2024 ANNUAL REPORT

網龍網絡控股有限公司

NETDRAGON WEBSOFT HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code：777

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NETDRAGON
WEBSOFT HOLDINGS
LIMITED

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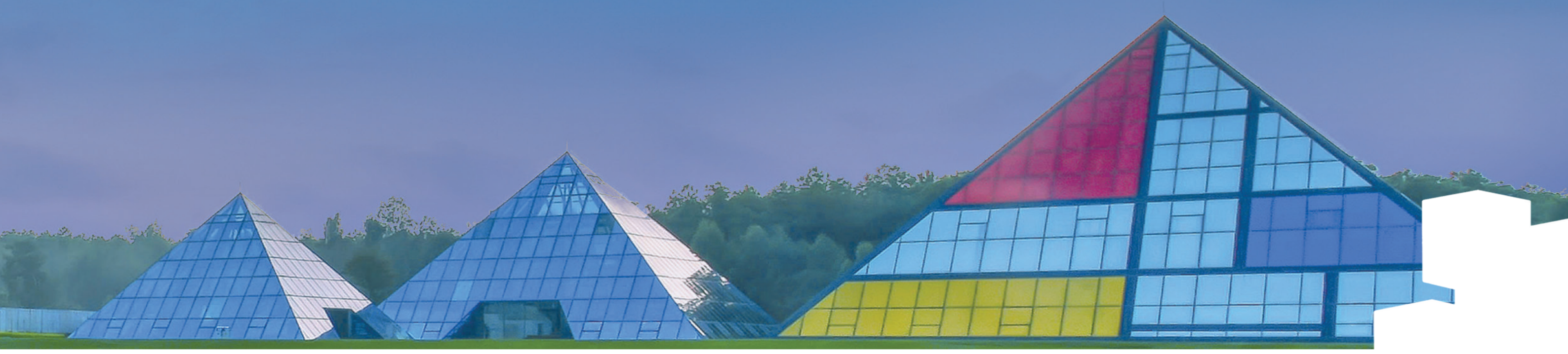


網龍網絡控股有限公司
NETDRAGON WEBSOFT HOLDINGS LIMITED

CHAIRMAN'S STATEMENT

Dr. Liu Dejian

Chairman

Dear Shareholders,

On behalf of the board of directors (the "Board") of NetDragon Websoft Holdings Limited (the "Company", "we") together with its subsidiaries (collectively referred to as the "Group"), I am pleased to present the annual report of the Company for the year ended 31 December 2024.

In 2024, global artificial intelligence (AI) technology continued to advance at a rapid pace, with developers achieving remarkable breakthroughs. As AI reshapes industries worldwide, we have proactively launched strategic initiatives to harness this wave of change. At the core of our vision is a dual-focus strategy – AI+Gaming and AI+Education – driving us toward "infinite growth".

FULLY EMBRACES THE WORLD OF ARTIFICIAL INTELLIGENCE

In the gaming sector, we have seamlessly integrated cutting-edge AI tools across key areas – including art, programming, game design, testing, and customer service – greatly enhancing production efficiency and content quality. We have established an AI Agent Platform to empower development processes. Our flagship IP *Eudemons* has undergone a series of optimizations, further strengthening ecosystem balance and significantly enhancing the player experience, laying a solid foundation for its sustainable growth. Additionally, we have launched our proprietary AI-powered cheat detection system and introduced AI companions, elevating the player experience to new heights. We are also pioneering the development of "AI-native" gameplay and content innovation, forging new paths for the future of game development and driving long-term competitiveness through technology.

In the education sector, we successfully won the tender to upgrade the "National Smart Education Platform Project" in July, reinforcing our commitment to supporting China's national strategy of "leveraging AI to transform education". On the international front, we have partnered with Thailand's Ministry of Higher Education,

CHAIRMAN'S STATEMENT

Science, Research and Innovation (MHESI) to develop an online AI education platform and offer professional training tailored for university students and the larger youth community. Additionally, our USA-listed subsidiary, Mynd.ai, took a major step forward in January 2025 with the launch of its next-generation interactive flat panel – ActivPanel 10 and software solutions ActivSuite™. Moving forward, we will focus on scaling SaaS revenue and solidifying Mynd.ai's position as the global leader in AI-driven classroom technology.

This year, we leveraged advanced AI tools to establish an automated production line ("AI Content Factory") and commenced the development of interactive educational games. By prioritizing interactive experiences and learner-driven engagement, we aim to enable immersive learning, redefine traditional teaching methodologies, and ultimately build an educational metaverse platform.

Our profit before tax increased by 19.1% YoY to RMB756 million, driven by higher investment returns, approximately RMB100 million in staff cost savings from continuing operations[1], improved operating efficiency enabled by our AI+ strategy and lower financial costs as we further enhanced our capital structure.

Looking forward, we will continue to embrace our motto of "infinite growth", further integrating advanced AI tools across all operations. We will deepen our focus on cost and efficiency improvements, empowering AI-proficient employees with greater resources to drive organizational effectiveness and strengthen team cohesion. Besides, we are committed to building a fully operational AI Content Factory, while actively exploring next-generation frontiers such as "AI-native" games and "interactive educational games" to capture additional revenue streams in the new AI era.

SHAREHOLDER RETURNS

Our net cash increased by 13.3% YoY to RMB2.1 billion with a stable operating cash inflow of RMB1.1 billion, which has laid a solid foundation for the continued advancement of our AI+ strategy and sustained business growth. As a return to our shareholders, the Board has approved a final dividend of HKD0.5 per ordinary share for 2024, representing a 25.0% increase YoY. We remain committed to maximizing shareholder value and return through offering sustainable dividends and maintaining a high payout ratio. Additionally, we will consider share buybacks based on market conditions to reward our long-term investors.

I would like to extend my sincere gratitude to our employees and management team for their dedication and hard work over the past year, which have allowed us to steadily execute our growth strategy. In 2025, we will continue to strengthen our "AI+" strategy, leveraging technological innovation to drive business development and further enhance cost efficiency – creating long-term value for our investors as we move toward a future of "infinite growth".

Liu Dejian
Chairman

1 Excluding share-based payments expense and redundancy expense

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Liu Dejian *(Chairman)*
Dr. Leung Lim Kin, Simon *(Vice Chairman)*
Mr. Liu Luyuan *(Chief Executive Officer)*
Mr. Chen Hongzhan
Ms. Lin Yun

Non-executive Director

Mr. Lin Dongliang

Independent non-executive Directors

Mr. Li Sing Chung Matthias
Mr. Lee Kwan Hung, Eddie
Mr. Liu Sai Keung, Thomas

COMPLIANCE OFFICER

Mr. Liu Luyuan

COMPANY SECRETARY

Mr. Lau Hak Kin

QUALIFIED ACCOUNTANT

Mr. Lau Hak Kin, *HKICPA, FCCA, CFA*

AUDIT COMMITTEE

Mr. Li Sing Chung Matthias *(Chairman of the Committee)*
Mr. Lee Kwan Hung, Eddie
Mr. Liu Sai Keung, Thomas

REMUNERATION COMMITTEE

Mr. Lee Kwan Hung, Eddie *(Chairman of the Committee)*
Mr. Li Sing Chung Matthias
Mr. Liu Sai Keung, Thomas

NOMINATION COMMITTEE

Mr. Liu Sai Keung, Thomas *(Chairman of the Committee)*
Mr. Li Sing Chung Matthias
Mr. Lee Kwan Hung, Eddie

SHARE AWARD SCHEME COMMITTEE

Mr. Lee Kwan Hung, Eddie *(Chairman of the Committee)*
Mr. Liu Sai Keung, Thomas
Mr. Lau Hak Kin

AUTHORISED REPRESENTATIVES

Mr. Liu Luyuan
Mr. Lau Hak Kin

HONG KONG LEGAL ADVISER

Jingtian & Gongcheng LLP

PRC LEGAL ADVISER

Jingtian & Gongcheng

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

CORPORATE INFORMATION

PRINCIPAL BANKERS

Bank of America
China Merchants Bank Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK INFORMATION

Listing Place

Main Board of The Stock Exchange of Hong Kong Limited

Stock Code

777

Listing Date

24 June 2008

Stock Name

NETDRAGON

REGISTERED OFFICE

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

HEAD OFFICE IN PRC

851 Building,
58 Wenquan Branch Road,
Fuzhou

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 2001-05 & 11, 20/F.
Harbour Centre, 25 Harbour Road
Wan Chai, Hong Kong

COMPANY WEBSITE

www.nd.com.cn

GROUP FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December				
	2020 RMB million	2021 RMB million	2022 RMB million	2023 RMB million	**2024** **RMB million**
Revenue	6,137	7,036	7,866	7,101	**6,047**
Cost of revenue	(1,966)	(2,513)	(3,551)	(2,703)	**(2,105)**
Gross profit	4,171	4,523	4,315	4,398	**3,942**
Other income and gains	231	224	223	264	**398**
Impairment loss under expected credit loss model, net of reversal	2	(8)	(14)	(3)	**2**
Selling and marketing expenses	(893)	(956)	(945)	(807)	**(758)**
Administrative expenses	(903)	(956)	(975)	(1,199)	**(1,164)**
Research and development costs	(1,176)	(1,160)	(1,224)	(1,382)	**(1,429)**
Other expenses and losses	(327)	(266)	(213)	(446)	**(249)**
Share of results of associates and joint ventures	(17)	(16)	(17)	(4)	**3**
Operating profit	1,088	1,385	1,150	821	**745**
Interest income on pledged bank deposits	3	1	–	–	**13**
Exchange gain (loss) on pledged bank deposits, financial assets at fair value through profit or loss, bank borrowings, convertible and exchangeable bonds and derivative financial instruments	45	19	(73)	(21)	**5**
Fair value change on financial assets at fair value through profit or loss	52	20	(33)	75	**67**
Fair value change on derivative financial instruments	43	(3)	15	28	**87**
Finance costs	(158)	(186)	(219)	(268)	**(161)**
Profit before taxation	1,073	1,236	840	635	**756**
Taxation	(217)	(253)	(76)	(188)	**(642)**
Profit for the year	856	983	764	447	**114**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont'd)

	For the year ended 31 December				
	2020 RMB million	2021 RMB million	2022 RMB million	2023 RMB million	**2024 RMB million**
Attributable to:					
– Owners of the Company	954	1,062	834	550	**311**
– Non-controlling interests	(98)	(79)	(70)	(103)	**(197)**
Profit for the year	856	983	764	447	**114**
Earnings per share					
– Basic (RMB cents)	171.19	191.67	154.15	103.00	**58.60**
– Diluted (RMB cents)	170.96	191.58	154.14	103.00	**58.60**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2020 RMB million	2021 RMB million	2022 RMB million	2023 RMB million (Restated)	**2024 RMB million**
Non-current assets	3,870	3,944	4,344	5,392	**4,746**
Current assets	6,123	6,941	6,687	4,990	**5,686**
Non-current liabilities	(1,380)	(1,256)	(1,468)	(163)	**(152)**
Current liabilities	(1,961)	(2,554)	(2,964)	(4,045)	**(4,414)**
Non-controlling interests	155	240	300	(279)	**(39)**
Equity attributable to owners of the Company	6,807	7,315	6,899	5,895	**5,827**

MANAGEMENT DISCUSSION AND ANALYSIS

(1) FINANCIAL HIGHLIGHTS AND REVIEW

Fiscal Year 2024 Financial Highlights

- Revenue was RMB6.0 billion, representing a 14.8% decrease YoY.
- Revenue from gaming and application services was RMB3.9 billion, representing 65.1% of the Group's total revenue and a 6.0% decrease YoY.
- Revenue from Mynd.ai business was RMB2.1 billion, representing 34.8% of the Group's total revenue and a 27.6% decrease YoY.
- Gross profit was RMB3.9 billion, representing a 10.4% decrease YoY.
- Core segmental profit[1] from the gaming and application services was RMB925 million, representing a 33.9% decrease YoY.
- Core segmental loss[1] from Mynd.ai business was RMB297 million, compared to a loss of RMB93 million in 2023.
- EBITDA was RMB1.4 billion, representing a 7.1% increase YoY.
- Operating profit was RMB745 million, representing a 9.3% decrease YoY.
- Profit before tax was RMB756 million, representing a 19.1% increase YoY.
- Profit attributable to owners of the Company was RMB311 million including an one-time non-cash deferred tax expense in Mynd.ai of RMB335 million, representing a 43.5% decrease YoY from RMB550 million in 2023.
- Operating cashflow was RMB1.1 billion, representing a 5.7% decrease YoY.
- The Company declared a final dividend of HKD0.50 per ordinary share (2023: HKD0.40 per ordinary share), subject to approval at the coming annual general meeting.

(1) FINANCIAL HIGHLIGHTS AND REVIEW (Cont'd)

Segmental Financial Highlights

(RMB million)	FY2024 Gaming and application services	FY2024 Mynd.ai business	FY2023 Gaming and application services	FY2023 Mynd.ai business	Variance Gaming and application services	Variance Mynd.ai business
Revenue	**3,938**	**2,106**	4,189	2,910	**-6.0%**	**-27.6%**
Gross profit	**3,399**	**547**	3,708	728	**-8.3%**	**-24.9%**
Gross margin	**86.3%**	**26.0%**	88.5%	25.0%	**-2.2%**	**1.0%**
Core segmental profit (loss)[1]	**925**	**(297)**	1,399	(93)	**-33.9%**	**219.4%**
Segmental operating expenses[2]						
– Research and development	**(1,227)**	**(202)**	(1,186)	(196)	**3.5%**	**3.1%**
– Selling and marketing	**(488)**	**(266)**	(463)	(327)	**5.4%**	**-18.7%**
– Administrative	**(705)**	**(362)**	(649)	(267)	**8.6%**	**35.6%**

Note 1: Core segmental profit (loss) figures are derived from the Company's reported segmental profit (loss) figures (presented in accordance with HKFRS 8), but exclude non-core/operating, non-recurring or unallocated items including government grants, intercompany finance costs, impairment loss (net of reversal), write off of intangible assets, reversal of impairment loss of intangible assets, write-down of inventories, fair value change and exchange gain on financial assets at fair value through profit or loss, fair value change and exchange loss on derivative financial instruments, interest expense, exchange loss and redemption loss on convertible and exchangeable bonds, gain on disposal of subsidiaries, fair value loss on investment properties, waiver of other payables, underprovision of tariff expenses in prior years and redundancy payments.

Note 2: Segmental operating expenses exclude unallocated expenses/income such as directors' fee and salaries, amortisation and exchange difference that have been grouped into SG&A categories on the Company's reported consolidated financial statements, but cannot be allocated to specific business segments for purpose of calculating the segmental profit (loss) figures in accordance with HKFRS 8.

(2) BUSINESS REVIEW AND OUTLOOK

In 2024, global artificial intelligence (AI) technology continued to advance at a rapid pace, with developers achieving remarkable breakthroughs. As AI reshapes industries worldwide, we have proactively launched strategic initiatives to harness this wave of change. At the core of our vision is a dual-focus strategy – AI+Gaming and AI+Education – driving us toward "infinite growth".

In the gaming sector, we have seamlessly integrated cutting-edge AI tools to enhance production efficiency and elevate content quality, while also pioneering the development of "AI-native" games. Our flagship IP *Eudemons* has undergone a series of optimizations, further strengthening ecosystem balance and significantly enhancing the player experience, laying a solid foundation for its sustainable growth. In the education sector, we successfully won the tender to upgrade the "National Smart Education Platform Project" in July, reinforcing our commitment to supporting China's national strategy of "leveraging AI to transform education". On the international front, we have partnered with Thailand's Ministry of Higher Education, Science, Research and Innovation (MHESI) to develop an online AI education platform and offer professional training tailored for university students and the larger youth community. Additionally, our USA listed subsidiary, Mynd.ai, took a major step forward in January 2025 with the launch of its next-generation interactive flat panel – ActivPanel 10 and software solutions ActivSuite™. Moving forward, we will focus on scaling SaaS revenue and solidifying Mynd.ai's position as the global leader in AI-driven classroom technology.

This year, we leveraged advanced AI tools to establish an automated production line ("**AI Content Factory**") and commenced the development of interactive educational games. By prioritizing interactive experiences and learner-driven engagement, we aim to enable immersive learning, redefine traditional teaching methodologies, and ultimately build an educational metaverse platform.

Our total revenue for 2024 decreased by 14.8% YoY to RMB6.0 billion, as Mynd.ai continued to navigate through industry-wide challenges, along with strategic adjustments in our gaming business. Nevertheless, our profit before tax increased by 19.1% YoY to RMB756 million, driven by higher investment returns, approximately RMB100 million in staff cost savings from continuing operations[1], improved operating efficiency enabled by our AI+ strategy and lower financial costs as we further enhanced our capital structure.

1 Excluding share-based payments expense and redundancy expense

(2) BUSINESS REVIEW AND OUTLOOK (Cont'd)

Our net cash increased by 13.3% YoY to RMB2.1 billion with a stable operating cash inflow of RMB1.1 billion, which has laid a solid foundation for the continued advancement of our AI+ strategy and sustained business growth. As a return to our shareholders, the Board of Directors has approved a final dividend of HKD0.50 per ordinary share for 2024, representing a 25.0% increase YoY. We remain committed to maximizing shareholder value and return through offering sustainable dividends and maintaining a high payout ratio. Additionally, we will consider share buybacks based on market conditions to reward our long-term investors.

Gaming and Application Services

In 2024, revenue from our gaming and application services amounted to RMB3.94 billion, representing a decrease of 6.0% YoY. In the second half of 2024, a series of strategic optimizations were implemented for our flagship IP *Eudemons*, in line with our long-term strategy of delivering consistent high-quality gaming experiences. Such optimizations significantly enhanced player experience, drove user growth and engagement, while solidified the foundation for the IP's long-term sustainability.

Throughout the year, we have continued to refine our "AI + Gaming" strategy, leveraging cutting-edge large language models such as GPT-4, Claude, Qwen, and Coze, while also developing proprietary capabilities based on DeepSeek architecture. We have also deepened the practical deployment of AI services like Midjourney and Hunyuan, integrating them into our production workflows. These efforts have culminated in the creation of an AI Agent Platform and the establishment of a comprehensive AI Content Factory tailored to our in-house development needs. By integrating AI across key areas – including art, programming, game design, testing, and customer service – we have enhanced operational efficiency, with certain game development processes achieving significant productivity gains. As a result, our gaming teams have been able to sharpen their strategic focus and optimize organizational structures, with the potential to effectively reduce our game development costs in 2025. Besides, we have launched our proprietary AI-powered cheat detection system and introduced AI companions, elevating the player experience to new heights. Beyond this, we are pushing the boundaries of AI-native gameplay and content innovation.

In 2024, our flagship IP *Eudemons* experienced some decline as a result of our proactive optimization measures. However, we remain committed to our high-quality content strategy, which has driven continued growth in user scale and engagement. The overall MAU for *Eudemons* IP increased by 10.1% YoY, with *Eudemon PC-mobile Cross Platform Version* seeing a 37.5% YoY surge in MAU. During the year, we also deepened collaborations with traditional Chinese cultural heritage within *Eudemons* PC game. This included various in-game events featuring the Tongliang Dragon Dance, Nanjing Brocade, and Chaoshan Yingge Dance, which not only enriched the cultural depth of the game but also strengthened the connection with our players. Furthermore, we partnered with Jiayu Pass, Quanzhou Cultural Tourism, and Harbin Cultural Tourism to explore new cross-industry models that blend gaming and cultural tourism. On the mobile front, we refined our marketing strategy and optimized content in alignment with our initiatives in PC games, leading *Eudemons Online Pocket Version* to win industry awards such as the "Players' Favorite Mobile Game" at the Golden Plume Award.

(2) BUSINESS REVIEW AND OUTLOOK (Cont'd)

Gaming and Application Services (Cont'd)

Our *Heroes Evolved* IP made significant strides in its long-term refined operations and eSports ecosystem. The PC version has achieved revenue growth for two consecutive years, with an 18.3% YoY increase in 2024, driven by the successful enhancement of the IP's influence through eSports tournaments. Viewership for our summer and winter tournaments increased by 71% and 88%, respectively, compared to the previous tournament, leading to a 5.3% YoY rise in APA.

For our *Conquer* IP, revenue performance in its core market, Egypt, was impacted by fluctuations in the Egyptian pound. However, in local currency terms, *Conquer* overseas version achieved an 8.8% YoY revenue growth in 2024. Moving forward, we aim to attract new player segments through casual gameplay while continuing to cater to MMO players.

In terms of pipeline, the highly-anticipated sequels to our flagship IP are progressing well. *Eudemons Remake Version* is set to launch in 2025, while *Legend of Eudemons* debuted on WeChat Mini Program in early 2025. Additionally, our new MMORPG mobile game, *Miracland Saga (Code-Dragon)*, based on an entirely new IP, is scheduled for release in overseas markets through a publishing partner in 2025.

NetDragon recently signed a term sheet with Beijing Wenge Technology Co., Ltd. ("**Wenge**") to exclusively collaborate outside mainland China in promoting AI services. Wenge is an AI company incubated by the Institute of Automation at the Chinese Academy of Sciences. Subject to the signing of definite agreement, Wenge will make a strategic investment of RMB75 million in cash and AI assets into NetDragon's subsidiary Cherrypicks to support its transformation into a global AI services provider. Wenge has independently developed the "Yayi" LLM and three national level datasets, delivering scalable AI services in several fields such as finance and education. Moving forward, we will work together to drive Cherrypicks' long-term development and advance the adoption of "Yayi" and other cutting-edge AI technologies in Hong Kong and overseas markets.

Our gaming and application services business remains the cornerstone of our AI+Gaming and AI+Education strategy. Looking forward, we will continue to embrace our motto of "infinite growth", further integrating advanced AI tools across all operations. We are committed to building a fully operational AI Content Factory. Meanwhile, we will actively explore next-generation frontiers such as "AI-native" games and "interactive educational games", capturing additional revenue streams brought by AI while continuing to enhance our efficiency in the new AI-era.

(2) BUSINESS REVIEW AND OUTLOOK (Cont'd)

Mynd.ai

2024 marked our overseas education subsidiary Mynd.ai's first full year as a public company. Completing the sale of our non-strategic early childhood development business unit in October 2024, paying down debt, optimizing our cost structure, and initiating a share repurchase program were meaningful steps towards strengthening our company. Despite a number of industry-wide challenges in the education sector stemming from inflation, threat of tariffs and uncertainty around Federal funding for education, we were able to capitalize on our brand loyalty, significant install base of over one million classrooms and strong distributor and partner network to maintain our strong market presence.

The key financial highlights for Mynd.ai in 2024 are as follows:

– Revenue of RMB2.1 billion for the full year, compared to RMB2.9 billion in the prior year with the decrease primarily driven by the headwinds in the global education market due to budget uncertainties in the US because of the new government, and economic conditions in Europe because of wars in Ukraine, Russia and the Middle East

– Gross Margin improved 1.0 percentage points versus 2023 to 26.0%, largely due to optimization of cost of materials, warranty, and freight costs

– Adjusted EBITDA loss totaled of RMB172 million, compared to RMB78 million

– Cash balance at year-end of RMB541 million, compared to RMB650 million in 2023

– Reduced outstanding indebtedness at year-end by RMB148 million

– Repurchased 151,923 American Depositary Shares, representing 1,519,230 ordinary shares, pursuant to our share repurchase program

Our financial performance in 2024 reflects our commitment to improving operational efficiency to help combat significant industry headwinds impacting our interactive flat panel display business. Year over year, we made improvements in our gross margin. Although we expect economic headwinds to continue during 2025, we are actively responding by continuing to optimize our operating cost structure, enhancing our go-to-market strategy and expanding our portfolio of product offerings. We are excited about the warm reception that our recently launched ActivPanel 10 and its modular infrastructure have received, and believe that the freedom of choice, simplicity, and adaptability that it provides to our customers will better position Mynd.ai to more effectively compete in the market.

(3) LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2024, the Group had pledged bank deposits, bank deposits with original maturity over three months and cash and cash equivalents of approximately RMB3,827 million (31 December 2023: RMB2,885 million).

As at 31 December 2024, the Group had net current assets of approximately RMB1,272 million as compared with approximately RMB945 million as at 31 December 2023.

(4) TREASURY POLICY

It is the Group's treasury management policy not to engage in any high-risk investment or speculative derivative products and not to invest working capital in financial products with significant underlying leverage or risks. The Group continues to adopt a conservative approach to financial risk management with no leverage during the period under review. It is the Group's policy not to use financial instruments for hedging purpose. It is also the Group's policy not to invest in foreign currency net investments which are hedged by currency borrowings and other hedging instruments.

(5) DEBT MATURITY AND CURRENCY PROFILE

The Group's total bank borrowings and other debts, including convertible and exchangeable bonds and convertible note, as at 31 December 2024 amounted to RMB2,420 million (31 December 2023: RMB1,647 million) which comprises principal amount of bank borrowings of RMB1,729 million (31 December 2023: RMB1,034 million), convertible and exchangeable bonds of RMB295 million (31 December 2023: RMB256 million) and convertible note of RMB396 million (31 December 2023: RMB357 million).

The maturity profile of the Group's total principal amount of bank borrowings and other debts for both years is set out below:

As at 31 December 2024

	Denominated in			
	RMB	USD	HKD	Total
	RMB million	RMB million	RMB million	RMB million
On demand	300	–	49	349
Within one year	1,300	771	–	2,071
Total	1,600	771	49	2,420

(5) DEBT MATURITY AND CURRENCY PROFILE (Cont'd)

As at 31 December 2023

	Denominated in			
	RMB	USD	HKD	Total
	RMB million	RMB million	RMB million	RMB million
		Restated		Restated
On demand	–	–	45	45
Within one year	760	842	–	1,602
Total	760	842	45	1,647

(6) GEARING RATIO

The gearing ratio (consolidated bank borrowings/consolidated total equity) was 0.29 (31 December 2023: 0.17). As at 31 December 2024, total bank borrowings of the Group amounted to approximately RMB1,729 million (31 December 2023: RMB1,034 million) which included variable-rate loan of RMB128 million (31 December 2023: RMB272 million) and fixed-rate loan of RMB1,601 million (31 December 2023: RMB762 million). The bank borrowings of RMB1,718 million (31 December 2023: RMB1,032 million) were secured by pledge of certain properties, right-of-use assets and pledged bank deposits of the Group, corporate guarantee provided by the Company and its subsidiaries, the remaining bank borrowings of RMB11 million (31 December 2023: RMB2 million) were unsecured.

(7) CAPITAL STRUCTURE

As at 31 December 2024, the Group's total equity amounted to approximately RMB5,866 million (2023: RMB6,174 million).

(8) CONTINGENT LIABILITIES

As at 31 December 2024 and 2023, the Group did not have any material contingent liabilities.

(9) SIGNIFICANT INVESTMENTS AND ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report, the Group did not have any material acquisitions and disposal of subsidiaries, associates and joint ventures as at 31 December 2024.

During the year, the Group did not have other plans for significant investments and capital assets.

(10) FOREIGN CURRENCY RISKS

The Group operates mainly in the PRC, the United States of America and the United Kingdom. Most of its monetary assets, liabilities and transactions are principally denominated in the functional currency of respective group entities, which is Renminbi, United States Dollar and Great Britain Pound. However, the Group also has operations in Hong Kong, Europe and Singapore (2023: Hong Kong, Europe, Singapore and Poland) and the business transactions conducted in these areas during the year were mainly denominated and settled in HKD, European dollar ("EURO") and Singapore dollar ("SGD") (2023: HKD, EURO, SGD, and Polish Zloty), respectively. The Group currently does not have hedging policy in respect of the foreign currency risk. However, the management closely monitors foreign exchange exposure to ensure appropriate measures are implemented on a timely and effective manner.

(11) CREDIT RISKS

As at 31 December 2024, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk of trade receivables, bill receivables, contract assets, other receivables, refundable rental deposits and loan receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group always recognises lifetime expected credit loss ("ECL") for trade receivables and contract assets. The ECL on these assets are assessed individually for credit-impaired debtors and collectively for others using a provision matrix with appropriate groupings.

(11) CREDIT RISKS (Cont'd)

The credit risk on pledged bank deposits, bank deposits with original maturity over three months and bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or are state-owned banks located in the PRC. In this regard, the directors of the Company consider that the ECL on these balances is insignificant.

The Group regularly monitors the business performance of the associates and joint ventures. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities and the power to participate or jointly control the relevant activities of these entities. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL. Based on the assessment of the management, the ECL for these balances were insignificant and thus loss allowance was negligible.

The credit risk on liquid funds is limited because the counterparties are banks with good credit ratings and there is no significant concentration of credit risk.

The Group has no significant concentration of credit risk on trade receivables, bill receivables, other receivables and contract assets with exposure spreading over a number of counterparties and customers.

(12) LIQUIDITY RISK

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Based on the assessment of the management, liquidity risk encountered by the Group is minimal.

CORPORATE CULTURE AND SOCIAL RESPONSIBILITIES

CORPORATE CULTURE

"Passion, Learning, Innovation, Endeavor, Pursuit of Excellence, Fairness, and Customer-orientation" is the DNA of the corporate culture of NetDragon as well as the cultural gene of every individual of NetDragon.

Passion

Passion is the attitude that every staff treats his work and colleagues. We are optimistic, dedicate ourselves to work and never give up; we always maintain a positive attitude and try to influence others

Learning

Learning has been our habit. We take the initiative to learn new things with the unity of knowledge and action. We also focus on self-examination and are ready to share what we know.

Innovation

Innovation is the motive power behind our success. We welcome changes and actively explore new fields. We dare to make attempts and sustain innovations.

Endeavor

Endeavor is our characteristic. We actively hand up and show ourselves so that we can grasp opportunities and win the future.

Pursuit of Excellence

Pursuit of Excellence is our working standard. We always have high aspirations and keep improving. We only compete with ourselves so as to surpass your expectation.

Fairness

Fairness is the working environment we strongly advocate. We respect each other, keep a frank and open mind, stay objective and impartial, and believe in the value of clear rewards and punishments.

Customer Orientation

Customer-orientation is the design and service concept of our products. We lead demands, emphasize experience, pursue a win-win situation and create values.

STAFF RELATIONSHIP AND WELFARE

HUMAN RESOURCES

1. As of 31 December 2024, total number of full time employees of the Group is 4,593.

2. NetDragon remains steadfast in our focus on attracting and nurturing elite talent, continually bringing in high caliber professionals to build an elite organization.

   In 2024, leveraging the Company's diverse and thriving business platform, we have successfully attracted 478 outstanding talents from the gaming and education sectors, including 97 senior professionals, effectively facilitating the upgrade of corporate talent. We are placing a strong emphasis on the AI sector, putting greater efforts to recruit top-tier AI talents to drive the organisation's AI transformation. By consistently increasing the proportion of senior professionals, we are steadily promoting the upgrade of our talent framework and further strengthening the foundation of an elite organisation structure.

   Simultaneously, the Company has actively focused on campus recruitment, conducting large-scale recruitment campaigns at leading universities nationwide. Through the 2024 spring recruitment and 2025 fall recruitment cycles, we received applications from 27,145 fresh graduates both domestically and internationally. Following a rigorous selection process, we onboarded 86 outstanding candidates, bringing in high-calibre "new blood".

   In the area of employer brand building, we have earned multiple awards for our exceptional talent management practices and overall corporate strength, namely "2024 Outstanding Employer", "2024 Best Employer" and "2024 Top Employer for Workplace Credibility". These honors further underscore our success in attracting and retaining top talent, providing a robust support for continuously gathering industry-leading professionals.

3. The organisation of the Company is more flexible and open in the NetDragon Metaverse organisation, which breaks organizational barriers and welcoming like-minded talents from all over the world through more flexible and diversified modes of employment and cooperation to promote the future strategic development of the Company.

   In 2024, NetDragon issued more than 10 thousand orders to different sectors in society and fulfilled business needs, over 1,200 individuals and teams that had participated in the non-gaming business of NetDragon in the form of metaverse organisation. Meanwhile, we cooperated with major colleges and universities in China where students and teachers of whom were invited to participate in the production line of Huayu resources and together creating quality education resources. Under the background of organizational reconstruction, we will effectively link up the departing employees and guide them to become employees of Metaverse, so everyone participates in co-creation, and everyone shares value.

4. The Company promotes a task-oriented management method, which relies on the task pool and documentation system to strictly screen through and control tasks in order to ensure that all tasks revolve around the objectives of the organization and effectively contribute to the development of the organization. Achieving strong connection between the strategies of the organisation and personal tasks through constructing a whole-process closed-loop management system which issues, executes, delivers and reviews tasks thereby tasks are related to objectives, needs are responded, tasks are concluded and reviews are valid.

   According to the task allocation mechanism, employees could break through post limitations and claim tasks independently according to their personal interest and capabilities, achieving the diversified development and self-management of their careers and fully unleashing their individual values.

   A more stringent assessment and screening mechanism for performance assessment is implemented, which thoroughly promotes task-oriented and results-oriented assessment and management to raise the requirements for our employees.

   The Company also provides differentiated remuneration and incentive schemes for different types of talents, which targets certain core groups to provide groundbreaking remuneration reform schemes for those who have outstanding performances, leveraging incentive to drive work results and achievements, to surpass oneself and to challenge bigger goals.

5. As a design-oriented enterprise that actively applies new technologies, NetDragon has always taken going electronic/AI as an important starting point to fully construct AI empowerment and electronification management system and to transform into an AI type organisation.

   The Company fully promotes the electronification of tasks within the organisation to build AI production lines, which facilitate the application of AI amongst various task to deeply integrate the best practice in the Company with AI technology, creating various task tools which would elevate the level of work standardisation and automation. The completion quality and efficiency of the overall tasks of the Company have been significantly improved through steadily advancing from AI assist to AI production.

   To explore the creative management modes-AI pre-execution, AI pre-review, AI pre-decision, the process of human resource digitalisation is accelerated in the field of human resources. To support the planning of human resources with precise headcounts of personnel through building a personnel data board; to improve efficiency of resource allocation through constructing a tag library which efficiently pairs tasks recommendation with personnel evaluations; to match the remuneration system to task values through developing tasks pricing tools and exploring payment methods of tasks remuneration; to achieve the standardization and efficiency of the assessment while ensuring the fairness and impartiality of it through constructing a task-oriented electronic inspection standard system which promotes the AI assessment mechanism of employees, providing data support for decision making of the management.

6. In terms of employee service and care, adhering to the "people-oriented" management philosophy and emphasizing employee experience, the Company provides various employee care and welfare including career development, physical and mental health, and family care throughout the whole life cycle of employees.

WORKING ENVIRONMENT

The Group provides a friendly and happy working environment for our staff, with spacious and well-equipped workplace, including staff canteen, cafes, activity rooms, indoor and outdoor swimming pool, football court, basketball court, badminton court, tennis court, squash courts and fitness center. The Group also organises various staff activities such as carnival, quarter marathon and new year gala. A relaxed and pleasant working environment does not only enhance a sense of belonging among staffs, but also enhance their work efficiency and creativity.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Liu Dejian, aged 53, Chairman of the Board and Executive Director

Dr. Liu is the founder of NetDragon and the chief designer of NetDragon's development strategy and business planning. Dr. Liu was appointed as the Director and Chairman of the Board on 15 October 2007. Over the years, Dr. Liu plays a pivotal role in elevating our Company into one of the leading online game and mobile Internet operations developers in PRC. Dr. Liu is mainly responsible for the group's forward-looking business strategies, and the formation of research and development teams. Dr. Liu leads the design of the online game products and formulates the development policy, which has significantly contributed to the growth of the Company as a competitive online game operator and developer. Currently, Dr. Liu is committed to leading the Company's transformation to an international design-oriented enterprise, while actively promoting Internet education to establish our Group as a leader in the global smart education sector.

Dr. Liu always pays attention to the development of global science and technology. He believes that information technology would change the world, therefore, Dr. Liu founded Fujian NetDragon Websoft Co., Ltd. (福建網龍計算機網絡信息技術有限公司) ("NetDragon (Fujian)") after graduating with his Bachelor's degree.

Dr. Liu graduated with a Bachelor's degree of Science in Chemistry from University of Kansas in the USA in 1995, and a doctorate degree in education from Beijing Normal University in 2021. He is currently a doctoral student and studying the "Innovation Leading of Engineering Doctor" by the Tsinghua Shenzhen International Graduate School. He was awarded the Special Allowance Expert in State Council* (國務院特殊津貼專家) in January 2015. In May 2017, Dr. Liu was recognized as a Senior Engineer Enjoying Professor and Researcher Status* (享受教授、研究員待遇高級工程師) with his exceptional technical accomplishments. In addition, Dr. Liu received 2024 Progress Prize First Award in Hubei Province Science and Technology* (二零二四年度湖北省科學技術進步獎一等獎), 2013 Progress Prize Second Award in Fujian Province Science and Technology* (二零一三年度福建省科學技術進步二等獎) and 2021 Progress Prize Third Award in Fujian Province Science and Technology* (二零二一年度福建省科學技術進步三等獎). Dr. Liu is a brother of Liu Luyuan.

* *For identification purpose only*

DIRECTORS AND SENIOR MANAGEMENT

Leung Lim Kin, Simon, aged 70, Vice Chairman of the Board, Executive Director, Chairman and Chief Executive Officer of Fujian Province Huayu Education Technology Co. Ltd. ("Fujian Huayu") (福建省華漁教育科技有限公司)

Dr. Leung joined the Company in March 2015 and was appointed as the executive Director on 30 October 2015. He is responsible for the planning, consolidation and operation of the education business of the Company in the People's Republic of China and the development of the online education business overseas.

Dr. Leung had over 30 years of experience in both information technology and telecommunications industries. In 2005, he was appointed as the president of Motorola Asia-Pacific, a company principally engaged in the production of data communication and telecommunication equipment, where he was primarily responsible for the overall strategic planning and implementation in the Asia-Pacific region. Since 2008, Dr. Leung was the chief executive officer of Microsoft Greater China region, a company principally engaged in developing, manufacturing, licensing and sales of software products, where he was primarily responsible for overseeing overall business operations and for developing and implementing a regional strategy.

Prior to joining the Company, Dr. Leung also held management roles at various educational institutions or corporations engaging in education business. From 2009 to 2010, he was the governor of the Upper Canada College, an educational institution, where he was primarily responsible for establishing and directing policy for the college and overseeing its financial affairs. In 2012, Dr. Leung was the chief executive officer of Harrow International Management Services Limited, a company principally engaged in the management of Harrow International Schools, where he was responsible for the development of new Harrow International Schools and education services in Asia.

Dr. Leung received his bachelor of arts degree and a doctorate in laws from the University of Western Ontario, Canada in 1978 and 2005 respectively and a doctorate in business administration from Hong Kong Polytechnic University in 2007.

Dr. Leung currently serves as a member of the Ivey Asia Advisory Board of the Richard Ivey School of Business of the University of Western Ontario, an educational institution, where he is primarily responsible for advising the school on its mission strategy in Asia. He is also a governor of Tung Wah College, an educational institution, where he is primarily responsible for determining key governance issues. From 2010 to 2015, Dr. Leung was a member of the International Advisory Committee of the Hong Kong Polytechnic University. From 2015 to 2017, he was appointed as a member of the Steering Committee on Innovation and Technology of HKSAR. Dr. Leung is currently an independent non-executive director of PuraPharm Corporation Limited (Stock Code: 1498), a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is also a non-executive director of Modern Times Group (Stock Code: 'MTG A' and 'MTG B'), a company listed on Nasdaq Stockholm. In addition, Dr. Leung is the chairman of the board of directors of Mynd.ai Inc.(Stock Code : MYND), a company listed on NYSE American.

* *For identification purpose only*

DIRECTORS AND SENIOR MANAGEMENT

Liu Luyuan, aged 51, Executive Director, Chief Executive Officer, Compliance Officer and one of the authorised representatives of the Company

Mr. Liu was appointed as the executive Director, Chief Executive Officer, Compliance Officer and one of the authorised representatives of the Company on 15 October 2007. Mr. Liu also serves as director of NetDragon Websoft Inc. ("NetDragon (BVI)"). Mr. Liu currently shoulders a number of social services, such as acting as the director general of the West Taiwan Strait Youth Entrepreneurs Foundation, vice chairman of Fujian Youth Development Foundation, vice chairman of the Fujian Youth Federation, executive vice chairman of Fujian Enterprises and Entrepreneurs Confederation, as well as the chairman of Fujian Youth Entrepreneurs Association.

As an outstanding representative of the new social community taking part in the construction of the Fujian West-strait Economic Zone. Mr. Liu graduated from Chengdu Electronic Technology University in 1997 with a degree in electro-mechanical engineering, and later received an adjunct professor certificate from Fujian Normal University. Mr. Liu has engaged in the operation and management of software enterprises and technology development and has decades of experience in the management and administration of technical institutions. Mr. Liu is in charge of overall management. By taking part in various activities on behalf of the Company, he shared new ideas and new technologies in animation and game industry. Furthermore, he set up the West Taiwan Strait Youth Entrepreneurs Foundation to cultivate talent. Mr. Liu was awarded the "May 4th Youth Medal" and the titles of "Fujian Brilliant Entrepreneur", "Fujian Top Ten Economic People" and "Fujian Business Building Haixi Outstanding Contribution Award". Mr. Liu is a brother of Liu Dejian.

Chen Hongzhan, aged 52, Executive Director

Mr. Chen was appointed as the executive Director on 15 October 2007. He is an experienced online game developer with over 20 years of experience in the management of game development. He is mainly responsible for game development of the Company.

Mr. Chen graduated with a Bachelor's degree of Engineering in Mechanical Design and Manufacture (機械設計及製造) from Beihang University (北京航空航天大學) in July 1995. Before joining the Company in 2001, Mr. Chen was a game developer. Mr. Chen established his own online game studio from 1996 to 1999. Mr. Chen worked as the project manager in Chongqing Dazhong Software Company from 1998 to 2000 and the manager of the technical department in Beijing Beijibing Technology Development Company Limited from 2000 to 2001.

Lin Yun, aged 53, Executive Director

Ms. Lin Yun was appointed as the executive Director on 16 September 2024. She is currently the vice president of the Group and is responsible for the government-enterprise relations, project management, labor unions and legal affairs of the Group in PRC. Ms. Lin has more than 30 years of experience in corporate management and governance.

Prior to joining the Group, Ms. Lin served as the secretary to the chairman of Fujian Yangzhenhua 851 Biological Technology Co., Ltd. (福建楊振華851生物科技股份有限公司) from 1989 to 2001. Ms. Lin joined the Group in 2001, and has been fully responsible for the legal affairs of the Group in PRC since 2007. Ms. Lin also currently serves as the executive vice president of Fujian Chamber of Commerce of Private Enterprises* (福建省民營企業商會), the vice president of Fujian Provincial Publishing Association* (福建省出版協會), the vice president of Fujian Digital Economy Promotion Association* (福建省數字經濟促進會) and director of the Yuan Yuzhou Special Committee* (元宇宙專委會), the vice president of Fujian Internet Information Industry Federation* (福建省網信產業聯合會), the director of Fujian Software Industry Association* (福建省軟件行業協會), the vice president of Fuzhou Network and Information Industry Federation* (福州市網信行業聯合會) and the vice president of Fuzhou Association of Foreign-Invested Enterprise* (福州市外商投資企業協會) etc.

NON-EXECUTIVE DIRECTOR

Lin Dongliang, aged 62, Non-executive Director

Mr. Lin was appointed as a non-executive Director on 15 October 2007. Mr. Lin graduated with a Master's degree in Engineering Management in 1986 from Tsinghua University.

Mr. Lin is currently a general partner of IDG Capital. He has presided over a variety of investment projects in the IT industry since 1995 with remarkable success. Prior to joining IDG Capital, Dongliang worked at the Development Research Center of the State Department of China. Mr. Lin is currently a director of Sichuan Hexie Shuangma Co., Ltd (四川和諧雙馬股份有限公司)(stock code: 935), a company listed on the Shenzhen Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lee Kwan Hung, Eddie, aged 59, Independent non-executive Director

Mr. Lee was appointed as an independent non-executive Director on 15 October 2007. Mr. Lee is also the chairman of our remuneration committee, a member of our audit committee and nomination committee.

He is a practicing solicitor and received his LL.B (Honours) degree and Postgraduate Certificate in Laws from the University of Hong Kong in 1988 and 1989 respectively. He was then admitted as solicitor in Hong Kong in 1991 and in England and Wales in 1997. He joined Howse Williams (formerly known as "Howse Williams Bowers"), a law firm in Hong Kong, as a consultant lawyer in 2014.

Mr. Lee is currently the independent non-executive director of Embry Holdings Limited (Stock Code: 1388), Newton Resources Ltd (Stock Code: 1231), Tenfu (Cayman) Holdings Company Limited (Stock Code: 6868), FSE Lifestyle Services Limited (Stock Code: 331) and Ten Pao Group Holdings Limited (Stock Code: 1979), all companies listed on the Main Board of the Stock Exchange. Mr. Lee was also an independent non-executive director of each of Landsea Green Management Limited (formerly known as "Landsea Green Properties Co., Ltd") (Stock Code: 106) between July 2013 to June 2020, China BlueChemical Ltd. (Stock Code: 3983) between June 2012 and May 2021, and Renze Harvest International Limited (formerly known as "Glory Sun Financial Group Limited") (Stock Code: 1282) between November 2015 and July 2022, and Red Star Macalline Group Corporation Ltd (Stock Code: 1528) between February 2015 and August 2023, all companies listed on Main Board of the Stock Exchange.

Liu Sai Keung, Thomas, aged 52, Independent non-executive Director

Mr. Liu was appointed as an independent non-executive Director on 15 October 2007. Mr. Liu is also the chairman of our nomination committee, a member of our audit committee and remuneration committee. He graduated with a MBA degree from the Anderson School at the University of California, Los Angeles and a Bachelor's degree in Business Administration and a Master's degree in Finance from the Chinese University of Hong Kong in 1995 and 1999 respectively. Mr. Liu is currently the executive director and Chief Operation Officer of VCREDIT Holdings Limited (Stock Code: 2003), a company listed on the Main Board of the Stock Exchange. Prior to joining VCREDIT Group in 2009, he served as the managing director of strategic investments of GroupM China from 2007 to 2009 and the vice president of Star Group Limited from 2006 to 2007. He was also served as a business development director of TOM Online Limited and an investment banking associate of the New York office of Lehman Brothers Inc.

Li Sing Chung Matthias, aged 70, Independent non-executive Director

Mr. Li was appointed as an independent non-executive Director on 30 December 2022. Mr. Li is also the chairman of our audit committee, a member of the remuneration committee and nomination committee.

Mr. Li is a seasoned business executive with extensive strategic planning, corporate and financial management experience. Mr. Li currently serves as vice chairman of the Hong Kong Business Accountants Association and the Hong Kong Public Sector Accountants Association, board of management member, the council member and chairman of the finance committee of the Caritas Hong Kong, council member and treasurer of UNICEF Hong Kong, and Hong Kong Accounting Consultant appointed by the Ministry of Finance of the People's Republic of China. From 2016 to 2020, Mr. Li was the chief executive officer of Ocean Park Corporation in Hong Kong where he also previously served as chief financial officer and corporate secretary. Mr. Li started his career as an auditor at Arthur Andersen & Co and was a director overseeing Asia Pacific institutional banking at Bank of Montreal before joining Ocean Park in 1994, and previously served as secretary and treasurer of UNICEF Hong Kong. Mr. Li graduated from the University of Toronto with a Bachelor of Commerce and Master of Business Administration degrees, and is currently a fellow of the Hong Kong Institute of Certified Public Accountants and a fellow of the Chartered Professional Accountants, Canada.

SENIOR MANAGEMENT

Wang Song, aged 43, Chief Product Officer and Senior Vice President

Mr. Wang joined the Group in 2002 and is responsible for the game projects, such as Eudemons Online《魔域》, Conquer Online《征服》and Heroes Evolved《英魂之刃》. He has also participated in the planning of a number of major projects, including Monster & Me《幻靈游俠》, Zero Online《機戰》, OL Tou Ming Zhuang Online《投名狀OL》and OL Heroes of Might & Magic Online《英雄無敵OL》. Since 2004, Mr. Wang has been planning the Eudemons Online《魔域》project, and in the past ten years, he has led the Eudemons Online《魔域》related projects to win numerous awards in China, successfully enter the overseas market, and achieve tens of billions of income for the Company. Mr. Wang has also been responsible for the planning and research and development of educational products of the Group since 2013. Since 2017, with the change of the Group's overall education business structure, Mr. Wang has been fully responsible for the product business of the Group (including games and education). He is currently the Chief Products Officer and Senior Vice President of the Company, mainly responsible for the Company's core product design, major strategic recommendations and major decision making.

DIRECTORS AND SENIOR MANAGEMENT

Chen Hong, aged 49, Chief Technology Officer ("CTO") of Fujian Huayu and Senior Vice President

Mr. Chen joined the Group as CTO of Fujian Huayu in April 2018, fully responsible for technical development strategy planning, research and development, difficult challenges and innovation, capacity improvement and other technical management issues in the education business field. Prior to joining the Group, Mr. Chen served as General Manager of VMware Beijing R&D Center, R&D Director of CPD China and Japan, and CTO of SVM (Joint Venture of Sugon and VMware). Mr. Chen has rich management experiences in large-scale teams of Chinese and global companies, Sino-foreign joint ventures and startups. He also has excellent management skills in Internet education, education artificial intelligence, cloud computing, operating system, network, storage, system management automation and large enterprise software development, testing, product management, customer technical support, and R&D center management. Mr. Chen obtained a master's degree in engineering from Beijing Institute of Technology in 1999 and a master's degree in business administration from Tsinghua University in 2008.

Yu Biao, aged 55, Senior Vice President, Chairman of Fujian Huayu (PRC), Chairman of Fuzhou Software Technology Vocational College (福州軟件職業技術學院)

Mr. Yu joined the Group in September 2009, he is the Senior Vice President of the Company, Chairman of Fujian Huayu (PRC) and Chairman of Fuzhou Software Technology Vocational College (福州軟件職業技術學院), and is mainly responsible for the planning, consolidation and operation development of the education business of the Company in the PRC and the development of its overseas online education business, with a focus on comprehensive business that covers early childhood education, basic education, higher education, vocational education, corporate training, and non-formal and lifelong education.

