

Stock Code: 603444

Stock Name: G-bits

**G-bits Network Technology (Xiamen) Co., Ltd.**  
**2023 Annual Report (Summary)**

**March 2024**

Should there be any discrepancy between the English version and the Chinese version of this Report, the Chinese version shall prevail.

## **Part I Important Notes**

**I. The summary of the Annual Report is extracted from the full text of the Annual Report. To gain a thorough understanding of the Company's operational achievements, financial status, and future development plans, investors are advised to carefully read the full Annual Report on the website [www.sse.com.cn](http://www.sse.com.cn).**

**II. The board of directors (or the “Board”), supervisory board, directors, supervisors, and senior management of the Company guarantee the truthfulness, accuracy, and completeness of the annual report, ensuring that there are no false records, misleading statements, or material omissions. They also bear individual and joint legal responsibilities.**

**III. All directors of the Company attended the board meeting for the review of the Annual Report.**

**IV. KPMG Huazhen LLP has issued a standard unqualified audit opinion for the Company.**

**V. The profit distribution proposal or reserve capitalization proposal for the Reporting Period approved by the Board of directors**

In recent years, the number of R&D personnel in the Company has been continuously increasing. By the end of 2021, 2022, and 2023, the company had 530, 692, and 855 R&D personnel, respectively, with a sustained increase in R&D investment. However, due to factors such as intensified market competition and changes in consumer willingness to spend, the core product revenue of the Company experienced a decline. Taking into account the aforementioned factors, as well as the potential capital investment in subsequent reserve projects, the capital needs for overseas business development, and the funding requirements for the execution of repurchase plans, the Board of Directors of the Company, at its 20th meeting of the 5th session, deliberated and decided not to distribute cash dividends for the year 2023, nor to distribute profits in any other form.

To share the operational achievements and boost investor confidence, it is proposed to authorize the Board of Directors to decide on the mid-term profit distribution plan for 2024

(including the semi-annual and first three quarters) under the following conditions and implement it within the specified period: (1) The Company is profitable for the period, and the accumulated undistributed profits are positive. After evaluating the current operating conditions and the funds required for sustainable future development, the Board of Directors deems the funds to be sufficient, and it is suitable to distribute cash dividends for the period; (2) The cumulative amount of cash dividends during the period shall not exceed 100% of the net profit attributable to shareholders of the Company.

The above proposal is subject to approval by the shareholders' meeting.

The Company completed the cash dividend distribution for the 2023 interim period on September 27, 2023, totaling RMB 504 million. The cash dividend amount for the full year 2023 accounted for 44.82% of net profit attributable to shareholders of the Company in the Company's 2023 consolidated financial statements.

## Part II Basic Information of the Company

### I. Company Profile

Stock Profile				
Types of Stocks	Stock Exchange	Stock Name	Stock Code	Previous Stock Name
A-shares	Shanghai Stock Exchange	G-bits	603444	N/A

Contact Information	Board Secretary	Securities Affairs Representative
Name	LIANG Lili	CAI Luxi
Telephone	0592-3213580	0592-3213580
Office Address	G-bits Building, No.4 Wang Hai Road, Software Park II, Xiamen	G-bits Building, No.4 Wang Hai Road, Software Park II, Xiamen
Email	ir@g-bits.com	ir@g-bits.com

### II. Key Accounting Data and Financial Indicators of the Company

#### (I) Key Accounting Data and Financial Indicators for the Past 3 Years

Unit: RMB Yuan

Item	31 December 2023	31 December 2022	YoY+/- (%)	31 December 2021
Total assets	6,636,771,238.42	6,490,420,298.78	2.25	7,103,275,522.22
Equity attributable to shareholders of the Company	4,463,842,027.96	3,978,734,566.03	12.19	4,580,137,503.55
Item	2023	2022	YoY+/- (%)	2021
Operating revenue	4,184,851,388.03	5,167,615,488.17	-19.02	4,619,046,080.80
Net profit attributable to shareholders of the Company	1,125,119,212.35	1,460,874,459.68	-22.98	1,468,498,092.21
Net profit attributable to shareholders of the Company after deducting non-recurring profits and losses	1,118,962,328.86	1,468,317,227.00	-23.79	1,225,770,911.42
Net cash flows from operating activities	1,185,500,983.67	1,752,393,962.54	-32.35	2,418,288,430.93
Weighted average return on equity (%)	26.04	32.49	a decrease of 6.45 percentage points	35.97
Basic earnings per share (RMB/share)	15.63	20.33	-23.12	20.43

## **Description:**

### **i. Overview of Main Game Revenue and Profits**

#### **1. Domestic Game Business**

(1) The operating revenue and profit of *Ashtao (PC)* this year remained basically flat compared to last year;

(2) The operating revenue of *Ashtao (Mobile)* this year decreased compared to last year, with distribution expenses remaining basically stable, resulting in a decrease in overall profit compared to last year;

(3) The operating revenue and distribution expenses of *Overmortal (Mainland Version)* decreased significantly compared to last year. However, the decrease in operating revenue compared to the decrease in distribution expenses was greater this year, resulting in a significant decrease in overall profit compared to last year;

(4) *Aobi Island: Dreamland* was launched in July 2022. The operating revenue this year decreased compared to last year, but the decrease in distribution expenses this year was greater (mainly due to the large distribution expenses at the initial launch in 2022). The product profits turned losses into profits this year;

(5) *Dragon POW!* was launched in August 2023, contributing incremental revenue. The initial distribution expenses was substantial, and as of the end of this period, it has not yet made a profit;

(6) *Beasts Evolved 2* and *Pica Town: Dream Origin Gameplay* were launched in December 2023, and as of the end of the reporting period, the games are still in a loss-making state.

#### **2. Overview of Overseas Business**

This year, the Company's overseas revenue totaled RMB 272 million, an increase of 5.03% compared to last year. The Company primarily launched *Overmortal (European and*

American version) overseas this year. As of the end of the reporting period, the overall overseas gaming business has not yet generated profits.

## ii. Overview of Company Personnel

1. At the end of the reporting period, the total number of employees was 1,447, an increase of 193 compared to the end of the previous year (a growth of 15.39%). Among them, the number of R&D personnel increased by 163, and the number of operational personnel increased by 24.

2. The average monthly number of employees in the Company this year was approximately 1,386, an increase of approximately 246 compared to last year (a growth of 21.58%). Among them, the number of R&D personnel increased by approximately 159, and the number of operational personnel increased by approximately 83.

The number of Company employees increased compared to the previous year, resulting in corresponding increases in basic salaries and related expenses. However, bonuses provided by the Company based on operational performance decreased compared to the previous year, resulting in a slight decrease in overall personnel-related expenses.

