRS 16, <i>Leases: Lease liability in a sale and leaseback</i>	1 January 2024
Amendments to IAS 7, <i>Statement of cash flows</i> and IFRS 7, <i>Financial Instruments: Disclosures: Supplier finance arrangements</i>	1 January 2024
Amendments to IAS 21, <i>The effects of changes in foreign exchange rates: Lack of exchangeability</i>	1 January 2025

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

	Year ended 31 December				
	2023	2022	2021	2020	2019
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
Revenue	5,265,911	4,591,327	6,050,894	5,464,035	5,233,233
Cost of revenue	<u>(1,346,854)</u>	<u>(1,440,494)</u>	<u>(1,852,808)</u>	<u>(1,648,596)</u>	<u>(1,605,701)</u>
Gross profit	3,919,057	3,150,833	4,198,086	3,815,439	3,627,532
Other net gains/(losses)	90,369	(263,752)	(31,130)	995,854	250,776
Selling and distribution expenses	(2,665,908)	(1,702,443)	(1,953,129)	(1,436,566)	(1,292,402)
Administrative expenses	(317,177)	(363,295)	(447,829)	(358,853)	(356,358)
Research and development costs	(934,852)	(1,305,078)	(1,253,767)	(689,959)	(725,075)
Profit/(loss) from operations	91,489	(483,735)	512,231	2,325,915	1,504,473
Finance costs	(3,844)	(4,291)	(5,976)	(3,465)	(3,775)
Share of results of associates and joint ventures	9,388	2,822	(60,038)	(17,922)	(11,808)
Profit/(loss) before taxation	97,033	(485,204)	446,217	2,304,528	1,488,890
Income tax expenses	(23,980)	(18,385)	(76,605)	(207,746)	(197,282)
Profit/(loss) for the year	<u>73,053</u>	<u>(503,589)</u>	<u>369,612</u>	<u>2,096,782</u>	<u>1,291,608</u>
Attributable to:					
Equity shareholders of the Company	73,053	(503,589)	370,438	2,097,015	1,291,705
Non-controlling interests	–	–	(826)	(233)	(97)

Note 1: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

FINANCIAL SUMMARY

	As at 31 December				
	2023	2022	2021	2020	2019 (Note 1)
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
Assets, Liabilities and Equity					
TOTAL ASSETS	3,697,437	3,636,137	4,454,192	4,881,118	3,711,071
TOTAL LIABILITIES	962,674	924,270	1,140,736	1,022,931	793,769
TOTAL EQUITY	2,734,763	2,711,867	3,313,456	3,858,187	2,917,302

Note 1: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

DEFINITION

“2023 AGM”	the annual general meeting of the Company held on 29 June 2023
“APP Business”	The Group’s application and mobile advertisement mediation platform business
“Articles of Association”	the third amended and restated articles of association of the Company adopted by special resolution passed at the 2023 AGM on 29 June 2023
“Board” or “Board of Directors”	the board of directors of the Company
“Business Day(s)”	a day on which banks in Hong Kong and the Cayman Islands are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong or the Cayman Islands
“BVI”	British Virgin Islands
“China” or “PRC”	the People’s Republic of China, for the purpose of the annual report, excluding Hong Kong, Macau and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“Company”	IGG Inc, an exempted company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“controlling shareholders”	has the meaning ascribed thereto in the Listing Rules
“Corporate Governance Code”	corporate governance code contained in Appendix C1 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Duke Online”	Duke Online Holdings Limited, an exempted company incorporated under the laws of the BVI on 10 September 2007 with limited liability, the entire issued share capital of which is owned by Mr. Zongjian Cai
“Edmond Online”	Edmond Online Holdings Limited, an exempted company incorporated under the laws of the BVI on 10 September 2007 with limited liability, the entire issued share capital of which is owned by Mr. Yuan Chi
“Founders”	Mr. Zongjian Cai (蔡宗建) and Mr. Yuan Chi (池元)

* For identification purpose only

DEFINITION

“Fuzhou Tianji”	Fuzhou TJ Digital Entertainment Co., Ltd.* (福州天極數碼有限公司), a limited liability company established under the laws of the PRC on 15 November 2007, a wholly-owned subsidiary of the Company
“Fuzhou Tianmeng”	Fuzhou Skyunion Digital Co., Ltd* (福州天盟數碼有限公司), a limited liability company established under the laws of the PRC on 12 December 2006, which is owned as to 50% by Mr. Deyang Zheng and 50% by Mr. Chengfeng Luo, respectively
“Fuzhou Tianmeng Registered Holders”	Mr. Deyang Zheng (鄭德陽) and Mr. Chengfeng Luo (羅承鋒)
“Fuzhou Tianmeng Structured Contracts”	a series of contracts which include the New Call Option Agreement, the New Exclusive Technical Consulting Service Agreement, the New Equity Pledge Agreement, the New Power of Attorney, the New Online Game Licensing Agreement and the Spouse Undertakings
“Fuzhou Tianping”	Fuzhou Tianping Digital Technology Co., Ltd.* (福州天平數碼科技有限公司), a limited liability company established under the laws of the PRC on 21 February 2020, a wholly-owned subsidiary of the Company
“Group”, “IGG”, “we”, “our” or “us”	the Company and its subsidiaries
“Hainan Tianzhi”	Hainan Tianzhi Network Technology Co., Ltd* (海南天志網絡科技有限公司), a limited liability company established under the laws of the PRC on 28 August 2020, a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“IGG (Hainan) Capital”	IGG (Hainan) Capital Co., Ltd.* (海南艾聚創業投資有限公司), a limited liability company established under the laws of the PRC on 3 August 2021, a wholly-owned subsidiary of the Company
“IGG Capital”	IGG Capital, an exempted company incorporated in the Cayman Islands with limited liability on 25 March 2021, a wholly-owned subsidiary of the Company
“IGG Capital Limited”	IGG Capital Limited, a limited company incorporated in Hong Kong under the laws of Hong Kong on 7 June 2021, a wholly-owned subsidiary of the Company