In recent years, Mr. Yu has led his team to deeply integrate technological innovation into educational practices. Through close collaboration with educational authorities, institutions and enterprises, they have established a professional platform that offers convenient educational services and training support to all parties involved, driving the implementation of educational informatisation and smart education and nurturing a large pool of application-oriented talents. In the context of globalisation, Mr. Yu has keenly identified the international opportunities for vocational education to "go global alongside enterprises", actively promoting the internationalisation of vocational education. He has led various initiatives such as cross-cultural exchanges, international teacher training, remote collaboration and virtual hands-on training. He has incorporated metaverse skills training into the vocational education curriculum framework by leveraging NetDragon's technological strength and global presense. Through deepened school-enterprise cooperations, these initiatives have provided students with international internship opportunities, enhancing their practical capabilities and enabling students both domestically and abroad to seize career development opportunities in the wave of globalisation.

In addition, Mr. Yu currently serves as the vice president of China Unicom 5G Applications Innovation Alliance (中國聯通5G應用創新聯盟), director of Fuzhou 5G Association (福州市5G協會), vice president of the Fujian Provincial Youth Science and Education Association (福建省青少年科教協會副理事長), member of Digital Art Professional Committee of China Society of Image and Graphics (中國圖像圖形學學會數碼藝術專委會), vice president of the Association of Promoting Reading in the Public of Fujian Province (福建省全民閱讀促進會), manager of VR/AR Vocational Education Steering Committee of Fujian Province (福建省VR/AR行業職業教育指導委員會) etc. Mr. Yu has played a significant role in promoting the integration of education and technology, as well as enhancing the influence of the industry.

Before joining the Company, Mr. Yu graduated from the Department of Light Industries of Fuzhou University in 1992, majoring in food engineering. Mr. Yu was a director of Xiamen Digital Engine Network Co., Ltd. (廈門數字引擎網絡有限公司) in 2000. He was the assistant to the dean of Napier College of Fuzhou University (福州大學中英Napier學院) from 2000 to 2007. Mr. Yu was the managing director of Fuzhou Bojie Education Consultation Co., Ltd. (福州博傑教育諮詢有限公司) in February 2004, deputy director of the Chinese and Australian Class Project of Fuzhou No.8 Secondary School and the Chief Representative of the Australian school in China in June 2006 and Director and general manager of Fuzhou Bojie Child Education Technology Co., Ltd. (福州博傑兒童教育科技有限公司) from 2008 to 2009. He has over 30 years of experience in education management.

Lin Wei, aged 46, Senior Vice President and President of Fujian Huayu (PRC)

Mr. Lin joined the Group in 2008 and is currently the senior vice president of the Group and the president of Fujian Huayu (PRC), mainly responsible for organisation and management of sales team, construction and expansion of sales channel and research and development of hardware products for the educational business of the Group in the PRC. Before joining the Group, Mr. Lin worked for DELL (China) and has over 15 years of experience in IT, mobile Internet and education industries.

Mr. Lin also serves as the instructor of Yanwu Maker at the Software College of Xiamen University and has dedicated to the integration of advanced technology (such as AI/VR/AR/big data) with education, so as to move the industry forward. In view of this, Mr. Lin actively encourages the implementation of virtual reality technology in higher vocational education. Since the inception of the virtual reality competition in the National Vocational Student Skills Competition（全國高等職業技能大賽虛擬現實賽項）in 2017, Netdragon has been the organiser of this event for two consecutive years. Mr. Lin has facilitated the cooperation of Netdragon with National Center for Schooling Development Programme to set up Guoyu Huayu VR World Laboratory project, thereby providing VR technology laboratory and talent cultivation programme for research undergraduate education, application-type undergraduate education and vocational college. He has formed a VR educational alliance with China Association for Educational Technology and The Open University of China to provide VR curriculum design and laboratory construction programme for the Open University. Furthermore, Mr. Lin also serves on the editorial board of the "Artificial Intelligence" (人工智能) series and "Product Design Method" (產品設計方法), applying for the Virtual Reality Competition of National Vocational College Skills Competition Higher Vocational Group for three consecutive years and teaching materials for basic education published by the Shanghai Educational Publishing House. He received the 2020 Echoing China Tencent Education Annual Ceremony Award (二零二零回響中國騰訊教育年度盛典獎) and was recognised as the 2020 Education Industry Leader (二零二零年度教育行業領軍人物).

DIRECTORS AND SENIOR MANAGEMENT

Lin Chen, aged 43, Senior Vice President

Mr. Lin joined the Group in 2009, currently serves as the senior vice president of the Group. He is responsible for the management of the design planning center and QA department. Mr. Lin is an experienced expert in the area of software quality management. After joining the Group, Mr. Lin has led the QA technology team to continuously improve software quality management system and ensure product safety and reliability of the Company, and has in turn achieved remarkable result in ensuring software safety. Since 2013, Mr. Li has concurrently served as the head of the design center and design planning center and was responsible for management of the game design, software design, UED and industry design teams. He proactively promotes improvement of design ability, cultivation of design talents, consideration and promotion of design method and helping the Group to transform into an international design enterprise. Since 2018, Mr. Lin has served as the senior vice president of the Group, responsible for the management of the design center, the planning center and the QA department. Concurrently, he has been deeply involved in strategic work of the Group, such as decision-making in research and development of the game and education business.

Before joining the Group, Mr. Lin worked in the Global Information Technology Services department, responsible for testing and delivery of overseas IT projects. He is experienced in software quality management and overseas business management.

Zheng Yicheng, aged 30, Chief Executive Director of NetDragon (Fujian) and Fujian Huayu

Mr. Zheng joined the Group in 2018. He currently serves as a representative and chief executive director of NetDragon (Fujian), Fujian Huayu and Fujian TQ Digital Inc. (福建天晴數碼有限公司). Mr. Zheng graduated from the University of Kansas in the USA with a bachelor's degree in civil engineering in 2018. He is focusing on core product design with his agile thinking and pursuit of excellence, demonstrate his outstanding design innovation talents and management abilities.

In the corporate governance aspect, he also actively participates in the operation and development of the Group with enthusiasm, actively provides suggestions and positive assistance to promote high-quality business development, and has won reputation and praise both inside and outside the Group.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Lau Hak Kin, Wood, aged 47, Financial Controller, Qualified Accountant, Head of Compliance and Corporate Affairs and Company Secretary

Mr. Lau joined the Group as Financial Controller and Head of Compliance and Corporate Affairs in February 2014 and was appointed as the Company Secretary of the Group in September 2014. Mr. Lau holds a bachelor's degree in business administration, majoring in accountancy, from the Chinese University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a CFA charterholder. He has over 20 years of experience in financial management, risk management, accounting, taxation and auditing and previously worked for PricewaterhouseCoopers and acting chief financial officer of Asian Citrus Holdings Limited before joining the Group.

REPORT OF THE DIRECTORS

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 July 2004 and is an investment holding company. The shares of the Company have been listed on the Main Board of the Stock Exchange since 24 June 2008.

The Group is principally engaged in (i) gaming and application services, (ii) Mynd.ai business and (iii) property development business.

Details of the principal activities of the Company's principal subsidiaries are set out in note 48 of Notes to the Consolidated Financial Statements.

BUSINESS REVIEW

The fair review of the Group's business for the year ended 31 December 2024 is set out in "Management Discussion and Analysis" section on pages 10 to 13.

Details of analysis of the financial key performance are set out in "Management Discussion and Analysis" section on pages 8 to 9.

PRINCIPAL RISKS & UNCERTAINTIES

Competition in the online and mobile game industry in the global market, including the PRC, is becoming increasingly intense. There are already several online and mobile game companies with strong financial resources, such as Electronic Arts, IGG Inc, NetEase.com and Tencent Holdings Limited, which have successfully listed their shares on NASDAQ or the Hong Kong Stock Exchange. Meanwhile, there are many private companies focusing on online game development which have further intensified the competition, particularly in the global market. Many of the competitors have been aggressively recruiting talent to bolster their game development capabilities and increasing their spending on game marketing for a long time. Increased competition in the online and mobile game market may make it difficult for the Group to retain our existing employees, attract new employees, acquire new players and sustain our growth rate.

The Company is affected by the emergence of new technologies and games. New technologies in online game development or operations could render the games that the Group designs or plans to develop obsolete or unattractive to players, thereby limiting our ability to recover the development costs, which could potentially adversely affect our future profitability and growth prospects.

BUSINESS REVIEW (Cont'd)

PRINCIPAL RISKS & UNCERTAINTIES (Cont'd)

The Group relies on the spending of our game players for our revenue, which may in turn depend on the players' level of disposable income, job security, perceived future earnings capabilities and willingness to spend. In the past three years, the global economy has been affected by the COVID-19 pandemic. Many major economies have also adjusted their monetary and fiscal policies, which has led to far-reaching effects such as inflation and liquidity crisis in small and medium-sized banks in Europe and the United States. If our game players reduce their spending on playing games due to such uncertain economic conditions, our business, financial condition and results of operations may be adversely affected.

Details of the risks relating to the contractual arrangements are set out on pages 53 to 57.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The future success of the Group is heavily dependent upon the continued service of our key executives and other key employees. In particular, the Group relies on the expertise and experience of Liu Dejian, an executive Director, in our business operations. Mr. Liu is mainly responsible for overall business strategic development and is the chief game designer of our game development team. Mr. Liu leads the game development team on the design of our online game products. He formulates our development policy and contributes to our growth as a competitive online game operator and developer.

The operating environment of the online game industry is changing rapidly. In order to maintain profitability and financial and operational success, the Group must continuously develop new online games that are attractive to players, make improvements to the existing games that appeal to players and enhance the technical and artistic features of all of our games. The success of our games largely depends on our ability to anticipate and respond effectively to the ever changing customer preferences and demand.

The suppliers of the Group's online game business include primarily server and bandwidth leasing companies and game operation service providers and it also relies on third party service providers in various aspects. The distribution and payment channels comprise (i) direct sales supported by online payment service providers and distribution partners, (ii) pre-paid card sales supported by distributors throughout the PRC, and (iii) cooperation channels supported by our cooperation partners.

The performance and the results of operation of the Group as set out in this Annual Report are historical in nature and past performance is not a guarantee of future performance. This Annual Report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual result may also differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume any obligations or liabilities in the event that any of the forward-looking statements or opinions does not materialise or turns out to be incorrect.

BUSINESS REVIEW (Cont'd)

COMPLIANCE WITH LAWS AND REGULATIONS

In relation to human resources, the Group is committed to complying with the requirements of the Personal Data (Privacy) Ordinance, and ordinances relating to disability, sex, family status and race discrimination, as well as the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

The Group is also committed to safeguarding the security of personal data. When collecting and processing such data, the Group strictly abides by the relevant laws, regulations, business guidelines and normative standards in respect of network security, data security and personal information protection in the place where its business is operated, with a view to protecting the privacy of its employees and customers.

On the corporate level, the Group complies with the requirements under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("Companies Ordinance"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") for, among other things, the disclosure of information and corporate governance, and the Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

Workplace Quality

The Group is an equal opportunity employer and eliminates any kind of discrimination. The Group has employee handbooks outlining terms and conditions of employment, expectations for employees' conduct and behavior, employees' rights and benefits. We establish and implement policies that promote a friendly and respectful workplace.

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

Health and Safety

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

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

REPORT OF THE DIRECTORS

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company for the year ended 31 December 2024 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on pages 161 to 162.

The interim dividend of HKD0.40 for the six months ended 30 June 2024 were paid on 31 October 2024.

The Directors now recommend the payment of a final dividend of HKD0.50 per share. The final dividend is expected to be payable on or before Thursday, 31 July 2025 to shareholders whose names appear on the register of members of the Company on Thursday, 12 June 2025, amounting to approximately RMB246 million.

PROPERTY, PLANT AND EQUIPMENT

During the year under review, the Group acquired certain property, plant and equipment for the year ended 31 December 2024.

Details of movements in the property, plant and equipment of the Group for the year ended 31 December 2024 are set out in note 14 of Notes to the Consolidated Financial Statements.

SHARE CAPITAL

Details of movements of the Company's issued shares for the year ended 31 December 2024 are set out in note 36 of Notes to the Consolidated Financial Statements.

RESERVES

Movements in the reserves of the Group for the year ended 31 December 2024 are set out in the Consolidated Statement of Changes in Equity.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2024 and 2023, the Company had reserves available for distribution to shareholders, which comprises the dividend reserve of approximately RMB246 million (2023: approximately RMB193 million), share premium of approximately RMB1,159 million (2023: approximately RMB1,599 million) and accumulated losses of approximately RMB66 million (2023: retained profits of approximately RMB66 million) of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue from sales of goods or rendering of services attributable to the Group's five largest customers and the Group's largest customer accounted for approximately 15.8% and approximately 5.1%, respectively, of the Group's total revenue for the year. The aggregate purchases attributable to the Group's five largest suppliers and the Group's largest supplier accounted for approximately 50.2% and approximately 22.9%, respectively, of the Group's total purchase for the year.

So far as is known to the Directors, none of the Directors, their close associates, or shareholders (which to the best knowledge of the Directors) owned more than 5% of the number of issued shares of the Company had any beneficial interest in the Group's five largest suppliers and customers during the year.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors who held office during the year and up to the date of this report were as follows:

Executive Directors

Dr. Liu Dejian (Chairman)
Dr. Leung Lim Kin Simon (Vice Chairman)
Mr. Liu Luyuan (Chief Executive Officer)
Mr. Chen Hongzhan
Ms. Lin Yun (Appointed on 16 September 2024)

Non-executive Director

Mr. Lin Dongliang

Independent non-executive Directors

Mr. Li Sing Chung Matthias *(Notes 2, 3 and 5)*
Mr. Lee Kwan Hung, Eddie *(Notes 1, 4, 5 and 8)*
Mr. Liu Sai Keung, Thomas *(Notes 1, 3, 6 and 7)*

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (Cont'd)

Notes:

1. Member of Audit Committee
2. Chairman of Audit Committee
3. Member of Remuneration Committee
4. Chairman of Remuneration Committee
5. Member of Nomination Committee
6. Chairman of Nomination Committee
7. Member of Share Award Scheme Committee
8. Chairman of Share Award Scheme Committee

The Directors' profile is set out on pages 22 to 27.

Each of the executive Directors has entered into a service contract with the Company and each of the non-executive Director and independent non-executive Directors has entered into an appointment letter with the Company, all for an initial term of three years since the date of appointment and renewable automatically for successive terms of one year each commencing from the day next after the expiry of the current term unless and until terminated in accordance with its terms or by either party thereto giving to the other not less than three months' prior written notice. Each of the executive Directors will receive a salary which is subject to annual review at the discretion of the Board.

The determination of the salary payment to the Directors will be based on salaries paid by comparable companies, time commitment, the duties and responsibilities of the Directors in the Company, the Company's performance and its remuneration policy.

Each of the executive Directors may also be entitled to a bonus payment in such amount as shall be determined by the Board in its absolute discretion provided that the aggregate sum of such bonus payments in any financial year shall, unless the Board shall determine otherwise, not exceeding 1% of the audited consolidated net profit of the Group after taxation but before extraordinary items in the relevant financial year.

In accordance with article 87(1) of the articles of association of the Company, Dr. Leung Lim Kin, Simon, Mr. Chen Hongzhan and Mr. Lee Kwan Hung Eddie, will retire by rotation at the forthcoming annual general meeting of the Company (the "AGM").

In accordance with article 86(3) of the articles of association of the Company, any Director appointed from time to time 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. Ms. Lin Yun, who was appointed as an executive Director on 16 September 2024, shall retire and being eligible offer herself for re-election at the AGM.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (Cont'd)

Ms. Lin Yun, Dr. Leung Lim Kin, Simon, Mr. Chen Hongzhan and Mr. Lee Kwan Hung Eddie being eligible, will offer themselves for re-election at the AGM. None of the Directors proposed for re-election has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation (other than statutory compensation.

The Company has received annual confirmations of independence from Mr. Lee Kwan Hung, Eddie, Mr. Liu Sai Keung, Thomas, Mr. Li Sing Chung Matthias and considers them to be independent.

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

As at 31 December 2024, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

Name of Director	Name of Company	Capacity and nature of interests	Number of shares and underlying shares held or amount of registered capital contributed *(Note 1)*	Approximate percentage of shareholding
Liu Dejian *(Note 2)*	The Company	Beneficial owner, through a controlled corporation and beneficiary of a trust	216,384,938 (L)	40.73%
Leung Lim Kin, Simon *(Note 3)*	The Company	Beneficial owner	5,779,040 (L)	1.09%
Liu Luyuan *(Note 2)*	The Company	Beneficial owner and beneficiary of certain trust	216,384,938 (L)	40.73%
Liu Luyuan	NetDragon (Fujian)	Beneficial owner	RMB21,311,000 (L)	0.07%
Chen Hongzhan *(Note 4)*	The Company	Beneficial owner and beneficiary of certain trust	11,197,019 (L)	2.11%
Lee Kwan Hung, Eddie *(Note 5)*	The Company	Beneficial owner	550,019 (L)	0.10%
Liu Sai Keung, Thomas *(Note 6)*	The Company	Beneficial owner	500,019 (L)	0.09%
Li Sing Chung Matthias *(Note 7)*	The Company	Beneficial owner	2,000 (L)	0.0004%
Lin Yun *(Note 8)*	The Company	Beneficial owner	1,211,100 (L)	0.23%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

Notes:

1. The letter "L" denotes the shareholder's long position in the shares, underlying shares and share capital of the relevant member of the Group.

2. Liu Dejian is interested in 100.00% of the issued voting shares of DJM Holding Ltd., which in turn is interested in 35.97% of the issued voting shares of the Company (the "Share(s)"). Liu Dejian is also interested in 0.39% of the Shares which is represented by beneficial interest of 1,884,000 Shares and a beneficiary of a trust of 197,019 Shares.

   Liu Luyuan is interested in 4.37% of the Shares which is represented by interest held as a founder of certain trust holding in aggregate 21,541,819 Shares, and the rest being beneficial interest of 1,684,000 Shares.

   Pursuant to the concert party agreement between Liu Dejian and Liu Luyuan, Liu Dejian and Liu Luyuan are deemed to be interested in 40.73% of the Shares through their direct and deemed shareholding in all of DJM Holding Ltd., a trust in favour of Liu Luyuan, a trust in favour of Liu Dejian and their respective shares held as beneficial owner in each of their personal capacities.

3. Leung Lim Kin, Simon is interested in 1.09% of the Shares which is represented by beneficial interest of 1,779,040 Shares and the rest being the underlying shares of interest of 4,000,000 share options granted by the Company.

4. Chen Hongzhan is interested in 2.11% of the Shares which is represented by personal interest of 156,200 Shares and interest held as a beneficiary of certain trust holding in aggregate of 11,040,819 Shares.

5. Lee Kwan Hung, Eddie is interested in 0.10% of the Shares which is represented by personal interest of 350,019 Shares and the rest being underlying shares of interest of 200,000 share options granted by the Company.

6. Liu Sai Keung, Thomas is interested in 0.09% of the Shares which is represented by personal interest of 300,019 Shares and the rest being underlying shares of interest of 200,000 share options granted by the Company.

7. Li Sing Chung Matthias is interested in 0.0004% of the Shares which is represented by personal interest of 2,000 Shares.

8. Lin Yun is interested in 0.23% of the Shares which is represented by personal interest of 1,211,100 Shares.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2024, none of the Directors and chief executive of the Company had any interest and short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save as disclosed under the paragraph headed "CONNECTED TRANSACTIONS" stated in this report and note 42 of the Notes to the Consolidated Financial Statements, no transaction, arrangement or contract of significance in relation to the Company's business, to which the Company was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

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

So far as is known to the Directors, as at 31 December 2024, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were required to be entered in the register kept by the Company under Section 336 of the SFO or, who were directly or indirectly interested in 5% or more of the issued voting shares of any other member of the Group:

Name of Shareholder	**Name of Company**	**Capacity and nature of interests**	**Number of shares and underlying shares held or amount of registered capital contributed** *(Note 1)*	**Approximate percentage of shareholding**
DJM Holding Ltd.	The Company	Beneficial owner	191,078,100 (L)	35.97%
IDG Group *(Note 2)*	The Company	Beneficial owner	34,504,320 (L)	6.49%
Ho Chi Sing *(Note 2)*	The Company	Through controlled corporations	34,504,320 (L)	6.49%
Zhou Quan *(Note 2)*	The Company	Through controlled corporations	32,808,018 (L)	6.18%
Zheng Hui (deceased) *(Note 3)*	The Company	Beneficial owner and through controlled corporations	34,437,519 (L)	6.48%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

Notes:

1. The letter "L" denotes the shareholder's long position in the share capital of the relevant member of the Group.

2. The IDG Group is comprised of four limited partnerships, namely IDG Technology Venture Investments, L.P., IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P., being interested in approximately 2.05%, 3.43%, 0.70% and 0.32% respectively, in the Company who are deemed to be acting in concert to acquire interests in the Company, and their respective controlling entities. The controlling structure of each of the above partnerships is as follows:

    a) IDG Technology Venture Investments, L.P. is controlled by its sole general partner, IDG Technology Venture Investments, LLC, which in turn is controlled by its managing members, Zhou Quan and Ho Chi Sing.

    b) IDG-Accel China Growth Fund L.P. and IDG-Accel China Growth Fund-A L.P. are controlled by their sole general partner, IDG-Accel China Growth Fund Associates L.P., which in turn is controlled by its sole general partner, IDG-Accel China Growth Fund GP Associates Ltd.. IDG-Accel China Growth Fund GP Associates Ltd. is held as to 35.00% by each of Zhou Quan and Ho Chi Sing.

    c) IDG-Accel China Investors L.P. is controlled by its sole general partner, IDG-Accel China Investors Associates Ltd., which in turn is held as to 100.00% by Ho Chi Sing.

3. Reference is made to the announcement of the Company dated 9 June 2023 in relation to the passing away of Zheng Hui, a former executive Director.

    Zheng Hui (deceased) was interested in 100.00% of the issued share capital of Fitter Property Inc., which in turn was interested in 3.58% of the Shares. Zheng Hui was interested in 100.00% of the issued share capital of Eagle World International Inc., which in turn was interested in 2.62% of the Shares. Zheng Hui was also interested in 0.28% of the Shares which was represented by beneficial interest of 1,497,000 Shares. Zheng Hui's interests are now undergoing probate.

Save as disclosed above, the Directors are not aware of any persons (other than a Director or chief executive of the Company) who had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were required to be entered in the register kept by the Company under Section 336 of the SFO or who were directly or indirectly interested in 5% or more of the issued voting shares of any other member of the Group as at 31 December 2024.

RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group for the year ended 31 December 2024 are disclosed in note 42 to the consolidated financial statements of Group. Save as disclosed in below sections of this report, all other material related party transaction did not constitute non-exempted connected transactions or continuing connected transactions under the Listing Rules.

CONNECTED TRANSACTIONS

Tenancy Agreements between NetDragon (Fujian) and Fuzhou 851

On 19 January 2024, NetDragon (Fujian) entered into a tenancy agreement with Fuzhou 851 in relation to 851 R&D Building (851研發樓), which is located at No. 58 Hot Spring Branch Road, Gulou District, Fuzhou City, Fujian Province, the PRC (the "851 New Building Tenancy Agreement") for a term of three years commencing from 22 January 2024 to 21 January 2027 for a total annual rent of RMB7.10 million.

On 19 January 2024, NetDragon (Fujian), as tenant, and Fuzhou 851, as landlord entered into a tenancy agreement ("Zhenhua Building Tenancy Agreement") for the lease in respect of the Zhenhua Building (振華大廈), which is located at No. 58 Hot Spring Branch Road, Gulou District, Fuzhou City, Fujian Province, the PRC for a term of three years for a total annual rent of RMB26.6 million. Further details of the Zhenhua Building Tenancy Agreement are set forth in the announcement of the Company dated 19 January 2024. The transactions contemplated under the Zhenhua Building Tenancy Agreement constitutes connected transaction of the Company under Chapter 14A of the Listing rules.

On 24 April 2024, NetDragon (Fujian), as tenant, and Fuzhou 851, as landlord, entered into a tenancy agreement for the lease in respect of the Recreation Centre (飄渺莊), which is located at No.60 Hot Spring Branch Road, Gulou District, Fuzhou City, Fujian Province, the PRC for a term of three years for a total annual rent of RMB11.7 million (the Recreation Centre Tenancy Agreement).

As Fuzhou 851 is 100% wholly owned by DJM Holding Ltd., a substantial shareholder of the Company and therefore, Fuzhou 851 is a connected person of the Company under the Listing Rules.

According to HKFRS 16 ''Leases'', the Group is required to recognise the value of the right-of-use assets on its statement of financial position in connection with the 851 New Building Tenancy Agreement, the Zhenhua Building Tenancy Agreement and the Recreation Centre Tenancy Agreement (collectively, the "Connected Tenancy Agreements", these transactions will be regarded as acquisition of assets by the Group pursuant to the Listing Rules.

The Connected Tenancy Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS (Cont'd)

Capital Contribution Agreement

On 29 April 2022, TQ Online, an indirect wholly-owned subsidiary of the Company, together with other investors who have agreed to make monetary capital contributions (the "Investors") and existing shareholders of Wuxi Mesh Tech Co., Ltd ("Wuxi Mesh Tech"), entered into a capital contribution agreement (the "Capital Contribution Agreement"), pursuant to which, amongst other things, TQ Online has conditionally agreed to make a capital contribution (the "Capital Contribution") in the amount of RMB50 million to Wuxi Mesh Tech in two installments. Regarding the first instalment, within 10 days upon execution of the Capital Contribution Agreement, TQ Online shall pay RMB20 million to Wuxi Mesh Tech. Regarding the second instalment, upon (i) the satisfaction of conditions precedent as stated in the Capital Contribution Agreement and (ii) within 10 business days after Wuxi Mesh Tech has completed the registration procedure with the relevant Administration of Industry and Commerce of the PRC in respect of change in registered capital of Wuxi Mesh Tech and obtain a new business licence, TQ Online shall pay RMB30 million to Wuxi Mesh Tech. Upon completion, TQ Online will hold approximately 2.27% of the total equity interest in Wuxi Mesh Tech. The Directors are of the view that the Capital Contribution will help the Group to capitalize on opportunities in terms of strategic synergies through potential application of the technology of Wuxi Mesh Tech in the future to broaden and enhance the Company's product portfolio, as well as capturing the financial return from the grown of the fast-growing touch user interface industry, given the proprietary technologies of Wuxi Mesh Tech and a global addressable market size. For further details regarding the Capital Contribution Agreement, please refer to the announcements of the Company dated 29 April 2022 and 23 May 2022.

Pursuant to the terms of the Capital Contribution Agreement, TQ Online and the Investors agreed to make monetary capital contributions to Wuxi Mesh Tech as follows:

Party	**Total capital contribution to be made** *RMB million*	**Approximate percentage of equity interest in Wuxi Mesh Tech immediately after completion of the Capital Contribution**
TQ Online	50	2.27%
Investors (excluding TQ Online)	150	6.82%
Total	200	9.09%

As Wuxi Mesh Tech is indirectly held as to approximately 61.53% by the family members of Mr. Lin Dongliang, a non-executive director of the Company (including his son and his spouse) and therefore, Wuxi Mesh Tech is a connected person of the Company under the Listing Rules. As such, the entering into of the Capital Contribution Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The Group entered into the following transaction which constituted continuing connected transactions under the Listing Rules. The transaction falls within the ambit of Rule 14A.76(2) of the Listing Rules and is subject to reporting and announcement requirements but exempt from the independent shareholders' approval under Chapter 14A of the Listing Rules. Details of the transaction subsisted during the year under review are set out as follows:

ND STRUCTURE CONTRACTS

ND Cooperation Framework Agreement

With a view to offer further protection to the interests of the Company and the shareholders as a whole by means of contractual arrangements, Fujian TQ Digital Inc. (福建天晴數碼有限公司) ("TQ Digital") and Fujian NetDragon Websoft Co., Ltd. (福建網龍計算機網絡信息技術有限公司) ("NetDragon (Fujian)") and its equity holders entered into the structure contracts (together with the contracts entered into between NetDragon (Fujian) and Fujian TQ Online Interactive Inc. ("TQ Online") as set out below, the "ND Structure Contracts"), which superseded the cooperation arrangements between TQ Digital and NetDragon (Fujian) effective from 1 January 2007. On 11 October 2023, the relevant parties have entered into the supplemental agreements (the "Supplemental ND Structure Contracts") to address the departure of Mr. Zheng Hui (the deceased) to transfer his equity interest in NetDragon (Fujian) to his son, Mr. Zheng Yi Cheng. The registered owners of NetDragon (Fujian) are: (i) Liu Luyuan, an executive Director (as to approximately 0.07%), (ii) Zheng Yicheng, a senior management of the Group (as to approximately 99.89%), (iii) Chen Minlin, an employee of Fuzhou Yangzhenhua 851 Bio-Engineering Research Inc. ("Fuzhou 851") (as to approximately 0.02%), and (iv) Lin Yun, an employee of the Group (as to approximately 0.02%).

In view of the Enterprise Income Tax law adopted by the National People's Congress of the PRC on 16 March 2007, a wholly foreign owned enterprise, TQ Online, has been set up to gradually substitute TQ Digital in our operation. TQ Online has entered into the ND Structure Contracts with NetDragon (Fujian) on 16 May 2008. As TQ Digital is and will still be the party operating the existing versions of the Group's online games, all ND Structure Contracts entered into between TQ Digital and NetDragon (Fujian) will be retained.

Under the ND Structure Contracts, NetDragon (Fujian) is responsible to collect the revenue generated from the operation of the games. Through the ND Structure Contracts, we are able to recognise and receive the economic benefits of the business and operations of NetDragon (Fujian). The ND Structure Contracts enable TQ Digital and TQ Online to control over and to acquire the equity interests in and/or assets of NetDragon (Fujian) when permitted by the relevant PRC laws and regulations.

On 15 October 2007, TQ Digital and NetDragon (Fujian) entered into a cooperation framework agreement (the "ND Cooperation Framework Agreement") pursuant to which TQ Digital and NetDragon (Fujian) agreed to cooperate in the provision of services relating to the online game development for and the operation of the online game business of NetDragon (Fujian). The ND Cooperation Framework Agreement and the terms of reference of the management committee (the "ND Management Committee") laid down the principles that the ND Management Committee shall have right to determine the amount of license and service fees payable by NetDragon (Fujian) with reference to the amount of expenditure incurred by NetDragon (Fujian) in the conduct of its business and operations and its working capital requirements, including the guiding principles that (i) NetDragon (Fujian) shall pay the maximum amount of fees to TQ Digital without incurring any loss for each financial year; and (ii) the net asset value of NetDragon (Fujian) shall not exceed its net asset value as at 31 December 2006, being approximately RMB15 million. Further details of ND Management Committee are set out in the section of "Corporate Governance Report" under the paragraphs of "ND Management Committee". This principle will ensure that all of the net profit after tax of NetDragon (Fujian) in each financial year shall be paid to TQ Digital as service or license fees, and will give flexibility to the ND Management Committee to implement the ND Structure Contracts and its underlying principles more effectively in response to constantly changing the PRC laws and regulation.

CONTINUING CONNECTED TRANSACTIONS (Cont'd)

ND STRUCTURE CONTRACTS (Cont'd)

ND Cooperation Framework Agreement (Cont'd)

On 16 May 2008, TQ Online and NetDragon (Fujian) entered into another cooperation framework agreement with the same terms as the ND Cooperation Framework Agreement, save as to the date, duration and the substitution of TQ Digital by TQ Online. The term of such cooperation framework agreement is 10 years commencing from 16 May 2008 and ending on 15 May 2018, and automatically renewable for successive 10 year terms provided that TQ Online does not issue any notice of termination one month before the termination date.

As a result of the ND Structure Contracts, TQ Digital and TQ Online are able to control NetDragon (Fujian), and accordingly, it is regarded as our subsidiary and its results are to be consolidated into our consolidated financial statements. Since NetDragon (Fujian) was under the common control of the same group of persons before and after our formation, the results and financial positions of NetDragon (Fujian) is combined into our consolidated financial statements using merger accounting as if NetDragon (Fujian) was part of us since its respective date of establishment or since the date when it first came under the common control.

In accordance with the terms of the ND Cooperation Framework Agreements, TQ Digital and TQ Online (where relevant) entered into (1) cooperation and license agreements in respect of online games; (2) online games software development service agreements; and (3) technical support service agreements with NetDragon (Fujian), for the purpose of license, development of online games and provision of technical services to NetDragon (Fujian). Details of the agreements are set out below:

Date of agreement signed	Name of agreement	Summary of agreement	Terms of agreement
15-10-2007 and 20-11-2007	Cooperation and license agreements in respect of online games	TQ Digital will license online game softwares to NetDragon (Fujian) for use in the PRC	• 10 years commencing from 01-01-2007 to 31-12-2016* • Consideration for an initial license fee and a per annum license fee determined as a percentage of NetDragon (Fujian)'s annual gross revenues
15-10-2007	Online game software development service agreement	TQ Digital will provide online software development service to NetDragon (Fujian)	• 10 years commencing from 01-01-2007 to 31-12-2016* • Consideration of a service fee
15-10-2007	Technical support service agreement	TQ Digital will provide technical support services to NetDragon (Fujian)	• 10 years commencing from 01-01-2007 to 31-12-2016* • Consideration of a per annum services fee determined as a percentage of NetDragon (Fujian)'s annual gross revenues
16-05-2008	Online game software development service agreement	TQ Online will provide online software development service to NetDragon (Fujian)	• 10 years commencing from 16-05-2008 to 15-05-2018▲ • Consideration of a service fee

* automatically renewable for successive 10 year terms provided that TQ Digital does not issue any notice of termination one month before the termination date

▲ automatically renewable for successive 10 year terms provided that TQ Online does not issue any notice of termination one month before the termination date

CONTINUING CONNECTED TRANSACTIONS (Cont'd)

ND STRUCTURE CONTRACTS (Cont'd)

ND Cooperation Framework Agreement (Cont'd)

Date of agreement signed	Name of agreement	Summary of agreement	Terms of agreement
16-05-2008	Technical support service agreement	TQ Online will provide technical support services to NetDragon (Fujian)	• 10 years commencing from 16-05-2008 to 15-05-2018▲ • Consideration of a per annum services fee determined as a percentage of NetDragon (Fujian)'s annual gross revenues
01-03-2009	Cooperation and license agreements in respect of online games	TQ Online will license online game softwares to NetDragon (Fujian) for use in the PRC	• 10 years commencing from 01-03-2009 to 28-02-2019▲ • Consideration for an initial license fee and a per annum license fee determined as a percentage of NetDragon (Fujian)'s annual gross revenues

ND Equity Interest Pledge Agreement

On 28 September 2007, TQ Digital, NetDragon (Fujian) and all equity holders of NetDragon (Fujian) entered into an equity interest pledge agreement, pursuant to which all such equity holders granted to TQ Digital a continuing first priority security interests over their respective equity interests in the registered capital of NetDragon (Fujian), representing all of the equity interest in its registered capital, for the purpose of securing the performance of the contractual obligations by NetDragon (Fujian)'s equity holders under the ND Structure Contracts.

▲ automatically renewable for successive 10 year terms provided that TQ Online does not issue any notice of termination one month before the termination date

CONTINUING CONNECTED TRANSACTIONS (Cont'd)

ND STRUCTURE CONTRACTS (Cont'd)

ND Agreement for the Exclusive Right to Acquire Equity Interest and Assets

On 15 October 2007, TQ Digital, NetDragon (Fujian) and all of the equity holders of NetDragon (Fujian) entered into an agreement for the exclusive right to acquire equity interest and assets, pursuant to which NetDragon (Fujian) and all its equity holders granted to TQ Digital or its designee (a) a right to acquire part or all of the equity interest in the registered capital of NetDragon (Fujian); and (b) a right to acquire part or all of the assets of NetDragon (Fujian) from the equity holders of NetDragon (Fujian) as and when permitted by the relevant PRC laws and regulations. The amount of consideration payable by TQ Digital to the equity holders of NetDragon (Fujian) shall be a nominal amount or the lowest possible amount permissible under the applicable PRC law. If the minimum amount of consideration stipulated under the relevant PRC laws and regulations is higher than the nominal amount at the time of exercise of the acquisition right, Liu Dejian, Liu Luyuan and Zheng Hui had jointly, severally and irrevocably undertaken to reimburse the Company or its subsidiaries of any amount in excess of the nominal amount.

ND Equity Holders' Voting Rights Proxy Agreement

On 15 October 2007, all equity holders of NetDragon (Fujian) entered into an equity holders' voting rights proxy agreement (the "ND Proxy Agreement") with TQ Digital and NetDragon (Fujian), pursuant to which all equity holders of NetDragon (Fujian) have irrevocably authorised TQ Digital or a nominee designated by TQ Digital (which will likely be a director of TQ Digital) to exercise all their voting rights in NetDragon (Fujian). The term of the ND Proxy Agreement shall continue indefinitely for so long as NetDragon (Fujian) subsists in order to secure our control over NetDragon (Fujian).

ND Other Contracts

The Directors expect that there may be other contracts, such as service agreement and/or cooperation and license agreement, to be entered from time to time (the "ND Other Contract(s)") between the Company and its subsidiaries on the one hand and NetDragon (Fujian) on the other. Save as disclosed in this report, no ND Other Contract subsisted at the end of the year or at any time during the year under review.

CONTINUING CONNECTED TRANSACTIONS (Cont'd)

ND STRUCTURE CONTRACTS (Cont'd)

Change in one of the Registered Owners of NetDragon (Fujian)

On 3 May 2021, the then registered owners of NetDragon (Fujian), NetDragon (Fujian) and TQ Digital have entered into a series of agreements in relation to the change in registered owner of equity interests in NetDragon (Fujian) from Liu Dejian to Zheng Hui.

On 11 October 2023, the relevant parties have entered into the following agreements to address the departure of Mr. Zheng Hui (the deceased) to transfer his equity interest in NetDragon (Fujian) to his son, Mr. Zheng Yi Cheng:

(1) the Equity Transfer Agreement entered into between Mr. Zheng Yi Cheng and Ms. Chen, the spouse of Mr. Zheng Hui, to transfer all Ms. Chen's shares in NetDragon (Fujian) arising from the laws and regulations of the PRC following the decease of Mr. Zheng Hui on 7 June 2023 to Mr. Zheng Yi Cheng;

(2) the supplemental ND Structure Contracts, which included:

    (i) the supplemental equity interest pledge agreement entered into between TQ Digital and Mr. Zheng Yi Cheng, pursuant to which Mr. Zheng Yi Cheng agreed to grant to TQ Digital a continuing first priority security interests over the equity interest; and

    (ii) the supplemental agreement entered into between TQ Digital, NetDragon (Fujian), and the registered owners to amend (a) the agreement for the exclusive right to acquire equity interest and assets; (b) the equity holders' voting rights proxy agreement; and (c) the equity interest pledge Agreement, pursuant to which, among other things, upon completion of registration of change in equity interest as a result of the Equity Transfer at the relevant PRC authority, the rights and obligations under these three agreements imposed on the remaining registered owners remain unchanged. The supplemental agreement also amended the previous ND Structure Contracts to comply with the guidance letter of the Stock Exchange; and

(3) the spousal consent entered into between Mr. Zheng Yi Cheng and Ms. Hu, the spouse of Mr. Zheng Yi Cheng, pursuant to which Ms. Hu, has undertaken: (i) not to take any action with the intent to interfere with the arrangements under the previous ND Structure Contracts as amended by the supplemental agreements, including making any claim that such equity interest constitutes the property or community property; and (ii) to unconditionally and irrevocably waive any and all rights or entitlements whatsoever to such equity interest that may be granted to the spouse according to any applicable laws.

CONTINUING CONNECTED TRANSACTIONS (Cont'd)

ND STRUCTURE CONTRACTS (Cont'd)

WAIVER FROM THE STOCK EXCHANGE AND ANNUAL REVIEW

As Mr. Zheng Hui, being the former executive Director in the last 12 months, is a connected person of the Company. Mr. Zheng Yi Cheng, the son and thus an associate of Mr. Zheng Hui, is a connected person of the Company. NetDragon (Fujian) is therefore technically an associate of Mr. Zheng Yi Cheng, and a connected person of the Company. Transactions between the Company, NetDragon Websoft Inc. ("NetDragon (BVI), TQ Digital, TQ Online or NetDragon Websoft (Hong Kong) Limited ("NetDragon (Hong Kong)") or NetDragon Websoft Inc. ("NetDragon (USA)") (all being wholly-owned subsidiaries of the Company) on one hand and NetDragon (Fujian) on the other hand, including the ND Structure Contracts and the ND Other Contracts as amended by the Supplemental ND Contracts, would technically constitute continuing connected transactions under the Listing Rules. The Stock Exchange has granted a specific waiver to the Company from strict compliance with the connected transactions requirement of Chapter 14A of the Listing Rules in respect of the ND Structure Contracts and the ND Other Contracts. Details of the waiver, together with its conditions, are set forth in the listing document of the Company dated 27 May 2008 (the "Listing Document").

BEST ASSISTANT CONTROL DOCUMENTS

On 10 February 2015, Fujian Tianquan Education Technology Limited ("Fujian Tianquan"), Fujian Province Huayu Education Technology Limited ("Fujian Huayu") and NetDragon (Fujian) have entered into the Best Assistant Control Documents (as defined below). Pursuant to the Specific Waiver granted by the Stock Exchange to the Company at around the time of Listing, the framework of the ND Structure Contracts may be cloned in relation to any existing or new wholly foreign owned enterprise, operating company or foreign-invested telecommunication enterprise ("FITE") that the Company might wish to establish, without obtaining the approval of the Shareholders on terms that the protections for the Shareholders described in the Specific Waiver will apply.

The Best Assistant Control Documents are cloned from the ND Structure Contracts such that Fujian Tianquan will receive service fees from Fujian Huayu, and the total amount of which shall be determined by the Best Assistant Management Committee (as defined below) with reference to the amount of expenditure incurred by Fujian Huayu in the conduct of its business and operations and its working capital requirements under the guiding principles that (i) Fujian Huayu shall pay the maximum amount of fees to Fujian Tianquan without incurring any loss for each financial year; (ii) the net asset value of NetDragon (Fujian) at the end of the year, on a stand alone basis or when aggregated with all of its subsidiaries including but not limited to Fujian Huayu and its subsidiaries, shall not exceed its net asset value as at 31 December 2006, being approximately RMB15 million; and (iii) the net asset value at the end of the year of Fujian Huayu shall not exceed its registered capital as at 31 December 2014, being approximately RMB200 million.

The Directors confirm that this arrangement ensures that substantially all economic benefits generated from the operation of Fujian Huayu will be enjoyed by Fujian Tianquan and will give flexibility to the Best Assistant Management Committee to implement the Best Assistant Control Documents and its underlying principles more effectively in response to constantly changing PRC laws and regulations.

CONTINUING CONNECTED TRANSACTIONS (Cont'd)

BEST ASSISTANT CONTROL DOCUMENTS (Cont'd)

As the Best Assistant Control Documents are cloned from the ND Structure Contracts, transactions under the Best Assistant Control Documents are exempt from Shareholders' approval.

The amount of revenue and assets subject to the contractual arrangements under the ND Structure Contracts and the Best Assistant Control Documents accounted for approximately 50.6% and 15.2% of the Group's total revenue and assets, respectively, for the year ended 31 December 2024.

The Company's independent non-executive Directors have reviewed the ND Structure Contracts, the ND Other Contracts and the Best Assistant Control Documents and confirmed that the relevant transactions carried out thereunder during the year ended 31 December 2024 have been entered into in accordance with the relevant provisions of the ND Structure Contracts, the ND Other Contracts and the Best Assistant Control Documents, have been operated so as to allow (a) the economic interest generated by NetDragon (Fujian) flows to TQ Digital and TQ Online; and (b) the economic interest generated by Fujian Huayu flows to Fujian Tianquan; and the new structure contracts (including the Best Assistant Control Documents) entered into, renewed and/or cloned during the year ended 31 December 2024 were entered into on terms that are fair and reasonable so far as the Company is concerned and in the interests of the shareholders of the Company as a whole.

Each of NetDragon (Fujian) and Fujian Huayu has provided to the Company an undertaking that they will allow the Company and its auditor to have full access to relevant records of NetDragon (Fujian) and Fujian Huayu, respectively.

On 10 February 2015, Fujian Tianquan, Fujian Huayu and NetDragon (Fujian) entered into the Best Assistant Cooperation Framework Agreement (as defined below), a technical support service agreement, an equity interest pledge agreement, an exclusive acquisition rights agreement and a proxy agreement (collectively, the "Best Assistant Control Documents"). The registered owner of Fujian Huayu is NetDragon (Fujian).

Save for the entering into of the Best Assistant Control Documents, details of which are disclosed below, there were no other new arrangements pursuant to or under the contractual arrangements entered into, renewed or reproduced between the Group and the PRC operational entity during the year ended 31 December 2024, and there was no material change in the contractual arrangements and/or the circumstances during the year ended 31 December 2024.

CONTINUING CONNECTED TRANSACTIONS (Cont'd)

BEST ASSISTANT CONTROL DOCUMENTS (Cont'd)

Best Assistant Cooperation Framework Agreement

On 10 February 2015, Fujian Tianquan and Fujian Huayu have entered into a cooperation framework agreement (the "Best Assistant Cooperation Framework Agreement") pursuant to which Fujian Tianquan and Fujian Huayu agreed to cooperate in the provision of value-added telecommunications services relating to the online educational softwares business development for and the operation of the online educational softwares business of Fujian Huayu. The Best Assistant Cooperation Framework Agreement and the terms of reference of the management committee (the "Best Assistant Management Committee") laid down the principles that the Best Assistant Management Committee shall have right to determine the amount of license and service fees payable by Fujian Huayu with reference to the amount of expenditure incurred by Fujian Huayu in the conduct of its business and operations and its working capital requirements, including the guiding principles that (i) Fujian Huayu shall pay the maximum amount of fees to Fujian Tianquan without incurring any loss for each financial year; (ii) the net asset value of NetDragon (Fujian) at the end of the year, on a stand alone basis or when aggregated with all of its subsidiaries including but not limited to Fujian Huayu and its subsidiaries, shall not exceed its net asset value as at 31 December 2006, being approximately RMB15 million; and (iii) the net asset value at the end of the year of Fujian Huayu shall not exceed its registered capital as at 31 December 2015, being approximately RMB200 million. This principle will ensure that all economic benefits generated from the operation of Fujian Huayu in each financial year will be enjoyed by Fujian Tianquan as service or license fees, and will give flexibility to the Best Assistant Management Committee to implement the Best Assistant Control Documents and its underlying principles more effectively in response to constantly changing the PRC laws and regulation.

As a result of the Best Assistant Control Documents, Fujian Tianquan is able to control Fujian Huayu, accordingly, it is regarded as subsidiary of Best Assistant (Cayman) and its results are to be consolidated into financial statements of Best Assistant (Cayman). Since Fujian Huayu was under the common control of the same group of persons before and after our formation, the results and financial positions of Fujian Huayu is combined into financial statements using merger accounting as if Fujian Huayu was part of us since its date of establishment or since the date when it first came under the common control.

CONTINUING CONNECTED TRANSACTIONS (Cont'd)

BEST ASSISTANT CONTROL DOCUMENTS (Cont'd)

Best Assistant Cooperation Framework Agreement (Cont'd)

In accordance with the terms of the Best Assistant Cooperation Framework Agreement, Fujian Tianquan entered into the technical support service agreement with Fujian Huayu, for the purpose of license, development of educational softwares business and provision of technical services to Fujian Huayu. Details of the agreement are set out below:

Date of agreement signed	Name of agreement	Summary of agreement	Terms of agreement
10-02-2015	Technical support service agreement	Fujian Tianquan will provide technical support services to Fujian Huayu	• For an indefinite term commencing from 10-02-2015, unless Fujian Huayu have transferred all its assets or equity interests to Fujian Tianquan or a party designated by Fujian Tianquan • Consideration of a per annum services fee determined as a percentage of Fujian Huayu annual gross revenues

Best Assistant Equity Interest Pledge Agreement

On 10 February 2015, Fujian Tianquan, Fujian Huayu and NetDragon (Fujian) entered into an equity interest pledge agreement, pursuant to which NetDragon (Fujian) granted to Fujian Tianquan a continuing first priority security interests over its equity interests in the registered capital of Fujian Huayu, representing all of the equity interest in its registered capital, for the purpose of securing the performance of the contractual obligations by Fujian Huayu under the Best Assistant Control Documents.

Best Assistant Exclusive Acquisition Rights Agreement

On 10 February 2015, Fujian Tianquan, Fujian Huayu and NetDragon (Fujian) entered into an exclusive acquisition rights agreement, pursuant to which Fujian Huayu and NetDragon (Fujian) granted to Fujian Tianquan or its designee (a) a right to acquire part or all of the equity interest in the registered capital of Fujian Huayu; and (b) a right to acquire part or all of the assets of Fujian Huayu from NetDragon (Fujian) as and when permitted by the relevant PRC laws and regulations. The amount of consideration payable by Fujian Tianquan to NetDragon (Fujian) shall be a nominal amount or the lowest possible amount permissible under the applicable PRC law.

CONTINUING CONNECTED TRANSACTIONS (Cont'd)

BEST ASSISTANT CONTROL DOCUMENTS (Cont'd)

Best Assistant Proxy Agreement

On 10 February 2015, NetDragon (Fujian) entered into a proxy agreement with Fujian Tianquan and Fujian Huayu, pursuant to which NetDragon (Fujian) have irrevocably authorised Fujian Tianquan or a nominee designated by Fujian Tianquan to exercise all their voting rights in Fujian Huayu. The term of the Best Assistant Proxy Agreement shall continue indefinitely for so long as Fujian Huayu subsists in order to secure our control over Fujian Huayu.