## iii. Overview of Equity Investment Business

The Company's investment targets mainly consist of upstream and downstream enterprises in the game industry or industry investment funds. There were a few new equity investments this year. The total return from investment business this year (including investment income, gains or losses from changes in fair value, assets impairment losses, etc.) are detailed in the table below:

Unit: RMB Yuan

Item	2023	2022
Investment income recognized under the equity method for joint ventures and associates (Profits of the investee recognized based on ownership percentage)	9,207,061.64	74,292,570.87
Provision for impairment of long-term equity investments (Impairment of equity investments)	-19,961,119.52	-143,022,342.67
Investment income (Gain on disposal of equity investments)	2,198,115.56	-54,000.00
Gain or loss from fair value changes of other non-current financial assets	-42,380,484.84	-67,007,069.44

Item	2023	2022
(Fair value changes of investees)		
Investment income during the holding period of other non-current financial assets (Dividends from investees)		6,180,720.21
<b>Total</b>	<b>-50,936,427.16</b>	<b>-129,610,121.03</b>

#### iv. Overview of Foreign Exchange Gain/Losses

The period-end central parity rate of the USD against the RMB was 7.0827, representing an increase of 1.70% compared to the end of the previous year. Some of the Company's transactions are settled in USD, and the Company holds a relatively large amount of USD. The income generated from exchange rate changes this year amounted to RMB 31.51 million (of which RMB 19.17 million is attributable to shareholders of the Company). In comparison, the income generated from exchange rate changes in the same period last year was RMB 173 million (with the exchange rate at the end of the previous year increasing by 9.24% compared to the end of the year before last), This year's income generated from exchange rate changes decreased by RMB 141 million compared to the previous year.

#### v. Overview of Operating Cash Flow

1. The net cash flow from operating activities for the current year decreased by 32.35% compared to last year, mainly due to a year-on-year decrease in revenue from core products, resulting in a decrease in cash inflows from operating activities.

2. The year-on-year decrease in operating revenue for the current year was 19.02%, which is roughly equivalent to the decrease in cash inflows from operating activities (a year-on-year decrease of 17.78%). However, the year-on-year decrease in cash outflows from operating activities was only 10.76%. Therefore, the decrease in net cash flow from operating activities exceeded the decrease in operating revenue.

#### vi. Overview of Deferred Game Revenue

As of December 31, 2023, the Company's unamortized deferred game revenue balance amounts to 441 million yuan, a decrease of RMB 115 million compared to the previous year-end

balance of RMB 556 million. The main reasons are:

1. The Company's cooperation with the developer of *Mole's World* expired on May 26, 2023, and the Company recognized the deferred revenue balance as operating revenue during the reporting period, as the performance obligations are no longer required.

2. The decrease in revenue from core products led to a corresponding decrease in the balance of deferred revenue.

#### vii. Adjusted Net Profit Attributable to Shareholders of the Company

To better reflect the operating performance of the Company's main business, the impact of exchange rate changes and equity investment activities on profit has been excluded. The adjusted net profit attributable to shareholders of the Company for the year 2023 decreased by 21.35% compared to last year. The summary is as follows:

Unit: RMB Yuan		
Item	2023	2022
Net profit attributable to shareholders of the Company	1,125,119,212.35	1,460,874,459.68
Less: (1) Changes in Equity Holdings Period (Gains or Losses from Changes in Fair Value,, Investment Income, and Asset Impairment Losses, etc.)	-60,053,823.16	-107,674,340.91
(2) Foreign Exchange Gains	19,167,301.84	104,159,091.54
(3) Taxes and Charges Related to Investment Operations and Foreign Exchange Movements	-2,522,112.51	-21,352,917.98
Adjusted Net Profit Attributable to Shareholders of the Company	1,168,527,846.18	1,485,742,627.03

#### (II) Quarterly Key Accounting Data during the Reporting Period

	Q1	Q2	Q3	Q4	Total
Operating revenue	1,144,370,036.56	1,204,554,622.60	957,847,434.54	878,079,294.33	4,184,851,388.03
Net profit attributable to shareholders of the Company	306,552,774.63	369,418,231.91	183,338,216.61	265,809,989.20	1,125,119,212.35
Net profit attributable to shareholders of the Company after deducting non-recurring	280,615,068.87	365,081,137.68	178,116,785.81	295,149,336.50	1,118,962,328.86



	Q1	Q2	Q3	Q4	Total
profits and losses					
Net cash flows from operating activities	245,586,232.47	356,063,608.17	222,909,244.23	360,941,898.80	1,185,500,983.67

**Description:**

1. The decrease in fourth-quarter revenue compared to the third quarter is mainly due to a decrease in revenue from core products and a relatively small contribution from newly launched products.

2. The increase in net profit attributable to shareholders of the Company in the fourth quarter compared to the third quarter is mainly due to:

(1) In the first three quarters of the year, the provision for bonuses was relatively sufficient based on operating performance. However, at the year-end, a portion of the bonuses was offset based on the Company's annual operating performance, project performance, and employee performance.

(2) In the fourth quarter of the year, Xiamen Leiting Interactive Network Co., Ltd. offset the difference between the provision for income tax based on a 25% rate in 2022 and the actual settlement and payment of taxes. Based on cautious consideration, income tax was still provisioned at a rate of 25% for the year 2023.

3. The increase in net cash flow from operating activities in the fourth quarter compared to the third quarter is mainly due to:

(1) The Company typically pays salaries on the 5th of each month. However, due to the National Day holiday, salaries were paid at the end of September, resulting in lower salary payments in the fourth quarter compared to the third quarter.

(2) Fluctuations in quarterly performance and the tax declaration period resulted in lower tax payments in the fourth quarter compared to the third quarter.