* For identification purpose only

DEFINITION

“IGG Singapore”	IGG Singapore Pte. Ltd., a company incorporated under the laws of Singapore on 30 June 2009, a wholly-owned subsidiary of the Company
“Independent Third Party(ies)”	individual(s) or company(ies) who is/are not connected with (within the meaning of the Listing Rules) any of the Company, Directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates
“IP”	Intellectual Property
“Land”	a piece of land located at eastern side of Fuguang Road, southern side of Hutang Road, old housing reconstruction project land lot no. 2 at Hutang Village and surrounding area, Jin’an District, Fuzhou, the PRC (Land Lot No. 2020-44 (2020-44號)), with a total site area of approximately 8,910 square metres, designated for business and commercial use with a term of land use rights of 40 years, the land use rights of which were acquired by Fuzhou Tianping pursuant to the State-owned Construction Land Use Rights Assignment Contract (國有建設用地使用權出讓合同) entered into between Fuzhou Tianping and Fuzhou Natural Resources and Planning Bureau on 15 September 2020
“Listing”	the listing of the Shares on the GEM
“Listing Date”	18 October 2013, on which dealings in Shares first commence on the GEM of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of the Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“MAU”	monthly active users
“Model Code”	the required standard of dealings for securities transactions by directors of listed issuers as set out in Appendix C3 to the Listing Rules
“OptiMobi”	OptiMobi, an exempted company incorporated in the Cayman Islands with limited liability on 8 September 2022, a wholly-owned subsidiary of the Company
“Performance-based Awarded Shares”	such number of Shares awarded by the Board pursuant to the Performance-based Share Award Scheme
“Performance-based Share Award Scheme”	the performance-based share award scheme adopted by the Company on 21 May 2021, the principal terms of which are summarised in the announcement and circular of the Company dated 21 May 2021 and 28 June 2021, respectively

DEFINITION

“Pre-IPO Share Option Scheme”	the share option scheme adopted by the Company on 12 November 2008 and amended by written resolutions of all Shareholders passed on 16 September 2013 and expired on 29 October 2022, the principal terms of which are summarised in the paragraph headed “Pre-IPO Share Option Scheme” in Appendix IV to the Prospectus
“Previous Structured Contracts”	a series of contracts (as supplemented) which include the Call Option Agreement, the Exclusive Technical Consulting Service Agreement, the Equity Pledge Agreement, the Power of Attorney and the Online Game Licensing Agreement, details of which are set out on Page 84 to Page 85 of the 2018 Annual Report of the Company
“Prospectus”	the prospectus of the Company dated 11 October 2013
“R&D”	research and development
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“SGD”	Singapore dollar, the lawful currency of Singapore
“Share(s)”	means ordinary share(s) of US\$0.0000025 each in the share capital of the Company
“Share Award Scheme”	the share award scheme adopted by the Company on 24 December 2013 and amended on 19 August 2021 and 28 March 2023 (effective date: 28 June 2023), the principal terms of which are summarised in the announcements of the Company dated 24 December 2013, 19 August 2021 and 28 March 2023
“Share Incentive Scheme”	the share incentive scheme adopted by the Company on 29 June 2023, the principal terms of which are summarised in the circular of the Company dated 28 April 2023
“Shareholder(s)”	shareholder(s) of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 16 September 2013 and subsequently terminated with effect from 29 June 2023, the principal terms of which are summarised under the paragraph headed “Share Option Scheme” in Appendix IV to the Prospectus

* For identification purpose only

DEFINITION

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Structured Contracts”	the Fuzhou Tianmeng Structured Contracts and the Xinhan Liaokuo Structured Contracts
“Xinhan Liaokuo”	Hainan Xinhan Liaokuo Network Technology Co., Ltd.* (海南新瀚遠闊網絡科技有限公司), a limited liability company established under the laws of the PRC on 29 September 2020, which is owned as to 50% by Mr. Deyang Zheng and 50% by Mr. Chengfeng Luo, respectively
“Xinhan Liaokuo Registered Holders”	Mr. Deyang Zheng (鄭德陽) and Mr. Chengfeng Luo (羅承鋒)
“Xinhan Liaokuo Structured Contracts”	a series of contracts which include the Xinhan Liaokuo Call Option Agreement, the Xinhan Liaokuo Exclusive Technical Consulting Service Agreement, the Xinhan Liaokuo Equity Pledge Agreement, the Second Power of Attorney, the Xinhan Liaokuo Online Game Licensing Agreement and the Second Spouse Undertakings
“USD” or “US\$”	United States dollars, the lawful currency of the United States of America
“Year”	the year ended 31 December 2023
“%”	per cent

If there is any inconsistency between the English and Chinese texts of this report, the English text of this report shall prevail over the Chinese text.

* For identification purpose only