REASONS FOR ENTERING INTO THE CONTRACTUAL ARRANGEMENTS

As NetDragon (BVI) and Best Assistant are companies incorporated in the British Virgin Islands and Cayman Islands respectively, their PRC subsidiaries, TQ Digital, TQ Online and Fujian Tianquan are considered as wholly foreign-invested enterprises. The PRC government restricts foreign investment in value-added telecommunications businesses. The arrangements under the contractual arrangements are designed specifically to confer upon TQ Digital and TQ Online (in the case of the ND Structure Contracts) and Fujian Tianquan (in the case of the Best Assistant Control Documents) the right to enjoy all the economic benefit of NetDragon (Fujian) and Fujian Huayu respectively, and to prevent leakages of assets and values of NetDragon (Fujian) and Fujian Huayu to their ultimate shareholders.

RISK RELATING TO THE CONTRACTUAL ARRANGEMENTS

There is no assurance that the contractual arrangements are in compliance with existing or future PRC laws and regulations.

The Company has not encountered any interference from any governing bodies in operating its business through NetDragon (Fujian) and/or Fujian Huayu under the contractual arrangements.

However, it cannot be assured that the PRC government or judicial authorities would agree that the contractual arrangements comply with PRC licensing, registration, other regulatory requirements or policies that may be adopted in the future. If the PRC government or judicial authorities determines that the contractual arrangements do not comply with applicable laws and regulations, it could have broad discretion in dealing with such incompliance, including:

1. requiring the nullification of the contractual arrangements;

2. levying fines and/or confiscating the proceeds generated from the operations under the contractual arrangements;

CONTINUING CONNECTED TRANSACTIONS (Cont'd)

RISK RELATING TO THE CONTRACTUAL ARRANGEMENTS (Cont'd)

There is no assurance that the contractual arrangements are in compliance with existing or future PRC laws and regulations. (Cont'd)

3. revocation of the business licenses or operating licenses of NetDragon (Fujian), Fujian Huayu, TQ Digital, TQ Online and/or Fujian Tianquan;

4. discontinuing or placing restrictions or onerous conditions on the business operations of NetDragon (Fujian), Fujian Huayu, TQ Digital, TQ Online and/or Fujian Tianquan;

5. imposing conditions or requirements which the Group may not be able to comply with or satisfy;

6. requiring the Group to undergo a costly and disruptive restructuring; and

7. taking other regulatory or enforcement actions that could be harmful to or even shut down online game business and/or online education business of the Group.

The imposition of any of the above-mentioned consequences could result in a material and adverse effect on the Group's ability to conduct its business. In addition, if the imposition of any of these consequences causes TQ Digital, TQ Online and/or Fujian Tianquan to lose the rights to direct the activities of NetDragon (Fujian) and/or Fujian Huayu or their respective rights to receive their economic benefits, the Group would no longer be able to consolidate the financial results of NetDragon (Fujian) and/or Fujian Huayu and thus affect its financial results.

CONTINUING CONNECTED TRANSACTIONS (Cont'd)

RISK RELATING TO THE CONTRACTUAL ARRANGEMENTS (Cont'd)

Each of TQ Digital, TQ Online and Fujian Tianquan relies on the contractual arrangements to control and obtain the economic benefit from NetDragon (Fujian) and Fujian Huayu, the operating entities in the PRC, which may not be as effective in providing operational control as direct ownership.

If NetDragon (Fujian), Fujian Huayu and/or their ultimate shareholders breach their obligations under the contractual arrangements or if TQ Digital, TQ Online and/or Fujian Tianquan loses effective control over NetDragon (Fujian) and/or Fujian Huayu for any reason, TQ Digital, TQ Online and/or Fujian Tianquan would need to bring a claim against them under the terms of the contractual arrangements. The contractual arrangements are governed by the PRC law and provide that any dispute arising from these arrangements will be submitted to the Fuzhou International Economic and Trade Arbitration Commission, for arbitration, the ruling of which will be final and binding. Furthermore, personal liabilities of ultimate shareholders of NetDragon (Fujian) and Fujian Huayu may also subject the equity interest they hold in NetDragon (Fujian) and Fujian Huayu to court preservation actions or enforcement. The legal framework and system in the PRC, particularly those relating to arbitration proceedings, is not as developed as other jurisdictions such as Hong Kong. As a result, significant uncertainties relating to the enforcement of legal rights through arbitration, litigation and other legal proceedings remain in the PRC, which could limit TQ Digital, TQ Online and/or Fujian Tianquan's ability to enforce the contractual arrangements and exert effective control over NetDragon (Fujian) and/or Fujian Huayu. If NetDragon (Fujian), Fujian Huayu and/or their ultimate shareholders fail to perform their respective obligations under the contractual arrangements, and TQ Digital, TQ Online and/or Fujian Tianquan is unable to enforce the contractual arrangements, or suffer significant delay or other obstacles in the process of enforcing the contractual arrangements, the Group's business and operations could be severely disrupted, which could materially and adversely affect its results of operations.

Certain terms of the ND Structure Agreements and the Best Assistant Control Documents may not be enforceable under PRC laws.

Under PRC laws, an arbitral body granting any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in PRC legal entities in case of disputes shall submit the application to courts in the PRC. Therefore, such remedies may not be available to TQ Digital, TQ Online and/or Fujian Tianquan, notwithstanding the relevant contractual provisions contained in the ND Structure Agreements and the Best Assistant Control Documents. PRC laws allow an arbitral body to award the transfer of assets of or an equity interest in NetDragon (Fujian) and Fujian Huayu in favour of an aggrieved party. In the event of non-compliance with such award made by the arbitral body, enforcement measures may be sought from the court.

In the event that NetDragon (Fujian), Fujian Huayu and/or any of their ultimate shareholders breaches any of the ND Structure Contracts and/or the Best Assistant Control Documents, TQ Digital, TQ Online and/or Fujian Tianquan may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over NetDragon (Fujian) and/or Fujian Huayu and conduct its business could be materially and adversely affected and the financial performance of the Group could be materially and adversely affected.

CONTINUING CONNECTED TRANSACTIONS (Cont'd)

RISK RELATING TO THE CONTRACTUAL ARRANGEMENTS (Cont'd)

The contractual arrangements may be subject to scrutiny by the PRC tax authorities and any finding that TQ Digital, TQ Online, Fujian Tianquan, NetDragon (Fujian) and/or Fujian Huayu owes additional taxes could substantially reduce the consolidated net income and the value of the Group.

Under the contractual arrangements, NetDragon (Fujian) will transfer all of its profits to TQ Digital and TQ Online, while Fujian Huayu will transfer all of its profits to Fujian Tianquan. Such profits will be net of any accumulated loss, working capital requirements, expenses and tax and therefore substantially reduce NetDragon (Fujian) and Fujian Huayu's taxable income. These arrangements and transactions are related party transactions which must be conducted on an arm's length basis under applicable PRC tax rules. In addition, under PRC laws and regulations, arrangements and transactions among related parties may generally be subject to audit or scrutiny by the PRC tax authorities within ten years after the taxable year when the arrangements or transactions are conducted. As a result, the determination of service fees and other payments to TQ Digital and TQ Online by NetDragon (Fujian) and to Fujian Tianquan by Fujian Huayu under the contractual arrangements may be challenged and deemed not in compliance with such tax rules. The Group could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements were not entered into on an arm's length basis and therefore adjust the taxable income of NetDragon (Fujian) and/or Fujian Huayu in the form of a transfer pricing adjustment which refers to the prices that one member of a group of affiliated corporation's charges to another member of the group for goods, assets, services, financing or the use of intellectual property. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by NetDragon (Fujian) and/or Fujian Huayu, which could in turn increase NetDragon (Fujian) and/or Fujian Huayu's tax liabilities. Any such adjustment could result in a higher overall tax liability of the Group. In addition, the PRC tax authorities may impose late payment fees and other penalties on NetDragon (Fujian) and/or Fujian Huayu for any unpaid taxes. The consolidated net income of the Group may be materially and adversely affected if NetDragon (Fujian) and/or Fujian Huayu's tax liabilities increase or if it is subject to late payment fees or other penalties. As a result, the value of the Group may be materially and adversely affected.

CONTINUING CONNECTED TRANSACTIONS (Cont'd)

ACTIONS TAKEN BY THE GROUP TO MITIGATE THE RISKS

During the year ended 31 December 2024, the Group has implemented the following measures to ensure the effective operation of the Structured Contracts and the Group' s compliance with 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 Board will review the overall performance of and compliance with the Structured Contracts at least once a year;

- 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 the Foreign Investment Law, including the latest relevant regulatory development as well as the plan and progress in acquiring the relevant experience to meet these qualification requirements; and

- 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 and to deal with specific issues or matters arising from the Structured Contracts.

UNWINDING OF THE CONTRACTUAL ARRANGEMENTS

It is the intention of the Group to unwind the contractual arrangements when foreign investment in the development and operation of online game and online education business is no longer restricted in the PRC.

However, as at the date of this report, there is no unwinding of any of the contractual arrangements or failure to unwind when the restrictions that led to the adoption of the contractual arrangements are removed.

CONTINUING CONNECTED TRANSACTIONS (Cont'd)

TRANSACTION IN RELATION TO RECREATION CENTRE AGREEMENT BETWEEN TQ DIGITAL AND FUZHOU 851

On 24 April 2024, NetDragon (Fujian), as tenant, and Fuzhou 851, as landlord, entered into a tenancy agreement for the lease in respect of the Recreation Centre (飄渺莊), which is located at No.60 Hot Spring Branch Road, Gulou District, Fuzhou City, Fujian Province, the PRC for a term of three years for a total annual rent of RMB11.7 million (the Recreation Centre Tenancy Agreement).

CONFIRMATION OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors have reviewed the above transaction conducted during the year ended 31 December 2024 and confirmed that the transaction:

(i) has been entered into in the ordinary and usual course of the business of the Group;

(ii) has been entered into either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than those available to or from independent third parties;

(iii) has been entered into in accordance with the the 2021 Renewal Recreation Centre Agreement on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(iv) has not exceeded the annual cap for the year ended 31 December 2024 as disclosed in the relevant announcement the Company.

CONTINUING CONNECTED TRANSACTIONS (Cont'd)

COMPLIANCE WITH DISCLOSURE REQUIREMENTS

For further details of the nature and extent of each of the connected person's interest in each of the Transactions, please refer to the section headed "Corporate Governance Report – Directors' Interest In Transaction, Arrangement or Contract" below. The Company has complied with the applicable requirements of Chapter 14A of the Listing Rules in respect of the continuing connected transactions.

AUDITOR'S LETTER ON DISCLOSED CONTINUING CONNECTED TRANSACTIONS

In addition, the Company has engaged its auditor to report on the ND Structure Contracts, the ND Other Contracts and the Best Assistant Control Documents of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued unqualified opinion containing the conclusion in respect of the ND Structure Contracts, the ND Other Contracts and the Best Assistant Control Documents which are in compliance with the Rule 14A.56 of the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws in the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

AUDIT COMMITTEE

The Company established the audit committee on 15 October 2007 which comprises three independent non-executive Directors, namely, Li Sing Chung Matthias (chairman), Lee Kwan Hung, Eddie and Liu Sai Keung, Thomas.

The audit committee is primarily responsible for the review and supervision of the Group's financial reporting process, risk management and internal control system. It has met with the external auditors of the Group to review the accounting principles and practices adopted by the Company and the audited annual financial statements of the Group for the year ended 31 December 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix C3 of the Listing Rules and the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code for the year ended 31 December 2024.

CORPORATE GOVERNANCE CODE

The Company has complied with the CG Code throughout the year ended 31 December 2024 as contained in Appendix C1 of the Listing Rules.

A report on the principal corporate governance practices adopted by the Company is set out on pages 69 to 83.

PERMITTED INDEMNITY

The Bye-laws provides that each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

COMPETITION AND CONFLICT OF INTERESTS

None of the Director nor any of their respective associates, as defined in the Listing Rules, has interest in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, or has any other conflict of interests with the Group as at 31 December 2024 and as at the date of this report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2024, neither the Company nor its subsidiaries repurchased, sold or redeemed any of the Company's listed securities (including any sale of treasury shares).

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained the prescribed public float under the Listing Rules.

SHARE SCHEMES

At the annual general meeting of the Company held on 6 June 2024, the shareholders of the Company approved the adoption the 2024 share option scheme (the "2024 Share Option Scheme") and the 2024 share award scheme (the "2024 Share Award Scheme") (together, the "Existing Share Schemes"). Further details of the Existing Share Schemes are set out in the circular of the Company dated 24 April 2024.

As at the date of adoption of the Existing Share Schemes and as at 31 December 2024, no share options and awarded shares were granted under the Existing Share Schemes, the total number of share options and awarded shares available for grant under the Existing Share Schemes shall not exceed 53,126,253, representing 10% of the Shares, the total number of share options and awarded shares available for grant to the service providers (as defined under the Existing Share Schemes) under the Existing Share Schemes shall not exceed 5,312,625, representing 1% of the Shares.

Details of share option schemes and share award scheme of the Company are set out below.

Share Option Scheme

The Company adopted the 2024 Share Option Scheme on 6 June 2024 to replace its previous share option scheme. The share option schemes adopted by the Company on 24 May 2018 (the "2018 Share Option Scheme") and 12 June 2008 (the "2008 Share Option Scheme") were terminated on 6 June 2024 and 24 May 2018 respectively. The outstanding share options granted under the 2018 Share Option Scheme and the 2008 Share Option Scheme shall remain valid and exercisable according to the terms of the schemes.

The 2024 Share Option Scheme was adopted for the purpose to enable the Company to grant share options to eligible participants (being the employee of the Company or any related entities, and the services providers) as incentives or rewards for their contribution or potential contribution to the Group. Unless early terminated by the Board, the 2024 Share Option Scheme shall be valid and effective for a term of ten years commencing on 6 June 2024.

SHARE SCHEMES (Cont'd)

Share Option Scheme (Cont'd)

As at 31 December 2024, no share options were granted under the 2024 Share Option Scheme. No share options were granted under the 2018 Share Option Scheme as at the date of its termination. Details of the movements of the outstanding share options under the 2008 Share Option Scheme and the 2018 Share Option Scheme during the year ended 31 December 2024 are as follows:

2008 Share Option Scheme

Grantee	Date of grant	Exercise Price *HKD*	As at 1 January 2024	Number of share options Granted	Exercised	Cancelled	Lapsed	As at 31 December 2024
Independent non-executive Directors								
Lee Kwan Hung, Eddie	31.03.2017	23.65	100,000	–	–	–	–	100,000
Liu Sai Keung, Thomas	31.03.2017	23.65	100,000	–	–	–	–	100,000
Others								
Employees	31.03.2017	23.65	100,000	–	–	–	–	100,000
Total			300,000	–	–	–	–	300,000

SHARE SCHEMES (Cont'd)

Share Option Scheme (Cont'd)

2018 Share Option Scheme

Grantee	Date of grant	Exercise Price	As at 1 January 2024	Granted	Exercised	Cancelled	Lapsed	As at 31 December 2024
		HKD		Number of share options				
Executive Director								
Leung Lim Kin, Simon	24.01.2020	21.07	4,000,000	–	–	–	–	4,000,000
Independent non-executive Directors								
Lee Kwan Hung, Eddie	24.01.2020	21.07	100,000	–	–	–	–	100,000
Liu Sai Keung, Thomas	24.01.2020	21.07	100,000	–	–	–	–	100,000
Others								
Employees	24.01.2020	21.07	1,100,000	–	–	–	–	1,100,000
Total			5,300,000	–	–	–	–	5,300,000

Note 1: Share options granted on 31 March 2017 were vested from 31 March 2018 to 31 March 2020, 25% of which were vested on the first anniversary of the date of grant, 25% were vested on the second anniversary of the date of grant, and 50% were vested on the third anniversary of the date of grant. The share options are exercisable from the relevant vesting dates until 30 March 2027.

Note 2: Share options granted on 24 January 2020 to the independent non-executive Directors were vested from 24 January 2021 to 24 January 2023, with one-third of the share options vested on the first, second and third anniversary of the date of grant. The remaining share options granted to grantees on 24 January 2020 were vested from 24 January 2021 to 24 January 2024, with 25% of the share options vested on each anniversary of the date of grant. All share options granted on 24 January 2020 are exercisable from the relevant vesting dates until 23 January 2030.

SHARE SCHEMES (Cont'd)

Share Award Scheme

The Company adopted the 2024 Share Award Scheme on 6 June 2024 to replace the share award scheme that was adopted on 2 September 2008 and extended on 31 August 2018 (the "2008 Share Award Scheme"). The Board may, at their discretion, select any eligible participant (being the employee of the Company or any related entities, and the services providers) for participation in the 2024 Share Award Scheme. Unless early terminated by the Board, the 2024 Share Award Scheme shall be valid and effective for a term of ten years commencing on 6 June 2024.

Pursuant to the rules of the 2024 Share Award Scheme, the Group has signed an agreement with Bank of Communications Trustee Limited (the "Trustee"), for the purpose of administering the 2024 Share Award Scheme and holding the awarded shares before they are vested.

The awarded shares, will be transferred to the selected participants at nil consideration, subject to receipt by the Trustee of (i) transfer documents duly signed by the Trustee and the selected participants within the period stipulated in the vesting notice issued by the Trustee to the selected participants; and (ii) a confirmation letter from the Company that all vesting conditions having been fulfilled.

Subject to the acceptance by the relevant selected participants, such transferred awarded shares may be held by the selected participants in their own names or such nominees, including any trustees, as designated by the selected participants.

As at 31 December 2024, no awarded shares were granted under the 2024 Share Award Scheme. No awarded shares were granted under the 2008 Share Award Scheme as at the date of its termination.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the Share Option Scheme disclosed above and set out in note 37 of Notes to the Consolidated Financial Statements, at no time during the year was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or in any other body corporate.

ISSUE OF SECURED CONVERTIBLE AND EXCHANGEABLE BONDS BY BEST ASSISTANT AND ISSUE OF UNLISTED WARRANT UNDER SPECIFIC MANDATE

On 10 November 2019, the Company, Best Assistant Education Online Limited ("Best Assistant"), NetDragon Websoft Inc. ("NetDragon BVI"), Digital Train Limited ("Digital Train"), Promethean World Limited, Nurture Education (Cayman) Limited (the "Investor"), Madison Pacific Trust Limited as the agent and the security agent entered into the bond and warrant purchase agreement (the "Purchase Agreement"), pursuant to which (i) Best Assistant agreed to issue to the Investor and the Investor agreed to purchase the convertible and exchangeable bonds (the "Convertible and Exchangeable Bonds") in the aggregate principal amount of USD150 million (equivalent to approximately HKD1,174.5 million); and (ii) simultaneously with the issue of the Convertible and Exchangeable Bonds, the Company would issue to the Investor the unlisted warrants. The issue of Convertible and Exchangeable Bonds and the Warrants to the Investor is a strategic collaboration with the Investor, an institutional investor with extensive experience and active investments in the Greater China education sector.

Closing of the Purchase Agreement took place on 9 March 2020, and Best Assistant has issued to the Investor, Convertible and Exchangeable Bonds which can be converted to 279,510,479 ordinary shares of Best Assistant, representing 11.16% of the total outstanding share capital of Best Assistant on a fully diluted and as-converted basis, and the Company has issued the unlisted warrant to the Investor which can be converted to 11,502,220 warrant shares of the Company (the "Unlisted Warrant"). As a result of the payment of the Company's dividend and pursuant to the relevant warrant instrument, the subscription price of the relevant warrant instrument is adjusted from HKD2l.l998 to HKD19.6698 on 28 February 2022, and further adjusted to HKDl8.8698 on 31 October 2022. The net proceeds raised from the issuance of Convertible and Exchangeable Bonds and warrants were also applied and fully utilized as intended.

As at 31 December 2024, no Convertible and Exchangeable Bonds were converted into ordinary shares of Best Assistant and no warrants were converted into Shares of the Company. On 8 March 2025, the Unlisted Warrant was expired.

MAJOR TRANSACTION IN RELATION TO THE MERGER, MAJOR DISPOSAL AND PROPOSED SPIN-OFF OF ELMTREE, AND DISTRIBUTION IN SPECIE

Merger and Proposed Spin-off

On 18 April 2023 (after trading hours), the Company, Best Assistant, Mynd.ai, Inc. ("Mynd.ai", formerly known as Gravitas Education Holdings, Inc. ("GEHI") and Bright Sunlight Limited ("Bright Sunlight") (a direct wholly-owned subsidiary of GEHI) entered into an agreement and plan of merger (the "Merger Agreement").

The transactions contemplated under the Merger Agreement involve, among other things: (i) the incorporation of eLMTree as a wholly-owned subsidiary of Best Assistant and Best Assistant transferring the education business of the Company outside of the PRC (comprising the businesses operated by Promethean, Edmodo, Elernity (Thailand) Co., Ltd. and Sky Knight Investments Limited) to eLMTree; (ii) (a) all shares reserved by Best Assistant under the Best Assistant Share Award Scheme being granted, (b) certain inter-company loans from the Company or NetDragon BVI, on the one hand, to Best Assistant or any subsidiary thereof, on the other hand, being cancelled in exchange for the issuance of certain ordinary shares of Best Assistant to NetDragon BVI, and (c) interests in Best Assistant held by all existing shareholders of Best Assistant (except for one ordinary share of Best assistant held by NetDragon BVI) being repurchased in exchange for ordinary shares of eLMTree ,(the "BA Repurchase") or otherwise being procured that such shares of the Company are exchanged for newly-issued ordinary shares of eLMTree in any other manner permitted by applicable law; and (iii) Bright Sunlight merging with and into eLMTree with eLMTree surviving after the merger (the "Merger").

MAJOR TRANSACTION IN RELATION TO THE MERGER, MAJOR DISPOSAL AND PROPOSED SPIN-OFF OF ELMTREE, AND DISTRIBUTION IN SPECIE (Cont'd)

Merger and Proposed Spin-off (Cont'd)

The transactions contemplated under the Merger Agreement were approved by the shareholders at the extraordinary general meeting held on 14 July 2023. The closing of the Merger (the "Closing") has taken place and the Merger has become effective on 13 December 2023. Upon the Closing, eLMTree has become a direct wholly owned subsidiary of Mynd.ai, a company listed on the NYSE American and the financial results of Mynd.ai and its subsidiaries (including eLMTree) will be consolidated into the consolidated financial statements of the Company.

Distribution in Specie

To give due regard to the interests of the shareholders of the Company, upon the Closing, the Directors passed a resolution to declare a special dividend to shareholders by way of a distribution in specie (the "Distribution in Specie") of 676,681 American depositary shares represented by ordinary shares of Mynd.ai held by the Company (indirectly through NetDragon BVI) after Closing (or cash alternative), in proportion to their respective shareholdings in the Company.

The distribution completed on 15 February 2024. The Company has paid an aggregate of approximately HKD71.7 million to shareholders in respect of the cash payments for the Distribution in Specie.

REPORT OF THE DIRECTORS

AUDITOR

The consolidated financial statements for the year ended 31 December 2024 have been audited by Deloitte Touche Tohmatsu ("Deloitte"), the auditor of the Company. A resolution will be submitted in the AGM of the Company to re-appoint Deloitte as auditor of the Company.

On behalf of the Board

Leung Lim Kin, Simon
Vice Chairman

Hong Kong, 26 March 2025

The Directors believe that good corporate governance practices serve as an effective risk management for the Company and hence, the shareholders of the Company will benefit from the high standard of corporate governance.

The Company has applied the principles set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 of the Listing Rules.

Throughout the year, save as disclosed in this Corporate Governance Report, the Company has complied with the provisions as set out in the CG Code in Appendix C1 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has established its code of conduct regarding securities transaction by Directors, senior management and relevant employees on terms no less exacting than the required standard indicated by the Model Code as set out in Appendix C3 to the Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions during the year under review.

THE BOARD

The Board is composed of five executive Directors (including the Chairman and the Chief Executive Officer of the Company) and four non-executive Directors (of whom three are independent non-executive Directors), whose biographical details are set out in "Directors and Senior Management" section on pages 22 to 30. Save as disclosed herein, none of the members of the Board has any financial, business, family or other material relevant relationship to one another.

Each of the non-executive and independent non-executive Directors has entered into an appointment letter with the Company, all for an initial term of three years since the date of appointment and renewable automatically for successive terms of one year each commencing from the day next after the expiry of the current term unless and until terminated in accordance with the terms of the appointment letter or by either party thereto giving to the other not less than three months' prior written notice.

In compliance with Rule 3.09D of the Listing Rules, Ms. Lin Yun has obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 2 September 2024, and has confirmed that she understood her obligations as Director.

Duties of the Board including delegation to management

The Board is responsible for overall strategic formulation and performance monitoring of the Group. It delegates day-to-day operations of the Company to the committees and senior management within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the audit committee, the remuneration committee, the nomination committee and the share award scheme committee. Further details of these committees are set out in this report.

Duties of the Board include:

(i) ensuring, maintaining and overseeing the internal control systems of the Group;

(ii) setting the objectives of management of the Group;

(iii) monitoring the performance of management of the Group;

(iv) ensuring that a framework of prudent and effective controls is in place to enable risks to be assessed and managed; and

(v) overseeing the management of NetDragon's relationships with stakeholders, such as, shareholders, customers, the community, interest groups, employees and others who have a legitimate interest in the responsible conduct of the Group's business.

During the year ended 31 December 2024, the Board held four meetings and the attendance of each of the Directors at Board, committee and general meetings held in 2024 is set out below:

Directors	Full Board	Audit Committee	Remuneration Committee	Nomination Committee	Share Award Scheme Committee*	Annual General Meeting
Executive Directors						
Liu Dejian (Chairman)	4/4	N/A	N/A	N/A	N/A	0/1
Leung Lim Kin Simon (Vice Chairman)	4/4	N/A	N/A	N/A	N/A	1/1
Liu Luyuan (Chief Executive Officer)	4/4	N/A	N/A	N/A	N/A	0/1
Chen Hongzhan	4/4	N/A	N/A	N/A	N/A	0/1
Lin Yun (appointed on 16 September 2024)	N/A	N/A	N/A	N/A	N/A	N/A
Non-executive Director						
Lin Dongliang	4/4	N/A	N/A	N/A	N/A	0/1
Independent non-executive Directors						
Lee Kwan Hung, Eddie	4/4	4/4	2/2	2/2	N/A	1/1
Liu Sai Keung, Thomas	4/4	4/4	2/2	2/2	N/A	1/1
Li Sing Chung Matthias	4/4	4/4	2/2	2/2	N/A	1/1

* The Share Award Scheme Committee of the Company did not hold any meeting during the year under review.

The CG Code provision F.2.2 requires that the Chairman of the Board should attend the annual general meeting of the Company ("AGM") and should invite the Chairman of the audit, remuneration, nomination and any other committee (as appropriate) to attend the AGM and in their absence, he should invite another member of the committee or failing this his duly appointed delegate(s) to attend. These persons should be available to answer questions at the AGM. At the AGM held on 6 June 2024, Dr. Leung Lim Kin, Simon, the vice chairman of the Board, Mr. Li Sing Chung Matthias, the chairman of the audit committee, Mr. Lee Kwan Hung, Eddie, the chairman of remuneration committee and Mr. Liu Sai Keung, Thomas, the chairman of nomination committee, attended and answered shareholders' questions, the Chairman of the Board and the other Directors did not attend as they had other important business engagement.

Board and committee minutes are recorded in appropriate detail. Draft minutes are circulated to Directors for comments within reasonable time after each meeting and the final version is open for Directors' inspection.

The Directors are entitled, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

In full compliance with Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive Directors, at least one of whom has appropriate professional accounting qualifications. The Board considers that all independent non-executive Directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of the shareholders of the Company.

In addition, the Company has received, from each of the independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. Two of them have served on the Board for more than nine years and their independence have been verified. The Nomination Committee is fully satisfied that they demonstrate complete independence in character and judgement both in their designated roles and as board members. The Board considers that all independent non-executive Directors to be independent by reference to the factors stated in the Listing Rules.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Directors are also provided with monthly updates which contain periodic financials with summaries and covering highlights of the Company's major businesses of key events, outlook and business related matters of the Group. The monthly updates present a balanced and understandable assessment of the Company's performance and position. The non-executive Director and independent non-executive Directors may take independent professional advice at the Company's expense in carrying out their functions, after making a request to the Board.

DIRECTORS' INTEREST IN TRANSACTION, ARRANGEMENT OR CONTRACT

With reference to the ND Structure Contracts entered into among TQ Digital, TQ Online and NetDragon (Fujian), the executive Director, Mr. Liu Luyuan is interested in an aggregate of 0.07% in NetDragon (Fujian). Transactions between the Company, NetDragon (BVI), TQ Digital, TQ Online, NetDragon (Hong Kong) or NetDragon (USA) (all being wholly-owned subsidiaries of the Company) on one hand and NetDragon (Fujian) on the other hand, including the ND Structure Contracts and the ND Other Contracts would technically constitute connected transactions. Details for the ND Structure Contracts and the ND Other Contracts are set out in pages 44 to 49 in the section of "Report of the Directors" under the paragraphs of "ND Structure Contracts".

With reference to the Best Assistant Control Documents entered into among Fujian Huayu and NetDragon (Fujian), NetDragon (Fujian) and Fujian Huayu (being a subsidiary of NetDragon (Fujian)) are technically associates of Dr. Liu Dejian and Mr. Liu Luyuan, and therefore connected persons of the Company. Transactions between the Company or its subsidiaries, except Best Assistant (Cayman) and subsidiaries of Best Assistant (Cayman) (the "Best Assistant Group Companies") on one hand and Best Assistant (Cayman) or Best Assistant Group Companies on the other hand, including the Best Assistant Control Documents would technically constitute connected transactions. Details for the Best Assistant Control Documents are set out in pages 49 to 53 in the section of "Report of the Directors" under the paragraphs of "Best Assistant Control Documents".

With reference to the connected transactions for the Renewal Tenancy Agreement entered into between TQ Digital or NetDragon (Fujian) on one hand and Fuzhou 851 on the other hand and with reference to the continuing connected transaction for the Renewal Recreation Centre Agreement entered into between TQ Digital or NetDragon (Fujian) on one hand and Fuzhou 851 on the other hand, Fuzhou 851 is wholly owned by DJM Holding Ltd., a substantial shareholder of the Company. Thus, Fuzhou 851 is deemed to be a connected person to the Company.

With reference to the Series A Agreement entered into, among others, Best Assistant (Cayman) and the Series A Investors for the allotment and issue of an aggregate of 180,914,513 Series A Preferred Shares for a total consideration of USD52.5 million (equivalent to approximately HKD409.5 million), DJM Holding Ltd. was allotted 2,987,605 Series A Preferred Shares. DJM Holding Ltd. is a substantial shareholder of the Company and is wholly owned by Dr. Liu Dejian, the chairman and an executive Director. Thus, DJM Holding Ltd. is considered as a connected person to the Company.

With reference to the Capital Contribution Agreement entered into among TQ Online, the Investors and the existing shareholders of Wuxi Mesh Tech, TQ online has, amongst other things, conditionally agreed to make Capital Contribution in the amount of RMB50 million to Wuxi Mesh Tech in two installments. Wuxi Mesh Tech is indirectly held as to approximately 61.53% by the family members of Mr. Lin Dongliang, a non-executive director of the Company (including his son and his spouse). Thus, Wuxi Mesh Tech is considered as a connected person to the Company.

Details for the continuing connected transactions are set out in pages 44 to 59 in the section of "Report of the Directors" under the paragraphs of "Continuing Connected Transactions".

Save as the above, none of the Directors is materially interested, either directly or indirectly, in any transaction, arrangement or contract of significance of the Company during the year ended 31 December 2024 or as at the end of the year.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the chairman and the chief executive officer are held by Dr. Liu Dejian and Mr. Liu Luyuan, respectively.

In order to reinforce their respective independence, accountability and responsibility, the role of the chairman is separated from that of the chief executive officer. The chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice and ensuring the effectiveness of the Board. With the support of the senior management, the chairman is also responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings. The chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. During the year ended 31 December 2024, due to scheduling conflicts, the chairman was unable to personally conduct the annual meeting with the independent non-executive directors. This arrangement deviated from the strict requirement under Code Provision C.2.7. The independent non-executive directors were provided with an opportunity to express their views freely and discuss any matters of concern.

The chief executive officer focuses on managing the Company and its subsidiaries, developing and implementing objectives, policies and strategies approved and delegated by the Board. The chief executive officer is in charge of the Group's day-to-day management and operations and is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval.

AUDIT COMMITTEE

The Company established the audit committee (the "Audit Committee") on 15 October 2007 which has adopted written terms of reference in compliance with the CG Code Provision. The primary duties of our audit committee are to review and supervise our financial reporting process, risk management, internal control and corporate governance systems.

The Audit Committee reviews the quarterly, interim and annual consolidated financial results of the Group. In addition, the Audit Committee also reviews and approves the pricing policy and the performance for the continuing connected transactions and connected transactions relating to ND Structure Contracts, ND Other Contracts and Best Assistant Control Documents of the Group.

The Audit Committee held two meetings during the year ended 31 December 2024. The major work performed by the Audit Committee in respect of the year ended 31 December 2024 included reviewing and recommending the re-appointment of external auditor, approving the terms of engagement (including the remuneration) of the external auditor and the audit plan, reviewing the unaudited interim report and interim results announcement for the six months ended 30 June 2024, reviewing the audited financial statements and final results announcement for the year ended 31 December 2024, reviewing the work of the Group's internal audit and assessing the effectiveness of the Group's systems of internal control, risk management, corporate governance and cost control. The Audit Committee also discussed with the management to ensure that the Company is having adequate resources, qualified and experienced staff of the accounting and financial reporting function, and training programmes and budget.

Our Audit Committee comprises three independent non-executive Directors, namely Li Sing Chung Matthias, Lee Kwan Hung, Eddie and Liu Sai Keung, Thomas. Li Sing Chung Matthias is the chairman of the Audit Committee.

The Group's audited consolidated financial statements for the year ended 31 December 2024 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

The written terms of reference of the Audit Committee are posted on the websites of the Stock Exchange and the Company.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognises its responsibility for maintaining a sound and effective system of internal control and risk management on an ongoing basis to safeguard the shareholders' investment and the Company's assets, and reviewing its effectiveness at least annually. The Board has entrusted the Audit Committee and professional external consultant with the responsibility to review the internal control and risk management systems of the Group annually, which include the review of financial, operational and compliance controls and risk management functions.

During the year under review, the Board has conducted a review on the effectiveness of the internal control and risk management system of the Group through discussion with the Audit Committee on audit findings and control issues. These procedures provide reasonable and not absolute assurance against material errors, losses and fraud, and the system is designed to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

The Board has also considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Board, based on the review of the Audit Committee, is satisfied that the Group has maintained sound and effective risk management and internal control system for the year ended 31 December 2024.

The procedures and internal controls of the Company for handling and dissemination of inside information includes handling corporate affairs in accordance with the Guidelines on Disclosure of Inside Information published by Securities and Futures Commission and the Listing Rules, and reminding the Directors and employees of the Group regularly about due compliance with all policies regarding the inside information.

REMUNERATION COMMITTEE

The Company established the remuneration committee (the "Remuneration Committee") on 15 October 2007 which adopts the model as described in E.1.2 (c) (ii) of CG Code, which determines remuneration packages and policy for all executive Directors and senior management and makes recommendation on the remuneration of non-executive Directors to the Board. The remuneration of all our Directors and senior management is subject to regular monitoring by the Remuneration Committee to ensure that levels of their remuneration and compensation are appropriate.

During the year ended 31 December 2024, the Remuneration Committee held two meetings, a meeting was held to review the salary structure of the Directors and senior management of the Company by assessing their performance and with reference to the remuneration level of directors of comparable listed companies and the terms of the executive Directors' service contracts.

Ms. Lin Yun was appointed as an executive director of the Company (the "Appointment") on 16 September 2024. The Remuneration Committee held a subsequent meeting on 19 December 2024 to formally reconfirm the remuneration decision concerning Ms. Lin's appointment.

The Remuneration Committee is following a structured approach and timetable to evaluate and recommend the remuneration packages for executive directors and senior management to the Board. This approach enhances transparency, accountability and governance effectiveness, ensuring that remuneration decisions are made in comprehensive and principled manner that aligns with CG Codes and the RC's Terms of Reference.

Our Remuneration Committee comprises three independent non-executive Directors, namely Li Sing Chung Matthias, Lee Kwan Hung, Eddie and Liu Sai Keung, Thomas. Lee Kwan Hung, Eddie is the chairman of the Remuneration Committee.

The written terms of reference of the Remuneration Committee are posted on the websites of the Stock Exchange and the Company.

EMPLOYEE AND EMOLUMENT POLICY

The emolument policy of the employees of the Company is set up by the Board on the basis of their merit, qualifications and competence.

The emoluments of the executive Directors and senior management of the Company are reviewed and determined by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The Group has adopted the 2024 Share Option Scheme and the 2024 Share Award Scheme to motivate Directors and eligible employees. Details of the schemes are set out in the paragraphs headed "Share Schemes". None of the directors waived any emoluments during the year ended 31 December 2024.

NOMINATION COMMITTEE

The Company established a nomination committee (the "Nomination Committee") on 15 October 2007 which has adopted written terms of reference in compliance with the CG Code Provision. The Nomination Committee determines the nomination policy and follows a formal, fair and transparent procedure for the appointment of new Directors to the Board. The Nomination Committee reviews the structure, size and composition of the Board annually, identifies suitably qualified candidates to become Board members and select or make recommendations to the Board on the selection of candidates nominated for directorships and succession planning for directors, and accesses the independence of the independent non-executive Directors. During this process, the Nomination Committee considers candidates based on merit and with due regard to the benefits of diversity on the Board.

During the financial year ended 31 December 2024, a meeting was held to review the structure, size and composition of the Board and assessed the independence of the three independent non-executive Directors of the Company. The Nomination Committee is of the view that the current Board demonstrates a balanced composition with sufficient independence element.

The Nomination Committee convened a meeting on 19 December 2024 to reconfirm the Appointment and address the procedural deviation of Code Provision B.3.1. The Nomination Committee members had a meeting with the Company and Ms. Lin on 30 December 2024 to engage in further discussions, ensuring that all relevant perspectives are considered and that Ms. Lin's appointment aligns with the strategic vision and requirements of the Company. Through a dedicated meeting and further discussions, the Nomination Committee demonstrates a dedication to transparency, accountability, and the principles of due diligence in corporate governance. As such, the Appointment aligns with the Principles under B.1, B.2 and B.3 and such procedural deviation would not be considered as a breach of Listing Rules by the Company and does not have a material negative impact on the Company.

The Nomination Committee takes lead in considering and evaluating candidates for directorship roles, making recommendations to the Board based on their assessment. This approach ensures a thorough and transparent selection process, where the Nomination Committee's expertise and diverse perspectives can contribute to identifying individuals best suited for directorial positions. The Board can then make the final appointment decisions, aligning with the Code Provisions and the Nomination Committee's Term of Reference.

With respect to the duties of the directors, considering that (i) the Appointment is approved by the Board through written resolutions on 16 September 2024; (ii) each of the Nomination Committee and the Remuneration Committee held a meeting 19 December 2024 to reconfirm the Appointment; and (iii) the Nomination Committee met with Ms. Lin on 30 December 2024 to discuss, among others, the Appointment, all the directors, including the independent non-executive directors, have fully discharged their obligations in relation to the Appointment.

Our Nomination Committee comprises three independent non-executive Directors, namely Li Sing Chung Matthias, Lee Kwan Hung, Eddie and Liu Sai Keung, Thomas. Liu Sai Keung, Thomas is the chairman of the Nomination Committee.

The written terms of reference of the Nomination Committee are posted on the websites of the Stock Exchange and the Company.

Potential new directors are selected on the basis of their qualifications, skill and experience which the Nomination Committee considers will make a positive contribution to the performance of the Board.

Board Diversity Policy

On 30 August 2013, the Board adopted the board membership diversity policy for maintaining the appropriate skills and experience required by the Company's business and a diversity of perspectives on the Board.

The following is a summary of the board diversity policy:

- reviewing and assessing the composition of the Board to maintain an appropriate range and balance of talents, skills, experience and background on the Board;

- recommending candidates for appointment to the Board by considering merit against objective criteria and with due regard for the benefits of diversity on the Board; and

- conducting an annual review of the effectiveness of the Board by considering the balance of talents, skills, experience, independence and knowledge of the Board and the diversity of the Board.

The achievement of these criteria will be measurable on an objective review, which can enhance the diversity of background and experience of individual directors and the effectiveness of the Board in protecting shareholders' interests.

Details of the gender ratio in workforce (including senior management) are set out in the "Environment, Social and Governance Report" on page 144.

Nomination Policy

The Nomination Committee recommends candidates for nomination to the Board, which approves the final choice of candidates. The Nomination Committee was responsible to maintain the nomination policy of the Company (the "Nomination Policy") and review the same regularly. The objective of the Nomination Policy is to assist the Company in fulfilling its duties and responsibilities as provided in its terms of reference. This Nomination Policy sets out, inter alia, the selection criteria and the evaluation procedures in nominating candidates to be appointed or re-appointed as Directors of the Company.

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:

(a) Reputation for integrity;

(b) Accomplishment, experience and reputation in the business and other relevant sectors relate to the Company and/or its subsidiaries;

(c) Commitment in respect of sufficient time and attention to the Company' s business;

(d) Diversity in all aspects, including but not limited to gender, age, cultural/educational and professional background, skills, knowledge and experience;

(e) The ability to assist and support management and make significant contributions to the Company' s success;

(f) Compliance with the criteria of independence as prescribed under Rule 3.13 of the Rules Governing the Listing of Securities on Main Board of The Stock Exchange of Hong Kong Limited for the appointment of an independent non-executive Director; and

(g) Any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

The Committee believes that independence is an important part of fulfilling the Directors' duty to supervise the management of the business and affairs of the Company. Non-executive Directors and Executive Directors are required to disclose his/her competing businesses to the Company. Cross-directorships in Hong Kong or overseas between Directors are also reviewed annually. The Nomination Committee is accountable for assessing whether any competing businesses or interlocking directorships could materially interfere with the exercise of objective and unfettered judgement by relevant Directors or their ability to act in the best interests of the Group.

ND MANAGEMENT COMMITTEE

The Company established the ND Management Committee pursuant to the ND Structure Contracts to oversee the business and operations of NetDragon (Fujian).

The ND Management Committee comprises four members, of which each of TQ Digital and NetDragon (Fujian) is entitled to appoint two members from its respective board of directors. Other than by reason of retirement, resignation, incapability or death, a member of the ND Management Committee may only be removed by the party who originally appointed such member. As a general requirement, the members appointed by NetDragon (Fujian) must also be the equity holders of NetDragon (Fujian) as well as directors of TQ Digital. In the case where the number of members who concurrently act as a director of both TQ Digital and NetDragon (Fujian) is less than two, TQ Digital is entitled to appoint an additional member of the ND Management Committee. As such, under the ND Structure Contracts, the ND Management Committee is allowed to have a maximum of five members.

Currently, the ND Management Committee comprises Liu Dejian and Liu Luyuan who were appointed by NetDragon (Fujian), and Zheng Yicheng and Chen Hongzhan who were appointed by TQ Digital. The directors of NetDragon (Fujian) comprise Liu Dejian, Liu Luyuan, Wang Song and Zheng Yicheng. Zheng Yicheng is also the general manager of NetDragon (Fujian). Further details of the above members of the ND Management Committee are set out in the section headed "Directors and Senior Management" in this annual report.

BEST ASSISTANT MANAGEMENT COMMITTEE

The Best Assistant Management Committee was established on 3 March 2015 pursuant to the Best Assistant Control Documents to oversee the business and operations of Fujian Huayu. Through its control over Fujian Huayu, the Best Assistant Management Committee is also able to oversee the business and operations of the subsidiaries of Fujian Huayu. The Best Assistant Management Committee comprises four members, of which each of Fujian Tianquan and Fujian Huayu is entitled to appoint two members from its respective board of directors. Other than by reason of retirement, resignation, incapability or death, a member of the Best Assistant Management Committee may only be removed by the party who originally appointed such member. In the case where the number of members who concurrently act as a director of both Fujian Tianquan and Fujian Huayu is less than two, Fujian Tianquan is entitled to appoint an additional member of the Best Assistant Management Committee. As such, under the Best Assistant Control Documents, the Best Assistant Management Committee is allowed to have a maximum of five members.

Currently, the Best Assistant Management Committee comprises Liu Dejian and Liu Luyuan, who were appointed by Fujian Huayu, and Zheng Yicheng and Wang Song, who were appointed by Fujian Tianquan. The directors of Fujian Huayu comprise Liu Dejian, Liu Luyuan, Chen Hongzhan, Wang Song and Zheng Yicheng.

SHARE AWARD SCHEME COMMITTEE

In recognition of the contribution of employees and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group, the Company established a share award scheme committee on 2 September 2008 for the purpose of administration of the Share Award Scheme.

Our share award scheme committee comprises two independent non-executive Directors, namely Lee Kwan Hung, Eddie and Liu Sai Keung, Thomas and member of the senior management, namely Lau Hak Kin.

TRAINING AND SUPPORT OF DIRECTORS

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been updated on the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. The Directors confirmed that they have complied with the Code Provision C.1.4 of the CG Code on Directors' training. In 2024, all Directors have participated in continuous professional development by reading materials/in house briefing on regulatory and corporate governance matters to develop and refresh their knowledge.

DIRECTORS' INSURANCE

The Company has arranged appropriate insurance cover in respect of the legal action against the Directors.

AUDITOR'S REMUNERATION

During the year under review, the remuneration paid to the Company's external auditors, is set out as follows:

	RMB million
Audit services	
– Deloitte in Hong Kong	6
– Other auditors	16
Non-audit services	1
	23

The above non-audit services include professional advisory fees relating to the interim review services and financial and tax advisory services.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Directors acknowledge such responsibilities. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statements of the Company's external auditors regarding their responsibilities on the financial statements are set out in the Independent Auditor's Report on pages 156 to 160.

COMPANY SECRETARY

Mr. Lau Hak Kin, Financial Controller and Head of Compliance and Corporate Affairs of the Company, has been appointed by the Company as company secretary since September 2014. He is also the primary contact person of the Company. During the year ended 31 December 2024, Mr. Lau Hak Kin has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Companies Act of the Cayman Islands, as amended from time to time. However, according to article 58 of the Articles of Association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business 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 do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

The provisions for a shareholder to propose a person for election as a director of the Company are laid down in article 88 of the Company's Articles of Association. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar and transfer office: Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

For other enquiries or proposals to the Board, Shareholders may send written enquiries to the Company by fax: (852) 2850 7066 or mail to Units 2001-05 & 11, 20th Floor, Harbour Centre, 25 Harbour Road, Wan Chai, Hong Kong.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company maintains a sufficient public float with more than 25% of the issued shares of the Company being held by the public.

DIVIDEND POLICY

Dividend Policy is adopted and approved by the board of directors of the Company as the guideline on dividend distribution regarding future dividends to be paid by the Company with effect from 26 March 2019. The Company is committed to maintaining sufficient resources and flexibility to meet the Company' s financial and operational requirements. At the same time, the Company continually seeks ways to enhance shareholders' value to ensure sustainable long-term yields for shareholders.

The dividend payout ratio shall be determined or recommended, as appropriate, by the Board at its absolute discretion after taking into account the Company' s financial results, future prospects and other factors, and subject to:

- the Articles of Association of the Company;
- the applicable restrictions and requirements under the laws of the Cayman Islands;
- any banking or other funding covenants by which the Company is bound from time to time;
- the investment and operating requirements of the Company; and
- any other factors that have material impact on the Company.

Under the Cayman Islands Companies Act and the Articles of Association of the Company, all of our shareholders have equal entitlement to dividends and distributions. The Board shall have the right to review the Dividend Policy from time to time as it deems fit according to the financial and business development requirements of the Company.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company recognises the importance to maintain a transparent and on-going dialogue with the shareholders. A shareholders' communication policy, which is reviewed by the Board on regular basis, had been established to promote effective engagement with individual and institutional shareholders, investors and other stakeholders, giving them ready access to balanced and understandable information about the Company and corporate proposals.

The Board strives to encourage and maintain constant dialogue with the shareholders through various means. The Directors convene annual general meeting every year to meet the shareholders and answer their enquiries. The management personnel responsible for investor relations meets regularly with equity research analysts, fund managers and institutional shareholders and investors. The Company updates the shareholders on its latest business developments and financial performance through corporate communication documents like annual and interim reports. The Company's website (www.nd.com.cn) provides the latest corporate information and serves as an effective communication platform with the public and shareholders.

The Company has assessed the above communication channels with the Shareholders and considered that the Shareholder Communication Policy is well implemented and effective for the year ended 31 December 2024.

There have been no changes in the constitutional documents of the Company during the year ended 31 December 2024.

The AGM will be held at Boardroom 3-4, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 5 June 2025.

1. ABOUT THIS REPORT

Reporting Period and Scope

This Environmental, Social and Governance ("ESG") Report ("the Report") covers the sustainability strategies and ESG performance of NetDragon Websoft Holdings Limited ("the Company" or "We") and together with its subsidiaries (stock code: 0777) ("NetDragon" or the "Group") for the period from 1 January to 31 December 2024 ("the Reporting Period" or the "Year").

The Report encompasses NetDragon's gaming business primarily based in the People's Republic of China (the "PRC") and education technology business primarily based in the United States of America (the "USA"), the United Kingdom (the "UK") and Europe. This Report also contains details of our sustainable development, vision and progress made on the implementation of our ESG strategy during the Year.

The qualitative and quantitative information regarding the Group's approach, initiatives and priorities in managing material ESG aspects are disclosed in the Report. For further disclosures on corporate governance, please refer to the Corporate Governance Report of NetDragon's 2024 Annual Report.

Reporting Standard

The Report has been prepared in accordance with the "mandatory disclosure requirements" and adheres to the "comply or explain" provisions set out in the Environmental, Social and Governance Reporting Guide ("ESG Guide") under Appendix C2 of the Main Board Listing Rules ("Listing Rules") issued by The Stock Exchange of Hong Kong Limited ("Stock Exchange").

Reporting Principles

- **Materiality:** Material topics are identified, assessed, reviewed and confirmed by senior management and materiality issues verified by the Board of Directors are disclosed with emphasis to ensure their significance.