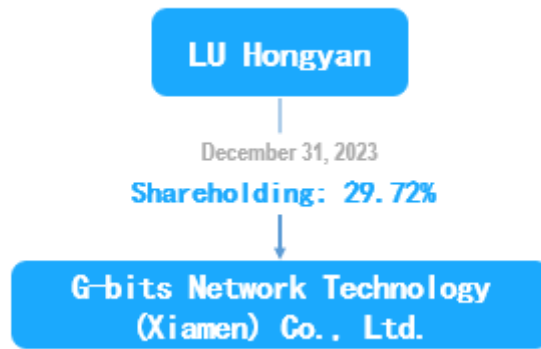
### III. Shareholder Composition

#### (I) Number and shareholding of the Company's shareholders

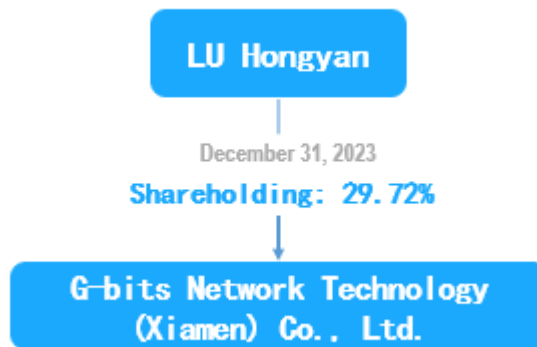
Total number of ordinary shareholders at the end of the reporting period							21,808
Total number of ordinary shareholders as of the end of the previous month before the disclosure date of the annual report							26,350
Total number of preferred shareholders with voting rights restored at the end of the reporting period							-
Total number of preferred shareholders with voting rights restored as of the end of the previous month before the disclosure date of the annual report							-
Top 10 shareholders							
Name of shareholder	Increase/decrease in the Reporting Period	Number of shares held at the end of the reporting period	Shareholding percentage (%)	Restricted shares held	Pledged, marked, or frozen shares		Nature of Shareholder
					Status	Quantity	
LU Hongyan	-216,860	21,412,615	29.72		None		Domestic individual
CHEN Tuolin		8,240,025	11.44		None		Domestic individual
Hong Kong Securities Clearing Company Ltd.	1,457,789	7,058,812	9.80		None		Overseas corporation
HUANG Zhihui	-75,500	1,374,782	1.91		None		Domestic individual
LI Peiyang		1,350,000	1.87		None		Domestic individual
Zhongtai Securities Asset Management - China Merchants Bank - Zhongtai Xinghe No. 12 Collective Asset Management Plan	-437,459	891,281	1.24		None		Other
China Minsheng Bank Co., Ltd. - Huaxia CSI Animation & Game Exchange-Traded Open-End Index Securities Investment Fund	546,936	682,008	0.95		None		Other
China Construction Bank Corporation - Zhongtai Kaiyang Value-Optimized	-139,623	423,811	0.59		None		Other

Flexible Allocation Mixed-Type Securities Investment Fund							
China Universal Asset Management—China Life Insurance Co., Ltd. - Dividend Insurance—China Universal Asset Management Growth Equity Portfolio Single Asset Management Plan (Available for Sale)	409,700	409,700	0.57		None		Other
Ping An Fund - Ping An Life Insurance Company of China, Ltd. - Ping An Life - Ping An Fund Equity Entrusted Investment No. 1 Single Asset Management Plan	-217,776	398,968	0.55		None		Other
Related or acting-in-concert parties among the shareholders listed above	N/A						
Explanation of preferred shareholders with voting rights restored and their shareholding quantities	N/A						

**(II) Diagram of Equity and Control Relationships Between the Company and Controlling Shareholder**



(III) Diagram of Equity and Control Relationships Between the Company and the Ultimate Controlling Party



## Part III Management Discussion and Analysis

### I. Discussion and Analysis of Business Operations

The Company specializes in the development and operation of online games, with a focus on nurturing innovative talent and promoting efficiency. The Company's mission is to present unique products and enriching entertainment to a global audience.

In terms of in-house game development, the Company's self-developed products such as *Asktao (PC)*, *Asktao (Mobile)* and *Overmortal* have garnered a strong following among players and maintained solid profitability. *Asktao (PC)* has been in continuous operation for nearly 18 years since its launch in 2006, releasing key updates such as New Year versions, anniversary versions, mid-year versions, and zodiac-themed versions, all of which have been well-received by players. *Asktao (Mobile)*, available for almost 8 years, has consistently performed well, with an average ranking of 35th on the App Store's bestselling games list during the reporting period, with a peak ranking of 10th place. *Overmortal*, launched in February 2021, has maintained an average ranking of 44th on the App Store's bestselling games list during the reporting period, with a peak ranking of 7th place.

In terms of game operation, the Company maintains a "boutique" approach through its self-operated platform, Leiting Game, implementing a differentiation strategy. Over years of accumulation and refinement, Leiting Game has developed outstanding game operation capabilities and has successfully operated a diverse portfolio of games, including *Asktao (Mobile)*, *Overmortal*, *Aobi Island: Dreamland*, *Dragon POW!*, *World Flipper*, *Tale of Immortal (PC)*, *Dungeon Survivor II: Dark Tide (Android)*, *Dungeon Survivor III: Dark Genesis*, *Funny Fighters: Battle Royale*, and *Gumballs*, among others.

In the future, the Company will continue to iterate and update existing products to enhance game performance and user experience, as well as prolong the lifecycle of products through continuous IP development. In terms of new product research and development, the Company will remain focused on MMORPG, idle game categories, and SLG while exploring content-oriented products. The goal is to consistently strengthen the engineering capabilities of the R&D

team and develop high-quality games that combine entertainment, playability, and commercially viable design. Regarding product licensing, the Company will continue to focus on classic gaming IPs, multiplayer competitive games, mid-core games, and commercially viable games with experiential differences. This approach will be adjusted according to market dynamics and other relevant factors.

The Company will increase its investment in overseas markets continuously. Apart from a few reserved IP-based products, all in-house developed products must be targeted towards overseas markets to be considered for approval. The Company will also continue to recruit outstanding producers and distribution teams with profound insights into various cultures worldwide to accelerate the development of its overseas business.

### (I) Major Product Performance

Overview of Launched Products:

Name	In-house Developed/Licensed	Genre	Release Date
Asktao (PC)	In-house Developed	Turn-Based MMORPG	April, 2006
Asktao (Mobile)	In-house Developed	Turn-Based MMORPG	April, 2016
Overmortal	In-house Developed	Idle Taoist Immortality Cultivation Game	February, 2021
Aobi Island: Dreamland	Licensed	Casual Simulation	July, 2022
Dragon POW!	Licensed	Fantasy Roguelike Shooting Game	August, 2023
Outpost: Infinity Siege	In-house Developed	First-Person Shooting PC Game	March, 2024
Monster Never Cry	In-house Developed	Western Fantasy Idle Game	March, 2024
Beasts Evolved 2	Licensed	Strategy Card Game	December, 2023
Funny Fighters: Battle Royale	In-house Developed	Casual Competitive RPG	July, 2019
World Flipper	Licensed, in Charge of Localization Development	RPG with Pinball Element	October, 2021
Dungeon Survivor III: Dark Genesis	Licensed	Dungeon RPG	October, 2021

Note: All the games are mobile games except *Asktao (PC)* and *Outpost: Infinity Siege*.

### **i. Asktao (PC)**

The Company's first product, *Asktao (PC)*, an online game that the Company developed independently, was launched in April 2006 and quickly became a favorite among gamers, even reaching a peak of nearly one million concurrent users. The game's excellence was recognized with the Best Design for Digital Balance and the Best 2D (characters/scenes) Art Design awards at the 5th annual CGDA (China Game Developers Awards). It was also nominated as one of the Top 10 Outstanding PC Games in 2022 by CADPA (China Audio-Video and Digital Publishing Association).

Since its release in 2006, *Asktao (PC)* has won players' hearts with its high-quality gameplay and reasonable business design. To prolong the game's life cycle and increase its IP value, the Company adapts to market trends and player feedback to update the game consistently. Every year, the Company release four major updates, the new year, annual, mid-year, and zodiac updates, to keep the game fresh and maintain its profitability.



### **ii. Asktao (Mobile)**

In April 2016, the Company launched *Asktao (Mobile)*, an in-house developed MMORPG. It retains the narrative and world setting of *Asktao (PC)*. Harnessing the loyal user base and IP value the PC version built over the past decade, and with extensive user research, it was deeply optimized to adapt its core gameplay to the mobile platform. The Company also incorporates

user feedback into regular updates to ensure the game meets player expectations. To extend the game's life cycle, the Company persistently work on enhancing the *Ashtao* brand and its IP value.