- **Quantitative:** Applicable quantitative key performance indicators outlined in Appendix C2 of the ESG Guide under the Listing Rules are disclosed to comprehensively evaluate the Group's ESG performance during the Reporting Period. The calculation methods, standards, assumptions, and references for the quantitative data, as well as the sources of the main emissions factors and definitions of terms are also provided.

- **Balance:** The ESG performance data is disclosed on an unbiased basis with a full picture of both our accomplishments for the Reporting Period and potential for enhancement in the future.

- **Consistency:** The data is calculated using consistent methodologies to allow effective year-over-year comparisons and objectively present the Group's ESG management performance.

Contact

We appreciate your feedback on our report, reporting content and sustainability performance. Please contact us through our Investor Relations department:

Mail: Units 2001-05 & 11, 20/F, Harbour Centre, 25 Harbour Road, Wan Chai, Hong Kong.

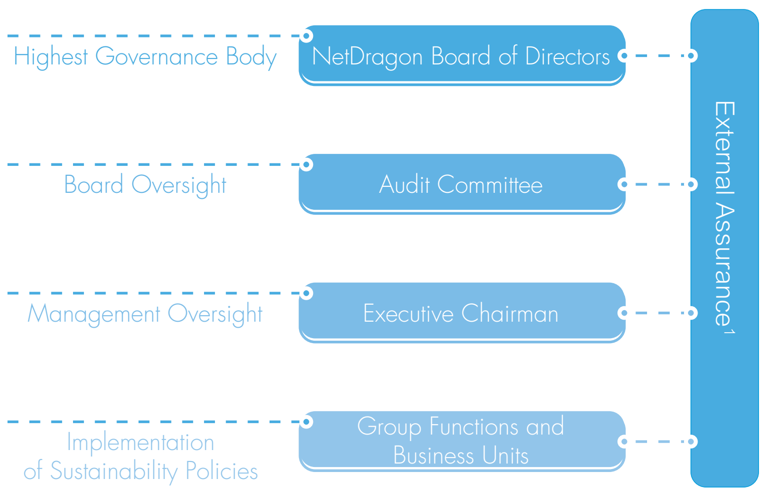
Email: ir@netdragon.com

2. SUSTAINABILITY GOVERNANCE

As a prominent online games pioneer in China and global leader in education technology, NetDragon takes on a sense of social responsibility befitting a publicly listed company and maintains high levels of sustainability governance standards. Our commitment to corporate social responsibility is deeply ingrained in the corporate culture, aiming to achieve the perfect balance between economic growth, social progress, and environmental protection. In doing so, we not only drive sustainable growth but also deliver stable returns to investors, laying a solid foundation for our future development.

The Group has established a comprehensive governance structure led by the Board of Directors, under which each function contributes diligently and prudently to advancing the Group's sustainability efforts, working together towards achieving the organisational sustainability goals.

Governance Structure



NetDragon's ESG management structure and the respective roles of each layer are as follows:

NetDragon Board of Directors	• Supervise the practices and implementation procedures for corporate governance • Maintain appropriate and effective risk management and internal control systems to ensure compliance with all applicable regulations within the Group • Review and approve ESG reports
Audit Committee	• Assist the Board of Directors in verifying the objectivity and credibility of financial reports, and ensure that directors act in accordance with the *Director's Responsibility Guidelines* when disclosing financial results to shareholders • Assist the Board of Directors in establishing effective risk management and internal control systems, while maintaining good corporate governance standards and practices • Review ESG reports and provide recommendations for review and approval by the Board of Directors
Executive Chairman	• Serve as general ESG management consultant under the full authorisation of the Board of Directors
Group Functions and Business Units	• Our various business units promote the implementation of the Group's ESG policy and integrate ESG targets into the Group's daily operations • Our subsidiaries formulate and implement ESG-related measures in accordance with the Group's ESG policies and targets, taking into account their own business characteristics and actual circumstances, and collect and summarise the progress and performance of ESG work • All group functions, business units, and subsidiaries assist in the preparation of ESG reports and conduct ESG-related research
External Assurance	• The Audit Committee conducts semi-annual reviews of the effectiveness of our internal control efforts with third-party assistance to comply with the relevant provisions of the Corporate Governance Code of the Listing Rules.

2.1 Board Independence, Diversity and Performance

We firmly believe that a diverse Board serves as one of the key factors in enhancing our overall performance. Board diversity not only broadens our perspectives but also translates into better decisions and outcomes. In addition to skills, knowledge, and professional experience, the Group considers and balances differences in background, ethnicity, age, gender, and service experience of our Board members. The Board's mission is to select and appoint outstanding individuals to its membership on the basis of merit as well as their contribution to the Group's strategic objectives and sustainable development. We established a Board diversity policy in 2013, which has been under continuous monitoring and maintenance. Aligned with the policy, we have recently appointed two new board members, including one female member, for optimal Board tenure. These directors will stand together to lead the Group towards a more prosperous and sustainable future.

During the Reporting Period, NetDragon received annual confirmation of their independence from each independent non-executive director in accordance with Rule 3.13 of the Listing Rules. These directors have more than 10 years of experience in corporate operations and management, well-versed in all aspects therein. The Nomination Committee is confident that they exhibit total independence of character and judgement in their duties as Board members and designated roles.

Besides diversity criteria and independence requirements, we perform regular self-assessment of Board performance to monitor Board effectiveness and systematically evaluate their performance for the past financial year.

2.2 Business Ethics and Compliance

2.2.1 Business Ethics and Oversight

The Group has always been committed to maintaining excellent corporate governance performance. We view corporate governance as a driving force for our sustainable development and place high importance on business ethics and integrity. To ensure effective management, we conduct our business activities in all functional and business units with the highest ethical standards and have developed organisation-wide regulations for employees, including the *Anti-Fraud and Anti-Bribery System* and the *Whistleblowing System*. To fulfil this commitment, we entrusted third-party to assess our ethical standards.

All stakeholders who engage in business with the Group, including suppliers, service providers, contractors and customers, are required to comply with the integrity provisions in our bidding/tender documents and contracts. In terms of supplier management, our Internal Audit department and Human Resources department actively communicate relevant business ethics principles to suppliers and business partners, ensuring that they share our commitment to upholding high standards of business ethics.

In terms of employee management, all new hires are required to sign a *Confidentiality and Integrity Statement* to ensure that they practice good business ethics from day one. We also require procurement staff to sign the *Procurement Department Violations* and *Penalties Rules* and to comply with conflict-of-interest provisions. Meanwhile, we have formulated the *Code of Conduct for Avoiding Conflicts of Interest*, which requires employees to conduct self-examination and declaration of organisational beneficial interests, in order to identify and prevent potential conflicts of interest and to prevent and control staff management risks. We have set up a dedicated team to handle conflicts of interest, investigate and assess potential conflicts and develop mitigation strategies as appropriate.

The Group has also introduced a feature in its Office Automation (OA) system to collect anonymous complaints about unfair policies and rules or unethical behaviour of employees, especially those in middle and senior management positions.

2.2.2 Anti-Corruption

NetDragon adopts a zero-tolerance attitude towards corruption and bribery. The Group requires all subsidiaries to comply with anti-corruption legislation in the jurisdictions where they operate, such as the *Prevention of Bribery Ordinance* in Hong Kong and the *Foreign Corrupt Practices Act* in the USA. They are also required to implement the *OECD Anti-Bribery Convention* throughout their operations.

The Group has established an internal anti-corruption management system in accordance with the abovementioned laws and regulations. We regulate employee behaviour through internal policies such as the *Employee Misconduct Handling and Management Measures*, which define and impose penalties for corruption and commercial bribery, establishing robust business ethics rules and codes of conduct.

Employee Misconduct Handling and Management Measures (excerpt)
Employees found to have engaged in misconduct that seriously damages (potentially or in reality) the Company's reputation or interests, such as theft, embezzlement, misappropriation of company funds or other property, abuse of position, fraud, accepting bribes/commissions through abuse of authority, abuse of power, private embezzlement, favouring relatives or seeking personal gain, will have their employment terminated immediately by the Group without compensation.

At the same time, in accordance with the requirements of the Independent Commission Against Corruption (ICAC) of the Hong Kong Special Administrative Region, the Group provides a series of anti-corruption related readers such as the *Business Ethics Training for Listed Companies* and *Anti-Corruption Program – Guidelines for Listed Company* to the Board of Directors and senior management, and organises regular training to strengthen the Group's culture of integrity. These help to ensure that our sustainability goals are delivered.

During the Reporting Period, the Group maintained the highest level of integrity and was not involved in any litigation relating to bribery, extortion, fraud, or money laundering.

2.2.3 Reporting Channels

The Group strictly prohibits any unethical business practices and strongly opposes any form of bribery and corruption. To encourage employees to report suspected misconduct in the Group in a confidential manner, we provide a range of reporting channels, including web portal, hotline, email, and intranet.

A reporting feature known as "BUG" has been introduced to our internal OA system. After an investigation by the Internal Audit, if the reported matter is confirmed to be true, the violator will be disciplined by the senior managers of the respective department in accordance with the guidelines provided by the BUG resolution process. The Group plans to develop corresponding internal response procedures for operational problems identified to prevent them from happening again in the future.

To ensure effective whistleblowing, we implement strict confidentiality of the whistleblower's personal information, ensuring that the whistleblower's safety and privacy are thoroughly protected. Our Human Resources department and Internal Audit department work together to ensure that reported matters are handled properly.

Collectively, the above measures and actions instill a culture of integrity in the Group and ensure that this culture is maintained throughout our operations over the long term.

Reporting channels:
Internal
Bug Collection Cabin, email, 99U and other channels
Email: neishen@nd.com.cn
External
Senior Staff Commendation/Complaint Collection:
https://www.nd.com.cn/2021/collection/
Email: zuzhibu@nd.com.cn

One of our major overseas subsidiaries has released the *Confidential Reporting (Whistle-blowing) Hotline Policy, Procedures and User Guidelines* through internal and external channels. The Guide provides detailed instructions on the reporting procedure as well as reporting channels, and defines reportable matters to help employees accurately identify unethical business conduct.

2.3 ESG Risk Management

Excellent risk management capabilities are critical to NetDragon's continued success. Our risk management team works closely with departments across the Group to maintain a keen insight into policy updates, competitive landscape, and technological trends. Cross-departmental collaboration enables us to identify potential risks that may pose a threat to our business in a timely manner, especially those closely related to sustainability.

In the risk management process, our departments continuously monitor and assess potential risks to ensure effective control and mitigation. As soon as risks are identified, the relevant departments will report immediately to the management and, under their guidance, quickly develop action plans and management objectives to reduce losses resulting from the risks.

Mindful of the challenges posed by climate change, NetDragon has taken a series of steps to manage physical and transition risks. These measures are designed to strengthen our climate resilience and ensure that our operations are properly equipped against the adverse impacts of these changes. For more information on how we address environmental challenges, please refer to Chapter 5 Environment in the Report.

3. STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

3.1 Stakeholder Engagement Approach

NetDragon is convinced that the collective engagement of internal and external stakeholders is necessary for achieving our ambitious sustainability goals. These stakeholders include not only our employees, but also our customers, suppliers, partners, as well as regulatory bodies and community members who play important roles in our business. To this end, we strive to create an open communication platform where the voices of all stakeholders are heard, ensuring that their expectations and concerns are well understood and addressed.

3.2 Identification and Update of Material Topics

During the Reporting Period, we analysed ESG topics according to their importance to stakeholders and the Group's business development, based on feedback from various communication channels. These topics are grouped into three tiers: General Topic, Moderate Topic and Material Topic. The results are shown below:

Category	Topic	Topic Materiality
Environmental	Climate Change	Moderate Topic
	Air Pollutant Management	
	Water Consumption and Conservation	General Topic
	Energy Management and Carbon Emissions	
	Waste Management	
	Environment and Use of Natural Resources	
Social and Governance	Respect for Intellectual Property Rights	Material Topic
	Data Security and Privacy Protection	
	Product and Services Safety and Quality	
	Innovation Management	
	Corporate Governance	
	Anti-bribery and Anti-corruption	
	Community Investment	Moderate Topic
	Diversity, Inclusion and Equal Opportunities	
	Responsible Supply Chain Management	
	Occupational Health and Safety	
	Talent Attraction, Retention & Development	
	Commercial Ethics and Antitrust	

NetDragon firmly believes that high priority must be given to topics that can have a profound impact on our corporate value. This year, through monitoring industry trends, regulatory updates and investor expectations, and based on the results of stakeholder engagement, we identified "Respect for Intellectual Property Rights", "Data Security and Privacy Protection", "Product and Services Safety and Quality", "Innovation Management", "Corporate Governance" and "Anti-bribery and Anti-corruption" as "Material Topic". The significance of these topics reflects their impact on our ESG aspects. We aim to integrate these topics into our day-to-day operations and manage them through our policies and risk management framework.

NetDragon places equal emphasis on General Topics and Moderate Topics. Considering the impact of these topics on our corporate value, we aim to address them through formulating appropriate policies, setting ESG targets, and risk management to ensure that we meet the code of business conduct and ethics across all aspects. This is our commitment to our stakeholders and our investment in the future.

4. USER RIGHTS PROTECTION

4.1 Cyber Security

As a global leader in building internet communities, NetDragon is well aware of the importance of cyber security to the Group and our stakeholders. We strictly comply with laws and regulations on information security in jurisdictions where we operate, including but not limited to the *Cybersecurity Law*, the *Data Security Law*, the *Personal Information Protection Law*, the *Standard Contract for the Outbound Cross-border Transfer of Personal Information*, the *Procedures for Administrative Law Enforcement by the Cyberspace Administration Departments*, the *Civil Code* and other relevant laws and regulations. We have established a top-down cyber security management framework to ensure that every aspect, from policy development to day-to-day operations, is under strict oversight.

To enable robust cyber security governance, we have clearly defined roles and responsibilities within the team and established efficient reporting mechanisms to ensure agile decision making and precise management. In addition, we continually improve our internal cyber security policies and processes to ensure that our business complies with the law. We view cyber security as a core element of risk management, protecting our operations from any potential threats. This comprehensive security strategy provides a solid foundation for a safe and reliable cyber environment for our customers, employees and partners. Through these strategies and actions, we have consolidated our cyber security leadership and set the stage for continued growth and innovation.

4.1.1 Governance

NetDragon's commitment to information security is evidenced by our comprehensive and rigorous governance measures. We have implemented organisation-wide *Information Security Management Measures* in place, to enhance our information security management, ensuring the confidentiality, integrity, and availability of corporate information resources. These measures are designed to prevent leakage, falsification and loss of information, while protecting company assets and customer data from potential threats. In addition, the Group's senior management is actively involved in overseeing cyber security matters, ensuring the strict implementation of each policy.

To strengthen this commitment, we have established the Safety and Compliance Committee, led by the vice president of Netdragon and overseen by a Board member, demonstrating the utmost importance we place on cyber security. The Information Security Department of the Group is responsible for the Group's information and cyber security affairs, carrying out functions such as policy formulation, security training, risk assessment, security monitoring, emergency response, and technical support. It undergoes regular internal and external audits and assessments to ensure that our security measures remain at the forefront of the industry. Guided by the *Information Security Management Measures*, the Technical Maintenance Department, server and application system operations and maintenance personnel from other departments, as well as all our employees are required to participate in related security initiatives. At NetDragon, decisions regarding cyber security are made and implemented collectively by these professional departments, ensuring that we can respond quickly and effectively to any security challenges and provide a secure cyber environment for our customers, employees, and partners.

From developing rigorous guidelines for cyber security and personal privacy protection to addressing regulatory requirements, we conduct sound data classification and security assessments, demonstrating NetDragon's steadfast commitment to user data protection. The Company not only conducted security testing of internal systems, but also paid special attention to five key areas: protection of personal privacy on mobile Apps, information security for users, real-name registration, content security, and anti-addiction system of games.

We adopt a series of measures across various domains, including terminal security management, network security management, password security management, software usage management, security development management, back-end system security, data security management, operation and maintenance security management, vulnerability management, outsourcing management, security incident response management, perimeter security management, and offboarding procedures for departing employees. These measures are implemented to proactively mitigate the risk of cybersecurity incidents. Looking ahead, NetDragon will continue to closely monitor the latest developments in the field of cyber security, introduce advanced solutions, and continuously improve and strengthen our information security system to ensure maximum protection of user data security and privacy.

4.1.2 Independent Assessment and Certifications

NetDragon's Information Security team is committed to the protection of data by implementing well-defined management policies and regularly conducting comprehensive security audits of the Company's information systems, business systems and IT infrastructure. In terms of external audits, the local administrative authorities where our main operations located also conduct strict reviews of these security measures to ensure that NetDragon implements high-standard management in information security.

The China based gaming and education businesses of the Group have all obtained the State National Information Security Protection Level 3 Certification, which is the most authoritative information security certification scheme in China, and have qualified for reassessment during the Reporting Period. This reflects NetDragon's firm commitment to following national information security regulations and technical standards, as well as our continuous efforts to assess and enhance information system security levels.

Fujian Province Huayu Education Technology Co. Ltd. ("Fujian Huayu"), a subsidiary of Netdrgon, has achieved remarkable achievements in information security and obtained the internationally recognised ISO27001 Certification in 2023, further underlining NetDragon's global leadership in information security.

4.1.3 Cyber Security along the Value Chain

NetDragon views information security as a critical standard in the selection of suppliers and partners. Besides meeting the strict requirements of the State National Information Security Protection Level 3 Certification itself, the Group requires the security qualifications of cloud service providers and other relevant suppliers to have the same capability, if not a higher level of Certification, in their security qualifications. In accordance with our *Information Security Management Measures*, all third-party data service providers shall provide relevant data security certifications and shall file the same with the Information Security Department, ensuring their compliance with data protection regulations and the implementation of appropriate security measures.

4.1.4 Cyber Resilience Commercialisation

NetDragon not only focuses on cybersecurity in our daily operations, but also integrates this concept into the design of our products and services. The Company is committed to delivering sustainable designs that translate cyber resilience into commercial value. By undertaking outsourced cyber security attacks and defense drills, NetDragon has improved its capacity to assist corporate clients in safe operations.

4.1.5 Cybersecurity Training and Education

In 2024, we continued our focus on compliance training in terms of data and information security at the Group level. The detailed program and progress include:

1. The Group provides various safety and compliance training to employees. These include mandatory safety and compliance training for new employees, special safety and compliance training for core business personnel, and voluntary information security series certification. In 2024, NetDragon provided information security training to 306 people. The total number of training hours was 162.18 hours, averaging 0.53 hours training hours per person;

2. *Common Password Vulnerabilities and Prevention Methods* training introduced preventive methods against common types of password vulnerabilities encountered in our business;

3. All new employees received the *New Employee Information Security Awareness Training* course to gain basic information security knowledge, security awareness and understanding of their responsibilities.

4.2 Privacy and Data Protection

4.2.1 Privacy and Data Security Principle, Commitments and Approach

As the world's leading operator of online communities, we oversee a vast database of personal information. In this data-intensive era, we recognise the importance of protecting this information and enforce strict data protection measures in all facets of our business. Our guiding principle is to retain user's personal information for the shortest period permitted by law to minimise any potential privacy risks. Specifically, as required by applicable laws and regulations, we formulated the *NetDragon Game Privacy Policy* to ensure compliance and to protect the privacy of our users. NetDragon adopts the contents of *Information Security Technology Personal Information Security Specifications* (GB/T 35273-2020) as the framework to form our organisation wide information security management system, and has formulated the following principles, commitments, and approach:

❍ Data Collection Phase:

- Principle of Legality: No deception, no misleading, no concealing, no data collected from any illegal channels;
- Principle of Minimum Necessity: Only collect the data directly related to the implementation of products or services;
- Principle of Autonomy: Set isolated application scenarios and provide unbundled services, allowing for user's autonomy;
- Principle of Authorised Consent: Fully inform users about the intent, method, and range of the data collection before their authorisation, and no data collection without user authorisation.

❍ Data Storage and Transmission Phase:

- Shortest Time Principle: The storage period is the minimum time required to achieve the purpose of processing;
- De-Identification Management: Apply de-identification after the data collection, store the data separately and strengthen access and usage control;
- Encryption Measures: Apply national encryption standard during data storage and transmission.

- Data Access and Application Phase:

  - Principle of Access Control: Implement minimum access control strategy, internal supervision and approval process for data revision and download;

  - Principle of Purpose Limitation: Data application must comply with the purpose stated during the collection phase, any applications beyond the stated purpose need separate authorisation;

  - Principle of Publicity Restrictions: Utilize de-identification technology to exclude sensitive information in the presentation of personal data to protect privacy and security.

- Data Destruction Phase:

  - Users may contact our customer service representatives at any time to request account closure. We will delete or anonymize the user's information and account-related data, and promptly notify any parties that have obtained the personal information of the user from us and request them to delete the information in a timely manner. In compliance with applicable laws and regulations, user log data and internet security protection technical records shall be retained for at least of 60 days, while transaction records shall be retained for at least 180 days.

4.2.2 Scope of Privacy and Data Protection Policies

Protecting the security and privacy of personal data is a top priority in our operations. The Group develops and continuously updates a comprehensive series of privacy policies that apply to all of its controlled companies to ensure the protection of user data on a global scale.

4.2.3 Personal Data Consents, Rights and Control

NetDragon provides users with the right to control their personal information, including but not limited to the right to access, update, delete and withdraw the authorisation. We provide an intuitive interface that allows users to easily update or modify their personal information, such as phone numbers, in the designated application. In addition, when users choose to cancel their accounts, we ensure that their personal information is automatically and securely removed from the system to protect their privacy.

4.2.4 Cross-border Data Management

In order to protect our users' privacy and personal data, NetDragon complies with all applicable laws and regulations on the cross-border transmission where we operate. If there is a need to transport personal information across borders, NetDragon will separately and independently obtain the user's authorised consent to specify the purpose, type and recipient of the outbound transmission of personal information. The Group also implemented efficient business structures and used the technical infrastructures of the Group to ensure segregated management of onshore and offshore personal data.

4.2.5 Privacy and Data Engagement and Certification

The Group provides in-depth privacy and data security training to all employees, especially those involved in handling personal information. Prioritising "data minimisation" and "privacy by design", one of our major overseas subsidiaries integrates these principles into its products and services to minimise the processing of personal data. At the same time, the subsidiary has deployed advanced software scanning tools to detect vulnerabilities in code, ensuring that issues are identified promptly to provide secure products and services. A service offered by the overseas subsidiary has been certified by iKeepSafe (Internet Safety Alliance©). This confirms that the overseas subsidiary's service strictly complies with certain state and federal regulations in USA on the handling of sensitive personal information.

4.2.6 Third-party Data Management

The Group does not rent, sell, or provide personal data to third parties other than for the following purposes: to complete a merger, acquisition, asset transfer or similar transaction with user consent; to perform specific services with user consent; when inquired by local jurisdictions and regulatory department to be compliant with the relevant requirements of laws and regulations.

4.2.7 Data Breach/Incident Response Plan

The Group has introduced a series of innovative technologies and measures to minimise the risk of data breaches. In addition to developing a comprehensive data security management strategy and contingency plan, we have also established a robust incident response mechanism to ensure a rapid and effective response to information security incidents.

In the event of an information security incident, our Information Security department will take immediate action and assign professional staff to perform an incident analysis. We will collect evidence at the scene of the incident, thoroughly understand the cause and handling of the incident, and conduct a rigorous assessment of its impact. Our aim is to ensure the effectiveness of response measures, to learn from the incident, to make recommendations for improvement and to prevent similar incidents from happening again. In addition, our Information Security department regularly reviews and updates information security policies and procedures to strengthen our information security defense mechanism and continuously improve our information security management level.

We regularly conduct comprehensive assessments of our computer systems and make necessary platform upgrades to ensure that our technology remains at the forefront of the industry. Ongoing network vulnerability assessments and penetration testing enable us to identify and address potential security threats in a timely manner. All of our critical IT infrastructure and systems are equipped with advanced monitoring systems that accurately generate and analyse logs and immediately issue alerts when suspicious network activity or attempted attacks are detected. During the Reporting Period, the Group reported no substantial data leaks in our business operations.

4.3 Protection on Minors

NetDragon serves not only as a platform for exciting gaming experiences but also as a socially responsible custodian. We are committed to protecting minors from the potential hazards of online gaming. In compliance with the *National Administration of Press and Publication's Notice on Further Strengthening Regulation to Effectively Prevent Online Gaming Addictions among Minors*, the Group implements real-name registration across all of our self-operated games in Mainland China (such as *Eudemons Online*, *Conquer*, and *Heroes Evolved*). Minors are required to ensure that they have the consent of their guardians to use our services, and their data will be strictly protected. If we find out that we have collected data without a guardian's consent, we will suspend the service to minors and delete the data as soon as possible to protect the physical and mental well-being of minors, reduce their risk of gaming addiction, and help them develop healthy gaming behaviour.

In accordance with the requirements of the China Audio-video and Digital Publishing Association, age-appropriate reminders are added to the game download, registration and login interfaces of the games, and similar age-appropriate reminders are placed throughout all promotional materials. Meanwhile, we launched an online parental supervision platform to help parents prevent minors from using online services excessively and to provide all-channel and seamless support. Gamer refund issues are handled by a dedicated process team in accordance with relevant regulations and industry best practices.

4.4 Intellectual Property Protection

Intellectual property ("IP") is a critical strategic asset for the Group. Excellence in IP management serves not only as a powerful driver of our core competitiveness, but also as a key factor in stimulating innovation and development. We are constantly striving to nurture and expand our flagship IPs to provide players with a unique gaming experience. To this end, the Group has collaborated with well-known IPs both domestically and internationally and has ensured the highest level of protection and respect for these valuable IPs in various domains by implementing a series of innovative mechanisms.

On our intranet, accessible to all employees, each IP related to our offerings is presented as individual modules with details such as official name, applicable jurisdiction, trademark and category, associated samples, etc. More importantly, each dominant IP has its dedicated user manual, articulating practical business scenarios, IP resource protection-related regulations, basic user specifications, applications case studies, etc. This not only raises employee awareness of IP, but also effectively guides employees to use IP in a correct and compliant manner in their daily work, thereby reducing the risks associated with IP misuse or abuse.

At the same time, the Group holds the IP of others in high regard and continues to promote the use of genuine software. In game development and other creative processes, we strictly adhere to IP laws and never infringe upon the IPs of others.

4.5 Customer Engagement

We value our customers' feedback and reviews of our products and services. We always listen attentively to the voice of each customer and regard their feedback as the key to improving the quality of our products and services. To this end, we monitor and respond to customer feedback and enquiries relating predominantly to the Chinese and English versions of our gaming products and services. Over the past eight fiscal years, the Group has received an average of 0.03% of customer complaints.

2017-2024 Operation Contacts into Support and Complaints Received within the Group

Year	Customer Contacts	Complaints Received	% Complaints
2017	1,908,693	211	0.011%
2018	1,756,206	396	0.023%
2019	1,685,030	335	0.020%
2020	1,837,044	607	0.033%
2021	1,510,396	541	0.036%
2022	1,478,111	461	0.031%
2023	1,240,726	633	0.051%
2024	1,207,609	702	0.058%

NetDragon listens and takes every customer's opinion and feedback seriously. Each complaint is handled on a case-by-case basis by studying the feedback from our customer satisfaction surveys. The Technical Support team is responsible for recording the feedback, forwarding it to the relevant personnel for processing, and contacting the customer to resolve the complaint when it is completed.

5. ENVIRONMENTAL PROTECTION

The Group primarily operates in the fields of gaming and education technology, resulting in comparatively minimal environmental impacts when compared to traditional manufacturing industries that directly emit greenhouse gases and produce waste. Nonetheless, we never neglect our responsibility for environmental protection. We perceive environmental protection as a hard core of corporate social responsibility and are dedicated to minimising our negative impact on nature through sustainable business practices. An *Environmental Management System* at the group-level has been established for all employees to follow. Since October 2022, the *Quality and Environmental Management System* ("QEMS") has been implemented in one of our major overseas subsidiaries in line with ISO14001 and ISO9001 standards. Additionally, our subsidiary Fujian Huayu obtained the certification of ISO14001 environmental management system in 2022, recognising our endeavours in environmental protection.

In response to the challenges posed by global climate change, such as rising sea levels, extreme weather events, and temperature shifts, we recognise the significant impact these changes may have on our assets, business operations, and all stakeholders. Accordingly, we have developed a robust set of internal management policies to mitigate these risks and established a monitoring system to track the progress and results of their implementation. Our aim is clear: to protect both the environment and our business from the adverse effects of climate change while contributing to a greener and more sustainable future.

5.1 Climate Change

Climate change poses a grave and pressing challenge to both social and business sustainability. In light of this, the Group has diligently identified and evaluated the risks posed by climate change, strictly adhering to government issued guidelines on extreme weather, and carrying out measures to safeguard our employees' safety. Concurrently, we have devised emergency protocols, contingency plans for extreme weather events, and corresponding strategies to mitigate potential damages from future disastrous events.

The Group regularly reviews and tracks the implementation and progress of our climate change policies to ensure effective execution. Additionally, we are continuously exploring innovative approaches to better protect the environment, whether by promoting renewable energy or instituting new resource recycling initiatives, to set a benchmark for environmental stewardship within our industry and pioneer the path toward greener development.

In addition to our ongoing commitment to prioritise climate change issues, our group aligns with the goal of "Climate Action" outlined in the United Nations' Sustainable Development Goals ("SDGs"). We have commenced to follow the Task Force on Climate-Related Financial Disclosures ("TCFD") framework, disclosing progressively the Group's risk management system and initiatives on climate change, setting up and meticulously tracking progress on climate change-related metrics and targets.

5.2 Energy Management and Carbon Emissions

NetDragon has significantly reduced its environmental impact through innovative technologies and recycling initiatives. We have not only decreased emissions of harmful pollutants and Greenhouse Gas ("GHG") but also rigorously controlled pollution to water and land, effectively managing the generation of various types of waste.

By carrying out a series of energy-saving measures, we have notably reduced both direct and indirect energy consumption. To mitigate emissions from goods transportation, we are actively promoting innovative road transport methods and have established three new transportation hubs for delivery in the USA to enhance our goods transport efficiency. Additionally, we incentivise employees with green travel policies, stimulating them to choose more environmentally friendly modes of transportation.

Our day-to-day office operations are centered around energy conservation, efficient resource utilisation, waste recycling, and environmental protection. We have issued the *Computer Misuse Summary* and the *Air Conditioning Management Measures* to regulate daily office operations and reduce energy consumption. Moreover, we promote the concepts of "reduce, reuse and recycle," encouraging employees to further save energy and resources through methods such as achieving a paperless office, recycling all office supplies and equipment, using LED lighting and installing sensors.

In recent years, NetDragon has demonstrated unprecedented determination and innovative spirit in leading our headquarters and Smart Education Town towards a future powered by 100% clean energy. Simultaneously, we are deeply committed to advancing the green transition across the entire industry chain, striving to minimise the use of non-renewable energy at every stage from source to end. Our goal is to continually enhance energy efficiency, ensuring that we remain at the forefront of energy use, even surpassing evolving advanced standards.

5.3 Indoor Air Quality and Healthy Workplace

We are fully aware of the profound impact of indoor air quality on the physical and mental health of our employees. Hence, we are actively enhancing our work environment to ensure it remains fresh and free from pollution, thereby providing a secure and healthful workplace to our staff. This commitment not only underscores our dedication to employee welfare but also aligns with the vision of "Healthy Workplace, Sustainable Growth" as advocated by HR Excellence Center.

For five consecutive years, we have been highly recognised by a distinguished Chinese human resources consulting firm, the HR Excellence Center and received the China Healthy Workplace Certification (中國健康工作場所) of Gold level or above. This certification, developed by experts from esteemed institutions and organisations including Fudan University, Huawei, Medtronic, Volkswagen, and Bayer, is a comprehensive design, covering aspects such as corporate support, health environment and management, management implementation, and occupational safety and health. This certification serves as an external validation of our efforts in fostering a healthy workplace environment.

5.4 Water Consumption and Conservation

In our daily operations, water resources are primarily used for office cleaning and restroom facilities. Despite our operational locations not being situated in water-stressed areas, we deeply value every drop of water. Therefore, we have internally established stringent water resource management policies and guidelines to act on water conservation strategies comprehensively.

From overall management to operational levels, we meticulously monitor and adjust water conservation strategies to ensure their effective implementation. Regular inspections of water facilities are conducted to preempt any form of leakage, and real-time data monitoring is employed to promptly identify and address any abnormal situations of water consumption.

We not only enhance employee awareness of water conservation through posters and promotional materials within the office but also encourage employees to practice water-saving behaviours in their daily lives. Our goal extends beyond merely reducing water usage, but fostering a collective culture of water conservation, where every employee becomes an integral part of the water-saving initiative.

5.5 Waste Management

All NetDragon's business units are making joint efforts to reduce the generation of waste and reliance on landfills, thereby easing the burden on our environment. To achieve this, we have established comprehensive guidelines for the collection, recycling, and disposal of all types of waste in alignment with local regulations. Moreover, our waste management strategy is regularly updated to adapt to evolving regulatory frameworks.

At our offices, we promote a centralised material recycling program aimed at minimising waste generation and fostering resource circularity. From plastics and paper to cardboard and metals, as well as batteries and food waste, our recycling facilities handle a broad spectrum of materials. Specialised recycling bins and stations have been set up in various corners of the office building, accompanied by clear guidelines, to ensure that every employee can easily sort and dispose of waste. All recyclable materials are directed to local recycling centres or charitable organisations for proper processing and reuse. For hazardous waste, we partner with specialised and professional collection agencies to ensure the safe recycling and disposal of items such as fluorescent lights and batteries.

The Group complies strictly with local legislation in one of its major overseas subsidiaries, including the *New Jersey Electronic Waste Management Act* and the *New York State Electronic Equipment Recycling and Reuse Act*, and has carried out a "Mail-back" program across the USA, which is aimed to facilitate clients' convenient recycling of unwanted or damaged products or parts. The initiative allows customers to return items to us free of charge, following detailed instructions, and these items are then responsibly processed and recycled by us. This not only helps reduce electronic waste but also ensures the proper management of old equipment, empowering customers to contribute to environmental sustainability.

6. PEOPLE

NetDragon's success is attributed to the steadfast contributions of all employees. We highly value every talent that joins us and strive to provide them with an ideal work environment that harmonises physical and mental well-being, productivity, and team spirit. The Group has formulated the *Human Resources Development Management System* for overall planning for the development of human resources and providing an institutionalised platform for the growth of all employees.

6.1 Diversity, Inclusion and Equal Opportunities

We stay committed to upholding fair, just, and open recruitment principles, ensuring equal opportunities for all job seekers regardless of age, ethnicity, race, family status, ethnic background, colour, gender, sexual orientation, religious beliefs, social background, nationality, disabilities, pregnancy, or any other biases prohibited by law. We embrace values of diversity, equality, and inclusion, with "Zero Discrimination" at the core of our corporate culture.

6.1.1 Policies and Key Initiatives

Our dedication extends beyond creating a Discrimination-Free workplace where every employee can actively contribute their talents and achieve their potential. We also focus on recruiting, attracting, nurturing, and promoting the most exceptional individuals to drive our core competitiveness.

The Group implements a series of management policies that promote employees' work-life balance, including:

1. **Fairness in Talent Attraction and Retention:** We equally treat all employees during recruitment, promotion, reviews of professional and technical tenures, and training.

2. **Beyond Statutory Holidays:** We provide statutory maternity inspection leave, maternity leave, and breastfeeding leave for female employees, who are also entitled to a half-day holiday on Women's Day. Furthermore, we host the "Goddess Festival" event series annually to demonstrate care and appreciation for our female employees.

3. **New Working Mode:** We have introduced a Metaverse's office mode, eliminating traditional work restrictions such as attendance monitoring. Under the "result-driven" philosophy, employees are allowed to choose their work locations and hours and compensation is awarded upon successful completion and validation of tasks. This mode allows employees to adopt efficient work styles tailored to their preferences, fostering a healthier work-life balance. Moreover, we provide massive free learning resources. Through self-paced learning, employees can earn certifications, enabling them to qualify for tasks beyond their designated roles. This opens opportunities for maximizing their value by taking on cross-functional projects, pursuing diverse career paths, and exercising self-management, and in turn creates a mutually beneficial dynamic where both employees and our Company thrive together, further reinforcing the equilibrium between work and personal life.

4. **Multicultural, Friendly and Humanised Workplace:** We fully respect each employee's individuality by creating a mutually respectful, healthy, free-from-prejudice and harassment-free working environment. Through employee satisfaction surveys, "BUG collection cabin", and listening to employees' feedback, we are dedicated to solving employee demands through various forms and channels.

5. **Health of Everyone:** We arrange annual physical examinations for employees. Our headquarters features extensive complimentary recreational facilities, with professional fitness coaches to offer guidance whenever needed. We also provide warm, comfortable, and private spaces for female employees during pregnancy and breastfeeding periods.

On this topic, one of our major overseas subsidiaries has established Employee Inclusion Groups ("EIGs") and developed a diversity, equality & inclusion strategy aimed at fostering exchanges and collaboration among diverse groups while respecting and recognising every employee's individuality and contributions. Under this strategy, its management regularly engages in intersectional discussions with EIGs on how to enhance solicitude and support for 4 different groups, namely, Gender, Ethnicity, LGBTQ+, and Disability in talent recruitment, attraction, and recognition. The management also strictly adheres to Anti-Harassment policies, ensuring a safe, friendly, and inclusive work environment for all employees.

6.1.2 Diversity Training

The Group fully recognises the importance of diversity, anti-discrimination, no-bias, and anti-harassment principles in building a harmonious, efficient, and innovative workforce. These principles are integral to our employee training programs. To ensure that every employee understands and practices these principles and ideas, we offer tailored courses targeting specific issues to raise awareness among employees and guide their behaviours at certain subsidiaries where these issues are vital to the local communities, promoting a diverse and inclusive work environment. These courses cover:

Anti-Harassment: This course starts by elaborating on the negative impact of discrimination and harassment in the workplace, helping employees understand that such discriminatory and harassing behaviour not only lowers morale and productivity but may also violate the law. Additionally, this course provides examples and case analysis outlining the types of behaviour that may lead to discrimination and harassment (including sexual harassment) and teaches employees how to identify and avoid such behaviour. Last but not least, the course explores the ways to create a mutually respectful work environment and introduces employees to relevant provisions of anti-discrimination and anti-harassment laws.

Unconscious Bias: This course explains to employees the definition of unbiasedness and unconscious bias, and emphasises the significance of employees possessing awareness against bias. Starting from the origins of bias, the course assists employees in taking various measures to overcome their unconscious biases, teaching them how to examine and change their biased thoughts and behaviours. Finally, the course presents employees specific strategies adopted by the Company to combat unconscious bias.

6.1.3 Management Oversight

One of our major overseas subsidiaries hosts periodic "Curious Conversations", inviting all employees to express their views and expectations regarding the work environment and culture to management executives. These exchanges provide an opportunity for management to explain and respond to queries about the Diversity, Equality, and Inclusion strategy. This not only facilitates mutual trust and understanding between management and employees but also promotes collaboration and communication among EIGs. Employees can also provide their feedback and expectations to management through our internal review mechanism. The department in charge of internal review will ensure that management responds in a timely manner and takes appropriate action.

6.1.4 Staff Overview

As of 31 December 2024, the Group had a total of 5,167 employees, of which 4,593 were full-time employees. 89% of the full-time employees were based in the PRC, with the remaining 11% based overseas. Moreover, full-time male and female employees accounted for 62% and 38% of the total workforce respectively. Employees aged 31 to 50 represented 62% of the overall headcount, while those under 30 and over 50 accounted for 34% and 4%, respectively.

6.1.5 Prohibition of Child Labour and Forced Labour

We strictly adhere to laws and regulations such as the *Law of the People's Republic of China on the Protection of Minors* and *Provisions on Prohibition of Child Labour (State Council Order No. 364)* to protect the legitimate rights and interests of minors and oppose any form of child labour. To prevent incidents of employing child labour, we require new employees to provide authentic and valid identification documents for verification upon entry. Those providing false materials or documents will not be hired and will be dealt with according to legal requirements and our internal regulations.

Simultaneously, we prohibit forced labour, respect employees' free will, and encourage employees to reasonably arrange their work and rest time following relevant regulations. In addition, one of our major overseas subsidiaries has publicly released and implemented the *Human Rights Policy* and the *Slavery and Human Trafficking Statement*, clearly defining equality and rights for every employee. During the Reporting Period, the Group did not encounter any incidents of employing child labour or forced labour.

6.1.6 Staff Communication

We are well aware that communication with our employees serves as essential drivers of corporate development and a key elements of employees' personal growth. Therefore, we remain firm in respecting employees' opinions and suggestions and strive to create an equal, harmonious, smooth, and transparent communication environment. To guarantee employees' rights, we have established a dedicated internal audit department responsible for monitoring and following up on the handling of BUGs and suggestions.

Furthermore, we provide a wide range of channels for employees to submit complaints anonymously/halfpublicly/publicly according to their wishes and needs. Our BUG Collection Cabin is a convenient and quick complaint channel where employees can directly report their problems. We have also enacted the *Internal Audit Management Regulations* to standardise the overall process and requirements of employee complaints and established incentive measures to inspire all employees to participate actively. The *Internal Audit Management Regulations* specify the handling department, process, method, and feedback deadline to deal with employee complaints, ensuring they are resolved fairly, effectively, and promptly.

Channels for complaints:

- Intranet BUG Collection Cabin and 99U-Application-Office Management-BUG Collection Cabin: applicable to all types of complaints;
- Senior management commendation/complaint collection cabin: applicable to complaints against management positions, project leaders, and other personnel at levels 7 and above;
- Email: neishen@nd.com.cn

During the Reporting Period, we attached great importance to employee feedback. Through meticulously designed employee satisfaction surveys and comprehensive 360-degree evaluation questionnaire, we have gained a deep understanding of the employees' real experiences and perspectives about their workplace, laying a strong foundation for fostering the organization's stable and sustainable growth. Specifically,

(1) Employee Satisfaction Surveys: employer experience surveys were conducted in collaboration with third-party organisations, for which more than 200 employees were randomly selected to provide feedback on areas such as human resource management, corporate culture and employee care, enabling the Company to capture a comprehensive and real picture of both the achievements and shortcomings of the employees in employment experience. This initiative helped the Company gain a comprehensive and real insight into the highlights and areas for improvement of employees' employment experience, providing clear direction for optimising employee experience.

(2) 360-degree Evaluation Questionnaire: more than 1,100 employees were invited to provide feedback on core topics such as management behavior, corporate culture and values. This large-scale and multi-dimensional feedback mechanism enables the management to gain a more intuitive and clear insight into their strength and areas for improvement, facilitating better management optimisation and enhancement.

6.2 Talent Attraction and Retention

Talents are our foundation for achieving sustainable growth over the long run. In the global competitive landscape, recruiting and retaining the best talent worldwide injects powerful momentum and vitality into our group. To that end, we strive to implement the most optimal model of human capital management ("HCM") that emphasises being transparent, open-minded, and proactive. We aspire to evolve into an organisation that has no boundaries, is knowledge-intensive, and empowers its members. NetDragon's HCM concept emphasises flexible employment, fairness, transparency, knowledge sharing, and the application of AI technology. We pioneer flexible work modes tailored to the modern era, attracting global talent through remote work opportunities and flexible working hours.

We extend a spectrum of Employee Value Propositions ("EVP") to our colleagues, including competitive remuneration, performance-based incentives, comprehensive welfare initiatives supporting employees and their families, and personalised career development plans for individuals and teams. Simultaneously, we place significant emphasis on training, fostering an environment where employees feel valued and supported, thereby igniting their passion and creativity in the workplace.

Our objectives are to:

- Attract, motivate and retain exceptional talent
- Demonstrate target-driven remuneration that links our unique platform to the organisation and diverse individual employees' purpose to drive overall results, talent retention and engagement
- Align individual goals and compensation with Shareholders' interests

We are promoting a comprehensive digital transformation of our operations by establishing AI Content Factory and integrating AI into various tasks. By deeply merging the organization's best practices with AI technologies, we have developed a suite of operational tools that significantly boost standardization and automation. Through the gradual implementation of AI-assisted and AI-driven processes, the overall quality and efficiency of our operations have seen significant improvements. In the realm of human resources, we are accelerating the digitalisation of human resource management and exploring innovative management approaches, including AI pre-execution, AI pre-evaluation, and AI pre-decision-making. By building personnel data dashboards, we conduct precise workforce analyses to support HR planning. We have also created a tagging system to efficiently align task assignments with employee evaluations, enhancing resource allocation. Additionally, we have introduced task-based pricing tools to explore compensation models that reflect the value of tasks, ensuring equal pay for work of equal value. Furthermore, we have established a task-centered digital verification and acceptance framework and implemented an AI-powered employee assessment system, which provide robust data support for management decisions, enabling standardised and efficient evaluations while ensuring fairness and transparency.

6.2.1 Talent Development Strategy

The Company remains steadfast in our focus on attracting and nurturing elite talent, continually bringing in high caliber professionals to cultivate an elite organization. While consistently enriching traditional business units with exceptional talent, we place a strong focus on the AI sector, carefully selecting top-tier specialists. We prioritize profound AI expertise and the capacity for continuous learning as key assessment metrics. Each year, the Company conducts annual recruitment planning and forecasts for talent acquisition needs. During the Reporting Period, we introduced a new recruitment management system, enabling flexible, high-adaptive, and precise recruitment to meet our requirements for evolving talent development.

The Company dismantles organizational silos by embracing more flexible and diverse employment and collaboration approaches, welcoming like-minded talents globally to participate in driving our future strategic growth and steadily increasing the proportion of senior talent. Under the task allocation mechanism, employees can transcend traditional role boundaries and independently take on tasks based on their interests and capabilities, enabling diversified career development and self-management while fully unleashing their individual values. Adhering to the task-centered and results-driven philosophy, we have built a closed-loop management system covering the entire process of task release, execution, delivery and evaluation. This system enforces a more stringent appraisal and screening mechanism, elevating performance standards for employees.

In the area of career promotion, the Company has implemented a comprehensive talent selection and promotion framework, offering dual development paths for both professional and managerial positions encompassing various functional areas, including product, technology, marketing and design. This framework provides clear career advancement pathways for technical experts and management talents, facilitates opportunities for employees to shift from technical to managerial roles and provides them with management training courses, aiming to continuously inspire their drive for advancement and enhance talent development.

To foster continuous learning and self-driven growth among employees, Netdragon offers massive free learning resources. Through self-paced learning, employees can gain certifications, enabling them to transcend job boundaries and qualify for task assignments beyond their current roles, which allows them to achieve diverse career development and self-management, fully unlocking their individual potential.

6.2.2 Variable Compensation Schemes

With operational excellence at its core, our plan is driven by value and supported by flexible reward mechanisms. In addition to basic salary, we have comprehensive statutory benefits (including basic pension insurance, basic medical insurance, unemployment insurance, work injury insurance, maternity insurance, and housing provident fund, etc) and a diversified incentive system (short-term incentives, long-term incentives, personalised benefits) as follows:

1. **Short-term Incentives:** According to different positions and performance, short-term incentives include performance bonuses, project bonuses, sales commission bonuses, special post allowances, special skills allowances, special duties allowances, project milestone awards, project completion bonuses, innovation incentive bonuses, annual bonuses, part-time subsidies, etc. For selected core talent groups, we have introduced innovative and highly competitive compensation reforms, substantially boosting the earnings of top performers to motivate them to go beyond their limits and strive for higher goals. By rewarding employees for extra contributions, we are able to foster their sense of corporate ownership and fully leverage their efforts to help achieve organizational goals.

2. **Long-term Incentives:** Including merit points, akin to stock options, which are granted to employees who have made long-term value contributions to the Company and rewarded when the project achieves a breakthrough.

3. **Personalised Benefits:** We develop themed benefits and point-collecting initiatives such as gamified star ratings, flexible welfare funds, lottery activities, point auctions, departmental team building, birthday cakes/gifts, various parent-child activities, festival activities, etc.

Furthermore, we consistently refine our compensation policies based on market benchmarks and performance evaluations, safeguarding employees' basic rights and facilitating mutual development and win-win cooperation between the Company and our staff. Through regular performance reviews and assessments, we work to provide timely and comprehensive feedback and guidance to employees within our performance management framework. For more details about our performance management system, please visit:

https://ir.nd.com.cn/sc/human-resource-management-sc

6.2.3 Employee Welfare

We offer a comprehensive and diverse welfare system that covers all aspects of employees' work and personal lives. Specific welfare initiatives include the following:

Welfare Subsidies

Employee Care and Condolence Allowance	• We provide condolence allowance or equivalent customised care gifts to employees during critical events in life such as marriage, childbirth, illness or bereavement.
Birthday Benefits	• We offer our employees birthday cakes or customised stationary on their birthdays.
Festive Activities	• We organise festive activities during Lantern Festival, Women's Day, Mid-Autumn Festival, Dragon Boat Festival, Christmas, Halloween and Lunar New Year, providing employees with afternoon tea refreshments and customised festive gifts.
Department Activity Funds	• We allocate quarterly department activity funds to facilitate interdepartmental interaction. This helps to promote team building, enhance care for core and new employees, strengthen organisational cohesion, foster positive employee relationships and advance corporate culture development.
Transportation Allowance	• We provide travel allowance and offer shuttle services to office locations within the city to facilitate employee commutes.

Unique Benefits

Gamified Star System	•	We record and display the behaviours and achievements of our employees aligned with our culture through a star-based system and upgrade complimentary benefits to foster employees 'sense of achievement and cultural belonging.
Flexible Benefits Platform	•	Employees receive flexible cash equivalent rewards based on their gamified star rating each month which can be used on the Flexible Benefits Platform. The platform offers featured, co-brand and discounted products, reinforcing the corporate culture while respecting personal needs of employees and improving their non-cash benefit experience.
Points Auction and 99U Lottery	•	Employees can also earn points and experience for behaviours aligned with the corporate culture, which can be used in various point-based activities and 99U lottery.
Employee Onboarding and Anniversary Care	•	We offer "Tianqing Pig" (天晴豬) gift boxes to employees celebrating their first year anniversary and offer customised anniversary gifts during our anniversary celebrations.