Due to its exceptional performance, *Ashtao (Mobile)* has gained industry recognition, and was chosen as the 6th game to win the China Excellent Publication Award (Audio-Visual Electronic Game Publication) from the CADPA. It also won several other awards as well, including Best Original Mobile Game at the 2016 Golden Plume Awards, and Best Game Music Design at the 9th CGDA. It was voted one of the Top Ten Most Popular Original Mobile Online Games of 2016.

During the reporting period, *Ashtao (Mobile)* continued its tradition of four major version update from previous years. In January, the new year's costume was launched. The 7th-anniversary grand event in April featured a fireworks festival, a new server ceremony, and other special events. The 7th-anniversary theme song, performed by singer Xianzi, awakened the sentimental feelings of fellow players in the game. In July, the summer event provided players with exclusive stress-relief gameplay. In October, the National Day event was introduced with the launch of the custom short film. In November, adopting a "Fellow Daoists Create Together" approach, the game introduced its first animated series - *Wulong Daoist Adventures in Zhongzhou*, presenting players with a rich and immersive gaming world.

During the reporting period, *Ashtao (Mobile)* maintained an average ranking of 35th on the App Store's bestselling game list, with a peak ranking of 10th.





### iii. **Overmortal**

*Overmortal* is an in-house developed, idle Taoist immortality cultivation mobile game with a traditional Chinese ink wash art style. The game depicts a Taoist realm inhabited by humans, immortals, monsters, and demons. It faithfully recreates the stages and mechanisms of Taoist spiritual cultivation, as well as displaying abilities and techniques from similar novels of the genre. Accompanied by dynamic lighting and sound effects, players will enjoy an immersive and engaging gaming experience.

With outstanding game development and operational performance, *Overmortal* has received high industry recognition, winning awards such as the Best Concept Art Design award at the 12th CGDA, the Best Creativity for Mobile Games award at the 14th CGDA, and nominations for the Top 10 Outstanding Creative Games and Top 10 Emerging Games by the CADPA in 2021. In 2023, *Overmortal* officially launched the "Guardian Heritage" cultural public welfare project. It has successfully implemented various intangible cultural heritage public welfare activities, including cuju (ancient Chinese football), paper cutting, traditional opera, shadow puppetry, and more. The game was honored with the "Outstanding Cultural Heritage Game of the Year" award at the 8th Golden Gyro Award.

After over three years of operation, *Overmortal* has accumulated over 25 million registered users. In the subsequent operational strategy, the Company will focus more on existing users,

refining user acquisition to reduce inefficient spending. In terms of promotion, there will be a continued emphasis on brand exposure, moderate adjustments and control of performance-based advertising expenses, and active exploration of innovative marketing methods. For user operations, activities such as daily live streaming, Key Opinion Consumer (KOC) promotion, content creation, e-commerce initiatives, and community re-engagement will be carried out to continually enhance user engagement and interaction. Simultaneously, *Overmortal* will persist in IP development, enriching game content with diverse derivative materials such as novels, music, comics, and animations to boost brand influence and foster a unique IP culture recognition among players.

During the reporting period, *Overmortal* maintained an average ranking of 44th on the App Store's bestselling game list, with a peak ranking of 7th.



#### **iv. Aobi Island: Dreamland**

*Aobi Island: Dreamland* is a casual mobile game based off an existing IP launched on July 12, 2022. The game retains many iconic elements from its web-based predecessor, while introducing various social interaction features and integrating fashion trends such as modernized Chinese traditional styles. Players can engage in various in-game features such as character development, management simulation, and outfit changing. The game has been updated at a rapid pace since its release, providing players with a fresh and varied gaming experience.

Since its launch, the game has maintained a rapid iteration and update pace, continuously introducing new events, gameplay features, and various brand/IP collaborations. Collaborations have included partnerships with CCTV Animation *Journey to the West*, *The Legend of Nezha*, *The Adventures of Little Carp*, and other classic Chinese animation IPs), as well as *Pleasant Goat and Big Big Wolf*, totaling 11 well-known brands/IPs. A series of exciting events have been launched, providing players with a diverse and enriching gaming experience.



#### **v. Dragon POW!**

Launched on August 11, 2023, *Dragon POW!* is a top down shoot 'em up mobile game with a unique gameplay mechanic of counterattacking by devouring bullets. Players take on the role of a dragon knight who travels through various kingdoms with a small black dragon to retrieve the lost treasures of the dragons. Instead of dodging enemy attacks, players can swallow incoming bullets to unleash powerful counterattacks, resulting in a thrilling gameplay experience. Since the game's launch, it has been widely loved by players due to its innovative differentiation in theme and gameplay.



#### vi. **Outpost: Infinity Siege**

*Outpost: Infinity Siege* is a first-person shooting PC game that focuses on multiplayer cooperative survival, exploration, and construction. It was officially released on the Steam on March 27th, 2024. The game combines three gameplay elements: FPS (first-person shooter), RTS (real-time strategy), and TD (tower defense). Players can build their own exclusive outposts, casually combine a variety of weapons and ammunition, and experience diverse game modes, varied terrains, and exploration and battles filled with random elements.



## (II) Overview of Main Reserve Products

The Company's main reserve products are as follows:

Main Reserve Products (In-house Developed)				
Products Developed In-House	Status of Game ISBN Licensing	Genre	Planned Regions for Release	Estimated Release Date
M72 (Code Name)	ISBN License Applied	Idle Taoist Cultivation Simulation	Mainland China, Hong Kong, Macao, Taiwan, and Southeast Asia	TBD
M88 (Code Name)	ISBN License Applied	Fantasy Idle Cultivation Game	Mainland China, Hong Kong, Macao, and Taiwan, as well as Japan and South Korea	Second Half of 2024 (Overseas)
Fortress Battle	ISBN License Obtained	Tower Defense SLG	Worldwide	TBD
M11 (Code Name)	Not Yet Applied	Western Fantasy Idle Game	Worldwide	TBD

Note: The ISBN License is a mandatory government approval required to legally launch a game in China.

Main Reserve Products (Licensed)				
Licensed Products	ISBN License	Genre	Authorized Regions	Estimated Release Date
One Piece: Dream Pose	Owned	3D Vertical Adventure Mobile Game	Mainland China	April 1st, 2024
Billion Light Years	Owned	Science Fiction Theme Card Game with Light SLG Elements	Worldwide	Second Half of 2024 (Mainland China)
League of Gods: Fantasyland	Owned	Chinoiserie RPG	Mainland China	Second Half of 2024
Chinese Cuisine Cruise	Owned	Business Simulation Game	Mainland China, Hong Kong, Macao, Taiwan, and Singapore, Malaysia	2024 (Overseas)
Lost Castle 2	Not Owned	Roguelike	Worldwide	TBD

Note: 1. The games listed above are some of the Company's reserved products, among which *One Piece: Dream Pose* is co-distributed by Leiting Games in collaboration with other companies.