Health Benefits	**Health Analysis**	• We provide employees with annual health check-ups and health report interpretation.
	Disease Prevention	• We provide medical clinics and offer free consultations by renowned experts.
	Mutual Aid	• We have established Loving Support Fund (愛心救助基金) to support employees and their family (parents, spouses, parents of their spouses and children) facing severe financial difficulties due to major illnesses, helping them overcome challenges together.
	Health Initiatives	• We express our care for employees' physical and mental wellbeing by organising a variety of wellness and recreational activities, such as the 518 Sports Day (518 運動會), Spring Field Blossom (春田花花) series family activities, annual ball games, quarter marathon, organic farm visits, capsule hotels, department retreats, "Tianqing Pig painting" (天晴豬彩繪) and Starlight Concert (星空音樂會).


518 Sports Day


Starlight Concert


Spring Field Blossom series family activities

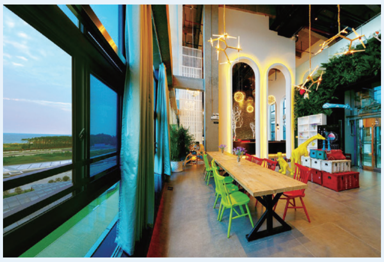
Reproductive Support	**Parental Leave**	• Employees can apply for statutory paid leave, including maternity leave, prenatal check-up leave, breastfeeding leave and paternity leave.
	Facility Support	• Major office locations are equipped with nursing rooms and lactation rooms, and cafeterias offer priority lanes for pregnant employees, providing convenience for pregnant and breastfeeding employees, and offering essential care and support for female employees in the workplace.

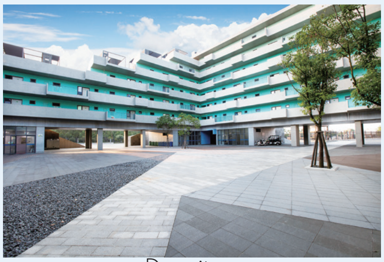
Recreational Facilities and Infrastructure

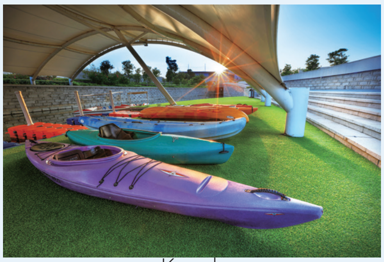
Sport Facilities	•	We provide gyms, ball games facilities, SEAL training grounds and diving pool, with professional coaches available to guide employees to exercise in a safe and scientific way.
Recreational Facilities	•	Office areas are equipped with 3D cinemas, KTVs, cafes, kayaking facilities and equestrian centers, creating a comfortable working
Leisure Facilities	•	Office areas are equipped with SPA centers, steam rooms and saunas, offering a balanced work-leisure environment.
Employee Cafeterias	•	Cafeterias within office areas provide quality food at affordable prices for our employees.
Employee Dormitories	•	Employee dormitories are provided for our employees at a affordable price.
Refreshment Bars/ Convenience Stores	•	Commodities are offered at discounted prices with some items purchasable using cash equivalent rewards.


Gym


Swimming pool


Cafeteria


Dormitory


Kayak

Flexible Work Arrangements

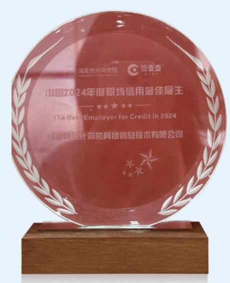
Flexible Working Hours	•	Employees may prioritise tasks and manage their own schedules and flexibly adapt to working hours and locations according to business demands.

6.2.4 Talent Recruitment

Throughout the Reporting Period, in terms of external recruitment, leveraging the Company's diverse and thriving business platform, we have successfully attracted 478 outstanding talents from the gaming and education sectors, including 97 senior professionals. Simultaneously, the Company has actively arranged campus recruitment and launched large-scale recruitment campaigns in key renowned colleges and universities across the country. Through the 2024 spring recruitment and 2025 fall recruitment cycles, we onboarded 86 exceptional graduates. By consistently increasing the proportion of senior talent, we are steadily transforming our talent structure from a spindle-shaped model to a diamond-shaped model, further strengthening the foundation of an elite organization. We have deepened partnerships with top-tier institutions, integrating industry and education to advance customised and practical talent development initiatives. We have also established internship and practical training bases, laying a robust foundation for identifying and nurturing high-potential future talent.

6.2.5 Human Resource-Related Awards

In the area of employer brand building, we have earned multiple awards for our exceptional talent management practices and overall corporate strength. These honors further underscore our success in attracting and retaining top talent, providing a robust support for continuously gathering industry-leading professionals. The Company has received the following human resource-related awards:

the name of award	Awarding Organisations	pic of award
2024 Best Employer in Workplace Credibility	National Development Credit Research Institute, Liechacha	
2024 Outstanding Employer	51job	

the name of award	Awarding Organisations	pic of award
2024 Favourite Employer of the Year	Shixiseng	
2024 Best Employer of the Year (Fuzhou Region)	Zhaopin.com	

6.3 Talent Development

NetDragon acknowledges that learning and development are the cornerstone of the mutual growth of employees and the Company. Therefore, we invest substantial resources and effort in cultivating a high-quality learning and development environment for our employees. We provide all kinds of tools and resources to ensure that all employees have opportunities for learning, growth, and career development. Additionally, we offer guidance and support from management to assist employees in overcoming challenges they may encounter in their work.

The Group provides a combined online and offline training platform for our internal employees, which plays a pivotal role in supporting and empowering our entire organisation. Through knowledge accumulation and best practice refinement, we aim to enhance NetDragon's overall professional capabilities supplemented by diverse learning methods and products. This, in turn, facilitates the career development and talent advancement of our employees. Since 2007, the platform has continually expanded the training content and capabilities, offering over 14 subjects/topics for employee selection by the end of the Reporting Period.

As emerging technologies such as AI, 3D, big data, and blockchain continue to evolve, we actively develop and refine relevant training and skills advancement programs within our existing training system. The effort is aimed at identifying and seizing new opportunities, enhancing the professional capabilities of our employees, and simultaneously supporting their personal growth while aligning with the Company's strategic development objectives. In addition, we promote online learning, offering a "Weekly Lessons" training program to meet the learning needs of our organisation's development. Furthermore, we leverage AI technology to explore the metaverse, achieving business process automation and structuring through the help of an AI virtual executive named "Tang Yu", thus ensuring efficient and transparent organisational operations.

6.3.1 Routine Training Programs

New Staff Training: By the end of the Reporting Period, we carried out new staff training camps for a total of 287 new recruits, with a cumulative study time of 2,296 hours, averaging 8.0 hours per person. Training content spans corporate culture, relevant norms and regulations, as well as our company's philosophies.

Skills Training: During the Reporting Period, we enhanced employees' professional capabilities through "Skills Training," aiding employees in professional skill enhancement and career development:

Participants	Training Program	Overview	Number of Hour	Number of Participant	Total Training Hours
Developers	Unreal Engine Training Program	This program covers 16 courses, including project specifications, model import processes, scenario import processes, fundamentals of texturing, fundamentals of terrain design, fundamentals of lighting, fundamentals of special effects, fundamentals of animation, advanced techniques of texturing, advanced techniques of terrain design, advanced techniques of animation, fundamentals of blueprint, and more. It aims to comprehensively enhance participants' mastery of the Unreal Engine.	4	31	124

Participants	Training Program	Overview	Number of Hour	Number of Participant	Total Training Hours
Resource Center Staff	Visual and Audio Language – Cinematic Storytelling Techniques	This program helps participants understand principles of editing, enhances their storytelling ability through visual and audio language, and breaks the habit of continuous narrative	8	32	256
Engineering Division Staff	AICon Sharing Session	This session shares insights and experiences from the AICon conference, enabling participants to stay informed about the latest trends, technological applications, and industry practices in the fields of artificial intelligence and machine learning	2	78	156
AI Project Developers in the Engineering Division	Hands-on Fine-Tuning of Large AI Models	This program equips participants with a solid understanding of the core theoretical principles behind large AI models, enables them to develop applications leveraging these models, introduces the theoretical foundations of the main stream fine-tuning techniques, and provides hands-on experience in mastering the essential skills for fine-tuning large models	0.4	281	112.4
Resource Production Center and Art Center Staff	ComfyUI Beginner Tutorial	This tutorial helps participants master the basic operations of ComfyUI and set up an AI drawing workflow, enabling them to perform basic image generation tasks	1	35	35
Programmer	Practical AI Agent Development – A Case Study with OpenAI	This program is designed to elevate the hands-on skills and professional proficiency of our programmers in the field of artificial intelligence	4	22	88

Leadership and Management Training: We conducted training in management learning areas to identify potential management talents. By combining actual job problems faced by management positions with research, online micro-course pre-learning, and offline workshops, we help management positions improve their management abilities, facilitating continuous upgrades in company management:

Training Participants	Name of Training Program	Overview	Number of hours	Number of Participant	Total Training Hours
Senior Management (Vice Presidents and Senior officers) of the Company	Project official website Philosophy	This program is designed to help participants fully understand and embrace the "project official website" philosophy, encouraging its adoption as the primary tool for project management. It also focuses on clarifying the core responsibilities of senior management in project management, such as identifying high-value projects, developing strategic plans for multiple or large-scale initiatives, and enhancing the likelihood of project success	4	42	168
Management level and BP level employees of the Company	Positive and Negative Behaviour on Digitalised Task Management Survey	This program aims to educate participants on the fundamentals of digitalised task management and gather their feedback on department-specific behavioural guidelines related to task digitalization.	1.5	48	72

6.3.2 Certification Projects

We have made significant investments and developed courses with relevant certifications and internal certifications evaluated by external experts. We also encourage Metaverse work mode. After employees obtain training certification, they can undertake insourced tasks while completing their work, receiving more compensation and achieving a win-win result for both the Company and employees.

1. **Business Certification:** Since 2020, NetDragon has adhered to the "task-centred" management philosophy. To this end, we have established a comprehensive certificate-holding and promotion system aimed at improving employees' qualities and competence. Based on the requirements of different positions, we designed corresponding business certification exams, requiring employees to pass the exam to obtain qualifications for the relevant positions. Additionally, we encourage our employees to continuously strive for advancement and position promotion, and we not only assess employees' performance and cultural values but also require employees to pass business certification for new positions. We have implemented a electronic certification system, which ensures that all employees handling tasks are equipped with the required professional competencies and knowledge through structured training, evaluation, and certification processes, enabling them to gain certificates required for the task. This not only ensures professional execution of tasks but also offers employees performance-based career development opportunities, rewarding effort and results. To motivate all departments to actively adopt the electronic certification system, the Company provides tiered bonuses based on the order of application.

2. **Specialised Training Certification:** Through all-staff training, we achieved competency building for various positions within the Company. During the Reporting Period, we provided specialised training in Unreal, Flutter development qualifications, etc., allowing employees to acquire relevant knowledge and skills and to obtain related certifications and certificates, proving their professional abilities and qualifications. These certificates are conducive not only to employees' personal career development but also to the Company's brand image and market reputation.

6.3.3 E-Learning Training and Learning Platform Construction

We encourage and act on lifelong learning and carry out all-staff training for this purpose. On one hand, we remain firm in leveraging technologies for empowerment and continuously improve the online learning training platform by digitising excellent practices. On the other hand, we constantly introduce a series of courses on new technology such as AI, inspiring employees to participate in training and learning to enhance core skills and work output. During the Reporting Period, our internal learning platform has been upgraded to EDA (https://www.101.com), and all internal online training programs has been migrated to this platform. A total of 3,811 new courses have been uploaded in the year.

6.3.4 Training Programs in collaboration with higher education institutions

Macau University of Science and Technology

During the Reporting Period, we have partnered with Macau University of Science and Technology to collaborate on course development, practical training and new media competitions, focusing on frontier technologies such as artificial intelligence and digital humans. Together, we have successfully launched 9 certification training programs, including new audiovisual creation, which is accessible on the EDA platform for users. Additionally, we co-established the "Macau University of Science and Technology School of Humanities and Arts (Fuzhou) Film-Game IP Integration and Innovation Practice Base" (澳門科技大學人文藝術學院(福州)影游 IP 融合創新實踐基地), further advancing the integration and innovation of film and game IPs. We also successfully hosted an AIGC Short Video Training Camp, where participants' works earned first, second, and third prizes in national competitions. Through organizing competitions, academic conferences, cultural exchanges and achieving breakthroughs in digital human technology, we enhance talent development and global influence, fueling regional innovation in technology and boosting the growth of the cultural industry.

Central Academy of Fine Arts

During the Reporting Period, as a teaching and practice hub for the Central Academy of Fine Arts (CAFA), we have engaged nearly 200 faculty members and students in hands-on activities, significantly promoting innovation and entrepreneurship. With our exclusive technical support, the Company assisted the CAFA in launching the virtual art gallery - "CAFA Online Graduation Season" (雲端美院), creating a new digital platform for graduation exhibitions. An online graduation ceremonies has been organized, which enabled the graduates to "reunite and visit their campus in the cloud". In collaboration with CAFA faculty and students, we co-developed the *We Humans on Mars (我們人類在火星)* virtual exhibition, delivering an immersive "walk on Mars" experience. Together, we established a game design specialization to cultivate "action-oriented" talent for the gaming industry. Drawing on its gaming project expertise, Netdragon created a game knowledge framework, forming a professional training program and curriculum. To date, 41 courses across multiple disciplines have been developed, delivering 929 class hours for both undergraduate and graduate programs in 9 semesters across 4 academic years. This curriculum has established a premier game design offering at School of Design of CAFA (央美設計學院), becoming a highly sought-after course and earning widespread praise from the faculty and students.

Notably, Dr. Liu Dejian, the chairman of Netdragon, has been appointed as guest professor at the CAFA, further contributing to the overall planning of the game design curriculum and delivering a keynote lecture titled *Embracing Technology and Exploring New Paths for Immersive Creation (擁抱科技、探索沉浸創作新路徑)*. During the Reporting Period, the game design courses jointly developed by the Company and CAFA, were available to students from their first to third undergraduate years, as well as second-year graduate students, with 5 courses completed through school-enterprise cooperation. Furthermore, *research on Digital Immersive Art Content Solutions* in horizontal approach were carried out and more topics, such as standards for digital immersive spaces and public exhibitions in digital media art museums, will be delved into in the future.

6.3.5 Training Programs in collaboration with external professional institutions and experts

Practical Training on Copilot AICodina

During the Reporting Period, our Engineering Division fully advanced the implementation of AI-assisted programming to enhance development efficiency and code quality. To further improve employees' skills in AI co-programming, the division invited senior technical experts from Microsoft Copilot for launching online and offline specialised Copilot AICodina Practical Training sessions. The training included a module on Unreal Engine-assisted programming, aiming to deepen employees' understanding and application capabilities in AI-assisted programming.

Master Lecture Series Launched by the Unreal Center

During the Reporting Period, NetDragon, in collaboration with Unreal Engine, has launched a series of master lectures, including *UE5.5 New Features and Hidden Functions (UE5.5 新特性與隱藏功能)* and *Dawn of the Future: Unreal Engine Leading the Design Trends of Fantasy Worlds (破曉未來—虛幻引擎引領幻想世界的設計潮流)* at the Unreal training center located in the Netdragon Digital Education Town. These lectures provided insights into the future trends of the digital industry and equipped participants with advanced skills such as dynamic lighting and physical materials to create high-quality virtual scenes, helping them master the latest technological innovations in Unreal Engine 5.5, igniting their creative inspiration, and engaging them in exploring the technical transformations brought to the industry by the release of Unreal Engine 5.5. The lectures also offered valuable hands-on experiences and theoretical knowledge to the Company's game designers, animators, architects and other developers interested in virtual reality.

AI Agent On-Site Hands-on Training

During the Reporting Period, the Company brought in Sung De, an AI expert with extensive experience, to deliver on-site, hands-on training for programmers focused on AI Agent development. This initiative aims to elevate the practical skills and professional expertise of our programmers in the field of artificial intelligence. Sung De is a seasoned AI Agent developer who has created several leading GPTs and is recognised as the Chinese developer with the largest user base. Through APIs, he has provided technical support to over 200,000 AI Agents.

Unreal Center at Netdragon Digital Education Town

During the Reporting Period, with a forward-looking vision, Netdragon Digital Education Town has been dedicated to establishing the Unreal Center. Positioning itself as a global hub for the Metaverse and digital creative industries, the center is actively developing an innovative talent cultivation model. The Unreal Engine Training Center has brought together seasoned industry experts to form a highly skilled professional Instructor team, while steadily building a comprehensive course system. Tailored courses are meticulously designed to address diverse professional skill needs, offering learners multiple learning pathways. In terms of talent development and technology promotion, the center has launched a summer program – UE Scene Design Training – providing participants with an immersive learning experience. At the same time, the center hosted online public education courses and high-quality professional lectures, enabling Unreal Engine technology to reach a wider audience and benefit more enthusiasts. The Unreal Engine courses have also been successfully introduced to double first-class art colleges, such as the Central Academy of Fine Arts and the National Academy of Chinese Theatre Arts, earning high recognition and praise from faculty and students for their rich content and innovative teaching methods. Moreover, collaborative projects by the lecturers and students of the center have excelled at the 2024 Fujian Provincial Digital Application Skills Competition for Virtual Reality Innovation Design Employees (福建省虛擬實境創新設計職工數位應用技能競賽) and secured first place, demonstrating the center's exceptional educational achievements and talent development capabilities.

6.3.6 Supporting and Encouraging Employees to Obtain External Certifications

We actively encourage employees to pursue external learning certifications and stay updated with the latest technologies and knowledge, aligning with industry standards and trends. For example, the Company reimburses fees for employees applying for the U3D Certification (Unity's game design and development certification), allowing them to learn and utilise the most advanced game development tools and platforms. Additionally, the Company has established a gamified star system that records and rewards encouraged behaviours and achievements by gamified star rating with benefits such as corresponding welfare rewards available for redemption (which can be used on the Company's Welfare Platform or at the Refreshment Bar), cultural medals (displayed on homepage of 99U, the Company's office software), and star-level rewards for obtaining external certifications, such as patented technologies, professional competitions, internal and external competition winners, professional title certifications, and book and article publications.

6.4 Occupational Health & Safety

NetDragon attaches great importance to the overall health and well-being of our employees. We consistently promote healthy working habits, balanced lifestyle, and encourage regular exercise. To this end, we provide comprehensive indoor and outdoor sports facilities, and offer internal coaching to cultivate a culture of staying fit and healthy, mitigating health and safety risks for employees.

Additionally, we are committed to adhering to global standards for managing the Group's occupational health and safety issues, while also adapting to local laws and regulations in our operational regions. To ensure compliance, we have formulated organisation-wide *Occupational Health and Safety Policy Statement* aimed at creating secure and reassuring working conditions for every employee. Our efforts have also been recognised internationally, with Fujian Huayu receiving ISO 45001 certification for its occupational health and safety management systems in 2022. Notably, during the Reporting Period, there have been no significant work-related health and safety incidents or fatalities within our organisation.

Legal Compliance Identification

- We diligently identify and adhere to all applicable laws and regulations relevant to our operations, implementing appropriate control measures to ensure compliance.

Establish a Top-down Occupational Health and Safety Management System

- Executive management oversees the implementation of our occupational health and safety policies, ensuring that they are effectively enforced throughout the organisation. Our managers will take proactive steps to address any health concerns raised by team members.

Identification and Management of Occupational Health and Safety Risks

- Through regular assessments of occupational health and safety risks, we conduct internal inspections of all production activities and locations to identify and eliminate hazards, thereby creating a safe working environment. Additionally, we develop emergency action plans to address any unforeseen circumstances.

Continuous Improvement

- We set goals and performance indicators to drive continuous improvement in our occupational health and safety management practices and reduce such risks for employees. Regular progress assessments help us refine our approach and further enhance health and safety management across the Group.

Provision of Appropriate Occupational Health and Safety Training

- We ensure that our employees receive comprehensive training relevant to their roles, equipping them with the necessary information, skills, and supervision to perform their duties safely.

6.4.1 Safety

To ensure a safe working environment, security personnel are on duty 24 hours a day to comprehensively monitor all working venues and conduct rigorous patrols and inspections.

To improve our rescue and employees' safety awareness and self-rescue skills, we have established fire services systems and hired a professional fire services team, and we conduct regular training sessions on fire safety annually, including drills on fire and evacuation, rescue drills for lift-trapped victims, and explosion prevention drills.

For employee operational safety, we have also developed safety standards and rules for practices and operations in various job positions, accompanied by a comprehensive training program.

6.4.2 Health

Human capital is of paramount value to the Group. We prioritise the well-being of our workforce and continue to promote practical and fun initiatives to encourage a healthy and balanced lifestyle for our employees. The following are the four key areas we focus on:

- Health Initiatives

  Our healthy work environment, healthy food standard, sporting events, and fun festival activities all encourage employees to live healthy life. NetDragon Games (i.e., Sports Day) and 1/4 Marathon are among the annual events.

- Health Check

  We provide employees with regular health surveys/assessments, annual body checks, and health report interpretation, which help us better understand our employees' overall health status and individual needs. We also formulate policies to better protect employee's health data and privacy.

- Health Education

  Our global headquarters offers a wide range of in-house sports facilities, sports training sessions, medical courses, health lessons and consultations to our employees. Moreover, there are many internal communication channels for health and well-being, including our intranet, office automation, internal messaging, Enterprise Resource Planning pop-up notices, NetDragon Radio, etc., as well as on-campus posters, and display monitor screens.

- Illness Prevention

  Our global headquarters is equipped with clinics and health management rooms, where treatment is available at any time and expert doctors are invited periodically to provide in-depth consultations. Medical insurance packages are provided to all domestic employees.

7. VALUE CHAIN

7.1 Innovation Management

At NetDragon, we regard innovation management as a top priority, investing over RMB1.4 billion in developing cutting-edge technologies and products, and hiring over 2,500 experienced and creative R&D personnel worldwide. We continuously drive innovation by encouraging employees to propose new ideas and solutions, providing them with sufficient support and resources. In addition to in-house R&D efforts on our own IPs, we actively engage in strategic partnerships with other global leading brands to work on the development of next-generation educational products.

Furthermore, we foster internal collaboration and innovation through dedicated awards and recognition. Each year, we honour outstanding team members with the Technology Innovation Award and Design Innovation Award, inspiring a culture of innovation and excellence in our workforce. (To further encourage innovative design, we hold our 99 Design Oscar event annually, offering multiple awards to recognize and incentivize creative employees. In January 2025, our Company's selected and submitted project *Research and Development and Industrialisation of the Digital Content Engine Platform (數字內容引擎平台的研發及產業化)* won the 2023 Fujian Provincial Science and Technology Award (福建省 2023 年度科學技術獎). This not only serves as affirmation of the related technological achievements but also recognition of NetDragon's contributions to advancing the digital industry.)

7.2 Responsible Supply Chain Management

In 2024, the Group had a total of 25 major suppliers. The geographical split of these suppliers is as follows:

Indicators	2024	2023	2022	2021	2020	2019	2018	2017
Number of Major Suppliers[1]	**25**	44	29	23	22	21	23	17
By region:								
Asian Countries (Excluding China)	**1**	15	3	1	3	3	2	2
UK	**0**	0	1	1	0	1	2	0
USA	**13**	17	14	8	7	8	11	5
China	**8**	7	8	10	8	9	7	8
United Arab Emirates ("UAE")	**0**	0	0	0	1	0	0	0
European Countries (excluding the UK)	**3**	5	3	3	3	0	1	2

In order to comprehensively regulate the Group's purchasing and bidding process, ensure smooth production and operation, and enhance supply chain management performance, the group has established a comprehensive supply chain management system and conducted evaluations of suppliers' environmental and social performance.

During the Reporting Period, we formulated and updated the *Purchasing Management System 2023 V2.00* and *Tendering and Purchasing Management System 2023 V4.00*. These systems require comprehensive assessments of suppliers during the purchasing process, ensuring compliance with licensing and qualification requirements, and developing suppliers based on the "QCDS" principle, focusing on quality, cost, delivery, and service. We also strictly adhere to tendering and purchasing disciplines, maintaining openness, fairness, justice, and honesty throughout the process and enforcing regulations at every stage. Should we detect bidder's any negative environmental or social impacts, or instances of deception, fraud, overpricing, underpricing, or malicious bidding, we will eject the bid and involve legal intervention.

1 The Group's major suppliers refers to suppliers of products/services whose total contract sum amounted to USD1 million or more in any given year.

During the Reporting Period, the Group did not experience any significant actual or potential negative impacts from major suppliers regarding business ethics, environmental protection, human rights, or labour practices.

7.3 Quality Management

The Group stays committed to excellent quality management, establishing and implementing a comprehensive internal policy and procedures framework for information security management applying to all Group business lines, in line with the framework outlined in the *Information Security Technology – Personal Information Security Specification* (GB/T 35273-2020) issued by the Chinese government in March 2020. The following policies and procedures are included:

- Well-rounded preventive measures covering the entire cycle of data collection, transmission, storage, and usage stages
- Clear definition of data ownership rights
- Complaint collection mechanism and response procedures
- Data leakage reporting mechanism
- Data protection impact assessment
- Strengthened organisational measures for information security management
- Regular communication and cooperation with regulatory authorities

The Group has taken the following measures to guarantee product quality:

- we generate and send out daily journals on quality, demonstrating the quality and progress of the latest version of the products on a multidimensional scale, and coordinate timely problem-solving efforts to avoid and control risks wherever possible and ensure the progress of the production;

- we perform a variety of specialised tests on product performance, compatibility, network and security, and other aspects to ensure product quality, employing a 24/7 automated testing-based cloud service on our inhouse developed tailored testing platform;

- we strictly implement quality control processes and standards, including product requirement reviews, test plan management, test rule management, test execution management, risk feedback management, and bug data management;

- we have established a quality control system based on online uptime checks, and implement regular testing/auto-triggered testing for timely defect detection during production and real-time monitoring of product quality;

- under the requirements of relevant laws and regulations, we have developed standards and guidelines for security test in relation to five areas, namely personal privacy protection on Apps, information security for users, real-name registration, content security and anti-addiction system of games. Moreover, leveraging the self-developed security scanner and its exclusive online quality monitoring technology, we provide timely product conformity reports to ensure that our products comply with laws and regulations.

7.3.1 Health, Safety Quality and Certification

As an ISO14001 certified entity, one of our major overseas subsidiaries undergoes an annual surveillance audit and recertification audit every 3 years. The audits cover 4 aspects – reducing environmental impact, complying with legislation, improving efficiency to reduce operating costs, and gaining a competitive advantage in tendering processes.

7.3.2 Product Recalls & Regulatory Violation

As of the Reporting Period, there were no product recalls related to health and safety or any major product failure incidents. In the event of product or service failures, the Group will promptly provide warranty services to customers, analyze and address failure problems, and offer customers satisfactory solutions under warranty policies. Additionally, there were no instances of regulatory violations regarding products and services during the Reporting Period.

7.3.3 Quality Assurance

We endeavour to establish a product and service environment that is high-quality, reliable, cost-effective, and on-time to ensure customer satisfaction and trust in our brand. For this purpose, we integrate quality assurance principles into every phase of our suppliers' and partners' new product releases and product lifecycle processes. Moreover, we promote a culture of continuous improvement within the Group, enhancing our quality management system and ensuring compliance with ISO 9001 quality management system and other relevant standards.

Our products undergo a series of rigorous tests, including functional testing, performance testing in weak network environments, security testing, multi-platform compatibility testing, system integration testing, and user interface ("UI") testing, to ensure outstanding performance under various dynamics. We harness advanced automated detection technology to minimise the impact of human errors on product quality, which not only enhances testing efficiency but also increases our confidence in product quality. Additionally, we have established a comprehensive quality analysis mechanism to analyse the root causes of BUGs and prevent potential problems occurred in the future.

We believe that ongoing collaboration with leading enterprises and academic institutions enables us to continually explore and implement new technological approaches. This open environment for technology exchanges not only facilitates our progress in innovation but also ensures us a leading edge in product quality.

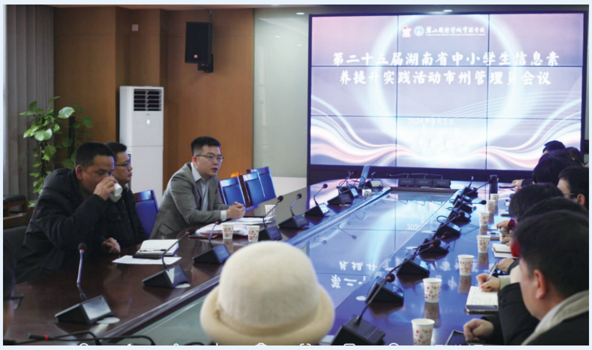
8. COMMUNITY INVESTMENTS

NetDragon not only stands out as a leading gaming and education technology company but also upholds a strong commitment to social responsibility. Domestically, we actively align with the national strategies of precise poverty alleviation and rural revitalisation, fostering long-term partnerships with various local government entities. Our aim is to increase learning opportunities and create better learning environments for primary and secondary school students in impoverished and underdeveloped regions through measures promoting educational equity. To achieve this, we provide well-rounded tailored solutions to these schools, including upgrading educational technology equipment, offering high-quality teaching resources and services, and training and supporting local teachers. Through these efforts, we hope to advance the level and quality of education and lay solid foundations for student's future development.

Internationally, NetDragon is one of the few leading global companies that is actively engaged in emerging market countries such as Egypt, Ghana, Thailand and Saudi Arabia, with a vision of leveraging our advanced technology and extensive experience to provide high-quality education to local primary and secondary school students. We strive to ensure equal, high-quality, and inclusive education for all children. In pursuit of this vision, we formed a strategic partnership with the United Nations Educational, Scientific and Cultural Organisation ("UNESCO") in August 2020 to jointly promote global education equality and SDGs.

Moreover, one of our major overseas subsidiaries encourages employees to give back to their communities by providing up to two days of paid leave for such activities. Many employees actively seize this opportunity to contribute to their communities. Additionally, it also actively supported the "Anguilla Initiative" – a community project aimed at improving local education and resources in Anguilla. This project helped to raise locals' awareness of education while providing them with educational opportunities, thus creating a better future for local residents.

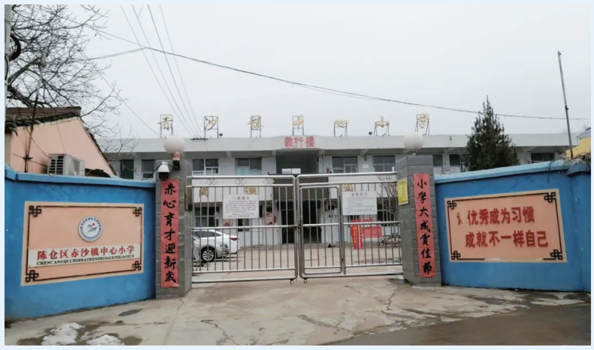
As a company that highly values social responsibility, NetDragon remains dedicated to community investment and social donations, contributing our love for giving back to society. We firmly believe that it is our responsibility to support community education, resources, and social development. We remain steadfast in our commitment to community investment and social development, and will strive towards a better and more equal society. During the Reporting Period, the Group actively contributed to the community and invested RMB2.04 million in community development.



On 2 March 2024, the Hunan Provincial Training Program for Key Teachers in Information Literacy Enhancement for Primary and Secondary School Students was successfully held in Changsha. With the support of the Hunan Provincial Educational Technology Center(湖南省電化教育館), Huayu Education donated LEGO Education Science and Innovation Activity Kits to schools in Hunan Province. This training program for key teachers is the largest of its kind since the launch of the information literacy enhancement initiative, attracting over 570 participants, including responsible officers of the educational technology departments of and key teachers from 14 cities and prefectures in Hunan Province. Officials in charge from the Hunan Provincial Department of Basic Education, the Hunan Provincial Educational Technology Center, and the Wangcheng District Education Bureau of Changsha also attended the opening ceremony.

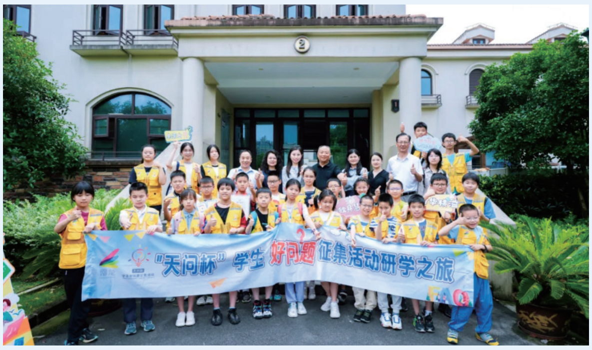
The 7th "Huayu Cup"(華漁杯) Information Technology Teaching Design Competition for Primary and Secondary School Teachers, supported by NetDragon, took place in April 2024. As one of China's most extensive and most inclusive public welfare educational competitions in this field, the "Huayu Cup" aims to elevate teachers' instructional methods and proficiency in utilizing information technology. It serves as a prominent platform for educators nationwide to showcase their achievements in integrating technology into education. Having been successfully held six times, the competition has attracted over 200,000 teacher participants and reached more than 72,000 schools.

In June 2024, NetDragon has signed a donation agreement with the Beijing Green & Shine Foundation to provide a batch of digital education equipment through the "Xiaori Chunhui" (曉日春暉) charity project. This donation is intended to support the development of digital education in Chisha Town Central Primary School in Chencang District, Baoji City, Shaanxi Province.

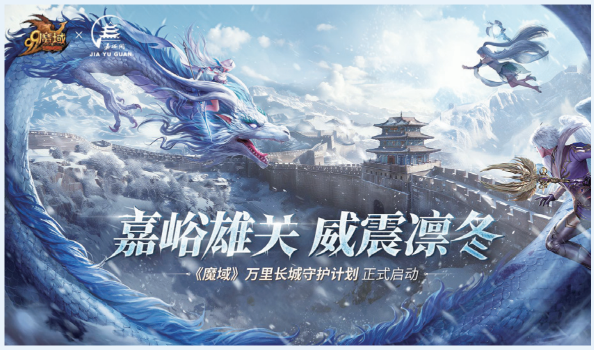


In June 2024, the E-library Platform, jointly established by UNESCO IITE and NetDragon, hosted the 21st Century Teacher Competition 2.0. This event not only attracted 528 teachers from 40 countries but also became a truly global teaching competition for educators, marking the E-library platform's emergence as a global initiative. After rigorous evaluation, 2 peer-reviewed champions and 6 jury-selected champions stood out, winning free international study tours as their rewards.

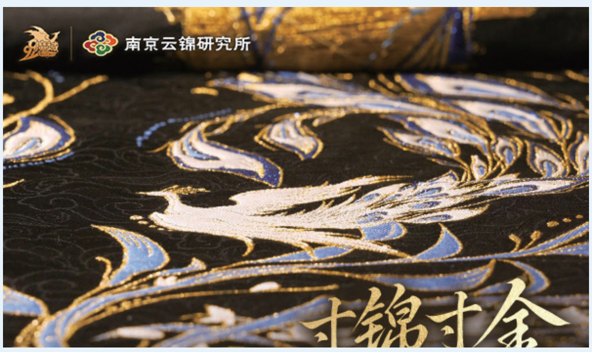
In January 2025, the "Tianwen Cup"(天問杯) Student Inquiry Contest was successfully held. This event was jointly organised by the Shanghai Municipal Education Commission and the Baoshan District People's Government of Shanghai, with the Baoshan District Education Bureau and the Shanghai Science, Technology, and Art Education Center co-hosting. Huayu Education provided technical support for the second consecutive year as the co-organiser.



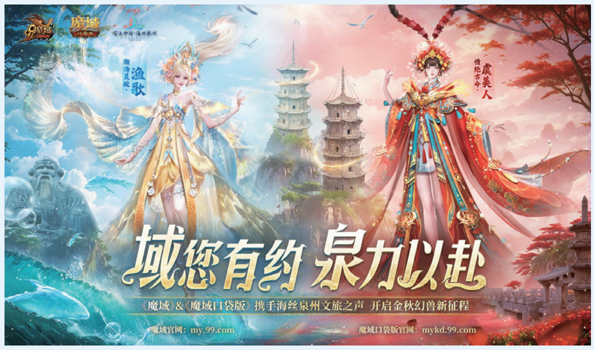
In January 2024, *Eudemons Online* featured its character Year Eudemon – Dragon in collaboration with Huang Tingyan (黃廷炎), a national-level inheritor of the Tongliang Dragon Dance, a UNESCO Intangible Cultural Heritage. Together, they showcased a spectacular dragon dance performance, symbolizing the inheritance of the Chinese nation's spiritual totem and wishing the descendants of Yan and Huang prosperity and glory across the world. Originating over a thousand years ago, this dazzling dragon dance is renowned for its intricate craftsmanship and bold performance techniques. Having endured the test of time, it has gained global acclaim through inheritance and development, earning the title of "The First Dragon of China."



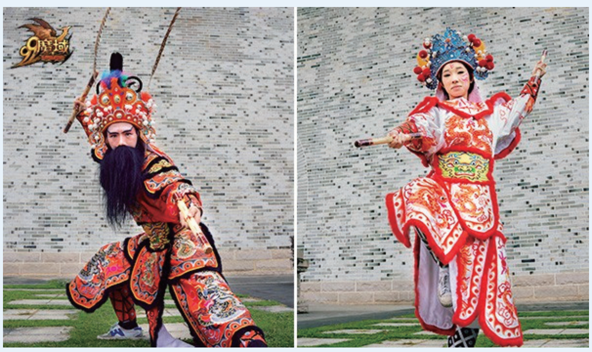
In April to July 2024, NetDragon's flagship game *Eudemons Online* teamed up with the Jiayu Pass to launch the charity event to preserve and pass on the culture of the Great Wall. In the game, players participated virtually in guarding the Great Wall through the "Grand New Winter Curio•Soul of the Giant Dragon" (凜冬守望•巨龍之魂) event. Outside the game, players actively donated to support the protection and preservation of the Great Wall through cultural preservation and promotion and other practical actions. Additionally, player volunteers had the opportunity to experience the historical pulse of the Great Wall up close, learn about craftsmanship in its construction, and understand the spirit of the Great Wall. "Millions of Hearts, Building the Great Wall Together!" Thousands of players in Eudemons Online embarked on a journey of preservation that bridged the virtual and real worlds.



In August 2024, in the "Queen of Rose Event – Cai Yu Qiong Hua" (彩羽瓊華) for *Eudemons Online*, the official team drew inspiration from the peacock orchid and collaborated with the Nanjing Yunjin Brocade Research Institute (南京雲錦研究所) to create a luxurious high-end Yunjin peacock orchid horse-face skirt, made of precious materials such as peacock feather threads, silk threads and real gold threads, showcasing the exquisite craftsmanship of Yunjin. This masterpiece was presented as a coronation gift to the 2024 Queen of Rose - "Goddess of Brocade Feathers" (花魁"錦翎女神"), highlighting the aesthetic charm of millennia-old heritage. Nanjing Yunjin, recognised as the premier among China's three great brocades, boasts a weaving history of over 1,600 years and is celebrated as the "Treasure of the East" and the "Pearl of Ancient Chinese Textile Art."

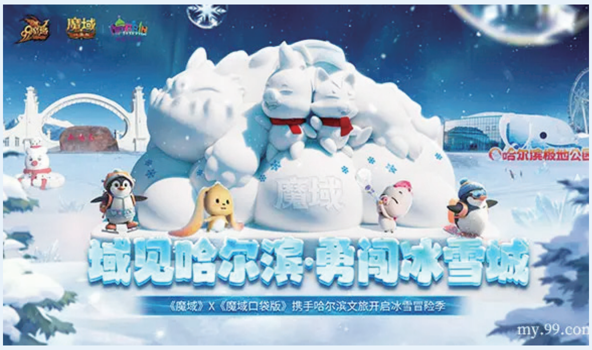


In September 2024, *Eudemons* online and *Eudemons Pocket Edition*, the flagship IP products of Eudemons, have joined forces with Quanzhou Cultural Tourism (泉州文旅) for a deep collaboration, merging virtual and real-world experiences to achieve a remarkable effect for the industry. The new autumn Eudemon partner – "Consort Yu" (虞美人) of "Fisherman's Song" (漁歌) took on the role Quanzhou tourism ambassador, leading players to discover the charm of the ancient city with a thousand-year history. The collaboration also integrates the intangible cultural heritage such as Xunpu women's custom of flower hairpin adornment (簪花圍), Quanzhou String Puppetry (提線木偶戲), Southern Fujian Traditional Residential Architecture Techniques (堆剪), and Traditional Music (南音), allowing players to immerse themselves in the unique allure of the intangible cultural heritage.



In January 2025, *Eudemons Online* in collaboration with "Yingge dance" (英歌舞), an intangible cultural heritage of Guangdong Chaoshan, marked a remarkable success. With a history of more than 300 years, Yingge dance of Chaoshan, a national intangible cultural heritage, integrates art forms such as southern-style martial arts, theatre and dance, therefore it is a merited artistic gem of the Chinese culture. Members of *Eudemons Online* learnt to use Yingge mallets from the ground up under the guidance of "Rong Yi Xing Yingge team" (榕義興英歌隊) and offered Chinese war dances to the warriors with their physical prowess fused with the characteristics of the spiritual snake.

In January 2025, Harbin's Culture and Tourism joined forces with *Eudemons Online* to debut the snow sculptures of classic eudemons Mage DoDo, Mage Peppy and Bahamut at the 37th Sun Island International Snow Sculpture Art Expo, kicking off the eagerly anticipated "Ice and Snow Adventure Season"(冰雪冒險季) which brought a unique feast of intertwinement of fantasy and fascination of ice and snow to fans of *Eudemons Online* and tourists.



In January 2025, *Eudemons Online* official meticulously combined Year Eudemon Snake with "new trending" (新生人氣) intangible cultural heritage skills such as fire pots, fire fans and fire staffs, putting together a set of showstopping COS prints. This set of prints not only brought to life the stunning outfits the Year Eudemon Snake have on in game but also perfectly integrated firelight and the image of Year Eudemon Snake, which created a scene of "flying sparks illuminating the night sky", a depiction of dispelling darkness and welcoming hope, and of which people had their infinite wishes to a better life rest with.

9. MAJOR RECOGNITION, AWARDS AND MEMBERSHIP

In 2024, NetDragon garnered a series of prestigious awards, showcasing remarkable achievements in ESG endeavours. With regard to corporate governance, upholding the principles of ethical conduct and nurturing a culture of integrity, we have fortified our internal governance mechanism to ensure robust and sound development. With regard to corporate social responsibility, we embrace a people-oriented approach and a philosophy of harmonious coexistence, actively participating in charity and public welfare activities and committing to environmental protection, steadfast in the national belief that "lucid waters and lush mountains are invaluable assets", safeguarding natural resources. Moreover, with regard to social contribution, our ongoing efforts not only drive social progress but also inject positive energy into society, which has earned us accolades such as "Top 100 Enterprises" and "Innovative Enterprise."

No.	Award Issuer	Name of the Award
1	Internet Society of China (中國互聯網協會)	Top 100 Enterprises in China Internet Comprehensive Capabilities of 2024
2	China Federation of Electronics and Information Industry (中國電子信息行業聯合會)	Top 100 Competitive Software & IT Services Enterprises of 2024
3	China Software Industry Association	Top 100 Software High-quality Development in China of 2024
4	Ministry of Culture and Tourism of the People's Republic of China	National Industrial Tourism Demonstration Base
5	Six departments including the Ministry of Commerce	National Foreign Cultural Trade" Thousand Sails Set Sail" Action Plan Key Project in 2024
6	Internet Society of Fujian	2024 Fujian Top 50 Internet Enterprises with Comprehensive Competitiveness
7	Fujian Federation of Commerce & Industry	2024 Fujian's Top 100 Innovative Private Enterprises
8	Fujian Federation of Commerce & Industry	2024 Fujian's Top 100 Private Enterprises
9	Fujian Federation of Commerce & Industry	2024 Fujian's Top 100 Private Enterprises in Service Industry
10	Fujian Federation of Commerce & Industry	2024 Fujian's Best 100 Private Enterprises' Social Responsibilities
11	Data Management Bureau of Fujian Province	2024 Fujian "Unicorn" Innovative Enterprises of Core Industries of Digital Economy
12	Fujian Enterprises and Entrepreneurs Confederation, Fujian Media Group, Fujian Academy of Social Science	2024 Fujian's Top 100 Enterprises in Service Industry
13	Fujian Enterprises and Entrepreneurs Confederation, Fujian Media Group, Fujian Academy of Social Science	2024 Fujian's Top 100 Strategic Enterprises in Emerging Industry
14	Ministry of Industry and Information Technology of Fuzhou	2024 Fuzhou's Leading Enterprise in Software Industry

No.	Award Issuer	Name of the Award
15	Fuzhou Federation of Trade Unions	2024 Fuzhou's Artisan Academy
16	The Judging Committee of the Golden Plume Award	2024 The Golden Plume Awards "Player's Favourite Mobile Game" of the Year
17	The Judging Committee of the Golden Finger Award	2024 Outstanding Enterprise in Chinese Gaming Industry
18	Roadshow China	The 7th Excellence IR for "Best Shareholder Relations Award" and "Best Capital Market Communication Award"
19	Zhitong Finance Online, Xinzhi Fund Network	The 9th Golden Hong Kong Stock "Best Southbound Company"
20	Gelonghui	The 6th Guruclub Outstanding Companies of the Year "ESG Pioneer of the Year Award"
21	Top 100 Hong Kong Listed Companies Research Centre	The 11th "Top 100 Hong Kong Listed Companies" "Leading Enterprises in AI Technology Award"
22	Cailian Press, China Overseas Development Association	Top 50 Chinese Overseas Service Organisations
23	iiMedia Research Guangzhou Co., Ltd. (艾媒諮詢廣州有限公司)	2024 China's Best Virtual Employee Award
24	51job	2024 Outstanding Employer
25	China Healthy Workplace Accreditation Council	2024-2025 Healthy Workplace Gold Standard Certified Company
26	China Credit Research Institute, Liechacha	2024 Best Employer in Workplace Credibility
27	Shixiseng	2024 Favourite Employer of the Year
28	zhaopin.com	2024 Best Employer of the Year (Fuzhou area)
29	EdTech Breakthrough	2024 "Classroom Tech Solution of the Year" Award
30	Tech & Learning	Best of 2023 Awards
31	Tech & Learning	Best of Show Award
32	Tech & Learning	Awards of Excellence: Back to School 2024

10. PERFORMANCE DATA SUMMARY

Environmental Performance

2024 Environmental Performance

Emissions	**2024**	2023	**Unit**
Air Pollutants[2]			
Nitrogen Oxides(NOx)	**15.91**	11.86	kg
Sulphur Oxides(SOx)	**0.27**	0.38	kg
Particulate Matter	**1.80**	1.65	kg
Greenhouse Gas			
Scope 1[3]	**35,241.07**	58.36	tCO_2e
Scope 2[4]	**8,760.48**	11,919.49	tCO_2e
Scope 3[5]	**237.51**	259.25	tCO_2e
Total[6]	**44,239.06**	11,977.85	tCO_2e

2 The air pollutants primarily originate from emissions generated by corporate vehicles and the fuel they use. Emission calculations are performed in accordance with the *Technical Guidelines for Compiling Road Vehicle Emission Inventories (Trial)* issued by the Ministry of Ecology and Environment of the PRC and the *Fleet Weighted Road Transport Emission Factor 2021* provided by the Department for Environment, Food and Rural Affairs (DEFRA) of UK.

3 The calculation method for the carbon emission factors for emission of greenhouse gases (Scope 1) from vehicles was developed by synthesizing data from the *China Energy Statistical Yearbook* (2022), the *Provincial Greenhouse Gas Inventory Compilation Guidelines (Trial)* (2011), *GB 17930-2016 Automotive Gasoline*, the *Guidelines for Accounting and Reporting Greenhouse Gas Emissions from Land Transport Enterprises (Trial)* (2015), the *Fleet Weighted Road Transport Emission Factor 2021* provided by the Department for Environment, Food and Rural Affairs (DEFRA) of UK. The refrigerant emission factors were derived from the *Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong* issued by the Hong Kong Environmental Protection Department.

4 The calculation of emission of greenhouse gases (Scope 2) from purchased electricity is based on Fujian Province's grid emission factors published in the *Notice of 2022 Electricity CO_2 Emission Factors*, jointly issued by the Ministry of Ecology and Environment and National Bureau of Statistics of the PRC on December 20, 2024, along with the *Greenhouse Gas Reporting: Conversion Factors 2023* published by the Department for Energy Security and Net Zero of UK.

5 The calculation of emission of greenhouse gases (Scope 3) from business travel is based on the *Corporate Value Chain (Scope 3) Accounting and Reporting Standard*, incorporating the China's civil aviation fuel consumption per ton-kilometer data and aviation kerosene carbon emission factors extracted from the *2023 Statistical Bulletin on Civil Aviation Industry Development* issued by the Civil Aviation Administration of the PRC, along with the *Greenhouse Gas Reporting: Conversion Factors 2023* published by the Department for Energy Security and Net Zero of UK.

6 The significant increase in total greenhouse gas emissions and emission intensity is attributed to the expanded statistical scope by the Company in 2024 that incorporates refrigerants (20kg) – a category not included in previous years, thus making year-on-year comparison invalid.

Emissions	2024	2023	Unit
Emission Intensity[6]	**9.63**	2.44	tCO_2e/person
Waste[7]			
Hazardous Waste[8]	**1.00**	8.00	t
Intensity	**0.20**	1.63	kg/person
Non-Hazardous Waste	**10.30**	13.50	t
Intensity	**2.20**	2.75	kg/person

Resource Consumption	2024	2023	Unit
Energy			
Petrol	**17,909.94**	25,217.61	Litre
Diesel	**21,500.30**	21,019.45	Litre
Purchased Electricity	**164.35**	226.29	MWh
Direct Energy Consumption	**21,500.30**	21,019.45	MWh
Indirect Energy Consumption	**21,664.65**	21,245.74	MWh
Total Energy Consumption[9]	**17,909.94**	25,217.61	MWh
Intensity of Energy Consumption	**556.50**	79.50	MWh/person
Water Resource			
Water Consumption[10]	**192,101.40**	205,352.50	t
Intensity	**41.82**	41.83	t/person

6 The significant increase in total greenhouse gas emissions and emission intensity is attributed to the expanded statistical scope by the Company in 2024 that incorporates refrigerants (20kg) – a category not included in previous years, thus making year-on-year comparison invalid.