2. The final launch status, timing, and intended release regions of games listed in the

product reserve inventory are subject to uncertainty and may depend on products and market conditions. Please stay up to date with the latest news and announcements from Leiting Games.

3. The game *Billion Light Years* is identified by the codename, and this codename is provisional and does not represent the final official name.

The introduction of some reserve products is as follows:

#### **i. M72 (Code Name)**

*M72 (Code Name)* is an idle mobile game with a Taoist immortality theme. You start as a novice Taoist and gradually grow into an important member of your sect, engaging in breathtaking adventures across three realms. The game brings to life 3D aerial combat, recreating the mid-air battles and the use of magical talismans, reminiscent of renowned Chinese fantasy tales. Having applied for a license by the end of 2023, *M72 (Code Name)* is now passionately under development.



#### **ii. M88 (Code Name)**

*M88 (Code Name)* is an immersive idle MMORPG mobile game. Within the game, players have the freedom to customize their characters, combine diverse skillsets, and select their preferred class branches. Employing strategies to combat formidable foes, players explore the realm of lost mysterious legends in this world of sword and magic. You can build your own homes,

engage in guild activities, participate in team battles, and embark on adventurous journeys with other players, relaxing in the laid-back idle gaming experiences. The overseas version of *M88 (Code Name)* is scheduled to be launched in the second half of 2024.



### iii. One Piece: Dream Pose

*One Piece: Dream Pose* is an immersive 3D mobile game, designed for portrait mode, and officially licensed by Toei Animation, based on the beloved One Piece IP. As captains, players can rally companions from the New World, and step into the shoes of the Straw Hat Pirates, reliving their epic adventures in the One Piece universe. The game's world is crafted with stunning details and graphics. The game has secured its license and is scheduled to be launched on April 1st, 2024.



#### iv. Billion Light Years

*Billion Light Years* is an engaging space warfare strategy game. Players begin their gaming experience with a midcore strategy card game, which seamlessly transitions into a more casual SLG gameplay as they progress. Within the game, players can immerse themselves in adrenaline-fueled real-time battles, strategize on ship customization and weapon combinations, and collect various types of sci-fi battleships. Additionally, players can set sail on thrilling expeditions, experience unexpected events, and team up with allies for epic cosmic battles. The game has secured its license and is scheduled to be launched in the second half of 2024.





### (III) Overseas Business Overview

The Company has been actively expanding its overseas operations, gradually establishing a comprehensive system for testing and releasing products abroad, covering most regions overseas. This enables the Company's Minimum Viable Product (MVP) approach can be easily applied in overseas markets, allowing for earlier participation in paid testing compared to the domestic market. This provides more comprehensive basic information and data for product selection, development, and optimization.

In 2023, the Company's overseas business achieved operating revenue of RMB 272 million, representing a year-on-year growth of 5.03%. During the Reporting Period, the Company successfully launched products overseas, including *Overmortal* (European and American version), *Overmortal* (Vietnamese version), and *Funny Fighters: Battle Royale* (Southeast Asian version). In January 2024, *Dragon POW!* was launched in the Hong Kong, Macau, Taiwan regions, and South Korea, while other previously launched projects continued to operate steadily.

Furthermore, several in-house developed products from the Company have undergone multiple rounds of testing in overseas markets, adopting the MVP approach for rapid iteration. The Company also has a reserve of several licensed products for overseas distribution, including *Code M88*, *Billion Light Year*, *Chinese Cuisine Cruise*, *Lost Castle 2*, and more.

#### **(IV) Investment Activities Overview**

The Company continues to deepen its presence in the gaming market, focusing on the research and development as well as operational aspects of online gaming. Simultaneously, it invests in upstream and downstream enterprises related to the game industry, including high-quality game developers, publishers, and industry funds.

Below are introductions to some of the enterprises in which the Company has invested or holds shares:

##### **i. Qingci Games Inc.**

Qingci Games, established in March 2012, specializes in online game development and operations. It's known for *The Marvelous Snail*, the idle mobile game with a beautiful hand-drawn art style, and the roguelike game Gumballs. It was listed on the Hong Kong Exchanges in December 2021, and G-bits holds an 18.55% stake in Qingci Games.

According to publicly disclosed information from Qingci Games, the game *The Marvelous Snail* has been released in multiple overseas regions, including Japan, the United States, Canada, Australia, and Thailand. As of the end of 2023, the total revenue of *The Marvelous Snail* both domestically and internationally has reached approximately RMB 3.26 billion, with a cumulative registered user count exceeding 26.72 million.

##### **ii. TapTap**

TapTap, founded in March 2016, manages the TapTap platform. G-bits holds a 9.67% stake in TapTap. TapTap platform is a renowned third-party platform connecting game developers, publishers, and players, allowing users to download high-quality games and share their experiences with others. From January to June 2023, the average monthly active users for the TapTap Chinese version App were approximately 33.97 million people, while the TapTap international version app had an average of around 7.14 million monthly active users.

##### **iii. Xiamen Yongshi Technology Co., Ltd.**

Xiamen Yongshi Technology Co., Ltd., established in December 2014, focuses on online

game development and production. G-bits holds a 20.00% stake in Xiamen Yongshi. *Azure Lane*, an anime-style game co-developed by Xiamen Yongshi, is the first domestically produced second-dimensional game to top the Japanese iOS bestselling list. It received the Google Play Best Game Award in 2017 and holds a 9.4 rating on TapTap. Another in-house developed game, *Eye of Deep Space*, was honored with the "Best 3D Game Award" on the 2021 Made with Unity China list, and has garnered over 0.13 million five-star reviews on the App Store.

#### **iv. Xiamen Taojin Interactive Network Co., Ltd.**

Established in June 2013, Xiamen Taojin Interactive Network Co., Ltd. focuses on online game development and production. Xiamen Taojin created the popular roguelike series *Dungeon Survivor*. G-bits holds a 30.00% stake in Xiamen Yongshi. Developed by Taojin Interactive, *Dungeon Survivor II: Dark Tide (Android Version)* and *Dungeon Survivor III: Dark Genesis* are operated by Leiting Game. As of the end of 2023, *Dungeon Survivor II: Dark Tide (Android Version)* has accumulated a registered user count exceeding tens of millions.

#### **v. Xiamen Zhenyouqu Information Technology Co., Ltd.**

Xiamen Zhenyouqu Information Technology Co., Ltd., established in August 2012, mainly develops and produces online games. G-bits holds a 10.00% stake in Xiamen Zhenyouqu. It has numerous popular games such as *Sausage Party*, *Ulala: Idle Adventure*, and *Rapid Clash*. In particular, *Sausage Party* has over 240 million downloads on TapTap.

#### **vi. Unity Technologies China**

Unity Technologies China, established on November 29, 2021, is a joint venture of US-based game engine developer Unity Technologies. G-bits holds a 1.6% stake in Unity Technologies China. Founded in 2004, Unity Technologies is one of the leading companies in the industry. Unity Technologies China is committed to creating a more suitable engine version for local developers, and its products have extensive applications in various fields such as gaming, automotive, consumer culture and tourism, industrial manufacturing, and film and animation. In 2023, Unity Technologies China officially launched the Unity Technologies China Edition Engine, marking the commencement of the localization process for Unity in China.

## **vii. PeroPeroGames**

PeroPeroGames, founded in August 2017, mainly develops and produces online games. G-bits holds a 15.00% stake in PeroPeroGames. Its parkour-themed music game *Muse Dash* has accumulated sales exceeding 10 million copies, and it boasts a positive user review rate of 90% on the Steam.

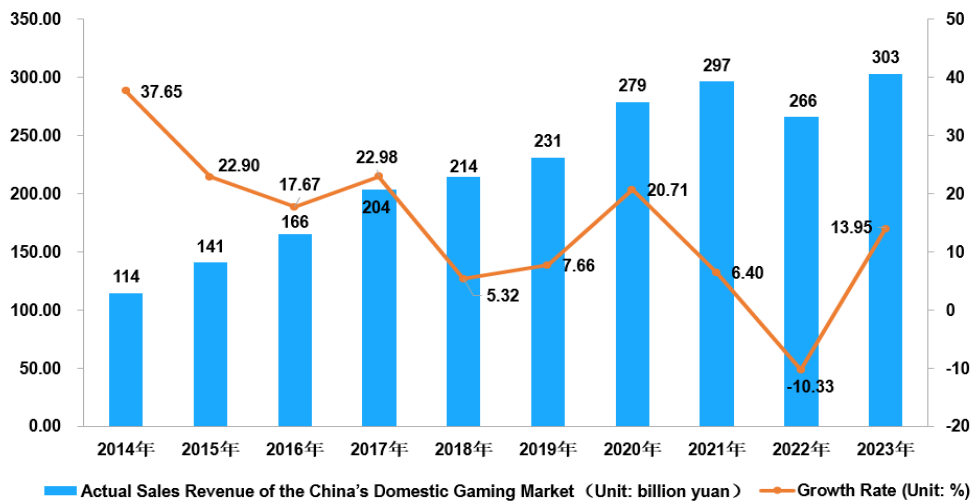
## **II. Industry Overview During the Reporting Period**

### **(I) Industry Landscape**

The cultural industries of online gaming and online animation are important branches of the internet economy, benefiting from the overall growth of the internet industry and exhibiting rapid development over an extended period. In recent years, as the demographic dividends of the game industry have gradually diminished, the market has entered a stage of stock competition. The industry growth rate is gradually slowing down, marking a period characterized by both challenges and opportunities.

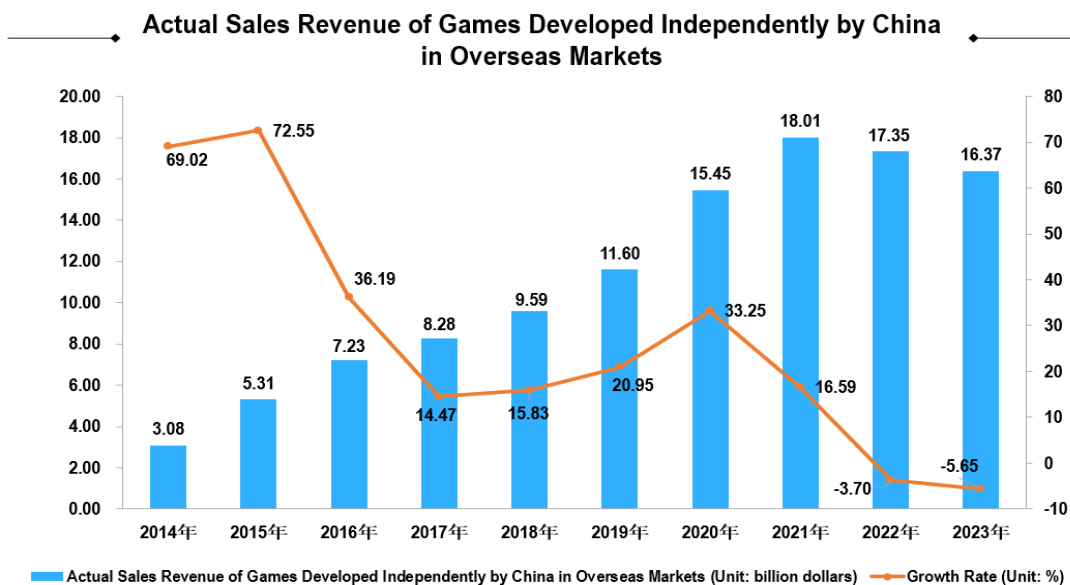
According to the *2023 China Game Industry Report* jointly released by the Game Publishing Committee of China Audio-visual and Digital Publishing Association (GPC) and the China Game Industry Research Institute, the Chinese game user base reached 668 million people, with a year-on-year growth of 0.61%. The actual sales revenue of the China's domestic game market in 2023 reached RMB 302.96 billion, a year-on-year growth of 13.95%. This growth was primarily driven by the release of high-quality new games. In the segmented market, mobile games still maintain a leading position, with actual sales revenue accounting for 74.88%. In addition, PC and console games also have a considerable number of products and audiences, and new tracks such as cross-platform games and mini-games have shown impressive performance, making the industry growth direction more flexible and diverse.

Actual Sales Revenue of the China's Domestic Gaming Market



"Going global" remains a key development strategy for many gaming companies in China. According to the *2023 Research Report on Chinese Gaming Overseas* compiled by China Audio-visual and Digital Publishing Association (GPC) and the China Game Industry Research Institute, the actual sales revenue of games developed independently by China in overseas markets in 2023 reached US\$16.37 billion, experiencing a 5.65% year-on-year decrease. Intense competition in the international market, rising costs of acquiring traffic, and a lack of localized talent are significant challenges for China gaming companies venturing into overseas business.

Furthermore, technological innovation has become a key driver of global competitiveness in the game industry. In 2023, the emergence of various AI tools has played an increasingly important role in improving game development efficiency and content generation quality, driving more innovation applications in the gaming field, and bringing about more changes and opportunities. Therefore, adhering to high-quality and refined development, embracing a dual-drive strategy of technology and content innovation, continuously cultivating differentiated tracks, and placing more emphasis on user experience have become strategic means for the Chinese game industry to face competition and achieve healthy development.



## (II) Impact of Industry Policies on the Company's Sector

In recent years, regulatory authorities have attached great importance to the standardized and healthy development of the game industry, issuing a series of policies related to the protection of minors and prevention of gaming addiction. Since the implementation of the revised *Law of the People's Republic of China on Protection of Minors* in 2021 and the issuance of the *Notice of Further Strict Management to Effectively Prevent Minors from Addiction to Online Games*, the gaming regulatory authorities, the game industry, and various sectors of society have collaborated efforts. Approved games have achieved comprehensive access to the anti-addiction real-name authentication system. The total gaming duration and spending limits for minors have significantly decreased, marking a phased achievement in the efforts to prevent gaming addiction among minors. On January 1, 2024, the *Regulation on the Protection of Minors in Cyberspace* officially came into effect, providing more specific guidelines for the improvement and implementation of the protection of minors in the game industry.