7 Considering that the majority of our revenue comes from our games and education technology business, the wastes generated from our operations is not significant. The current disclosure scope only includes some but not all subsidiaries of the Group. We are expanding our data collection scope to include more data from all subsidiaries in the future.

8 Hazardous wastes from 3D printers, discarded electronics, batteries, aerosols, fluorescent lamps, and liquid cleaning waste. The elevated emission figures for 2023 is attributable to the Company's one-time disposal of certain devices during the same year.

9 The total energy consumption is calculated with reference to the *China Energy Statistical Yearbook* (latest published edition), using the standard coal equivalent coefficient specified in *GB/T 2589-2020 General Principles for Comprehensive Energy Consumption Calculation*, which adopts the 20°C calorie conversion, that is 1 kgce = 7,000 kcalIT = 29,271.2 KJ.

10 In 2024, the Company expanded its statistical scope with adjustments made to the statistical parameters for the previous year for consistency.

Social Performance

KPI B1.1 Total workforce by gender, employment type, age group, employment category and geographical region for the year

	2024 Number of Staff	2024 % of total	2023 Number of Staff	2023 % of total	2022 Number of Staff	2022 % of total
Total Workforce	5,167	/	5,389	/	4,751	/
Total workforce by employment type						
Full time	4,593	88.9%	4,907	91.1%	4,460	93.9%
Part time	574	11.1%	482	8.9%	291	6.1%
Full-time workforce by gender						
Male	2,859	62.2%	3,043	62.0%	2,835	63.6%
Female	1,734	37.8%	1,864	38.0%	1,625	36.4%
Full-time workforce by age group						
30 or below	1,569	34.2%	1,833	37.4%	1,686	37.8%
31-50	2,841	61.9%	2,884	58.8%	2,584	57.9%
51 or above	183	4.0%	190	3.9%	190	4.3%
Full-time workforce by employment category						
Non-managerial Staff	3,446	75.0%	3,844	78.3%	3,630	81.4%
Management personnel	1,147	25.0%	1,063	21.7%	830	18.6%
Full-time workforce by geographic region						
China	4,108	89.4%	4,332	88.3%	3,787	84.9%
Other Regions	485	10.6%	575	11.7%	673	15.1%
Other data						
Total minority ethnic employee	77	1.7%	78	1.5%	Not Available	

KPI B1.2 Employee diversity profile for the year

	2024
Proportion of female employees by job level/position	
Proportion of female employees in management roles	24.2%
Proportion of female employees in senior management roles	17.1%
Proportion of female employees in middle management roles	23.9%
Proportion of female employees in junior management roles	47.2%
Proportion of female employees in management roles in revenue-generating functions	18.0%
Proportion of female employees in STEM related roles	23.5%

KPI B1.3 Newly hired employees for the year

	2024
Total number of newly hired employees	665
Number of newly hired employees by gender	
Male	411
Female	254
Number of newly hired employees by age	
30 or below	392
31 – 50	257
51 or above	16
Number of newly hired employees by geographical region	
China	587
Other regions	78
Number of newly hired employees by employment category	
Non-managerial	561
Management	104
Percentage of vacancies filled internally (by internal recruitment) (%)	38.3%

KPI B1.4 Employee turnover for the year

	2024
Total full-time employee turnover rate[12]	**20.4%**
Full-time employee voluntary turnover rate[13]	**4.4%**
Employee turnover rate by gender	
Male	**21.2%**
Female	**19.0%**
Employee turnover rate by age	
30 or below	**23.5%**
31 – 50	**18.4%**
51 or above	**23.4%**
Employee turnover rate by geographic regions	
China	**19.5%**
Other regions	**27.2%**
Employee turnover rate by employment category	
Non-managerial	**22.2%**
Management	**14.5%**

KPI B2.1 Number and rate of work-related fatalities for the past three years (including the reporting year)

KPI B2.2 Number of lost workdays due to occupational injuries

Occupational health and safety	**2024**	2023	2022
Work-related fatalities	**0**	0	0
Lost workdays due to work injuries[14]	**40**	49	0

12 The formula for calculating employee turnover rate: employee turnover rate = total number of employee separations for the year/(period-end headcount + total separations for the year).

13 The formula for calculating employee voluntary turnover rate: employee voluntary turnover rate = total number of employee voluntary separations for the year/(period-end headcount + total voluntary separations for the year).

14 Calculated based on an "8-hour workday" as one working day.

EMPLOYEE TRAINING

KPI B3.1 The percentage of employees trained by gender and employee category

KPI B3.2 The average training hours completed per employee by gender and employee category

	2024	
The number of employees trained	**Number of employees trained**	**% of employees trained[15]**
The number of full-time employees trained	3,778	82.3%
The number of employees trained by gender		
Male	2,443	85.4%
Female	1,335	77.0%
The number of employees trained by employee category		
Non-managerial	2,633	76.4%
Management	1,145	99.8%

	2024
Training hours completed by employees	**Training Hours**
Total training hours full-time employees completed	17,314
Average training hours full-time employees completed[16]	4.6
Completed training hours by employee gender	
Male	13,724
Female	3,590
Completed training hours by employee category	
Non-managerial	11,240
Management	6,074

Note: During the Reporting Period, the Group dispatched specific personnel responsible for the employee training data. We will continue to strengthen internal data collection and improve data disclosure in future reports.

15 The percentage of employee training is calculated by: the number of trained employees in certain category/the total number of employees in that category.

16 The average training hours of employees is calculated by: the total training hours completed by employees in certain category/the total number of employees trained in that category.

11. CONTENT INDEX OF THE ESG GUIDE OF THE HONG KONG STOCK EXCHANGE

Mandatory Disclosure Requirements		**Section**
Governance Structure	A statement from the Board containing the following elements: (i) disclosure of the Board's oversight of ESG issues; (ii) the Board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-elated issues (including risks to the issuer's businesses); and (iii) how the Board reviews progress made against ESG related goals and targets with an explanation of how they relate to the issuer's businesses.	2. SUSTAINABILITY GOVERNANCE 2.1 Board Independence, Diversity and Performance 3. STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT
Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG Report:	1. ABOUT THIS REPORT
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG Report and describing the process used to identify which entities or operations are included in the ESG Report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	1. ABOUT THIS REPORT

General Disclosures and KPIs		Disclose Section/ Explanation
A. Environment		
A1. Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	5. ENVIRONMENTAL PROTECTION
A1.1	The types of emissions and respective emissions data.	10. PERFORMANCE DATA SUMMARY – Environmental Performance
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	10. PERFORMANCE DATA SUMMARY – Environmental Performance
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	10. PERFORMANCE DATA SUMMARY – Environmental Performance
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	10. PERFORMANCE DATA SUMMARY – Environmental Performance
A1.5	Description of emission target(s) and steps taken to achieve them.	5.1 Climate Change 5.2 Energy Management and Carbon Emissions
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction target(s) and steps taken to achieve them.	5.5 Waste Management

A2. Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	5.2 Energy Management and Carbon Emissions 5.4 Water Consumption and Conservation
A2.1	Direct and/or indirect energy consumption by type (e.g., electricity, gas or oil) in total (kWh in '000s) and intensity (e.g., per unit of production volume, per facility).	10. PERFORMANCE DATA SUMMARY – Environmental Performance
A2.2	Water consumption in total and intensity (e.g., per unit of production volume, per facility).	10. PERFORMANCE DATA SUMMARY – Environmental Performance
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	5.2 Energy Management and Carbon Emissions
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) and steps taken to achieve them.	5.4 Water Consumption and Conservation
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Due to the nature of the business, the Group is not involved in the consumption of finished packages
A3. The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	5.2 Energy Management and Carbon Emissions 5.5 Waste Management
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	5. ENVIRONMENTAL PROTECTION 5.2 Energy Management and Carbon Emissions

A4. Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate related issues which have impacted, and those which may impact the issuer.	5. ENVIRONMENTAL PROTECTION 5.1 Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	5. ENVIRONMENTAL PROTECTION 5.1 Climate Change
B Social		
B1. Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	6. PEOPLE 6.1 Diversity, Inclusion and Equal Opportunities 6.2 Talent Attraction and Retention
B1.1	Total workforce by gender, employment type (for example, full or part-time), age group and geographical region.	10. PERFORMANCE DATA SUMMARY – Social Performance
B1.2	Employee turnover rate by gender, age group and geographical region.	10. PERFORMANCE DATA SUMMARY – Social Performance

B2. Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	6.4 Occupational Health & Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	10. PERFORMANCE DATA SUMMARY – Social Performance
B2.2	Lost days due to work injury.	10. PERFORMANCE DATA SUMMARY – Social Performance
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	6.4 Occupational Health & Safety
B3. Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	6.3 Talent Development
B3.1	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).	10. PERFORMANCE DATA SUMMARY – Social Performance
B3.2	The average training hours completed per employee by gender and employee category.	10. PERFORMANCE DATA SUMMARY – Social Performance

B4. Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	6.1 Diversity, Inclusion and Equal Opportunities
B4.1	Description of measures to review employment practices to avoid child and forced labour.	6.1 Diversity, Inclusion and Equal Opportunities
B4.2	Description of steps taken to eliminate such practices when discovered.	6.1 Diversity, Inclusion and Equal Opportunities
B5. Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	4.1 Cyber Security 7. VALUE CHAIN
B5.1	Number of suppliers by geographical region.	7.2 Responsible Supply Chain Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	2.2 Business Ethics and Compliance 4.1 Cyber Security 7.2 Responsible Supply Chain Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	2.2 Business Ethics and Compliance 4.1 Cyber Security 7.2 Responsible Supply Chain Management
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	7.2 Responsible Supply Chain Management

B6. Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	4.1 Cyber Security 7. VALUE CHAIN
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	7.3 Quality Management
B6.2	Number of products and service-related complaints received and how they are dealt with.	4.5 Customer Engagement 7.3 Quality Management
B6.3	Description of practices relating to observing and protecting intellectual property rights.	4.4 Intellectual Property Protection
B6.4	Description of quality assurance process and recall procedures.	7. VALUE CHAIN 7.3 Quality Management
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	4.2 Privacy and Data Protection

B7. Anti-Corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	2. SUSTAINABILITY GOVERNANCE 2.2 Business Ethics and Compliance
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	2.2 Business Ethics and Compliance
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	2.2 Business Ethics and Compliance
B7.3	Description of anti-corruption training provided to directors and staff.	2.2 Business Ethics and Compliance
B8. Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	8. COMMUNITY INVESTMENTS
B8.1	Focus areas of contribution (e.g., education, environmental concerns, labour needs, health, culture, sport).	8. COMMUNITY INVESTMENTS
B8.2	Resources contributed (e.g., money or time) to the focus area.	8. COMMUNITY INVESTMENTS

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE MEMBERS OF NETDRAGON WEBSOFT HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of NetDragon Websoft Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 161 to 292, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory 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 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 ("HKSAs") 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"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

TO THE MEMBERS OF NETDRAGON WEBSOFT HOLDINGS LIMITED (Cont'd)

KEY AUDIT MATTERS (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from online and mobile games	
We identified the recognition of revenue from online and mobile games as a key audit matter due to financial significance of revenue to the consolidated financial statements. Online and mobile games revenue of approximately RMB3,425 million for the year ended 31 December 2024 was recognised after the actual usage of the game points in the online and mobile games by the customers for obtaining virtual products or premium features. Advance received in respect of unutilised game points and those arising from inactivated prepaid game cards is recognised as contract liabilities.	Our procedures in relation to the recognition of revenue from online and mobile games included: • evaluating and testing the manual and automated controls over the revenue recognition process in respect of online and mobile games revenue; • obtaining the full-year top-up information and tracing to receipt details, on a sample basis; • obtaining summary report which contains the utilised and unutilised game points generated by the computer system and performing testing, on a sample basis, by computer-assisted audit techniques; • performing substantive analytical procedures on the online and mobile games revenue and contract liabilities with reference to utilised game points and unutilised game points by customers, on a sample basis, during the year; and • Testing the automatic control of player account registration process using computer assisted audit techniques for overseas online and mobile games revenue.

TO THE MEMBERS OF NETDRAGON WEBSOFT HOLDINGS LIMITED (Cont'd)

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards issued by the HKICPA 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

TO THE MEMBERS OF NETDRAGON WEBSOFT HOLDINGS LIMITED (Cont'd)

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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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.

TO THE MEMBERS OF NETDRAGON WEBSOFT HOLDINGS LIMITED (Cont'd)

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

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

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

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

From the matters communicated with those charged with governance, 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 Chung Chi Man.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	NOTES	2024 RMB million	2023 RMB million
Revenue	5	**6,047**	7,101
Cost of revenue		**(2,105)**	(2,703)
Gross profit		**3,942**	4,398
Other income and gains	6(a)	**398**	264
Impairment loss under expected credit loss model, net of reversal	8	**2**	(3)
Selling and marketing expenses		**(758)**	(807)
Administrative expenses		**(1,164)**	(1,199)
Research and development costs		**(1,429)**	(1,382)
Other expenses and losses	6(b)	**(249)**	(446)
Share of results of associates and joint ventures		**3**	(4)
Operating profit		**745**	821
Interest income on pledged bank deposits		**13**	–
Exchange gain (loss) on pledged bank deposits, financial assets at fair value through profit or loss, convertible and exchangeable bonds and derivative financial instruments		**5**	(21)
Fair value change on financial assets at fair value through profit or loss		**67**	75
Fair value change on derivative financial instruments		**87**	28
Finance costs	7	**(161)**	(268)
Profit before taxation		**756**	635
Taxation	9	**(642)**	(188)
Profit for the year	10	**114**	447
Other comprehensive (expense) income for the year, net of income tax:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**26**	43
Reclassification of cumulative translation reserve upon disposal of a foreign operation		**(6)**	–
Item that will not be reclassified to profit or loss:			
Fair value change on equity instruments at fair value through other comprehensive income		**(26)**	(22)
Other comprehensive (expense) income for the year		**(6)**	21
Total comprehensive income for the year		**108**	468

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	NOTE	2024 RMB million	2023 RMB million
Profit (loss) for the year attributable to:			
– Owners of the Company		**311**	550
– Non-controlling interests		**(197)**	(103)
		114	447
Total comprehensive income (expense) for the year attributable to:			
– Owners of the Company		**301**	570
– Non-controlling interests		**(193)**	(102)
		108	468
		RMB cents	RMB cents
Earnings per share	13		
– Basic		**58.60**	103.00
– Diluted		**58.60**	103.00

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2024

	NOTES	2024 RMB million	2023 RMB million (Restated)
Non-current assets			
Property, plant and equipment	14	**2,315**	2,422
Right-of-use assets	15	**394**	380
Investment properties	16	**50**	60
Goodwill	17	**312**	325
Intangible assets	18	**784**	868
Interests in associates and joint ventures		**50**	43
Equity instruments at fair value through other comprehensive income	20	**8**	45
Financial assets at fair value through profit or loss	21	**516**	453
Loan receivables	22	**29**	12
Other receivables, prepayments and deposits	27	**288**	351
Deferred tax assets	23	**–**	433
		4,746	5,392
Current assets			
Properties under development	24	**70**	70
Properties for sale	24	**272**	280
Inventories	25	**238**	405
Financial assets at fair value through profit or loss	21	**191**	38
Loan receivables	22	**125**	79
Trade receivables	26	**454**	702
Bills receivables		**1**	–
Other receivables, prepayments and deposits	27	**469**	492
Tax recoverable		**39**	39
Pledged bank deposits	28	**1,114**	315
Bank deposits with original maturity over three months	28	**215**	329
Cash and cash equivalents	28	**2,498**	2,241
		5,686	4,990

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2024

	NOTES	2024 RMB million	2023 RMB million (Restated)
Current liabilities			
Trade and other payables	29	**1,284**	1,518
Contract liabilities	30	**454**	491
Lease liabilities	31	**58**	76
Provisions	32	**113**	127
Derivative financial instruments	21	**21**	107
Bank borrowings	33	**1,729**	1,033
Convertible and exchangeable bonds	34	**295**	256
Convertible note	35	**396**	357
Tax payable		**64**	80
		4,414	4,045
Net current assets		**1,272**	945
Total assets less current liabilities		**6,018**	6,337
Non-current liabilities			
Other payables	29	**5**	37
Lease liabilities	31	**71**	45
Bank borrowings	33	**–**	1
Deferred tax liabilities	23	**76**	80
		152	163
Net assets		**5,866**	6,174

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2024

	NOTE	2024 RMB million	2023 RMB million (Restated)
Capital and reserves			
Share capital	36	**39**	39
Share premium and reserves		**5,788**	5,856
Equity attributable to owners of the Company		**5,827**	5,895
Non-controlling interests		**39**	279
		5,866	6,174

The consolidated financial statements on pages 161 to 292 were approved and authorised for issue by the Board of Directors on 26 March 2025 and are signed on its behalf by:

Liu Dejian
DIRECTOR

Leung Lim Kin, Simon
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

	Attributable to owners of the Company															
	Share capital RMB million	**Share premium** RMB million	**Capital redemption reserve** RMB million (Note a)	**Other reserve** RMB million (Note b)	**Capital reserve** RMB million (Note c)	**Statutory reserves** RMB million (Note d)	**Dividend reserve** RMB million	**Property revaluation reserve** RMB million	**Treasury share reserve** RMB million (Note e)	**Employee share-based compensation reserve** RMB million	**Translation reserve** RMB million	**Equity instruments at fair value through other comprehensive income reserve** RMB million	**Retained profits** RMB million	**Sub-total** RMB million	**Non-controlling interests** RMB million	**Total equity** RMB million
At 1 January 2023	40	1,918	8	(156)	10	678	193	22	(9)	53	(92)	(7)	4,241	6,899	(300)	6,599
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	550	550	(103)	447
Other comprehensive income (expense) for the year	-	-	-	-	-	-	-	-	-	-	41	(21)	-	20	1	21
Total comprehensive income (expense) for the year	-	-	-	-	-	-	-	-	-	-	41	(21)	550	570	(102)	468
Repurchase and cancellation of shares	(1)	(133)	1	-	-	-	-	-	-	-	-	-	(1)	(134)	-	(134)
Shares issued upon exercise of share options	-	7	-	-	-	-	-	-	-	(2)	-	-	-	5	-	5
Acquisition of subsidiaries	-	-	-	132	-	-	-	-	-	-	-	-	(738)	(606)	681	75
Contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1
Transfer to a non-controlling interest upon deregistration of a non-wholly owned subsidiary	-	-	-	1	-	-	-	-	-	-	-	-	(1)	-	(1)	(1)
Recognition of equity-settled share-based payments, net of share options forfeited	-	-	-	-	-	-	-	-	-	101	-	-	3	104	-	104
Awarded shares vested to employees	-	-	-	96	-	-	-	-	6	(101)	-	-	(1)	-	-	-
Final dividend for 2022 paid	-	-	-	-	-	-	(193)	-	-	-	-	-	2	(191)	-	(191)
Interim dividend for 2023 declared and paid	-	-	-	-	-	-	-	-	-	-	-	-	(196)	(196)	-	(196)
Special interim dividend for 2023 declared and paid	-	-	-	-	-	-	-	-	-	-	-	-	(490)	(490)	-	(490)
Second special interim dividend for 2023 declared	-	-	-	-	-	-	-	-	-	-	-	-	(66)	(66)	-	(66)
Final dividend for 2023 proposed	-	(193)	-	-	-	-	193	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	155	-	-	-	-	-	-	(155)	-	-	-
At 31 December 2023	39	1,599	9	73	10	833	193	22	(3)	51	(51)	(28)	3,148	5,895	279	6,174
At 1 January 2024	39	1,599	9	73	10	833	193	22	(3)	51	(51)	(28)	3,148	5,895	279	6,174
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	311	311	(197)	114
Other comprehensive income (expense) for the year	-	-	-	-	-	-	-	-	-	-	16	(26)	-	(10)	4	(6)
Total comprehensive income (expense) for the year	-	-	-	-	-	-	-	-	-	-	16	(26)	311	301	(193)	108
Acquisition of additional equity interests from non-controlling interests of subsidiaries	-	-	-	(14)	-	3	-	-	-	-	-	-	22	11	(21)	(10)
Disposal of non-wholly owned subsidiaries	-	-	-	41	-	-	-	-	-	-	-	-	(41)	-	(53)	(53)
Disposal of partial equity interests to a non-controlling interest	-	-	-	4	-	-	-	-	-	-	-	-	-	4	-	4
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27	27
Repurchases of own shares by Mynd.ai (defined in Note 1)	-	-	-	3	-	-	-	-	-	-	-	-	-	3	-	3
Final dividend for 2023 paid	-	-	-	-	-	-	(193)	-	-	-	-	-	-	(193)	-	(193)
Interim dividend for 2024 declared and paid	-	(194)	-	-	-	-	-	-	-	-	-	-	-	(194)	-	(194)
Final dividend for 2024 proposed	-	(246)	-	-	-	-	246	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	102	-	-	-	-	-	-	(102)	-	-	-
At 31 December 2024	39	1,159	9	107	10	938	246	22	(3)	51	(35)	(54)	3,338	5,827	39	5,866

Notes:

a. The amount represented the nominal value of the shares repurchased by the Company.

b. Other reserve represented the difference between the consideration and the carrying amount of net assets value resulting from disposal of equity interests in subsidiaries that do not result in loss of control, acquisition of additional equity interests in subsidiaries and contribution from non-controlling interests, which are accounted for as equity transactions. During the year ended 31 December 2023, movement of other reserve represents deemed consideration transferred for acquisition of subsidiaries. During the year ended 31 December 2024, movement of other reserve mainly represents the difference between the consideration and carrying amount of net assets value relating to acquisition of additional equity interests from non-controlling interests of subsidiaries and disposal of equity interests in subsidiaries that do not results in change of control.

c. Capital reserve arose on combining the results and financial positions of 福建網龍計算機網絡信息技術有限公司 (Fujian NetDragon Websoft Co., Ltd.) ("NetDragon (Fujian)") using the principles of merger accounting.

d. As stipulated by the relevant laws and regulations for enterprises in the People's Republic of China (the "PRC"), the Company's PRC subsidiaries are required to maintain statutory reserves. Appropriation to such reserve is made out of profit after taxation as reflected in the statutory financial statements of each of the PRC subsidiaries while the amounts and allocation basis are decided by its board of directors annually. The statutory reserves can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

e. Treasury share reserve comprises the consideration paid for the treasury shares held for the share award scheme, including any attributable incremental costs for the purchase of shares under the share award scheme.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	2024 RMB million	2023 RMB million
OPERATING ACTIVITIES		
Profit for the year	114	447
Adjustments for:		
Taxation	642	188
Finance costs	161	268
Interest income on pledged bank deposits, bank balances, loan receivables, refundable rental deposits and convertible promissory notes	(74)	(68)
Fair value change on financial assets at fair value through profit or loss	(67)	(75)
Fair value change on derivative financial instruments	(87)	(28)
Net fair value loss on investment properties	13	–
Depreciation of property, plant and equipment	207	194
Depreciation of right-of-use assets	117	76
Amortisation of intangible assets	177	151
Loss on disposal of property, plant and equipment	1	1
Gain on disposal of intangible assets	(141)	(71)
Reversal of impairment loss of intangible assets	(2)	(44)
Write off of intangible assets	14	19
(Reversal of impairment) impairment losses recognised on trade receivables	(2)	3
Impairment of prepayment to an agent for purchasing cryptocurrencies	–	21
Share-based payments	27	104
Share of results of associates and joint ventures	(3)	4
Write-down of inventories	3	42
Write-down of property held for sale	–	24
Gain on early termination of leases	(4)	–
Gain on disposal of subsidiaries	(99)	–
Redemption loss of convertible and exchangeable bonds	–	156
Operating cash flows before movements in working capital	997	1,412

	2024 **RMB million**	2023 RMB million
Decrease in inventories	**168**	336
Decrease (increase) in trade receivables	**286**	(19)
Decrease (increase) in other receivables, prepayments and deposits	**42**	(66)
Increase in properties under development	**–**	(57)
Decrease in properties for sale	**6**	23
Increase in bills receivables	**(1)**	–
Decrease in trade and other payables	**(83)**	(211)
(Decrease) increase in contract liabilities	**(32)**	73
(Decrease) increase in provisions	**(14)**	26
Cash generated from operations	**1,369**	1,517
Interest paid	**(111)**	(102)
Income tax paid	**(206)**	(300)
NET CASH FROM OPERATING ACTIVITIES	**1,052**	1,115

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	2024 RMB million	2023 RMB million
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(166)**	(278)
Purchase of intangible assets	**(595)**	(344)
Placement of bank deposits with original maturity over three months	**(219)**	(622)
Withdrawal of bank deposits with original maturity over three months	**333**	500
Investments in associates and joint ventures	**(5)**	(14)
Advance to a joint venture	**–**	(2)
Cash inflow on acquisition of operation through business combination	**–**	28
Net cash inflow on disposal of subsidiaries (Note 45)	**101**	–
Placement of pledged bank deposits	**(1,106)**	(313)
Withdrawal of pledged bank deposits	**307**	–
Interest received	**68**	62
Repayment of loan receivables	**20**	1
Proceeds from disposal of property, plant and equipment	**3**	2
Proceeds from disposal of intangible assets	**588**	234
Proceeds from disposal of right-of-use assets	**2**	–
Purchase of financial assets at fair value through profit or loss	**(3,013)**	(11,199)
Proceeds from disposal of financial assets at fair value through profit or loss	**2,928**	11,171
Purchase of equity instruments at fair value through other comprehensive income	**–**	(10)
Advance of loan receivables	**(125)**	(130)
Disposal of partial interest to a non-controlling interest	**4**	–
Net cash outflow on deregistration of a subsidiary	**–**	(1)
NET CASH USED IN INVESTING ACTIVITIES	**(875)**	(915)

	2024 RMB million	2023 RMB million
FINANCING ACTIVITIES		
New bank borrowings raised	**1,790**	1,150
Proceeds from shares issued upon exercise of share options	**–**	5
Redemption of convertible and exchangeable bonds	**–**	(903)
Repayment of bank borrowings	**(1,098)**	(861)
Dividends paid	**(453)**	(877)
Repayment of lease liabilities	**(99)**	(76)
Payment for repurchase and cancellation of shares	**–**	(134)
Acquisition of additional equity interests from non-controlling interests of subsidiaries	**(10)**	–
Contribution from non-controlling interests of a subsidiary	**–**	1
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**130**	(1,695)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**307**	(1,495)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**2,241**	3,701
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(50)**	35
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**2,498**	2,241

1. GENERAL INFORMATION

NetDragon Websoft Holdings Limited (the "Company") was incorporated in the Cayman Islands on 29 July 2004 as an exempted company with limited liability and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate and ultimate holding company is DJM Holding Ltd. ("DJM") and its controlling shareholders are Dr. Liu Dejian and Mr. Liu Luyuan (the "Controlling Shareholders"). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Units 2001-05 & 11, 20/F, Harbour Centre, 25 Harbour Road, Wan Chai, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are engaged in (i) gaming and application services, (ii) Mynd.ai business (as defined below) and (iii) property development business.

Mynd.ai, Inc. ("Mynd.ai", formerly known as Gravitas Education Holdings, Inc.), whose shares are listed on The American Stock Exchange, becomes an indirect non-wholly owned subsidiary of the Company upon completion of a series of transactions in 2023 as set out in Note 44. Mynd.ai operates the Group's overseas education business, which is known as the "Mynd.ai business".

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS (Cont'd)

Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year (Cont'd)

Except as described below, the application of the amendments to HKFRS Accounting Standards in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)" (the "2020 Amendments") and Amendments to HKAS 1 "Non-current Liabilities with Covenants" (the "2022 Amendments")

The Group has applied the amendments for the first time in the current year.

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

- clarify that the settlement of a liability can be a transfer of cash, goods or services, or the entity's own equity instruments to the counterparty. If a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation" ("HKAS 32").

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS (Cont'd)

Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year (Cont'd)

Impacts on application of Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)" (the "2020 Amendments") and Amendments to HKAS 1 "Non-current Liabilities with Covenants" (the "2022 Amendments") (Cont'd)

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the 2022 Amendments specifically clarify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date, even if compliance with the covenant is assessed only after the reporting date. The 2022 Amendments also specify that covenants with which an entity must comply after the reporting date (i.e. future covenants) do not affect the classification of a liability as current or non-current at the reporting date. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants, the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

In accordance with the transition provision, the Group has applied the new accounting policy to the classification of liability as current or non-current retrospectively. The application of the amendments in the current year has the following impacts on convertible instruments with conversion options not meeting "fixed for fixed criterion".

The Group's outstanding convertible instruments, comprising convertible and exchangeable bonds (Note 34) and convertible note (Note 35), include counterparty conversion options that do not meet equity instruments classification by applying HKAS 32. The host debt component is measured at amortised cost and derivative component (including the conversion options) is measured at fair value. Upon the application of the 2020 Amendments, given that the conversion options are exercisable by the holders anytime, the host liability and the derivative component as at 1 January and 31 December 2023 are reclassified to current liabilities as the holders have the option to convert within twelve months after the reporting period.

Except as described above, the application of the 2020 and 2022 Amendments has no other material impact on the classification of the Group's other liabilities. The change in accounting policy does not have impact to the Group's profit or loss or earnings per share for the current and prior years presented. The details of the impacts on each financial statement line item on the consolidated statement of financial position arising from the application of the amendments are set out under "Impacts of application of amendments to HKFRS Accounting Standards on the consolidated financial statements" in this Note. Comparative figures have been restated.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS (Cont'd)

Impacts of application of amendments to HKFRS Accounting Standards on the consolidated financial statements

The effects of the changes in accounting policy as a result of application of the 2020 and 2022 Amendments on the consolidated statement of financial position as at the end of the reporting period 31 December 2024, immediately preceding year 31 December 2023 and beginning of the comparative period 1 January 2023, are as follows:

	31 December 2024		
	As reported RMB million	Adjustments RMB million	Without the application of the 2020 and 2022 Amendments RMB million
Current liabilities			
Convertible note	396	(396)	-
Non-current liabilities			
Convertible note	-	396	396
	396	-	396

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS (Cont'd)

Impacts of application of amendments to HKFRS Accounting Standards on the consolidated financial statements (Cont'd)

	31 December 2023		
	As reported RMB million	Adjustments RMB million	Without the application of the 2020 and 2022 Amendments RMB million
Current liabilities			
Convertible and exchangeable bonds	256	(253)	3
Convertible note	357	(356)	1
Non-current liabilities			
Convertible and exchangeable bonds	–	253	253
Convertible note	–	356	356
	613	–	613

	1 January 2023		
	As reported RMB million	Adjustments RMB million	Without the application of the 2020 and 2022 Amendments RMB million
Current liabilities			
Convertible and exchangeable bonds	1,333	(1,317)	16
Non-current liabilities			
Convertible and exchangeable bonds	–	1,317	1,317
	1,333	–	1,333

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS (Cont'd)

New and amendments to HKFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11[3]
Amendments to HKAS 21	Lack of Exchangeability[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[4]

1 Effective for annual periods beginning on or after a date to be determined.

2 Effective for annual periods beginning on or after 1 January 2025.

3 Effective for annual periods beginning on or after 1 January 2026.

4 Effective for annual periods beginning on or after 1 January 2027.

Except for the new and amendments to HKFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS (Cont'd)

New and amendments to HKFRS Accounting Standards in issue but not yet effective (Cont'd)

Amendments to HKFRS 9 and HKFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"

The amendments to HKFRS 9 clarify the recognition and derecognition for financial asset and financial liability and add an exception which permits an entity to deem a financial liability to be discharged before the settlement date if it is settled in cash using an electronic payment system if, and only if certain conditions are met.

The amendments also provide guidance on the assessment of whether the contractual cash flows of a financial asset are consistent with a basic lending arrangement. The amendments specify that an entity should focus on what an entity is being compensated for rather than the compensation amount. Contractual cash flows are inconsistent with a basic lending arrangement if they are indexed to a variable that is not a basic lending risk or cost. The amendments state that, in some cases, a contingent feature may give rise to contractual cash flows that are consistent with a basic lending arrangement both before and after the change in contractual cash flows, but the nature of the contingent event itself does not relate directly to changes in basic lending risks and costs. Furthermore, the description of the term "non-recourse" is enhanced and the characteristics of "contractually linked instruments" are clarified in the amendments.

The disclosure requirements in HKFRS 7 in respect of investments in equity instruments designated at fair value through other comprehensive income ("FVTOCI") are amended. In particular, entities are required to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately those related to investments derecognised during the reporting period and those related to investments held at the end of the reporting period. An entity is also required to disclose any transfers of the cumulative gain or loss within equity related to the investments derecognised during the reporting period. In addition, the amendments introduce the requirements of qualitative and quantitative disclosure of contractual terms that could affect the contractual cash flow based on a contingent event not directly relating to basic lending risks and cost.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS (Cont'd)

New and amendments to HKFRS Accounting Standards in issue but not yet effective (Cont'd)

HKFRS 18 "Presentation and Disclosure in Financial Statements" ("HKFRS 18")

HKFRS 18, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 "Presentation of Financial Statements" ("HKAS 1"). This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provides disclosures on management-defined performance measures in the notes to the financial statements and improves aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and HKFRS 7 "Financial Instruments: Disclosures". Minor amendments to HKAS 7 "Statement of Cash Flows" and HKAS 33 "Earnings per Share" are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities including Structured Entities (as defined in Note 4) controlled by the Company and its subsidiaries. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income ("OCI") from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are recognised in profit or loss as incurred. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Investments in associates and joint ventures

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" ("HKAS 36") as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Notes 5, 27 and 30.

Warranties

If a customer has the option to purchase an extended warranty separately, the Group accounts for the extended warranty as a separate performance obligation and allocates a portion of the transaction price to that performance obligation. If a customer does not have the option to purchase an extended warranty separately, the Group accounts for the basic warranty in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Leases

The Group as a lessee

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The Group presents right-of-use assets that do not meet the definition of investment property, properties under development and properties for sale as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property and inventory are presented within "investment properties", "properties under development" or "properties for sale", as appropriate.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Foreign currencies

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in OCI and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in OCI.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income and gains".

Employee benefits

Payments to defined contribution retirement benefit plans, including state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme, are recognised as an expense when employees have rendered services entitling them to the contributions.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date without taking into consideration all non-market vesting conditions and is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (employee share-based compensation reserve). At the end of each reporting period, the Group revises its estimate of the number of options expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to employee share-based compensation reserve.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Share-based payments (Cont'd)

The Group operates share award scheme which allows it to grant shares to selected employees. For the shares granted to the employees, the fair value of the employee services received in exchange for the grant of the shares is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted.

At the end of each reporting period, the Group revises its estimate of the number of shares that are expected to vest. The impact of the revision of original estimates, if any, is recognised in profit or loss, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to employee share-based compensation reserve.

Taxation

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Properties under development/properties for sale

Properties under development which are intended to be sold upon completion of development and properties for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, properties under development/properties for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Properties under development are transferred to properties for sale upon completion.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets

Classification and subsequent measurement of financial assets

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

(ii) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "fair value change on financial assets at fair value through profit or loss" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 "Financial Instrument" ("HKFRS 9")

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

3.2 Material accounting policy information (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments

Convertible and exchangeable bonds

The convertible and exchangeable bonds are classified as financial liabilities in accordance with the substance of the contractual arrangements and the definition of a financial liability. A convertible and exchangeable option that can be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments does not meet the definition of equity and is therefore accounted for as a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible and exchangeable bonds is carried at amortised cost using the effective interest method. The derivative components are measured at fair value with changes in fair value recognised in profit or loss.

Convertible note

The convertible note is classified as financial liabilities in accordance with the substance of the contractual arrangements and the definition of a financial liability. A convertible option that can be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the equity instruments of a non-wholly owned subsidiary of the Group does not meet the definition of equity and is therefore accounted for as a conversion option derivatives.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible note is carried at amortised cost using the effective interest method. The derivative components are measured at fair value with changes in fair value recognised in profit or loss.

Derivative financial instruments and other embedded derivative features of convertible note

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than twelve months and it is not due to be realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. 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.

(a) Critical judgements in applying the accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Accounting for companies governed under contractual arrangements as subsidiaries

The Company and its subsidiaries do not hold any equity interests in NetDragon (Fujian), nor, in any of NetDragon (Fujian)'s subsidiaries, 福建省華漁教育科技有限公司 ("Fujian Huayu") and 福建省天晴互動娛樂有限公司 (collectively referred to as the "Structured Entities"). Nevertheless, under the contractual agreements entered into among the Group, NetDragon (Fujian) and the Controlling Shareholders who are the registered owners of NetDragon (Fujian), the directors of the Company determine that the Group has the power to direct the relevant activities, which significantly affect the returns of the Structured Entities. As such, the Structured Entities are accounted for as subsidiaries of the Group for accounting purposes.

The Group's revenue generated from the above entities which are controlled by the Group through the contractual agreements described above amounted to RMB3,061 million (2023: RMB3,229 million) for the year ended 31 December 2024. At 31 December 2024, total assets and total liabilities of the Structured Entities amounted to RMB1,585 million (2023: RMB945 million) and RMB1,270 million (2023: RMB316 million), respectively.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

(b) Key sources of estimation uncertainty

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

(i) Impairment of goodwill and intangible assets with indefinite useful lives

Determining whether goodwill and intangible assets with indefinite useful lives are impaired requires an estimation of the recoverable amount of the CGUs to which goodwill and intangible assets with indefinite useful lives have been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate growth rates in cash flow forecasts and a suitable discount rate applied to these forecasts in order to calculate the present value. Where the actual future cash flow forecasts are less than expected, or change in facts and circumstances which results in downward revision of future cash flow or upward revision of discount rate, a material impairment loss or further impairment loss may arise. As at 31 December 2024, the carrying amounts of goodwill and intangible assets with indefinite useful lives are set out in Notes 17 and 18 respectively. Details of the recoverable amount calculation of goodwill and intangible assets with indefinite useful lives are disclosed in Note 19.

(ii) Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 16 and 39 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

(b) Key sources of estimation uncertainty (Cont'd)

(iii) Deferred tax assets

As at 31 December 2023, deferred tax assets of RMB364 million (2024: Nil) in relation to unused tax losses of certain subsidiaries of the Mynd.ai business had been recognised in the consolidated statement of financial position. The realisability of a deferred tax asset mainly depends on whether sufficient taxable profits will be available in the future, which is a key source of estimation uncertainty. The uncertainty would depend on how the ongoing uncertain business outlooks may progress and evolve. In cases where the actual future taxable profits generated by the relevant entities are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets might arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition take place. During the year ended 31 December 2024, the management of the Group noticed declines in sales of the relevant subsidiaries due to reduced customer demands, which also resulted in the management's revision of the future taxable profits estimation of the relevant businesses. Deferred tax assets in relation to unused tax losses amounting to RMB376 million have therefore been reversed in profit or loss for the year due to the uncertainty surrounding their realisation.

5. REVENUE AND SEGMENT INFORMATION

Performance obligation for contracts with customers

Revenue from online and mobile games

For revenue from online and mobile games, the Group operates self-developed games. The Group's games are free to play. Players can purchase game points which are virtual currency for acquisition of virtual products or premium features or purchase those virtual products or premium features directly for better game experience. The Group sells pre-paid game points and game products or premium features through its distribution and payment channels by (i) direct sales (both online payment systems and other direct sales channels/third party platforms) and (ii) game cards sales through distributors.

The performance obligation in relation to revenue for online and mobile games is satisfied at a point in time upon the utilisation of virtual products or premium features.

The virtual products or premium features purchased by the customers are mainly the consumable virtual products or premium features that are extinguished after consumption by a specific game player action in the online and mobile games. The game players will not continue to benefit from the virtual products or premium features thereafter.

The Group evaluates from time to time its roles and responsibilities in the delivery of virtual products or premium features in online and mobile games to the game players and concludes that the Group takes the primary responsibilities. The Group is determined to be the primary obligor and reports revenue in gross amounts. Due to the fact that the third party platforms may offer various marketing activities from time to time to game players, the actual prices paid by any individual game players may be different from the standard prices of virtual products or premium features purchased, the Group has to attempt to make a reasonable estimation for the gross revenue amount through tracking third party platforms' marketing activities.

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Performance obligation for contracts with customers (Cont'd)

Revenue from online and mobile games (Cont'd)

However, for the Group's online and mobile games which are published through a large number of third party platforms, since those platforms would offer various market discounts to game players, it is difficult for the Group to make a reasonable estimation for the gross revenue, as such, the Group reports revenue to the extent of the amounts received and receivable from those third party platforms. Revenue is recognised on a gross basis if the Group is able to make a reasonable estimate of the gross revenue.

The amount received from customers for pre-paid game points is deferred and recorded as contract liabilities and would be recognised as revenue at a point in time (i.e. online or mobile game revenue) after the actual usage of the game points for purchasing virtual products or premium features.

The normal credit term to its distribution and payment channels is 30 to 60 days upon the receipt of the money on game points collected from customers.

Revenue from sales of education equipment and related goods

For revenue from sales of education equipment and related goods, the performance obligation is satisfied at a point in time when the education equipment and related goods are delivered and titles have passed. The normal credit term is 30 to 60 days upon delivery.

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Performance obligation for contracts with customers (Cont'd)

Revenue from educational services

Revenue from educational services which mainly represents the tuition fee are recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. It is recognised over time using input method, i.e. based on the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation contract that best depict the Group's performance in transferring control of goods or services. The Group collects the educational service fee once a year before the commencement of providing the educational services.

Revenue from provision of mobile solution, products and marketing services

Revenue from provision of mobile solution, products and marketing services is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. It is recognised over time using output method, i.e. to recognise revenue on the basis of direct measurement of the value of goods or services promised under the contract that best depict the Group's performance in transferring control of goods or services. The contracts on provision of mobile solution, products and marketing services include payment schedules which require stage payments over the service period once certain specified milestones are reached and customers are offered 30 to 45 days credit term after the billing is issued.

Revenue from property development

Revenue from property development is recognised when the respective properties have been completed and delivered to the customers, which is a point in time when customers have the ability to direct the use of the properties and obtain substantially all of the remaining benefits of the properties. Pre-sale deposits and advance payment received from customers for property development are included in contract liabilities.

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Disaggregation of revenue from contracts with customers

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information under the current reporting structure as further set out in the "segment information" section of this note.

Types of goods and services

	For the year ended 31 December 2024			
	Gaming and application services RMB million	Mynd.ai business RMB million	Property development RMB million	Total RMB million
Revenue from sales of pre-paid game cards for online and mobile games	3,425	-	-	3,425
Sales of education equipment and related goods	242	1,773	-	2,015
Revenue from educational services	193	333	-	526
Revenue from provision of mobile solution, products and marketing services	78	-	-	78
Revenue from property development	-	-	3	3
	3,938	2,106	3	6,047

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Disaggregation of revenue from contracts with customers (Cont'd)

Types of goods and services (Cont'd)

	For the year ended 31 December 2023			
	Gaming and application services RMB million	Mynd.ai business RMB million	Property development RMB million	Total RMB million
Revenue from sales of pre-paid game cards for online and mobile games	3,759	–	–	3,759
Sales of education equipment and related goods	199	2,837	–	3,036
Revenue from educational services	150	73	–	223
Revenue from provision of mobile solution, products and marketing services	81	–	–	81
Revenue from property development	–	–	2	2
	4,189	2,910	2	7,101

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Disaggregation of revenue from contracts with customers (Cont'd)

Timing of revenue recognition

	For the year ended 31 December 2024			
	Gaming and application services RMB million	Mynd.ai business RMB million	Property development RMB million	Total RMB million
A point in time	**3,667**	**1,773**	**3**	**5,443**
Over time	**271**	**333**	**–**	**604**
	3,938	**2,106**	**3**	**6,047**

	For the year ended 31 December 2023			
	Gaming and application services RMB million	Mynd.ai business RMB million	Property development RMB million	Total RMB million
A point in time	3,958	2,837	2	6,797
Over time	231	73	–	304
	4,189	2,910	2	7,101

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Disaggregation of revenue from contracts with customers (Cont'd)

Geographical information

	For the year ended 31 December 2024			
	Gaming and application services RMB million	**Mynd.ai business RMB million**	**Property development RMB million**	**Total RMB million**
Mainland China	**3,376**	**–**	**3**	**3,379**
United States of America ("USA")	**429**	**1,210**	**–**	**1,639**
Europe (Note)	**–**	**507**	**–**	**507**
Other regions	**133**	**389**	**–**	**522**
	3,938	**2,106**	**3**	**6,047**

	For the year ended 31 December 2023			
	Gaming and application services RMB million	Mynd.ai business RMB million	Property development RMB million	Total RMB million
Mainland China	3,517	–	2	3,519
USA	561	2,047	–	2,608
Europe (Note)	–	741	–	741
Other regions	111	122	–	233
	4,189	2,910	2	7,101

Note: Europe mainly includes Germany, United Kingdom ("UK"), France, Italy and others. Each of these countries individually contributed less than 10% of total revenue.

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) and the expected timing of recognising revenue are as follows:

	At 31 December 2024		
	Gaming and application services RMB million (Note)	**Mynd.ai business RMB million**	**Property development RMB million**
Within one year	**577**	**81**	**5**
More than one year but not more than two years	**-**	**51**	**-**
More than two years	**2**	**82**	**-**
	579	**214**	**5**

	At 31 December 2023		
	Gaming and application services RMB million (Note)	Mynd.ai business RMB million	Property development RMB million
Within one year	403	104	8
More than one year but not more than two years	1	54	–
More than two years	1	99	–
	405	257	8

Note: The unused game points in gaming and application services revenue have no expiration period and can be used at any time at customers' discretion. The amounts disclosed above represent the Group's expectation on the timing of utilisation by customers.

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Segment information

Information reported to the Group's chief operating decision makers ("CODM"), being the directors of the Company, for the purpose of resource allocation and assessment of segment performance, was based on the geographical locations of the customers.

Specifically, the Group's reportable segments under HKFRS 8 "Operating Segments" in the current year are as follows:

- Gaming and application services: Internet and technology-enabled services, including gaming and software and related or ancillary services;
- Mynd.ai business: Overseas education business; and
- Property development.

The following is an analysis of the Group's revenue and results by reportable segments:

	For the year ended 31 December 2024			
	Gaming and application services RMB million	Mynd.ai business RMB million	Property development RMB million	Total RMB million
Segment revenue	3,938	2,106	3	6,047
Segment profit (loss) (Note)	863	(279)	(8)	576
Unallocated other income and gains				257
Unallocated corporate expenses and losses				(77)
Profit before taxation				756

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Segment information (Cont'd)

	For the year ended 31 December 2023			
	Gaming and application services RMB million	Mynd.ai business RMB million	Property development RMB million	Total RMB million
Segment revenue	4,189	2,910	2	7,101
Segment profit (loss)	1,061	(315)	(59)	687
Unallocated other income and gains				166
Unallocated corporate expenses and losses				(218)
Profit before taxation				635

Note: During the year ended 31 December 2024, an amount of RMB47 million was adjusted to administrative expenses of the Mynd.ai business in the current year for underprovision of tariff expenses in respect of previous years.

The accounting policies of the operating segments are the same as the Group's accounting policies.

Segment profit (loss) represents the profit earned by or loss incurred from each segment without allocation of unallocated other income and gains, and corporate expenses and losses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

All of the segment revenue reported above is from external customers.

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Segment information (Cont'd)

The following is an analysis of the Group's assets by reportable and operating segments:

	2024 RMB million	2023 RMB million
Gaming and application services	6,340	5,555
Mynd.ai business	1,932	3,052
Property development	757	725
Total segment assets	9,029	9,332
Unallocated	1,403	1,050
	10,432	10,382

For the purposes of monitoring segment performance and allocating resources, all assets are allocated to operating segments other than those assets managed on group basis, such as certain financial assets at FVTPL, certain loan receivables, certain intangible assets, certain pledged bank deposits, certain other receivables, prepayments and deposits and certain cash and cash equivalents. No analysis of the Group's liabilities by operating segments is disclosed as they are not regularly provided to the CODM for review.

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Geographical information

The details of the Group's revenue from external customers by geographical location of the operations are set out in this note.

The Group's non-current assets, excluding equity instruments at FVTOCI, financial assets at FVTPL, loan receivables and deferred tax assets, by geographical location of assets are detailed below:

	2024	2023
	RMB million	RMB million
Mainland China	**2,895**	2,974
Hong Kong	**414**	444
USA	**567**	650
UK	**311**	235
Others	**6**	146
	4,193	4,449

Information about major customers

No single customer of the Group individually contributed over 10% of the Group's revenue for the years ended 31 December 2024 and 2023.

6. OTHER INCOME AND GAINS, OTHER EXPENSES AND LOSSES

(a) Other income and gains

	2024 **RMB million**	2023 RMB million
Government grants (Note)	**28**	53
Interest income on bank balances, loan receivables, refundable rental deposits and convertible promissory notes	**61**	68
Rental income, net of negligible outgoing expenses	**2**	1
Rental income arising from subleases	**–**	2
Reversal of impairment loss of intangible assets	**2**	44
Gain on disposal of intangible assets	**141**	71
Gain on disposal of subsidiaries	**99**	–
Tax incentives	**–**	9
Others	**65**	16
	398	264

Note: Amounts mainly being (i) granted by the government in the PRC mainly for subsidising the costs incurred by the Group in conducting and launching research and development projects in Fujian Province, the PRC, relating to compensation for research and development costs already incurred, which amounted to RMB21 million (2023: RMB43 million) for the year ended 31 December 2024 and is recognised in profit or loss; and (ii) granted by the government in the PRC for the purchase of property, plant and equipment, which is recognised as deferred income and is recognised to profit or loss on a systematic basis over the estimated useful life of the property, plant and equipment related to the government grants on capital expenditure with an amount of RMB7 million (2023: RMB10 million).

Further details of government grants are set out in Notes 27 and 29.