In addition to emphasizing the implementation of the basic requirements of the anti-addiction gaming system, regulatory authorities have also put forward corresponding requirements for user information protection, product content review, and the development of functional games. This indicates the key areas for the future work of gaming enterprises, emphasizing the need to enhance the protection of personal information security while ensuring

the protection of minors.

As the policy environment for the game industry in our country continues to optimize, with successive laws, regulations, and institutional norms being introduced, and a continued focus on high-quality original games, awareness of protecting gaming intellectual property rights has further increased. The ecological environment of the game industry in our country is becoming healthier and more standardized, moving towards high-quality and high-level development.

### **III. Overview of Core Business During the Reporting Period**

#### **(I) Core Business Operations of the Company**

The Company specializes in the development and operation of online games, with a focus on nurturing innovative talent and promoting efficiency. The Company's mission is to present unique products and enriching entertainment to a global audience.

Founded in 2004, the Company has immersed itself in the game industry. Through years of development and technological advancement, the Company has grown significantly, enhancing its technical capabilities and expanding its product portfolio. Rooted in traditional Chinese culture, the Company has developed games such as *Asktao (PC)*, *Asktao (Mobile)*, and *Overmortal*. *Asktao (PC)* has been in continuous operation for nearly 18 years since its debut in 2006. Building on its strong user base and IP popularity, the Company launched the mobile version of the MMORPG *Asktao(Mobile)* in April 2016, which has enjoyed steady popularity for nearly 8 years. In February 2021, the Company launched *Overmortal*, an ink-wash style idle mobile game about the Taoist cultivation of immortality. Since its release, it has attracted over 25 million users.

Leiting Games, a platform the Company operates independently, has robust game management capabilities. Leiting Games has managed a wide range of games such as *Asktao (Mobile)*, *Overmortal*, *Aobi Island: Dreamland*, *Dragon POW!*, *World Flipper*, *Tale of Immortal (PC)*, *Dungeon Survivor II: Dark Tide (Android)*, *Dungeon Survivor III: Dark Genesis*, *Funny Fighters: Battle Royale*, and *Gumballs*, among other successful titles.

## **(II) Primary Business Model of the Company**

### **i. Revenue Streams**

The payment models for online games primarily include pay for virtual items, pay for downloads, pay based on playtime, and in-game advertising. The Company's game product revenue mainly comes from the payment model based on virtual items, wherein players can enter the game for free, and the operator primarily profits from selling virtual items within the game. Payment for virtual items is the prevalent revenue model adopted by the online game industry in China.

### **ii. Operating Models**

There are three main operating models for the Company's games: independent operation, licensed operation, and cooperative operation.

1) Independent Operation: The Company publishes games on its platform and handles both publishing and promotion. These games might be developed by the Company or by other organizations.

2) Licensed Operation: The Company licenses games developed by itself to external publishers, who are responsible for managing the game's publishing and promotion. The Company's role is limited to technical support and content development.

3) Cooperative Operation: The Company partners with third-party platforms, such as the App Store and Android application stores, to co-publish and promote its games, whether developed by the Company itself or licensed.

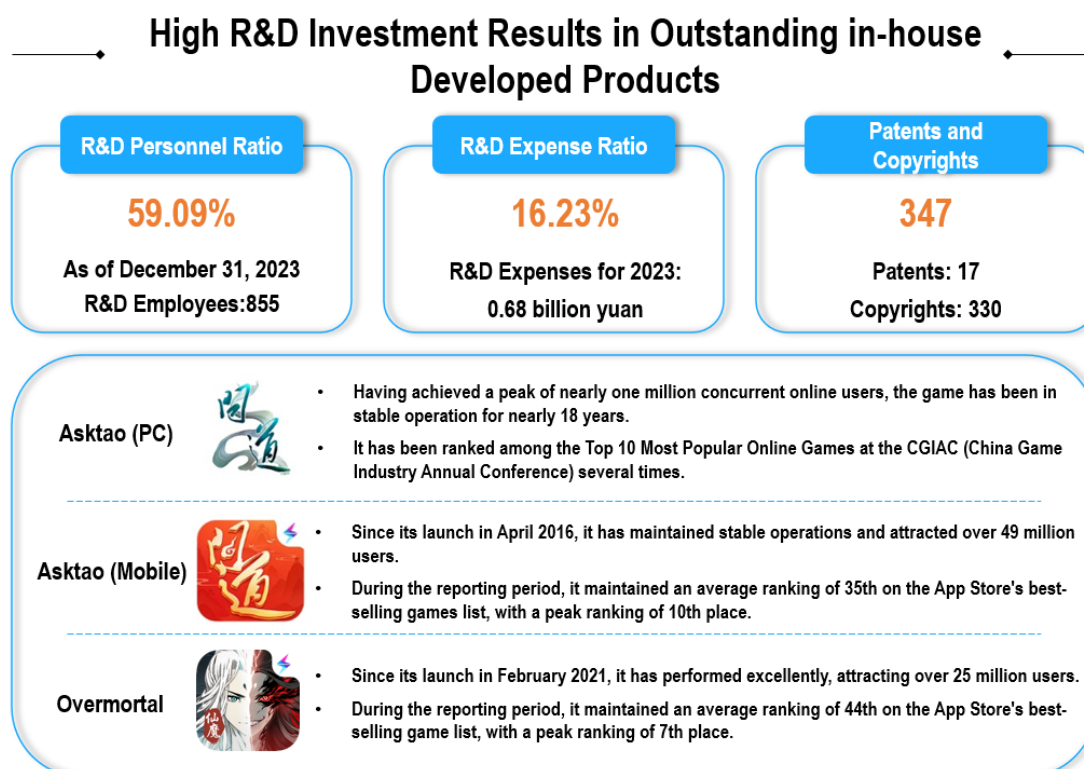
The Company's mobile games mainly follow the independent operation and cooperative operation models. For example, *Asktao (PC)* is licensed to Beijing Guangyu Online Technology Co.,Ltd., and other PC games from the Company's mainly follow the cooperative operation model.