6. OTHER INCOME AND GAINS, OTHER EXPENSES AND LOSSES (Cont'd)

(b) Other expenses and losses

	2024 RMB million	2023 RMB million
Net foreign exchange loss	7	48
Other tax and charges	42	37
Write off of intangible assets	14	19
Redundancy payments	110	93
Net fair value loss on investment properties	13	–
Impairment of prepayment to an agent for purchasing cryptocurrencies	–	21
Impairment of prepayment for purchasing licence	–	47
Redemption loss of convertible and exchangeable bonds	–	156
Others	63	25
	249	446

7. FINANCE COSTS

	2024 RMB million	2023 RMB million
Interest on:		
– Bank borrowings	39	46
– Lease liabilities	9	5
– Convertible and exchangeable bonds	44	211
– Convertible note	57	1
– Others	12	5
	161	268

8. IMPAIRMENT LOSS UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2024 RMB million	2023 RMB million
(Reversal of impairment) impairment losses recognised on trade receivables	**(2)**	3

Details of impairment assessment of trade receivables are set out in Note 39.

9. TAXATION

	2024 RMB million	2023 RMB million
The tax charge (credit) comprises:		
Hong Kong Profits Tax (Note a)		
– Current year	**54**	47
– Underprovision in prior years	**1**	–
	55	47
PRC Enterprise Income Tax ("EIT") (Note b)		
– Current year	**133**	217
– Withholding tax	**1**	–
– Overprovision in prior years	**(7)**	(3)
	127	214
Taxation in other jurisdictions (Note c)		
– Current year	**4**	4
– Underprovision in prior years	**5**	6
	9	10
Deferred taxation (Note 23)		
– Current year (Note d)	**451**	(83)
	642	188

9. TAXATION (Cont'd)

Notes:

(a) Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

(b) PRC EIT is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC.

A number of subsidiaries of the Company were approved to be hi-tech enterprises and are entitled to a reduced tax rate of 15%. The qualification of hi-tech enterprise is subject to review once every three years. During the year ended 31 December 2024, the following subsidiaries are subject to a reduced tax rate of 15%, including Fujian TQ Digital Inc. ("TQ Digital"), Fujian TQ Online Interactive Inc. ("TQ Online"), Fujian Tianquan Education Technology Limited ("Fujian Tianquan"), 蘇州馳聲信息科技有限公司 and 福建省網龍普天教育科技有限公司 (2023: TQ Digital, TQ Online, 福建省天奕網絡科技有限公司, 成都掌沃無限科技有限公司, Fujian Tianquan, 蘇州馳聲信息科技有限公司 and 福建省網龍普天教育科技有限公司).

Under the EIT Law and Implementation Regulation of the EIT Law, the tax rate of NetDragon (Fujian) is 25% for both years.

Upon the New Tax Law and Implementation Regulations, PRC withholding income tax is applicable to dividends payable to investors and interest payable to depositors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends and interest have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries and interest payable by the PRC lenders to non-PRC tax resident group entities shall be subject to the withholding income tax at 10% or lower tax rate, as applicable.

(c) For the year ended 31 December 2024, the USA income tax rates applicable to subsidiaries incorporated in the USA is 21% (2023: 21%) for federal tax and 8.84% (2023: 8.84%) for state income tax.

The UK Corporation Tax Rate applicable to subsidiaries is 25% (2023: 19%) for the year ended 31 December 2024.

The Singapore's corporate income tax rate applicable to subsidiaries is 17% (2023: 17%) for the year ended 31 December 2024.

Taxation arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdiction.

(d) During the year ended 31 December 2024, the Group has reversed an amount of RMB376 million (2023: Nil) deferred tax assets in relation to unused tax losses due to the decline in sales and reduced customer demand resulting in the uncertainty regarding the realisability of such deferred tax assets in subsidiaries of the Mynd.ai business.

(e) The Group is operating in certain jurisdictions where the Pillar Two Rules are effective. However, as the Group's estimated effective tax rates of all the jurisdictions in which the Group operates are higher than 15%, after taking into account the adjustments under the Pillar Two Rules based on management's best estimate, the management of the Group considered the Group is not liable to top-up tax under the Pillar Two Rules.

9. TAXATION (Cont'd)

The tax charge for the year is reconciled to the profit before taxation per the consolidated statement of profit or loss and OCI as follows:

	2024 RMB million	2023 RMB million
Profit before taxation	756	635
Tax at the applicable tax rate of 25% (2023: 25%) (Note a)	189	159
Tax effect of share of results of associates and joint ventures	(1)	1
Tax effect of income not taxable for tax purpose	(116)	(64)
Tax effect of expenses not deductible for tax purpose	72	197
Utilisation of tax losses previously not recognised	(8)	(18)
Tax effect of tax losses not recognised	182	181
Effect of different tax rates of subsidiaries operating in undistributed other jurisdictions	(14)	(48)
Tax effect of deductible temporary differences not recognised	528	5
Additional tax benefit on development expenses (Note b)	(30)	(32)
Tax effect of exemption and income tax on concessionary rate granted to the PRC subsidiaries	(151)	(192)
(Overprovision) underprovision in prior years	(1)	3
Withholding tax on loan interest income	1	–
Others	(9)	(4)
Tax charge for the year	642	188

Notes:

(a) The applicable tax rate of 25% represents the applicable income tax rate of the subsidiaries in Fujian Province in the PRC which constitute the substantial part of the Group's operations for both years ended 31 December 2024 and 2023.

(b) Pursuant to the relevant tax rules and regulations, the Group is eligible for additional tax benefit, which is equivalent to 100% (2023: 100%) of the staff costs and depreciation under research and development costs incurred for the development of new games and advanced technology development during the year ended 31 December 2024.

Details of deferred taxation are set out in Note 23.

10. PROFIT FOR THE YEAR

	2024 RMB million	2023 RMB million
Profit for the year has been arrived at after charging:		
Staff costs:		
Directors' emoluments	**35**	153
Other staff costs		
Salaries and other benefits	**2,101**	2,024
Contributions to retirement benefits schemes	**197**	169
Share-based payments expense	**27**	24
Redundancy payments	**110**	93
	2,470	2,463
Auditor's remuneration		
– audit services	**22**	13
– non-audit services	**1**	23
	23	36
Depreciation of property, plant and equipment	**207**	194
Depreciation of right-of-use assets	**117**	76
Amortisation of intangible assets	**177**	151
Total depreciation and amortisation	**501**	421
Cost of goods sold for education equipment and related goods	**1,520**	2,180
Write-down of inventories	**3**	42
Advertising and promotion expenses (included in selling and marketing expenses)	**389**	348
Net foreign exchange loss excluding exchange (gain) loss on pledged bank deposits, financial assets at FVTPL, convertible and exchangeable bonds and derivative financial instruments	**7**	48

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and the chief executive's emoluments

The emoluments paid or payable to each of the nine (2023: nine) directors of the Company were as follows:

	2024				
	Fees RMB million	Salaries and other benefits RMB million	Contributions to retirement benefits schemes RMB million (Note e)	Share-based payments expense RMB million (Note f)	Total RMB million
Executive directors					
Dr. Liu Dejian	-	8	-	-	8
Dr. Leung Lim Kin, Simon (Note a)	-	21	-	-	21
Mr. Liu Luyuan (Note b)	-	1	-	-	1
Mr. Chen Hongzhan	-	1	-	-	1
Ms. Lin Yun (Note d)	-	1	-	-	1
Non-executive director					
Mr. Lin Dongliang	-	-	-	-	-
Independent non-executive directors					
Mr. Lee Kwan Hung, Eddie	1	-	-	-	1
Mr. Liu Sai Keung, Thomas	1	-	-	-	1
Mr. Li Sing Chung Matthias	1	-	-	-	1
	3	32	-	-	35

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Cont'd)

Directors' and the chief executive's emoluments (Cont'd)

	2023				
	Fees RMB million	Salaries and other benefits RMB million	Contributions to retirement benefits schemes RMB million (Note e)	Share-based payments expense RMB million	Total RMB million
Executive directors					
Dr. Liu Dejian	–	12	–	–	12
Dr. Leung Lim Kin, Simon (Note a)	–	56	–	80	136
Mr. Liu Luyuan (Note b)	–	1	–	–	1
Mr. Zheng Hui (Note c)	–	–	–	–	–
Mr. Chen Hongzhan	–	1	–	–	1
Non-executive director					
Mr. Lin Dongliang	–	–	–	–	–
Independent non-executive directors					
Mr. Lee Kwan Hung, Eddie	1	–	–	–	1
Mr. Liu Sai Keung, Thomas	1	–	–	–	1
Mr. Li Sing Chung Matthias	1	–	–	–	1
	3	70	–	80	153

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive director's and independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Cont'd)

Directors' and the chief executive's emoluments (Cont'd)

Notes:

(a) Included in the salaries and other benefits paid to Dr. Leung Lim Kin, Simon is an amount of RMB4 million (2023: RMB44 million) performance related bonus during the year ended 31 December 2024 which are determined based on the Group's performance for the year.

(b) Mr. Liu Luyuan is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

(c) Mr. Zheng Hui, an executive director, passed away on 7 June 2023.

(d) Ms. Lin Yun was appointed as an executive director of the Company with effect from 16 September 2024.

(e) Contributions to retirement benefits schemes for each of the executive director of the Company for the years ended 31 December 2024 and 2023 were less than RMB1 million.

(f) Share-based payments expense for year ended 31 December 2024 was less than RMB1 million.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Cont'd)

Five highest paid employees

Of the five highest emoluments in the Group, during the current period, one (2023: two) was executive director of the Company, whose emoluments are set out above. The emoluments of the remaining four (2023: three) individuals who are neither a director nor chief executive of the Company were as follows:

	2024 RMB million	2023 RMB million
Salaries and other benefits	**128**	129
Contributions to retirement benefits schemes	**1**	–
Share-based payments expense	**19**	1
	148	130

Their emoluments were within the following bands:

	2024 Number of employees	2023 Number of employees
Hong Kong dollar ("HKD") 11,500,001 to HKD12,000,000	**–**	1
HKD15,000,001 to HKD15,500,000	**1**	–
HKD19,000,001 to HKD19,500,000	**1**	–
HKD45,000,001 to HKD45,500,000	**1**	–
HKD56,500,001 to HKD57,000,000	**–**	1
HKD75,000,001 to HKD75,500,000	**–**	1
HKD82,500,001 to HKD83,000,000	**1**	–
	4	3

During the year ended 31 December 2024, no emoluments have been paid by the Group to any of the directors or the chief executive of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or the chief executive of the Company waived any remuneration during the years ended 31 December 2024 and 2023.

12. DIVIDENDS

	2024 RMB million	2023 RMB million
Dividends recognised as distribution during the year:		
2023 Final – HKD0.40 (2023: 2022 Final – HKD0.40) per share	**193**	191
2023 Second special interim – distribution in specie (2024: Nil)	**–**	66
2023 Special interim – HKD1.0 (2024: Nil) per share	**–**	490
2024 Interim – HKD0.40 (2023: 2023 Interim – HKD0.40) per share	**194**	196
	387	943

The 2024 final dividend of HKD0.50 (2023: HKD0.40) per share which has been proposed by the directors in the board meeting on 26 March 2025 and is subject to approval by the shareholders in the forthcoming annual general meeting, amounted to approximately RMB246 million.

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2024	2023
	RMB million	RMB million
Earnings for the purpose of basic and diluted earnings per share:		
– Profit for the year attributable to the owners of the Company	**311**	550

	Number of shares	
	2024	2023
	'000	'000
Weighted average number of shares in issue during the year for the purpose of basic earnings per share and diluted earnings per share (after adjusted for the effect of unvested and treasury shares held under share award scheme)	**531,074**	534,135

The computation of diluted earnings per share does not assume the exercise of the Company's share options as the exercise price of these options was higher than the average market price for shares for both years. Diluted earnings per share for the year ended 31 December 2024 also did not assume the exercise of the restricted stock units ("RSUs") granted by Mynd.ai under the Mynd.ai Equity Incentive Plan (the "Mynd Incentive Plan") as disclosed in Note 37(d), since the exercise of the RSUs would result in an increase in earnings per share for the year.

14. PROPERTY, PLANT AND EQUIPMENT

	Owned properties in the PRC other than in Hong Kong RMB million	Leasehold improvements RMB million	Plant and equipment RMB million	Motor vehicles RMB million	Construction in progress RMB million	Total RMB million
COST						
At 1 January 2023	1,854	556	869	55	91	3,425
Exchange adjustments	–	–	8	–	–	8
Additions	–	7	71	1	265	344
Acquisition of subsidiaries (Note 44)	–	27	7	–	–	34
Reclassification/transfer	232	–	–	–	73	305
Disposals	(1)	(1)	(24)	(2)	–	(28)
At 31 December 2023	**2,085**	**589**	**931**	**54**	**429**	**4,088**
Exchange adjustments	**–**	**–**	**1**	**1**	**(1)**	**1**
Additions	**1**	**4**	**67**	**8**	**57**	**137**
Disposal of subsidiaries (Note 45)	**–**	**(30)**	**(9)**	**–**	**–**	**(39)**
Reclassification	**20**	**–**	**–**	**–**	**(20)**	**–**
Disposals	**–**	**(9)**	**(41)**	**(11)**	**–**	**(61)**
At 31 December 2024	**2,106**	**554**	**949**	**52**	**465**	**4,126**
DEPRECIATION						
At 1 January 2023	414	316	717	42	–	1,489
Exchange adjustments	–	–	8	–	–	8
Provided for the year	97	31	62	4	–	194
Eliminated on disposals	–	(1)	(23)	(1)	–	(25)
At 31 December 2023	**511**	**346**	**764**	**45**	**–**	**1,666**
Exchange adjustments	**–**	**–**	**1**	**–**	**–**	**1**
Provided for the year	**106**	**33**	**65**	**3**	**–**	**207**
Eliminated on disposal of subsidiaries (Note 45)	**–**	**(5)**	**(1)**	**–**	**–**	**(6)**
Eliminated on disposals	**–**	**(9)**	**(38)**	**(10)**	**–**	**(57)**
At 31 December 2024	**617**	**365**	**791**	**38**	**–**	**1,811**
CARRYING VALUES						
At 31 December 2024	**1,489**	**189**	**158**	**14**	**465**	**2,315**
At 31 December 2023	1,574	243	167	9	429	2,422

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The above items of property, plant and equipment, except for construction in progress, after taking into account the residual values, are depreciated on a straight-line basis, at the following rates per annum:

Owned properties	Over the terms of the leases of 10 years or 20 years
Leasehold improvements	Over the shorter of the terms of the leases, or 4.74% – 33.33%
Plant and equipment	19% – 31.67%
Motor vehicles	19% – 31.67%

15. RIGHT-OF-USE ASSETS

	Leasehold lands RMB million	**Leased properties** RMB million	**Other assets** RMB million	**Total** RMB million
As at 31 December 2024				
Carrying amount	**258**	**134**	**2**	**394**
As at 31 December 2023				
Carrying amount	267	111	2	380
For the year ended 31 December 2024				
Depreciation charge	**7**	**109**	**1**	**117**
For the year ended 31 December 2023				
Depreciation charge	6	69	1	76

	2024 **RMB million**	2023 RMB million
Expense relating to short-term leases	**8**	6
Total cash outflow for leases	**116**	88
Additions to right-of-use assets	**180**	39
(Disposal) acquisition of subsidiaries	**(49)**	38

15. RIGHT-OF-USE ASSETS (Cont'd)

The above items of right-of-use assets, are depreciated on a straight-line basis, at the following rates per annum:

Leasehold lands	2%
Leased properties	Over the terms of the leases, or 25%
Other assets	Over the terms of the leases, or 20% – 33.3%

For both years, the Group leases land and buildings and other assets for its operations. Lease contracts are entered into for fixed term of 1 year to 20 years, but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has obtained the land use right certificates for all leasehold lands.

The Group regularly entered into short-term leases for leased properties and office equipment respectively. As at 31 December 2024 and 2023, the portfolio of short-term leases are similar to the portfolio of short-term leases to which the short-term lease expenses disclosed above.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. In the opinion of the management of the Group, the potential exposures to the associated future lease payments for extension options in which the Group is not reasonably certain to exercise the extension options as at 31 December 2024 and 2023 are not material.

The additional lease liabilities to be recognised during the years ended 31 December 2024 and 2023 due to the exercise of extension option that the Group was not reasonably certain to exercise is not material. In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the years ended 31 December 2024 and 2023, there is no such triggering event.

16. INVESTMENT PROPERTIES

The Group intends to lease out various offices under operating leases to earn rental income.

	2024 RMB million	2023 RMB million
Fair value		
At 31 December	**50**	60

The Group's investment properties consist of two units of office premises in Hong Kong and several commercial units in Fujian Province.

The fair values of the office premises as at 31 December 2024 and 2023 have been arrived at on the basis of a valuation carried out on the respective dates by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group. The fair values of the office premises are determined based on the market approach which uses the prices and other relevant information generated by market transactions involving comparable properties. One of the key unobservable inputs used in valuing the investment properties is the market unit rate taking into account the recent transaction prices of similar properties nearby the Group's investment properties adjusted for location and conditions of the properties which ranged from HKD20,316 (equivalent to RMB18,813) per sq.ft to HKD40,398 (equivalent to RMB37,410) per sq.ft (2023: ranged from HKD27,178 (equivalent to RMB24,629) per sq.ft to HKD34,847 (equivalent to RMB31,579) per sq.ft), where sq.ft is a common unit of area used in Hong Kong. An increase in the market unit rate would result in an increase in fair value measurement of the investment properties, and vice versa. There has been no change in the valuation technique used from the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. The investment properties were categorised into Level 3 of the fair value hierarchy as at 31 December 2024 and 2023. There were no transfers into or out of Level 3 during the year.

17. GOODWILL

	2024 RMB million	2023 RMB million
COST		
At 1 January	567	533
Acquisition of subsidiaries	–	26
Disposal of subsidiaries	(10)	–
Adjustments	(7)	(5)
Write off during the year	(120)	(7)
Exchange adjustments	5	20
At 31 December	435	567
IMPAIRMENT		
At 1 January	242	246
Write off during the year	(120)	(7)
Exchange adjustments	1	3
At 31 December	123	242
CARRYING VALUES		
At 31 December	312	325

Particulars regarding impairment assessment of goodwill are disclosed in Note 19.

18. INTANGIBLE ASSETS

	Trademarks	Licences	Non-competition agreement	Customers relationship	Patent and technology	Development costs	Crypto-currencies	Others	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
	(Note a)		(Note b)	(Note b)	(Note c)	(Note d)	(Note e)		
COST									
At 1 January 2023	423	101	69	148	324	502	151	129	1,847
Exchange adjustments	7	–	–	1	5	9	–	–	22
Additions	–	10	–	–	–	115	219	–	344
Acquisition of subsidiaries (Note 44)	–	–	–	–	–	–	–	58	58
Disposals and write off for the year	–	–	–	–	–	–	(163)	(19)	(182)
At 31 December 2023	430	111	69	149	329	626	207	168	2,089
Exchange adjustments	5	-	-	1	4	-	-	(1)	9
Additions	-	-	-	-	-	119	476	-	595
Disposal of subsidiaries (Note 45)	-	-	-	-	-	-	-	(56)	(56)
Disposals and write off for the year	(168)	-	-	-	-	-	(447)	(57)	(672)
At 31 December 2024	267	111	69	150	333	745	236	54	1,965
AMORTISATION/IMPAIRMENT									
At 1 January 2023	167	67	58	136	233	347	48	52	1,108
Exchange adjustments	3	–	–	1	3	(1)	–	–	6
Provided for the year	2	12	6	7	33	73	–	18	151
Reversal of impairment loss	–	–	–	–	–	–	(44)	–	(44)
At 31 December 2023	172	79	64	144	269	419	4	70	1,221
Exchange adjustments	1	-	-	1	3	(2)	-	-	3
Provided for the year	2	13	2	5	33	98	-	24	177
Disposal of subsidiaries (Note 45)	-	-	-	-	-	-	-	(7)	(7)
Disposal and write off for the year	(168)	-	-	-	-	-	-	(43)	(211)
Reversal of impairment loss	-	-	-	-	-	-	(2)	-	(2)
At 31 December 2024	7	92	66	150	305	515	2	44	1,181
CARRYING VALUES									
At 31 December 2024	260	19	3	-	28	230	234	10	784
At 31 December 2023	258	32	5	5	60	207	203	98	868

18. INTANGIBLE ASSETS (Cont'd)

Notes:

(a) Included in the trademarks of RMB259 million (2023: RMB255 million) as at 31 December 2024 are those acquired in acquisition of Promethean World Limited (an indirect non-wholly owned subsidiary of the Company) and its subsidiaries (collectively referred to as "Promethean Group") having legal lives of 2 to 20 years and are renewable every 2 to 20 years at minimal cost. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group. As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in Note 19.

(b) Non-competition agreement and customers relationship were mainly arising from the acquisition of Cherrypicks International Holdings Limited and its subsidiaries (collectively referred to as the "Cherrypicks Group"). Cherrypicks Group have long and close business relationship with its major customers and non-competition agreement was signed between Cherrypicks Group and its employees upon acquisition. The acquisition of Cherrypicks Group has allowed the Group to develop its long term growth from Cherrypicks Group's mobile solution, products and marketing business.

(c) Patent and technology represents the acquired technological know-how for producing interactive whiteboard, interactive flat panel, augmented reality and various mobile application. The patent and technology were mainly acquired from the acquisition of Promethean Group.

(d) Development costs represent (i) the software for a cloud-based teaching and learning platform which connects students' tablets and laptops to interactive displays (interactive whiteboard and interactive flat panel) and such development costs were acquired from acquisition of the Promethean Group and (ii) the technological know-how internally generated for personalised location services, marketing and e-commerce, location intelligence and data analysis.

(e) Cryptocurrencies are measured at its cost less any accumulated impairment losses. The recoverable amounts of the cryptocurrencies have been determined based on their fair value less costs of disposal. The Group uses direct quoted prices in active market, which is under Level 1 fair value measurement, to estimate the fair value less costs of disposal. The relevant assets were impaired to their recoverable amount at the end of reporting period and the reversal of impairment of RMB2 million (2023: RMB44 million) has been recognised in "other income and gains" for the year ended 31 December 2024.

18. INTANGIBLE ASSETS (Cont'd)

The intangible assets with finite useful lives are amortised on a straight-line basis at the following rates per annum:

Trademarks	10% – 57.14%
Licences	5% – 50%
Non-competition agreement	11.11% – 33.33%
Customers relationship	10% – 16.67%
Patent and technology	10%
Development costs	33.33%
Others	10% – 50%

19. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purpose of impairment testing, goodwill and trademarks with indefinite useful lives set out in Notes 17 and 18 respectively have been allocated to one (2023: two) individual or groups of CGUs. The carrying amounts of goodwill and trademarks as at 31 December 2024 and 31 December 2023 allocated to these units are as follows:

	Goodwill		**Trademarks**	
	2024 **RMB million**	2023 RMB million	**2024** **RMB million**	2023 RMB million
Promethean Group	**312**	299	**259**	255
GEHI Singapore Operations (as defined in Note 44)	**–**	26	**–**	–
	312	325	**259**	255

19. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (Cont'd)

At 31 December 2024, the recoverable amount of CGUs of Promethean Group (2023: each of above CGUs) was determined individually based on its fair value less cost of disposal. The fair value less cost of disposal of each of the Promethean Group and GEHI Singapore Operations is determined with reference to the quoted price of Mynd.ai, which operates the businesses of both CGUs as set out above.

Management of the Group believes that any reasonably possible change in any of key assumptions would not cause the carrying amount of this CGU (2023: both CGUs above) to exceed its recoverable amount resulting in impairment as at 31 December 2024 or 2023.

20. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 RMB million	2023 RMB million
Unlisted equity securities in the PRC (Note a)	**8**	42
Equity securities listed in Canada (Note b)	**–**	3
	8	45

Notes:

(a) The above unlisted equity investments represent the Group's equity interests in private entities established in the PRC. The directors of the Company have elected to designate these investments in equity instruments at FVTOCI as they believe that the investments are not held for trading and these investments are not expected to be sold in the foreseeable future.

(b) The above equity investment represents ordinary shares of an entity which was listed in Toronto Stock Exchange. The investment is not held for trading, instead, it is held for long-term strategic purpose. The directors of the Company have elected to designate this investment in equity instruments at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/DERIVATIVE FINANCIAL INSTRUMENTS

	2024	2023
	RMB million	RMB million
Financial assets at FVTPL:		
– Unlisted funds (Note a)	**246**	248
– Unlisted equity investments (Note b)	**270**	205
– Listed securities	**191**	38
	707	491
Analysed for financial reporting purpose:		
Non-current	**516**	453
Current	**191**	38
	707	491
Derivative financial instruments (under current liabilities):		
– Unlisted warrants (Note c)	**–**	6
– Embedded derivatives in Convertible Note (defined in Note 35)	**21**	101
	21	107

Notes:

(a) The unlisted funds represent a portfolio of investments managed by fund managers. Most of the portfolio assets are being invested in the listed securities in Hong Kong and Mainland China. These investments are not held for trading, instead, they are held for long-term purposes. The Group does not expect to realise the funds within twelve months from the end of the reporting period. Therefore, the unlisted funds are classified as non-current assets.

(b) The unlisted equity investments represent the Group's investments in equity interests in certain private entities, which principally engaged in investments in cryptocurrencies, tokens, blockchain-based assets and other digital assets.

(c) The unlisted warrants are simultaneously issued with the convertible and exchangeable bonds as detailed in Note 34.

22. LOAN RECEIVABLES

	2024 RMB million	2023 RMB million
Fixed-rate loan receivables	**97**	69
Variable-rate loan receivables	**57**	22
	154	91
Analysed as:		
Non-current	**29**	12
Current	**125**	79
	154	91

The effective interest rates (which are equal to contractual interest rates) on the Group's loan receivables are as follows:

	2024	2023
Effective interest rates:		
Fixed-rate loan receivables (per annum)	**0.00% – 4.15%**	0.00% – 4.15%
Variable-rate loan receivables (per annum)	**2.28% – 5.25%**	2.90% – 5.88%

Included in loan receivables, RMB92 million (2023: RMB64 million) is receivable from an independent third party, is unsecured, interest-free and repayable on demand; RMB14 million (2023: RMB22 million) represents loans to certain key management and staff, which are unsecured, not past due or credit-impaired at the end of the reporting period. The loans are either repayable by instalments until 2026, 2028, 2029 or 2036 (2023: by instalments until 2028 or 2036) or repayable in whole in 2025 (2023: in whole in 2024 or 2025).

Details of impairment assessment are set out in Note 39.

23. DEFERRED TAXATION

The deferred tax assets and liabilities are presented in the consolidated statement of financial position as below:

	2024 RMB million	2023 RMB million
Deferred tax assets	–	433
Deferred tax liabilities	(76)	(80)
	(76)	353

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Intangible assets RMB million	Tax losses RMB million	Right-of-use assets RMB million	Lease liabilities RMB million	Others RMB million	Total RMB million
As at 1 January 2023 (restated)	(109)	308	(15)	15	68	267
Credited (charged) to profit or loss	46	41	8	(8)	(4)	83
Acquisition of subsidiaries	(10)	–	–	–	2	(8)
Exchange adjustments	(3)	15	–	–	(1)	11
At 31 December 2023	(76)	364	(7)	7	65	353
Credited (charged) to profit or loss	(8)	(376)	(16)	16	(67)	(451)
Disposal of subsidiaries	9	–	–	–	–	9
Exchange adjustments	(1)	12	–	–	2	13
At 31 December 2024	(76)	–	(23)	23	–	(76)

At the end of the reporting period, the Group has taxable temporary differences associated with undistributed earnings of PRC subsidiaries of RMB10,428 million (2023: RMB9,529 million). No deferred tax liability has been recognised for these undistributed earnings because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

23. DEFERRED TAXATION (Cont'd)

A deferred tax asset has been recognised in respect of RMB1 million (2023: RMB1,536 million) of the unused tax losses of the Group during the year ended 31 December 2024. The Group has not recognised deferred tax assets arising from tax losses amounting to RMB3,605 million (2023: RMB3,608 million) due to the unpredictability of the future profit streams and tax losses to be agreed with the relevant tax authorities in the Mainland China.

The unrecognised tax losses will be expired as follows, which are five years or ten years from the year in which the loss was originated, to offset against future taxable profits.

	2024	2023
	RMB million	RMB million
Expire in:		
– 2024	**–**	371
– 2025	**391**	402
– 2026	**428**	460
– 2027	**470**	481
– 2028	**442**	540
– 2029	**645**	220
– 2030	**298**	310
– 2031	**310**	322
– 2032	**281**	287
– 2033	**249**	215
– 2034	**91**	–
	3,605	3,608

As at 31 December 2024, the Group has deductible temporary differences of RMB92 million (2023: RMB208 million). The deferred tax asset has been recognised in respect of all such differences of the Group during the year ended 31 December 2024 and 2023.

Others mainly represented deferred tax assets related to inventories, deferred revenue, accrued expenses and other miscellaneous items.

24. PROPERTIES UNDER DEVELOPMENT/PROPERTIES FOR SALE

	2024 RMB million	2023 RMB million
Properties under development	**70**	70
Properties for sale	**272**	280
	342	350

The Group's properties under development are situated in the Mainland China. All of the properties under development are stated at the lower of cost and net realisable value.

The Group classifies properties under development as current because the Group expects to realise them in its normal operating cycle. At 31 December 2024 and 2023, no properties under development was expected to be realised after more than twelve months from the end of the reporting period. Sales deposits received from purchasers at the end of the reporting period are included in contract liabilities as disclosed in Note 30.

Analysis of leasehold lands:

	2024 RMB million	2023 RMB million
Carrying amount	**129**	129

The carrying amount of leasehold lands is measured under HKFRS 16 at cost less any accumulated depreciation and any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation charge is made on the leasehold lands taking into account the estimated residual values as at 31 December 2024 and 2023.

25. INVENTORIES

	2024 RMB million	2023 RMB million
Raw materials	**–**	5
Finished goods	**238**	400
	238	405

26. TRADE RECEIVABLES

	2024 RMB million	2023 RMB million
Trade receivables	**481**	743
Less: Allowance of credit losses	**(27)**	(41)
	454	702

As at 1 January 2023, trade receivables from contracts with customers amounted to RMB654 million.

Details of credit period allowed by the Group are set out in Note 5.

26. TRADE RECEIVABLES (Cont'd)

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the date of delivery of goods/date of rendering of services which approximated the respective revenue recognition dates.

	2024 RMB million	2023 RMB million
Trade debtors		
0 – 30 days	224	375
31 – 60 days	52	135
61 – 90 days	26	87
Over 90 days	152	105
	454	702

As at 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB172 million (2023: RMB154 million) which are past due as at the reporting date. Out of the past due balances, RMB122 million (2023: RMB74 million) has been past due 90 days or more but are not considered as credit-impaired having regard to the historical repayment from the trade debtors, as well as forward-looking information that is available without undue cost or effort. Accordingly, the corresponding expected credit loss is insignificant. The Group does not hold any collateral over these balances.

Before accepting any new distributor/customer, the Group uses an internal credit assessment policy to assess the potential distributor/customer's credit quality and define credit limits by distributor/customer. Management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality.

Details of impairment assessment of trade receivables are set out in Note 39.

27. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2024 RMB million	2023 RMB million
Prepayments to third parties (Note a)	**149**	127
Refundable rental and guarantee deposits (Note b)	**48**	90
Other receivables from agents for acquisition of cryptocurrencies	**19**	75
Contract assets (Note c)	**22**	27
Other receivables and deposits	**105**	105
Other tax recoverable	**91**	79
Government grant receivables	**54**	63
Prepayments for investments (Note d)	**248**	246
Others	**21**	31
	757	843
Analysed for financial reporting purpose:		
Non-current	**288**	351
Current	**469**	492
	757	843

Details of the impairment assessment of other receivables are set out in Note 39.

Notes:

(a) The amounts mainly represent prepayments for the operating activities of the Group, such as the purchase of goods and services, marketing and design fees and movie productions etc..

(b) Included in refundable rental and guarantee deposits as at 31 December 2024 are balances of (i) RMB8 million (2023: RMB32 million) which represents deposits for lease contracts paid to a related company, 福州楊振華851生物工程技術研究開發有限公司 (Fuzhou Yangzhenhua 851 Bio-Engineering Research Inc.) ("Fuzhou 851") and (ii) RMB15 million (2023: RMB15 million) which represents deposit for technical support service paid to 福州天亮網絡技術有限公司 (Fuzhou Tianliang Network Technology Co., Limited).

(c) The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance in achieving specified milestones at the reporting date on the provision of mobile solution, products and marketing services and retention receivables on education equipment and related goods. The contract assets are transferred to trade receivables when the rights become unconditional.

(d) Amounts being prepayments are paid for certain investments whose completions are subject to certain terms and conditions as specified in relevant investment agreements. Out of the balance, RMB110 million (2023: RMB108 million) is non-refundable while the rest of the balance is refundable if certain conditions are not fulfilled during the pre-determined periods of time as set out in the respective investment agreements.

28. PLEDGED BANK DEPOSITS/BANK DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS/CASH AND CASH EQUIVALENTS

Pledged bank deposits, bank deposits with original maturity over three months and bank balances carry interest at prevailing banking deposit rates which ranges from 0.001% to 5.3% (2023: 0.001% to 5.0%) per annum.

Details of the impairment assessment of pledged bank deposits, bank deposits with original maturity over three months and bank balances are set out in Note 39.

29. TRADE AND OTHER PAYABLES

	2024	2023
	RMB million	RMB million
Trade payables (Note a)	**382**	499
Accrued staff costs	**324**	361
Deferred income (Note b)	**9**	14
Other tax payables	**31**	45
Payables for purchase of property, plant and equipment	**166**	194
Consideration payables	**3**	19
Accrued expenses	**137**	56
Dividend payable	**–**	66
Others (Note c)	**237**	301
	1,289	1,555
Analysed for financial reporting purpose:		
Non-current	**5**	37
Current	**1,284**	1,518
	1,289	1,555

29. TRADE AND OTHER PAYABLES (Cont'd)

Notes:

(a) The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2024 RMB million	2023 RMB million
0 – 90 days	171	223
91 – 180 days	142	216
181 – 365 days	23	31
Over 365 days	46	29
	382	499

(b) The amount represents government grants which are (i) the costs incurred by the Group in conducting and launching research and development projects in Fujian Province, the PRC, relating to compensation for research and development costs already incurred and (ii) the costs incurred by the Group for purchasing property, plant and equipment, which will be recognised in profit or loss on a systematic basis over the estimated useful life of the property, plant and equipment related to the government grants on capital expenditure.

(c) Others mainly represent advertising payables, office and server service expenses payables and other miscellaneous items for operating activities.

30. CONTRACT LIABILITIES

	2024 RMB million	2023 RMB million
Gaming and application services (Note a)	**235**	226
Mynd.ai business (Note a)	**214**	258
Property development (Note b)	**5**	7
	454	491
Revenue recognised that was included in the contract liabilities at the beginning of the year	**339**	254

As at 1 January 2023, contract liabilities amounted to RMB406 million. There was no revenue recognised during the year that related to performance obligations that were satisfied in prior periods.

Notes:

(a) The contract liabilities include unutilised game points on online and mobile games, advance payments from customers for contracted education equipment and related goods, advance payments from customers for educational services and advance payments from customers for mobile solution, products and marketing services. The contract liabilities are transferred to revenue when customers control and receive the goods, services and benefits.

(b) The amount represents the pre-sale deposits and advance payment received from customers for property development prior to the respective properties have been completed and delivered to the customers which is a point in time when customers have the ability to direct the use of the properties and obtain substantially all the remaining benefits of the properties. The Group receives a fixed amount of RMB50,000 for each property unit as deposits from customers when they sign the sale and purchase agreement. The deposits and advance payment schemes result in contract liabilities being recognised throughout the property construction period until the customer obtains control of the completed property.

31. LEASE LIABILITIES

	2024	2023
	RMB million	RMB million
Within one year	58	76
Within a period of more than one year but not more than two years	52	31
Within a period of more than two years but not more than five years	18	14
Within a period of more than five years	1	–
	129	121
Less: Amount due for settlement with twelve months shown under current liabilities	(58)	(76)
Amount due for settlement after twelve months shown under non-current liabilities	71	45

The effective interest rate on the Group's lease liabilities was 5.63% (2023: 4.95%) during the year ended 31 December 2024.

32. PROVISIONS

	Warranty
	RMB million
At 1 January 2023	94
Additional provisions	69
Utilisation of provisions	(43)
Exchange adjustments	7
At 31 December 2023	**127**
Additional provisions	**50**
Utilisation of provisions	**(63)**
Exchange adjustments	**(1)**
At 31 December 2024	**113**

The Group provided warranty on its education equipment sold to its customers. The warranty provision is calculated by estimating the possible failure rates of the Promethean Group's hardware, with the exception of projectors which are covered by a third party warranty. The length of warranty period ranges from one to seven years and varies depending on both the product and the country the product is sold to.

The timing and frequency of product failures are inherently uncertain and for this reason the warranty provision has been disclosed as current.

33. BANK BORROWINGS

The carrying amounts of the bank borrowings are repayable based on scheduled repayment dates as follows:

	2024 RMB million	2023 RMB million
Within one year	**1,729**	1,033
Within a period of more than one year but not exceeding two years	**–**	1
	1,729	1,034
Less: Amounts due within one year shown under current liabilities	**(1,729)**	(1,033)
Amounts shown under non-current liabilities	**–**	1

The exposure of the Group's bank borrowings is as follows:

	2024 RMB million	2023 RMB million
Variable-rate borrowings	**128**	272
Fixed-rate borrowings	**1,601**	762
	1,729	1,034
Secured	**1,718**	1,032
Unsecured	**11**	2
	1,729	1,034

33. BANK BORROWINGS (Cont'd)

The Group's variable-rate borrowings for the year ended 31 December 2024 carry interest at (i) one-month Hong Kong Interbank Offered Rate ("HIBOR") plus 2.20% to 2.35% per annum, or (ii) three-month Bloomberg Short-Term Bank Yield ("BSBY") Rate two business days prior to date of borrowing plus 2.30%.

The Group's variable-rate borrowings for the year ended 31 December 2023 carry interest at (i) one-month HIBOR plus 2.20% to 2.35% per annum, or (ii) three-month BSBY Rate two business days prior to date of borrowing plus 1.85%.

The range of effective interest rates on the Group's bank borrowings are as follows:

	2024	2023
Variable-rate borrowings	**6.60% to 7.67%**	7.60% to 8.09%
Fixed-rate borrowings	**0.77% to 3.60%**	1.00% to 3.75%

As at 31 December 2024 and 2023, the borrowings were secured by pledge of certain properties, right-of-use assets and pledged bank deposits of the Group as set out in Note 40, corporate guarantee provided by the Company and corporate guarantee provided by its subsidiaries.

34. CONVERTIBLE AND EXCHANGEABLE BONDS

On 9 March 2020, Best Assistant Education Online Limited ("Best Assistant"), an indirect wholly owned subsidiary of the Company, issued convertible and exchangeable bonds with an aggregate principal amount of United States Dollar ("USD") 150 million (equivalent to RMB1,039 million) to Nurture Education (Cayman) Limited (the "Nurture Education"), an independent third party. Simultaneously, the Company issued unlisted warrants to the Nurture Education in March 2020. The warrants shall entitle the Nurture Education to subscribe for ordinary shares of the Company. The convertible and exchangeable bonds bear interest accruing at a rate of 5% per annum on the aggregate principal amount of the convertible and exchangeable bonds and will be due on the fifth anniversary from the bond issue date ("CEB Maturity Date"). The convertible and exchangeable bonds are denominated in USD.

Convertible and exchangeable option

The convertible and exchangeable bonds are exercisable at the option of bondholders, in whole or in part and can be exchangeable for ordinary shares of Mynd.ai at an initial exchange price of USD1.7588 per ordinary share at any time and from time to time during the exchange period. At initial recognition, the convertible and exchangeable option was classified as derivative financial instrument. The fair value of the convertible and exchangeable option was insignificant and the carrying amount is recognised as nil at initial recognition and at 31 December 2024 and 2023.

Warrants

Simultaneously with the issue of the convertible and exchangeable bonds, the Company issued to the Nurture Education the warrants with a subscription price of HKD18.8698 per share. The warrants are allotted to subscribe at any time and from time to time during the issue date to the CEB Maturity Date for up to 11,502,220 shares. At initial recognition, the warrants were classified as derivative financial instrument at a fair value of RMB87 million.

34. CONVERTIBLE AND EXCHANGEABLE BONDS (Cont'd)

Redemption

Best Assistant shall redeem the convertible and exchangeable bonds, upon the request of the Nurture Education at any time on or after the occurrence of an early redemption event, or if not early redeemed, converted, exchanged or purchased and cancelled, on the CEB Maturity Date, at an amount that would provide the bondholders with an amount equal to the redemption amount (i.e. an amount that would provide the bondholders an internal rate of return on the principal amount of the convertible and exchangeable bonds of 15% per annum, inclusive of all interest received on the principal amount of the convertible and exchangeable bonds). The early redemption event is contingent upon the occurrence of any of (i) change of control of Best Assistant and its subsidiaries (collectively "Best Assistant Group"); or (ii) sale, transfer or other disposition of all or substantially all of the assets or intellectual property of any Best Assistant Group; or (iii) liquidity event; or (iv) an initial public offering of ordinary shares of Best Assistant Group on an internationally recognised exchange. The early redemption option is considered as closely related to the host debt and is therefore accounted for as part of the amortised cost accounting of the host debt contract.

The effective interest rate of the debt host component is 16.62%. The movement of the debt host component of the convertible and exchangeable bonds for the year is set out as below:

	2024	2023
	RMB million	RMB million
At 1 January	**256**	1,333
Redemption (Note)	**–**	(1,254)
Interest accrued	**44**	211
Settlement of interest	**(9)**	(63)
Exchange adjustments	**4**	29
	295	256

Note: During the year ended 31 December 2023, out of the principal amount of USD150 million for the convertible and exchangeable bonds, Best Assistant redeemed a principal amount of USD125 million (equivalent to RMB889 million) at an aggregate consideration of USD198 million (equivalent to RMB1,410 million). Aggregate carrying amount of the redeemed portion is approximately USD176 million (equivalent to RMB1,254 million). As a result, loss on redemption of the convertible and exchangeable bonds amounting to USD22 million (equivalent to RMB156 million) has been recognised in profit or loss during the year ended 31 December 2023. During the year ended 31 December 2023, total cash outflows for the redemption payment amounted to approximately USD127 million (equivalent to RMB903 million).

As set out in Note 35, the Nurture Education subscribed for a senior secured convertible note issued by Mynd.ai with an aggregate principal amount of USD65 million (equivalent to RMB461 million) on 13 December 2023. As agreed, principal amount of the senior secured convertible note has been deducted from the redemption amount of the convertible and exchangeable bonds issued by Best Assistant as set out above.

35. CONVERTIBLE NOTE

Immediate after the completion of the Merger as disclosed in Note 44 on 13 December 2023, Mynd.ai issued a senior secured convertible note (the "Convertible Note") in a principal amount of USD65 million (equivalent to RMB461 million) to the Nurture Education. The Convertible Note bears (i) cash interest at the rate of 5.00% per annum and (ii) paid-in-kind ("PIK") interest at the rate of 5.00% per annum by way of issuing additional number of the Convertible Note equivalent to the PIK interest in the relevant year should the pre-determined conditions are fulfilled in the relevant year(s).

All of the cash interest and PIK interest (if any) is payable semi-annually in June and December of each year. Mynd.ai prepaid the cash interest due for the year ended 31 December 2024 at the time of issuance of the Convertible Note. PIK interest is payable by issuing additional notes.

The Convertible Note is denominated in USD.

Conversion option

The Convertible Note is a senior secured obligation of Mynd.ai and will mature on 13 December 2028, unless earlier redeemed, repurchased or converted. The initial conversion rate per USD1 principal amount of the Convertible Note is equal to USD1 divided by 115% of the consideration per ordinary share of the Merger as defined under the Convertible Note agreement, or USD2.0226 (the "Initial Conversion Price"). The conversion rate is subject to adjustment under certain circumstances in accordance with the terms of the Convertible Note. The Convertible Note is convertible at the option of the holder at any time until the outstanding principal amount (including any accrued and unpaid interest) has been paid in full. Subject to the terms of the Convertible Note, the holder may elect to receive the American Depositary Shares ("ADS") in lieu of the Mynd.ai's ordinary shares, par value of USD0.001 per share upon conversion of the Convertible Note.

Embedded derivative features of the Convertible Note

Certain features of the Convertible Note including the conversion option, redemption right at the Mynd.ai's election, and acceleration of amounts due under the Convertible Note upon an event of default require bifurcation and accounted for separately as embedded derivatives.

At initial recognition, the embedded derivative of the Convertible Note was classified as derivative financial instrument (Note 21). The fair value of the derivative financial instrument was RMB21 million and RMB101 million at 31 December 2024 and 2023, respectively.

35. CONVERTIBLE NOTE (Cont'd)

Embedded derivative features of the Convertible Note (Cont'd)

The Convertible Note contains certain representations, warranties, events of default and negative covenants that limit, without the consent of the holder(s) of the Convertible Note, Mynd.ai's ability, among other things, to incur additional indebtedness, sell or acquire assets, undertake capital expenditures, and enter into certain transactions with third parties. As of 31 December 2024, the management of the Group considers that Mynd.ai was in compliance with all such covenants.

The effective interest rate of the debt host component is 15.80%. The movements of the debt host component of the Convertible Note for the year ended 31 December 2024 and 2023 is set out as below:

	2024	2023
	RMB million	RMB million
At 1 January/issue of Convertible Note	**357**	357
Interest accrued	**57**	1
Settlement of interest	**(24)**	–
Exchange adjustments	**6**	(1)
	396	357

36. SHARE CAPITAL OF THE COMPANY

	Number of shares	Nominal value	
		USD	RMB million
Authorised:			
Ordinary shares of USD0.01 each			
At 1 January 2023, 31 December 2023 and 31 December 2024	**1,000,000,000**	**10,000,000**	**76**
Issued and fully paid:			
Ordinary shares of USD0.01 each			
At 1 January 2023	540,743,633	5,407,436	40
Shares issued upon exercise of share options (Note a)	363,400	3,634	– #
Repurchase and cancellation of shares (Note b)	(9,844,500)	(98,445)	(1)
At 31 December 2023 and 2024	**531,262,533**	**5,312,625**	**39**

less than RMB1 million.

Notes:

(a) During the year ended 31 December 2023, 363,400 share options were exercised and as a result the same number of ordinary shares of the Company were issued. RMB7 million was recorded as share premium while the amount recorded as share capital is insignificant.

(b) During the year ended 31 December 2023, the Company repurchased its own shares through purchases on the Stock Exchange.

37. SHARE-BASED PAYMENT TRANSACTIONS

(a) Equity-settled share option scheme

The Company adopted share option schemes on 12 June 2008 (the "2008 Share Option Scheme"), 24 May 2018 (the "2018 Share Option Scheme") and 6 June 2024 (the "2024 Share Option Scheme"). The 2008 Share Option Scheme and the 2018 Share Option Scheme were terminated on 24 May 2018 and 6 June 2024 respectively. Subject to early termination, the 2024 Share Option Scheme shall be valid and effective for a period of 10 years from 6 June 2024. The purpose of the 2024 Share Option Scheme is to provide the eligible participants ("Eligible Participants") as defined in the 2024 Share Option Scheme with the opportunity to acquire interests in the Company and to encourage the Eligible Participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Eligible Participants of the 2024 Share Option Scheme include employees, executives and officers of the members of the Group (including executive and non-executive directors of the members of the Group) and business consultants, agents and legal and financial advisers to the members of the Group whom the board of directors considers, in its sole discretion, will contribute or have contributed to the members of the Group.

The Company adopted the 2024 Share Award Scheme on 6 June 2024 to replace the share award scheme that was adopted on 2 September 2008 and extended on 31 August 2018 (the "2008 Share Award Scheme"). The Board may, at their discretion, select any eligible participant (being the employee of the Company or any related entities, and the services providers) for participation in the 2024 Share Award Scheme. Unless early terminated by the Board, the 2024 Share Award Scheme shall be valid and effective for a term of ten years commencing on 6 June 2024.

As at the date of adoption of the 2024 Share Option Scheme and the 2024 Share Award Scheme (together, the "Existing Share Schemes") and as at 31 December 2024, no share options and awarded shares were granted under the Existing Share Schemes, the total number of share options and awarded shares available for grant under the Existing Share Schemes shall not exceed 53,126,253, representing 10% of the Shares of the Company, the total number of share options and awarded shares available for grant to the service providers (as defined under the Existing Share Schemes) under the Existing Share Schemes shall not exceed 5,312,625, representing 1% of the Shares of the Company.

The total number of shares issued and to be issued upon exercise of the options or awards granted to each Eligible Participant (including both exercised and outstanding options) in any twelve months period shall not exceed 1% of the total number of shares in issue as at the date of grant. Where any further grant of options to an Eligible Participant would result in the total number of shares issued and to be issued upon exercise of all the options and awards granted and to be granted to such person (including exercised, cancelled and outstanding options) in the twelve months period up to and including the date of such further grant representing in aggregate over 1% of the total number of shares in issue, such further grant must be separately approved by the shareholders in general meeting with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting. Options and awards granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time within any twelve months period, are subject to shareholders' approval in advance in a general meeting.

37. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

(a) Equity-settled share option scheme (Cont'd)

Options granted must be taken up within 28 days from the date of the offer, upon payment of a nominal consideration of HKD1 in total by the grantee. Options may be exercised at any time for a period determined by its directors which shall not be later than the day immediately preceding the tenth anniversary of the date of grant. There is no general requirement that an option must be held for any minimum period before it can be exercised but the board of directors of the Company is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The exercise price of the share options must be at least the highest of (i) the nominal value of an ordinary share on the date of grant; (ii) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the share options; and (iii) the average closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of the offer.

Details of specific categories of options are as follows:

Batch 1:

Date of grant	Vesting period	Exercisable period	Outstanding at 31 December 2024	Outstanding at 31 December 2023
16 January 2013	16 January 2013 – 15 January 2014	16 January 2014 – 15 January 2023	–	–
16 January 2013	16 January 2013 – 15 January 2015	16 January 2015 – 15 January 2023	–	–
16 January 2013	16 January 2013 – 15 January 2016	16 January 2016 – 15 January 2023	–	–
16 January 2013	16 January 2013 – 15 January 2017	16 January 2017 – 15 January 2023	–	–
16 January 2013	16 January 2013 – 15 January 2018	16 January 2018 – 15 January 2023	–	–
			–	–

37. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

(a) Equity-settled share option scheme (Cont'd)

Batch 2:

Date of grant	Vesting period	Exercisable period	Outstanding at 31 December 2024	Outstanding at 31 December 2023
4 December 2013	4 December 2013 – 3 December 2014	4 December 2014 – 3 December 2023	–	–
4 December 2013	4 December 2013 – 3 December 2015	4 December 2015 – 3 December 2023	–	–
4 December 2013	4 December 2013 – 3 December 2016	4 December 2016 – 3 December 2023	–	–
			–	–

Batch 3:

Date of grant	Vesting period	Exercisable period	Outstanding at 31 December 2024	Outstanding at 31 December 2023
31 March 2017	31 March 2017 – 30 March 2018	31 March 2018 – 30 March 2027	75,000	75,000
31 March 2017	31 March 2017 – 30 March 2019	31 March 2019 – 30 March 2027	75,000	75,000
31 March 2017	31 March 2017 – 30 March 2020	31 March 2020 – 30 March 2027	150,000	150,000
			300,000	300,000

37. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

(a) Equity-settled share option scheme (Cont'd)

Batch 4:

Date of grant	Vesting period	Exercisable period	Outstanding at 31 December 2024	Outstanding at 31 December 2023
24 January 2020	24 January 2020 – 23 January 2021	24 January 2021 – 23 January 2030	1,349,000	1,349,000
24 January 2020	24 January 2020 – 23 January 2022	24 January 2022 – 23 January 2030	1,349,000	1,349,000
24 January 2020	24 January 2020 – 23 January 2023	24 January 2023 – 23 January 2030	1,352,000	1,352,000
24 January 2020	24 January 2020 – 23 January 2024	24 January 2024 – 23 January 2030	1,250,000	1,250,000
			5,300,000	5,300,000

The following table discloses the movement of the share options during the year ended 31 December 2024:

Option batch	Exercise price HKD	Outstanding at 1 January 2024	Exercised during year	Forfeited/ lapsed during year	Outstanding at 31 December 2024
Batch 1	11.16	-	-	-	-
Batch 2	15.72	-	-	-	-
Batch 3	23.65	300,000	-	-	300,000
Batch 4	21.07	5,300,000	-	-	5,300,000
		5,600,000	-	-	5,600,000
Exercisable at the end of the year 2024					5,600,000
Weighted average exercise price		HKD21.21			HKD21.21

37. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

(a) Equity-settled share option scheme (Cont'd)

The following table discloses the movement of the share options during the year ended 31 December 2023:

Option batch	Exercise price HKD	Outstanding at 1 January 2023	Exercised during year	Forfeited/ lapsed during year	Outstanding at 31 December 2023
Batch 1	11.16	48,500	(45,400)	(3,100)	–
Batch 2	15.72	874,500	(318,000)	(556,500)	–
Batch 3	23.65	300,000	–	–	300,000
Batch 4	21.07	5,300,000	–	–	5,300,000
		6,523,000	(363,400)	(559,600)	5,600,000
Exercisable at the end of the year 2023					4,350,000
Weighted average exercise price		HKD20.40			HKD21.21

The weighted average remaining contractual lives of the Company's share options as at 31 December 2024 is 4.91 years (2023: 5.92 years). The exercise prices of the Company's share options outstanding as at 31 December 2024 range from HKD21.07 to HKD23.65 (2023: HKD21.07 to HKD23.65).

The Group recognised the total expense of less than RMB1 million for the year ended 31 December 2024 (2023: RMB3 million) in relation to share options granted by the Company.

37. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

(b) Share award scheme by the Company

The Company has adopted a share award scheme (the "2024 Share Award Scheme") on 6 June 2024 to replace the share award scheme adopted on 2 September 2008, whereby eligible participants are conferred rights by the Company to be issued or transferred fully-paid ordinary shares in the capital of the Company (hereinafter referred to as the "Award").

The rationale of the 2024 Share Award Scheme is to recognise the contributions by Eligible Participants and to provide incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The selected participants are not required to pay for the grant of the Award or for the shares allotted or allocated pursuant to the Award.

The aggregate number of the Award is not permitted to exceed 10% of the issued share capital of the Company from time to time. The maximum number of shares which may be awarded to a selected participant under the 2024 Share Award Scheme in any twelve months shall not exceed 1% of the issued share capital of the Company from time to time.

The eligibility of employees to participate in the 2024 Share Award Scheme and number of shares which are the subject of each Award at each date of grant to a selected employee in accordance with the 2024 Share Award Scheme shall be determined at the absolute discretion of the committee, which comprised the directors of the Company duly appointed by the board of directors to administer the 2024 Share Award Scheme (the "Committee"), which shall take into consideration various factors including the general financial condition of the Group, the rank and performance of the relevant employee and such other general criteria as the Committee may consider appropriate as well as other limitations set forth under the Listing Rules and those rules of the 2024 Share Award Scheme.

In determining the number of shares to be awarded each year, the Committee shall have reference to the financial performance of the Group as reflected in the profit before taxation of the financial year.

The grant of the Award to the selected employee shall be accepted by the selected employee within 28 days from the date of offer. The selected employee may accept or refuse the whole but not part of a grant of the Award. If the grant of the Award is not accepted by the selected employee within 28 days from the date of offer, the offer shall upon the expiry of the 28 days period automatically lapse and shall be null and void.

Performance conditions (the "Performance Conditions") refers to the condition or conditions imposed by the Company on the selected employee's employment with the Company which must be fulfilled or satisfied by the selected employee prior to his eligibility for the Award. Performance period refers to the period of a participant employment with the Group which is used to assess the selected employee's work performance for the purpose of determining the grant of the selected employee's award.

37. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

(b) Share award scheme by the Company (Cont'd)

The current Performance Conditions proposed by the Committee is that shares will only be vested to the employees after rendering services for certain period. Each employee needs to render the agreed period of service in order to be entitled to the shares granted.

Fair value of the Award at the grant date is determined by reference to the market price immediately available upon the grant date. No expense was recognised for the year ended 31 December 2024 (2023: RMB5 million) in relation to awarded shares.

Movements in the awarded shares granted during the year ended 31 December 2023 were as follows:

Name of category of participant	Date of grant	Outstanding at 1 January 2023	Granted during year	Awards vested during year	Forfeited during year	Outstanding at 31 December 2023
Director	27 July 2023	–	240,000	(240,000)	–	–
Director	27 October 2023	–	120,000	(120,000)	–	–
		–	360,000	(360,000)	–	–

No awarded share is granted or vested under the 2024 Share Award Scheme during the year ended 31 December 2024.

37. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

(c) Share awarded by a subsidiary of the Company

On 7 August 2012, Best Assistant adopted a share award scheme (the "Best Assistant Share Award Scheme") as amended on 13 February 2015 and 5 August 2022 in which selected participants include senior management employees of Best Assistant Group, consultants to Best Assistant Group employed by any member of the Company, its associated companies or their subsidiaries (excluding Best Assistant Group) and any person who contributes to the development of Best Assistant Group which has been certified and determined by the board of directors of Best Assistant.

Subject to early termination, the Best Assistant Share Award Scheme shall be valid and effective for a term of ten years commencing on 7 August 2012 initially, and has been extended to twenty years commencing on 7 August 2012. Best Assistant may also transfer shares awarded under the Best Assistant Share Award Scheme whether vested or unvested to other trusts and if there is a change in control of Best Assistant, all awarded shares shall immediately be vested. The board of directors of Best Assistant is also entitled to waive any vesting conditions. The maximum number of shares which may be granted to the participants under the Best Assistant Share Award Scheme shall not exceed ten percent (10%) of the total issued share capital of Best Assistant from time to time or such number of shares as determined by the board of directors of Best Assistant.

Pursuant to the rules of the Best Assistant Share Award Scheme, Best Assistant has signed an agreement with the trustee, for the purpose of administering the Best Assistant Share Award Scheme and holding the awarded shares before they are vested.

Subject to, inter alia, the receipt by the trustee of (i) the prescribed transfer documents duly signed by the selected participants within the period stipulated in the vesting notices; and (ii) confirmation from Best Assistant that all vesting conditions having been fulfilled, the awarded shares will be transferred to the selected participants at nil consideration upon vesting.

37. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

(c) Share awarded by a subsidiary of the Company (Cont'd)

Movements in the awarded shares granted by Best Assistant during the years ended 31 December 2023 and 2024 are as follows:

Name of category of participant	Date of grant	Outstanding at 1 January 2023	Granted during year	Awards vested during year	Outstanding at 31 December 2023 and 2024
Other employees (Note a)	1 July 2019	80,000	-	(80,000)	-
Dr. Leung Lim Kin, Simon (Note b)	12 December 2023	-	123,409,543	(123,409,543)	-
Other employees (Note b)	12 December 2023	-	40,056,514	(40,056,514)	-
		80,000	163,466,057	(163,546,057)	-

As set out in Note 44, the Group entered into a merger agreement to acquire GEHI (as defined in Note 44) during the year ended 31 December 2023. Prior to the merger, Best Assistant granted a total of 163,466,057 awards of ordinary shares of Best Assistant (the "Awarded Shares") to certain grantees pursuant to the Best Assistant Share Award Scheme, among which, (i) 123,409,543 Awarded Shares were granted to Dr. Leung Lim Kin, Simon, an executive director and the vice chairman of the Company, and (ii) 40,056,514 Awarded Shares were granted to other grantees who are the employees of the Group. In accordance with the terms of the Best Assistant Share Award Scheme, the Awarded Shares were vested in the grantees at no cost immediately upon the grant thereof and were satisfied by issuance of new ordinary shares by Best Assistant. As at 31 December 2023, the 164,546,057 Awarded Shares under the Best Assistant Share Award Scheme were granted and vested.

The Best Assistant Share Award Scheme was terminated on 3 May 2024. No awarded share is granted or vested under the Best Assistant Share Award Scheme during the year ended 31 December 2024.

Notes:

(a) Fair value of the awarded shares at the grant date is estimated using a discounted cash flow model, which included some assumptions that are not supportable by observable market prices or rates upon the grant dates. The Group recognised the total expenses of less than RMB1 million during the year ended 31 December 2023 in relation to the Best Assistant Share Award Scheme.

(b) Fair value of the Awarded Shares at the grant date is estimated based on Mynd.ai's publicly available market price as a consideration that the Awarded Shares of Best Assistant granted immediately prior to completion of the Merger (as defined in Note 44) were fully converted to ordinary shares of Mynd.ai upon completion of the Merger (as defined in Note 44). The Group recognised the total expenses of RMB96 million during the year ended 31 December 2023 in relation to the Best Assistant Share Award Scheme.

37. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

(d) Equity incentive plan of a subsidiary of the Company

In January 2024, the board of directors of Mynd.ai approved the Mynd Incentive Plan. Under the Mynd Incentive Plan, awards may be granted to officers, employees and consultants of Mynd.ai or any of its affiliates in the form of stock options, restricted shares, RSUs, stock appreciation rights, performance stock, performance stock units and other awards. The maximum aggregate number of ordinary shares that was initially authorised for issuance under the Mynd Incentive Plan is 54,777,338, together with a corresponding number of ADS.

In April 2024, the board of directors of Mynd.ai awarded RSUs under the Mynd Incentive Plan, representing an aggregate of 3,501,350 ADSs, to certain directors, executive officers and employees of Mynd.ai that vest over specified time periods, subject to the recipient's continued service. In October 2024, RSUs, representing an aggregate of 804,766 ADSs were granted to certain employees that vest over specified time periods, subject to the recipient's continued service and 120,628 ADSs were forfeited. As at 31 December 2024, Mynd.ai had outstanding share-based awards representing 4,185,488 ADSs.

During the year ended 31 December 2024, Mynd.ai recorded share-based expenses of USD4 million (equivalent to RMB27 million) in general and administrative expenses in the consolidated statements of profit or loss and other comprehensive income. As at 31 December 2024, total unrecognised compensation expense related to unvested awards was USD11 million (equivalent to RMB76 million), which is expected to be recognised over a weighted-average period of 2.2 years.

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes bank borrowings (Note 33), net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a regular basis. As a part of this review, the directors consider the cost of capital and the risks associated with the issued share capital. The Group will balance its overall capital structure through the payment of dividends as well as issue new shares or return capital to owners.

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2024 RMB million	2023 RMB million
Financial assets		
Amortised cost	**4,622**	3,893
Equity instruments at FVTOCI	**8**	45
Financial assets at FVTPL	**707**	491
	5,337	4,429
Financial liabilities		
Amortised cost	**3,208**	2,711
Derivative financial instruments	**21**	107
	3,229	2,818
Lease liabilities	**129**	121

(b) Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at FVTOCI, financial assets at FVTPL, loan receivables, trade receivables, bills receivables, other receivables, refundable rental deposits, pledged bank deposits, bank deposits with original maturity over three months, cash and cash equivalents, trade and other payables, bank borrowings, lease liabilities, derivative financial instruments, convertible and exchangeable bonds and convertible note. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Market risk

Currency risk

The Group operates mainly in the PRC, the USA and the UK. Most of its monetary assets, liabilities and transactions are principally denominated in the functional currency of respective group entities, which is RMB, USD and Great Britain Pound. However, the Group also has operations in Hong Kong, Europe and Singapore (2023: Hong Kong, Europe, Singapore and Poland) and the business transactions conducted in these areas during the year were mainly denominated and settled in HKD, European dollar ("EURO") and Singapore dollar ("SGD") (2023: HKD, EURO, SGD and Polish Zloty ("PLN")), respectively. The Group currently does not have hedging policy in respect of the foreign currency risk. However, the management closely monitors foreign exchange exposure to ensure appropriate measures are implemented on a timely and effective manner.

The carrying amounts of the Group's major foreign currency denominated monetary assets and liabilities (including loan receivables, trade receivables, other receivables, pledged bank deposits, bank deposits with original maturity over three months, cash and cash equivalents, trade and other payables, lease liabilities and bank borrowings) at the end of the reporting period are as follows:

	Assets		Liabilities	
	2024	2023	**2024**	2023
	RMB million	RMB million	**RMB million**	RMB million
HKD	**86**	120	**–**	76
USD	**1,394**	928	**297**	261
EURO	**27**	109	**1**	1
SGD	**–**	53	**–**	78
PLN	**–**	2	**–**	11

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

Currency risk (Cont'd)

Sensitivity analysis

The following table details the Group's sensitivity analysis to a 5% increase and decrease in RMB against HKD, USD and EURO. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive (negative) number below indicates an increase (a decrease) in post-tax profit where RMB strengthen 5% against relevant foreign currencies. For a 5% weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the post-tax profit.

	2024	2023
	RMB million	RMB million
Post-tax profit		
HKD	**(3)**	(2)
USD	**(41)**	(25)
EURO	**(1)**	(4)
SGD	**–**	1

Interest rate risk

The interest income is derived from the Group's pledged bank deposits, bank deposits with original maturity over three months and bank balances that carry interest at the respective banking deposit rate of the banks and loan receivables.

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Market risk (Cont'd)

Interest rate risk (Cont'd)

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivables (Note 22), lease liabilities (Note 31), bank borrowings (Note 33), convertible and exchangeable bonds (Note 34) and convertible note (Note 35).

The Group is exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits, bank deposits with original maturity over three months and bank balances (Note 28), variable-rate loan receivables (Note 22) and variable-rate bank borrowings (Note 33) carried at prevailing bank borrowing interest rate. The cash flow interest rate risk is in relation to the fluctuation of HIBOR and BSBY Rate (collectively as "Variable Borrowing Rates") arising from the Group's bank borrowings. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate borrowings at the end of the reporting period. The analysis is prepared assuming the variable-rate borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2023: 50 basis points) increase or decrease in Variable Borrowing Rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2023: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2024 would decrease/increase less than RMB1 million (2023: RMB1 million).

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment

As at 31 December 2024, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk of trade receivables, bills receivables, contract assets, other receivables, refundable rental deposits and loan receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for credit-impaired debtors and collectively for others using a provision matrix with appropriate groupings.

The credit risk on pledged bank deposits, bank deposits with original maturity over three months and bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or are state-owned banks located in the PRC. In this regard, the directors of the Company consider that the ECL on these balances is insignificant.

The Group regularly monitors the business performance of the associates and joint ventures. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities and the power to participate or jointly control the relevant activities of these entities. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2024 and 2023, the Group assessed the ECL for these balances were insignificant and thus loss allowance was negligible.

The credit risk on liquid funds is limited because the counterparties are banks with good credit ratings and there is no significant concentration of credit risk.

The Group has no significant concentration of credit risk on trade receivables, bills receivables, other receivables and contract assets with exposure spreading over a number of counterparties and customers.

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment (Cont'd)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment (Cont'd)

The tables below detail the credit risk exposures of the Group's trade receivables, bills receivables, other receivables, loan receivables, pledged bank deposits, bank deposits with original maturity over three months, bank balances and contract assets which are subject to ECL assessment:

Financial assets at amortised cost

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2024 Gross carrying amount RMB million	2024 Gross carrying amount RMB million	2023 Gross carrying amount RMB million	2023 Gross carrying amount RMB million
Loan receivables	22	N/A	(Note 1)	12m ECL		154		91
Trade receivables	26	N/A	(Note 2)	Lifetime ECL (provision matrix)	472		719	
			Loss	Lifetime ECL (credit-impaired)	9	481	24	743
Contract assets	27	N/A	(Note 2)	Lifetime ECL (provision matrix)		22		27
Bills receivables		N/A	(Note 1)	12m ECL		1		–
Other receivables	27	N/A	(Note 1)	12m ECL		186		216
Pledged bank deposits	28	IG*	N/A	12m ECL		1,114		315
Bank deposits with original maturity over three months	28	IG*	N/A	12m ECL		215		329
Bank balances	28	IG*	N/A	12m ECL		2,498		2,241

* Investment Grade – The Standard & Poor's rating of the Group's significant bank accounts.

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment (Cont'd)

Financial assets at amortised cost (Cont'd)

Notes:

1. In determining the ECL for loan receivables, bills receivables and other receivables, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate. The Group has considered the consistently low historical default rate in connection with payments, and concluded that credit risk inherent in these Group's outstanding balances is insignificant. Accordingly, no loss allowance on ECL was provided for these assets.

2. For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for credit-impaired debtors, the Group determines the ECL on these items by using a provision matrix, grouped by internal credit rating in the classes of low risk, watch list or doubtful.

Provision matrix for trade receivables and contract assets – internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers on trade receivables and contract assets which are non credit-impaired and assessed based on provision matrix as at 31 December 2024 within lifetime ECL. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix as at 31 December 2024 within lifetime ECL. Trade receivables with credit-impaired with gross carrying amount of RMB9 million (2023: RMB24 million) as at 31 December 2024 were assessed individually. As disclosed in Note 26, out of the past due balances, RMB122 million (2023: RMB74 million) has been past due 90 days or more and is not considered as credit-impaired and considered as recoverable due to long term and on-going relationship with good repayment record from these customers based on historical experience.

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment (Cont'd)

Financial assets at amortised cost (Cont'd)

Provision matrix for trade receivables and contract assets – internal credit rating (Cont'd)

	2024		2023	
	Average loss rate	**Trade receivables RMB million**	Average loss rate	Trade receivables RMB million
Low risk	**0.07%**	**300**	0.23%	566
Watch list	**1.36%**	**75**	0.40%	97
Doubtful	**17.32%**	**97**	27.84%	56
		472		719

	2024		2023	
	Average loss rate	**Contract assets RMB million**	Average loss rate	Contract assets RMB million
Low risk	**1.17%**	**22**	1.26%	27

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment (Cont'd)

Financial assets at amortised cost (Cont'd)

Provision matrix for trade receivables and contract assets – internal credit rating (Cont'd)

The management of the Group assessed the expected loss on trade receivables by estimation based on historical credit loss experience, general economic conditions of the industry in which the debtors operate and an assessment both the current as well as the forecast direction of conditions at the reporting date. The directors of the Company are of the opinion that trade receivables with gross carrying amount of RMB472 million (2023: RMB719 million) are not credit-impaired, as for they are still considered fully recoverable due to long term/on-going relationship and good repayment record from these customers. Accordingly, RMB18 million (2023: RMB17 million) loss allowance on ECL for trade receivables based on provision matrix is recognised as at 31 December 2024. Gross carrying amount amounted of RMB9 million (2023: RMB24 million) of the balance of trade receivables are considered as credit-impaired and fully provided as for there is evidence indicating the asset is credit-impaired as at 31 December 2024.

During the year ended 31 December 2024, the Group provides for RMB5 million (2023: RMB2 million) impairment allowance for trade receivables, based on the provision matrix. Reversal of impairment allowance of RMB7 million (2023: impairment allowance of RMB1 million) were made on credit-impaired debtors.

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Credit risk and impairment assessment (Cont'd)

Financial assets at amortised cost (Cont'd)

Provision matrix for trade receivables and contract assets – internal credit rating (Cont'd)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables.

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	RMB million	RMB million	RMB million
As at 1 January 2023	14	22	36
Impairment losses recognised, net of reversal	2	1	3
Exchange adjustments	1	1	2
As at 31 December 2023	**17**	**24**	**41**
Impairment losses recognised, net of reversal	**5**	**(7)**	**(2)**
Impairment write off	**(1)**	**(7)**	**(8)**
Exchange adjustments	**(3)**	**(1)**	**(4)**
As at 31 December 2024	**18**	**9**	**27**

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, or when the trade receivables are over two years past due, whichever occurs earlier.

No loss allowance on ECL for contract assets based on provision matrix is recognised during the years ended 31 December 2024 and 2023 as the amount is considered as insignificant.

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating-rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity tables

	Weighted average interest rate %	On demand or less than 1 year RMB million	Over 1 year RMB million	Total undiscounted cash flows RMB million	Carrying amount RMB million
2024					
Trade and other payables	-	788	-	788	788
Bank borrowings					
– variable rate	7.11	129	-	129	128
– fixed rate	1.92	1,618	-	1,618	1,601
Convertible and exchangeable bonds – debt component	16.62	299	-	299	295
Convertible note – debt component	15.80	598	-	598	396
Lease liabilities	5.63	64	75	139	129
		3,496	75	3,571	3,337

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

Liquidity tables (Cont'd)

	Weighted average interest rate	On demand or less than 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	RMB million	RMB million	RMB million	RMB million
2023					
Trade and other payables	–	969	30	999	999
Bank borrowings					
– variable rate	7.91	275	–	275	272
– fixed rate	3.22	790	–	790	762
Convertible and exchangeable bonds – debt component	16.62	298	–	298	256
Convertible note – debt component	15.80	589	–	589	357
Lease liabilities	4.95	80	48	128	121
Dividend payable	–	66	–	66	66
		3,067	78	3,145	2,833

39. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

Liquidity tables (Cont'd)

Bank borrowings with a repayable on demand clause are included in the "on demand or less than 1 year" band in the above maturity analysis. As at 31 December 2024, the aggregate carrying amounts of these bank borrowings amounted to RMB349 million (2023: RMB45 million). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate payment. The directors of the Company believe that such bank borrowings will be repaid within one year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

Maturity Analysis – Bank borrowings with a repayable on demand clause based on scheduled repayments.

	Less than 1 year RMB million	Total undiscounted cash flows RMB million	Carrying amount RMB million
31 December 2024	**349**	**349**	**349**
31 December 2023	45	45	45

39. FINANCIAL INSTRUMENTS (Cont'd)

(c) Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

39. FINANCIAL INSTRUMENTS (Cont'd)

(c) Fair value measurements of financial instruments (Cont'd)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)

Financial assets/ financial liabilities	Fair value as at 31 December 2024 RMB million	31 December 2023 RMB million	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Financial assets						
Equity instrument at FVTOCI – Listed equity securities	-	3	Level 1	Quoted bid prices in an active market.	N/A	N/A
Equity instrument at FVTOCI – Unlisted equity securities	8	42	Level 3	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate.	Discount rate of 12.08% (2023: 14.83%).	The higher the discount rate, the lower the fair value.
Financial assets at FVTPL – Listed securities	191	38	Level 1	Quoted bid prices in an active market.	N/A	N/A
Financial assets at FVTPL – Unlisted funds	246	248	Level 2	Price provided by the financial institution with reference to underlying investment portfolios which have observable quoted price in active markets.	N/A	N/A
Financial assets at FVTPL – Unlisted equity investment	11	21	Level 3	Binomial valuation model using key input: expected volatility.	Expected volatility 69.13% (2023: N/A) is estimated based on the historical volatilities of the comparable companies.	The higher the expected volatility, the higher the fair value.
Financial assets at FVTPL – Unlisted equity investment	16	17	Level 3	Binomial valuation model using key input: expected volatility.	Expected volatility 57.47% (2023: 55.23%) is estimated based on the historical volatilities of the comparable companies.	The higher the expected volatility, the higher the fair value.

39. FINANCIAL INSTRUMENTS (Cont'd)

(c) Fair value measurements of financial instruments (Cont'd)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)

Financial assets/ financial liabilities	Fair value as at 31 December 2024 RMB million	Fair value as at 31 December 2023 RMB million	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Financial Assets						
Financial assets at FVTPL – Unlisted equity investment	233	167	Level 3	Price provided by the general partner with reference to underlying investment portfolios.	Discount for lack of marketability used in valuation.	The higher the discount for lack of marketability used in valuation, the lower the fair value.
Financial assets at FVTPL – Unlisted equity investment	10	–	Level 3	Binomial valuation model using key input: expected volatility.	Expected volatility 38.76% (2023: N/A) is estimated based on the historical volatilities of the comparable companies.	The higher the expected volatility, the higher the fair value.
Financial liabilities						
Derivative financial instruments – Convertible and exchangeable option	-	–	Level 3	Binomial valuation model using key input: expected volatility.	Expected volatility 65.48% (2023: 59.56%) is estimated based on the historical volatilities of the comparable companies.	The higher the expected volatility, the higher the fair value.
Derivative financial instruments – Unlisted warrants	-	6	Level 3	Binomial valuation model using key input: expected volatility.	Expected volatility 24.27% (2023: 42.18%) is estimated based on the historical volatilities of the comparable companies.	The higher the expected volatility, the higher the fair value.
Derivative financial instruments – Convertible Note	21	101	Level 3	Binomial valuation model using key input: expected volatility.	Expected volatility 68.0% (2023: 56.0%) is estimated based on the historical volatilities of the comparable companies.	The higher the expected volatility, the higher the fair value.

There is no transfer between Level 1, Level 2 and Level 3 during both years.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities at amortised cost recognised in the consolidated financial statements approximate their fair values at the end of each reporting period.

39. FINANCIAL INSTRUMENTS (Cont'd)

(c) Fair value measurements of financial instruments (Cont'd)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)

Reconciliation of Level 3 fair value measurements

Reconciliation of Level 3 fair value measurements of financial assets

	Equity instruments at FVTOCI	**Financial assets at FVTPL**
	RMB million	RMB million
At 1 January 2023	50	236
Additions	10	32
Fair value changes	(18)	37
Reallocation	–	(102)
Others	–	(2)
Exchange adjustments	–	4
At 31 December 2023	**42**	**205**
Fair value changes	**(24)**	**52**
Reallocation	**(10)**	**10**
Exchange adjustments	**–**	**3**
At 31 December 2024	**8**	**270**

Of the total gains or losses for the year included in profit or loss, fair value gain of RMB52 million (2023: RMB37 million) relates to financial assets at FVTPL held at the end of the current reporting period. Fair value gains or losses on financial assets at FVTPL are included in "fair value change on financial assets at fair value through profit or loss".

39. FINANCIAL INSTRUMENTS (Cont'd)

(c) Fair value measurements of financial instruments (Cont'd)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)

Reconciliation of Level 3 fair value measurements (Cont'd)

Reconciliation of Level 3 fair value measurements of financial liabilities

	Derivative financial instruments
	RMB million
At 1 January 2023	31
Additions	104
Fair value changes	(28)
At 31 December 2023	**107**
Fair value changes	**(87)**
Exchange adjustments	**1**
At 31 December 2024	**21**

Of the total gains or losses for the year included in profit or loss, fair value gain of RMB87 million (2023: RMB28 million) relates to derivative financial instruments held at the end of the current reporting period. Fair value gains or losses on derivative financial instruments are included in "fair value change on derivative financial instruments".

Fair value of financial instruments that are recorded at amortised cost

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

40. PLEDGE OF OR RESTRICTIONS ON ASSETS

At the end of the reporting period, the carrying amounts of the assets pledged by the Group to secure the bank borrowings and credit card facilities granted to the Group as set out in Note 33 are as follows:

	2024	2023
	RMB million	RMB million
Property, plant and equipment	**526**	889
Right-of-use assets	**45**	61
Pledged bank deposits	**1,114**	315
	1,685	1,265

In addition, restrictions on assets of the Group are as follows:

Lease liabilities of RMB129 million (2023: RMB121 million) are recognised with related right-of-use assets of RMB349 million (2023: RMB320 million) as at 31 December 2024. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

41. RETIREMENT BENEFITS PLANS

Defined contribution plan

The employees of the Group in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions under the scheme.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under control of a trustee. The Group contributes 5% of relevant payroll costs or HKD1,500 per person per month to the scheme, whichever is lower, which is matched by employees.

Contributions to the above schemes for the year ended 31 December 2024 made by the Group amounted to RMB197 million (2023: RMB169 million).

42. RELATED PARTY DISCLOSURES

The Group is controlled by the Controlling Shareholders, Dr. Liu Dejian and Mr. Liu Luyuan, who have entered into agreement to collectively govern the financial and operating policies of the Company and various subsidiaries.

(a) Related party transactions and balances

The Group had the following significant related party transactions during the year with certain companies in which some directors and shareholders of the Company can exercise significant influence or control:

Name of related parties	**Relationship**
Fuzhou 851	DJM, the immediate holding company of the Company, and Dr. Liu Dejian, executive director and beneficial owner of the Company, has 100% equity interest in this entity.
福州市言樂文化傳媒有限公司 ("Fuzhou Yanle")	Fuzhou Yanle is a joint venture of the Group which the Group holds 30% of the issued share capital in this entity.
福建省數據治理與數據流通工程研究院有限公司 ("Fujian Data")	Fujian Data is an associate of the Group which the Group holds 19% of the issued share capital in this entity.
雲啟智慧科技有限公司 ("iCloud Wisdom")	iCloud Wisdom is an associate of the Group which the Group holds 40% of the issued share capital in this entity.
福建省國騰信息科技有限公司 ("Guoteng")	Guoteng is a joint venture of the Group which the Group holds 60% of the issued share capital in this entity.

Other than as disclosed elsewhere in these consolidated financial statements, the Group had the following significant related party transactions during the year with certain companies in which some directors and shareholders of the Company can exercise significant influence or control.

Nature of transactions/balances	**2024** **RMB million**	2023 RMB million
Promotional expense to Fuzhou Yanle	**(3)**	–
Education management fee to Fujian Data	**(6)**	–
Technical service fee paid to Guoteng	**(1)**	(1)
Service revenue from Guoteng	**1**	2
Service revenue from iCloud Wisdom	**–**	1
Amounts due from associates (Note)	**3**	–
Amounts due from joint ventures (Note)	**7**	7

42. RELATED PARTY DISCLOSURES (Cont'd)

(a) Related party transactions and balances (Cont'd)

Saved as disclosed above, the Group had continuing connected transactions during the year, including (i) service fee paid to Fuzhou 851 of RMB4 million (2023: RMB11 million) and (ii) a lease agreement entered with Fuzhou 851 with the lease term till 2027 for the use of office premise located in the PRC. The Group has made repayment of the lease liabilities of RMB26 million (2023: RMB7 million) during the year. As at 31 December 2024, the corresponding carrying amount of the lease liabilities is RMB70 million (2023: insignificant).

Note: As at 31 December 2024 and 2023, the amounts due from associates and joint ventures included in other receivables, prepayments and deposits are not trade in nature, unsecured, non-interest bearing and repayable on demand.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2024	2023
	RMB million	RMB million
Salaries, allowances and other short-term employee benefits	**120**	183
Contribution to retirement benefits schemes	**1**	1
Share-based payments expense	**–**	93
	121	277

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

43. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments contracted for but not provided in the consolidated financial statements:

	2024	2023
	RMB million	RMB million
Capital expenditure in respect of:		
– Capital injection in joint ventures	**24**	609
– Acquisition of property, plant and equipment	**118**	128
– Properties under development projects	**374**	383
	516	1,120

44. ACQUISITION OF SUBSIDIARIES

On 18 April 2023, the Group entered into a merger agreement with Gravitas Education Holdings, Inc. ("GEHI"), a company incorporated in the Cayman Islands whose shares are listed on The New York Stock Exchange, pursuant to which GEHI would acquire 100% equity interest of the education business of the Group outside of the PRC, comprising the businesses operated by the Promethean Group, Edmodo, LLC, Elernity (Thailand) Co., Ltd. and Sky Knight Investments Limited (the "Spin-off Business") by the issues of 426,422,218 shares of new ordinary shares of GEHI as consideration of the transactions (the "Merger"). The Group held 74.385% equity interests of GEHI upon completion of the Merger.

As set out in Notes 34, 35 and 37, as part of the Merger: (i) Best Assistant early redeemed USD125 million (equivalent to RMB889 million) convertible and exchangeable bonds at a consideration with cash settlement to the Nurture Education; (ii) Mynd.ai issued a senior secured convertible note with an aggregate principal amount of USD65 million (equivalent to RMB461 million) to the Nurture Education; and (iii) Best Assistant granted a total of 163,466,057 awards of ordinary shares of Best Assistant to certain grantees.

Following the completion of the Merger on 13 December 2023, GEHI (which subsequently known as Mynd.ai upon completion of the Merger) and its subsidiaries other than the Spin-off Business become non-wholly-owned subsidiaries of the Company while the changes in the Group's interests in the Spin-off Business, which do not result in losing control over these entities, are accounted for as equity transactions.

44. ACQUISITION OF SUBSIDIARIES (Cont'd)

Immediately prior to completion of the Merger, GEHI divested its education business in the PRC and retained its education business in Singapore (these retained business, together with Mynd.ai, collectively be referred to as the "GEHI Singapore Operations") only. After the said divestiture, the Group acquired 30% equity interest in GEHI from its then shareholders at a cash consideration of USD15 million (equivalent to approximately RMB107 million) (the "Secondary Sales"). Thereafter, GEHI issued 426,422,218 shares in exchange of the Spin-off Business from the Group.

GEHI Singapore Operations are principally providing kindergarten educational services and student care services in Singapore. GEHI has substantive business processes performed by organised workforce including teachers and tutors with necessary skills, knowledge and experience to continuously provide early childhood, primary and/or secondary education services to customers. The acquisition of GEHI is accounted for using the acquisition method.

Consideration transferred for acquisition of the GEHI Singapore Operations

	RMB million
Cash	107
Consideration share (Note)	56
Total	163

Note: In determining fair value of consideration share, fair value of the acquiree's equity interests which quoted price was available on acquisition date was more reliably measurable than the fair value of the acquirer's equity interests, which was a private entity. Therefore, fair value of the above consideration share was determined based on number of 30,055,603 GEHI Class A shares held by shareholders immediately prior to the Secondary Sales and the quoted market prices of GEHI of USD1.323 (equivalent to approximately RMB9.410) per share as at 13 December 2023 with adjustment of special dividend of USD0.5628 (equivalent to approximately RMB4.003) per share declared on 8 December 2023 to the shareholders of GEHI before the completion of the Merger.

Acquisition-related costs amounting to USD12 million (equivalent to approximately RMB85 million) had been excluded from the consideration transferred and have been recognised as an expense in the year ended 31 December 2023, within the "Administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

44. ACQUISITION OF SUBSIDIARIES (Cont'd)

Assets acquired and liabilities of GEHI Singapore Operations recognised at the date of acquisition

	RMB million
Non-current assets	
Property, plant and equipment	34
Right-of-use assets	38
Intangible assets	58
Deferred tax assets	2
Current assets	
Inventories	1
Trade and other receivables	33
Cash and cash equivalents	115
Current liabilities	
Trade and other payables	(67)
Contract liabilities	(12)
Lease liabilities	(21)
Tax payable	(3)
Non-current liabilities	
Lease liabilities	(18)
Deferred tax liabilities	(10)
Net assets acquired	150

Non-controlling interests

The non-controlling interests (15%) in GEHI recognised at the acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to RMB13 million, which was determined with reference to quoted price of GEHI at the acquisition date.

44. ACQUISITION OF SUBSIDIARIES (Cont'd)

Goodwill arising on acquisition of GEHI Singapore Operations

	RMB million
Consideration transferred	163
Less: Fair value of identifiable net assets acquired	(137)
Goodwill arising on acquisition	26

Goodwill arose on the acquisition of GEHI because the acquisition included the assembled workforce of the entities comprising its education business in Singapore as at the date of acquisition. These benefits were not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition was expected to be deductible for tax purpose.

Net cash inflow (outflow) on acquisition of GEHI Singapore Operations

	RMB million
Consideration paid in cash	(107)
Less: cash and cash equivalent balances acquired	115
	8

Impact of acquisition of GEHI Singapore Operations on the results of the Group

Included in the profit for the year ended 31 December 2023 was the profit of RMB1 million attributable to the additional business generated by GEHI Singapore Operations. Revenue for the year ended 31 December 2023 included RMB14 million generated from GEHI Singapore Operations.

Had the acquisition of the GEHI Singapore Operations been completed on 1 January 2023, total group revenue for the year ended 31 December 2023 would have been RMB7,153 million, and profit for year then ended would have been RMB442 million. The directors of the Company consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

45. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2024, Mynd.ai entered into a sale agreement to dispose of its entire 85% equity interest in GEHI Singapore Operations to the other shareholder of GEHI Singapore Operations with a consideration of USD20 million (equivalent to RMB140 million). The purpose of the disposal represented a strategic shift of the Group on Mynd.ai's operations. The disposal was completed on 2 October 2024.

	RMB million
Consideration received	**140**
Analysis of assets and liabilities over which control was lost	
Non-current assets	
Property, plant and equipment	33
Right-of-use assets	49
Intangible assets	49
Goodwill	10
Current assets	
Inventories	1
Trade receivables	4
Other receivables and deposits paid	32
Amounts due from related parties	5
Bank balances and cash	39
Current liabilities	
Trade payables	(2)
Accruals and other payables	(26)
Contract liabilities	(5)
Lease liabilities	(25)
Non-current liabilities	
Deferred tax liabilities	(9)
Lease liabilities	(24)
Other long-term payables	(28)
Net assets disposed of	103

45. DISPOSAL OF SUBSIDIARIES (Cont'd)

	RMB million
Gain on disposal of subsidiaries	
Consideration received	140
Net assets disposed of	(103)
Non-controlling interest	54
Reclassification of cumulative translation reserve upon disposal of GEHI Singapore Operations to profit or loss	6
Gain on disposal	97
Cash inflow on disposal	
Consideration received	140
Bank balances and cash disposed of	(39)
	101

The directors of the Company consider that the impact of the disposal of the GEHI Singapore Operations on the Group's results and cash flows in the current year is insignificant.

46. OPERATING LEASE

The Group as lessor

Property rental income earned during the year was RMB2 million (2023: RMB3 million). The property is expected to generate rental yields of 3.5% (2023: 5.6%) per annum on an ongoing basis. The property held has committed tenants for the 0.17 to 7 years (2023: 0.25 to 8 years). The Group had contracted with tenants for the following future minimum lease payments:

	2024 RMB million	2023 RMB million
Within one year	3	5
In the second year	3	3
In the third year	3	3
In the fourth year	3	2
In the fifth year	3	2
In the sixth year and onwards	4	8
	19	23

47. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Convertible note and convertible and exchangeable bonds RMB million	Bank borrowings RMB million	Dividend payables RMB million	Lease liabilities RMB million	Total RMB million
At 1 January 2024	**714**	**1,034**	**66**	**121**	**1,935**
Financing cash flows	**–**	**692**	**(453)**	**(99)**	**140**
New leases	**–**	**–**	**–**	**158**	**158**
Disposal of subsidiaries	**–**	**–**	**–**	**(49)**	**(49)**
Interest paid	**(33)**	**–**	**–**	**(9)**	**(42)**
Non-cash changes:					
Exchange adjustments	**10**	**3**	**–**	**(2)**	**11**
Finance costs recognised	**101**	**–**	**–**	**9**	**110**
Fair value changes	**(80)**	**–**	**–**	**–**	**(80)**
Dividends declared	**–**	**–**	**387**	**–**	**387**
At 31 December 2024	**712**	**1,729**	**–**	**129**	**2,570**
At 1 January 2023	1,333	739	–	117	2,189
Financing cash flows	(903)	289	(877)	(76)	(1,567)
New leases	–	–	–	39	39
Interest paid	(63)	–	–	(5)	(68)
Non-cash changes:					
Exchange adjustments	28	6	–	2	36
Finance costs recognised	212	–	–	5	217
Redemption loss	156	–	–	–	156
Net off of prepayment for interest	(46)	–	–	–	(46)
Fair value changes	(3)	–	–	–	(3)
Dividends declared	–	–	943	–	943
Acquisition of subsidiaries	–	–	–	39	39
At 31 December 2023	714	1,034	66	121	1,935

48. SUBSIDIARIES OF THE COMPANY

(a) Particulars of the Company's principal subsidiaries

Particulars of the Company's principal subsidiaries at 31 December 2024 and 2023 are as follows:

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and fully paid up ordinary share/ registered capital	Proportion of registered capital/ issued share capital/equity interests and voting power held by the Company directly		indirectly		Principal activities
			2024 %	2023 %	2024 %	2023 %	
NetDragon Websoft Inc.	British Virgin Islands	USD222,203.93	100	100	-	–	Investment holding
Fujian Huayu*	PRC	RMB200 million	-	–	-	–	Operation and development of online education business
NetDragon (Fujian)*	PRC	RMB10 million	-	–	-	–	Operation of online games
Fujian Tianquan	PRC	RMB500 million	-	–	100	100	Operation and development of online education business
TQ Digital#	PRC	RMB946 million	-	–	100	100	Development of online games and licensing and servicing of developed games
TQ Online#	PRC	RMB900 million	-	–	100	100	Development of online games and licensing and servicing of developed games
NetDragon Websoft (Hong Kong) Limited (網龍香港有限公司)	Hong Kong	HKD1.00	-	–	100	100	Operation of online games
Mynd.ai	Cayman Islands	USD456,478	-	–	74.364	74.385	Sale and distribution of education hardware and software products
Best Assistant	Cayman Islands	USD0.001	-	–	100	100	Investment holding
Cherrypicks Limited (創奇思有限公司)	Hong Kong	HKD150,000.00	-	–	92.20	92.20	Mobile solution, products and marketing business
福建天景房地產開發有限公司	PRC	RMB10 million	-	–	100	100	Property development

48. SUBSIDIARIES OF THE COMPANY (Cont'd)

(a) Particulars of the Company's principal subsidiaries (Cont'd)

Notes:

* The Group's control over, and beneficial interest in the equity of, these entities exist by virtue of certain contractual arrangements entered into with the Controlling Shareholders involving these entities, which are established as limited liability companies under PRC law. The Group does not hold ownership interest in the registered capital of these subsidiaries. However, under the contractual agreements entered into among the entities, the Controlling Shareholders who are the owners of the registered capital of these entities and the Group, the Group controls these entities by way of controlling all voting rights in owners' meetings of these entities and governing their financial and operating policies. Under the contractual arrangements, management committees are established to oversee the businesses and operations of these entities in order to ensure and facilitate the implementation of the contractual arrangements. The management committees shall comprise members, all of whom have to be directors of TQ Digital and Fujian Tianquan, subsidiaries of the Company, in order that the decision-making rights and the operating and financing activities of these entities are ultimately controlled by the Company. The Company is also entitled to substantially all of the operating profits and residual benefits by charging service fee equal to net profit generated by these entities under the contractual arrangements. In addition, the owners of the registered capital of these entities have irrecoverably authorised TQ Digital and Fujian Tianquan to exercise all their voting rights in NetDragon (Fujian) and Fujian Huayu, including the appointment and removal of the directors of these entities. As a result, these entities are regarded as subsidiaries under the control of the Group. Accordingly, the results of these entities, if any, and their assets and liabilities are included in the consolidated financial statements.

Wholly foreign owned enterprise.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the result or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities outstanding at 31 December 2024 and 2023 or at any time during the year, except for the issuance of convertible and exchangeable bonds by Best Assistant and convertible note issued by Mynd.ai as disclosed in Notes 34 and 35 respectively in which the Company has no interest.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong, the UK, the USA and the PRC. The principal activities of these other subsidiaries are similar to those of the principal subsidiaries of the Company as set out above.

48. SUBSIDIARIES OF THE COMPANY (Cont'd)

(b) Non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests.

Name of subsidiaries	Place of incorporation	Proportion of ownership and voting rights held for non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2024	2023	**2024**	2023	**2024**	2023
		%	%	**RMB million**	RMB million	**RMB million**	RMB million
Mynd.ai and its subsidiaries (collectively "Mynd.ai Group") (Note)	Cayman Islands	**25.636**	25.615	**(189)**	(16)	**66**	278

Note: As set out in Note 44, the Group entered into a merger agreement to acquire the GEHI Singapore Operations during the year ended 31 December 2023.

GEHI, through issuing new ordinary shares, acquired the Spin-off Business from Best Assistant and the Group obtained 74.385% equity interest of GEHI. GEHI was renamed as Mynd.ai subsequent to completion of the acquisition.

After the Merger, Best Assistant becomes a wholly owned subsidiary of the Company while Mynd.ai, which holds the GEHI Singapore Operations and the Spin-off Business, becomes an indirect non-wholly owned subsidiary of the Company.

48. SUBSIDIARIES OF THE COMPANY (Cont'd)

(b) Non-wholly owned subsidiaries that have material non-controlling interests (Cont'd)

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Mynd.ai Group	
	2024	2023
	RMB million	RMB million
Current assets	**1,059**	1,603
Non-current assets	**812**	1,461
Current liabilities	**(1,500)**	(1,433)
Non-current liabilities	**(20)**	(588)
	351	1,043
Equity attributable to owners of Mynd.ai Group	**351**	765
Non-controlling interests of subsidiaries of Mynd.ai Group	**–**	278
	351	1,043
Revenue	**2,110**	311
Expenses	**(2,848)**	(373)
Loss for the year/period	**(738)**	(62)
Loss attributable to owners of Mynd.ai Group	**(738)**	(46)
Loss attributable to the non-controlling interests of subsidiaries of Mynd.ai Group	**–**	(16)
Loss for the year/period	**(738)**	(62)

48. SUBSIDIARIES OF THE COMPANY (Cont'd)

(b) Non-wholly owned subsidiaries that have material non-controlling interests (Cont'd)

	Mynd.ai Group	
	2024	2023
	RMB million	RMB million
Other comprehensive expense	**(21)**	(3)
Total comprehensive expense attributable to owners of Mynd.ai Group	**(759)**	(48)
Total comprehensive expense attributable to the non-controlling interests of subsidiaries of Mynd.ai Group	**–**	(17)
Total comprehensive expense for the year/period	**(759)**	(65)
Net cash inflow (outflow) from operating activities for the year/period	**6**	(112)
Net cash inflow from investing activities for the year/period	**31**	107
Net cash (outflow) inflow from financing activities for the year/period	**(162)**	459
Net cash (outflow) inflow for the year/period	**(125)**	454

49. SUMMARY OF STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2024 RMB million	2023 RMB million
Non-current assets		
Investments in subsidiaries	168	168
Amounts due from subsidiaries	1,510	1,510
	1,678	1,678
Current assets		
Other receivables and prepayment	1	1
Amounts due from subsidiaries	1,151	1,256
Pledged bank deposits	7	7
Bank balances	120	67
	1,279	1,331
Current liabilities		
Other payables	22	41
Bank borrowing	300	300
Dividend payable	–	66
Amounts due to subsidiaries	1,202	644
Derivative financial instruments	–	6
	1,524	1,057
Net current (liabilities) assets	(245)	274
Net assets	1,433	1,952
Capital and reserves		
Share capital	39	39
Share premium and reserves	1,394	1,913
	1,433	1,952

49. SUMMARY OF STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Cont'd)

Movement in the Company's reserves:

	Share premium	Capital redemption reserve	Other reserve	Dividend reserve	Treasury share reserve	Employee share-based compensation reserve	Retained profits (accumulated losses)	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
At 1 January 2023	1,918	8	(2)	193	(9)	53	45	2,206
Profit and total comprehensive income for the year	–	–	–	–	–	–	770	770
Repurchase and cancellation of shares	(133)	1	–	–	–	–	(1)	(133)
Shares issued upon exercise of share options	7	–	–	–	–	(2)	–	5
Recognition of equity-settled share-based payments, net of share options forfeited	–	–	–	–	–	5	3	8
Awarded shares vested to employees	–	–	–	–	6	(5)	(1)	–
Final dividend for 2022 paid	–	–	–	(193)	–	–	2	(191)
Interim dividend for 2023 declared and paid	–	–	–	–	–	–	(196)	(196)
Special interim dividend for 2023 declared and paid	–	–	–	–	–	–	(490)	(490)
Second special interim dividend for 2023 declared	–	–	–	–	–	–	(66)	(66)
Final dividend for 2023 proposed	(193)	–	–	193	–	–	–	–
At 31 December 2023	**1,599**	**9**	**(2)**	**193**	**(3)**	**51**	**66**	**1,913**
Loss and total comprehensive expenses for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(132)**	**(132)**
Final dividend for 2023 paid	**-**	**-**	**-**	**(193)**	**-**	**-**	**-**	**(193)**
Interim dividend for 2024 declared and paid	**(194)**	**-**	**-**	**-**	**-**	**-**	**-**	**(194)**
Final dividend for 2024 proposed	**(246)**	**-**	**-**	**246**	**-**	**-**	**-**	**-**
At 31 December 2024	**1,159**	**9**	**(2)**	**246**	**(3)**	**51**	**(66)**	**1,394**