### (III) Analysis of Core Competencies During the Reporting Period

#### i. Strong Independent Research and Development (R&D) Capabilities

##### 1. Overview of the Company's R&D Performance

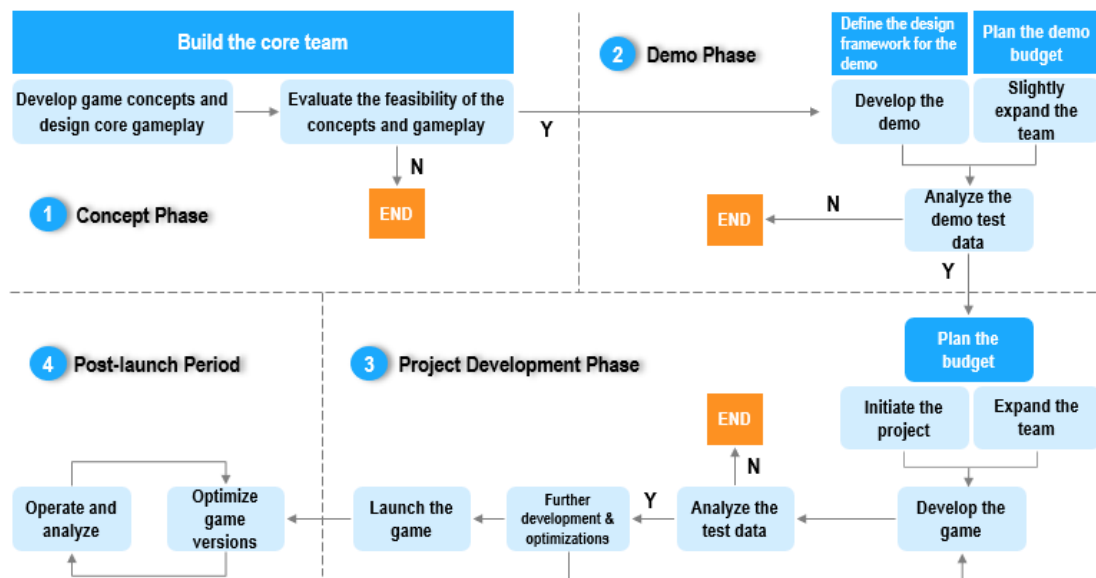


The Company attached great importance to R&D and talent development. During this reporting period, The Company's R&D expense amounted to RMB 679 million, accounting for 16.23% of its revenue. This sustained investment has laid the foundation for its innovation. The Company's R&D team has grown year on year, with the number of employees reaching 530 in 2021, 692 in 2022, and 855 in 2023, representing 56.08%, 55.18%, and 59.09% of the total number of employees respectively.

##### 2. Boost R&D Performance with the Minimum Viable Product (MVP) Approach

Games, as a form of cultural entertainment, derive their strength from delivering fresh and captivating experiences to users. The Company places significant emphasis on product innovation, striving to develop games that stand out both unique and commercially. By focusing

on differentiation, the Company continuously explores innovative approaches in core gameplay, conceptualization, art style, and other aspects, thereby enhancing the competitive edge of its products. However, this pursuit of differentiation also escalates the complexity of project development, necessitating enhanced capabilities in gameplay refinement, project management, and data analysis within the development teams. Drawing from years of experience, the Company has embraced an iterative development model known as the MVP approach in its R&D process.



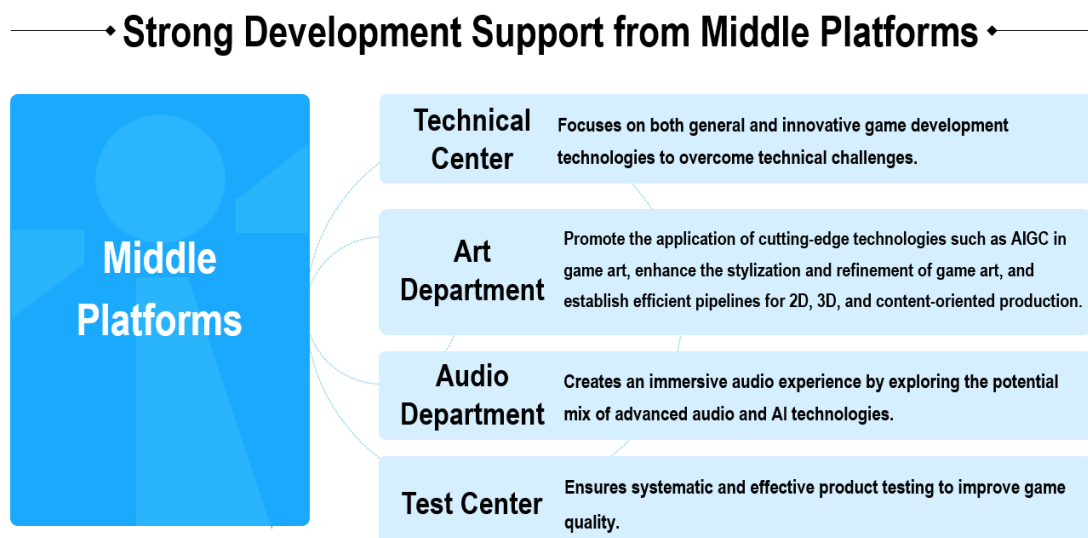
In applying the MVP approach to the Company's R&D, at the start of a project, the Company assembles a core team to develop a prototype based on the creative designer's idea. Extensive user testing is then used to validate the feasibility of the core gameplay mechanics. Throughout the development process, the game undergoes numerous iterations and is fine-tuned based on test data. This MVP approach, starting from the demo version, allows the Company to keep a tight rein on product direction, avoid wasteful investments, and control R&D costs. Frequent testing during development helps the Company to control variables between two successive tests, allowing the Company to analyze user behavior feedback more accurately. As a result, the Company has able to address issues that arise during development in a timely manner, increasing R&D efficiency. As the demo evolves into a final project, the Company continually refines and adapts the MVP approach to ensure seamless integration between gameplay testing and art assets.

While the MVP approach is effective in controlling R&D costs, it doesn't imply smaller projects or less overall investment. The scope of the project depends on the experience of the core team, project management skills, technological accumulation, the nature of the project, etc. The Company is committed to nurturing excellent game producers over the long term, and through the MVP approach, the Company filters projects and allocates more resources in the hope of producing more innovative, engaging, and high-quality products.

In addition, the MVP approach involves the Company's operations team working closely with the R&D team on a variety of tests and analyses. This allows the Company to gain a deep understanding of the market and users of its products, so that the Company can tailor its strategies and minimize the risks and costs of release.

### 3. Middle Platform Construction, A Strong R&D Foundation

The Company has prioritized the establishment of solid R&D middle platforms. This includes the Company's Technical Center, Art Center, Audio Department, and Test Center. These pillars support every aspect of development, from R&D and art design, to soundtrack creation and product testing. This system not only ensures development, efficiency, and high quality output, but also optimizes the allocation of resources across projects, minimizing redundant costs and ensuring a stable R&D process.



The Company's Technical Center specializes in game development, focusing on both

conventional and emerging technologies. It provides strong support including performance testing and optimization, effectively tackling technical challenges and improving R&D efficiency. Currently, the Technical Center focuses on developing compilers and auxiliary tools for GS, while building server frameworks and various public services rooted in GS. Its designing PKG and development tool chain is based on the GS environment, so that it can develop universal tools for all R&D teams and provide automated building and deployment solutions. The center conducts in-depth research on Unity, Unreal engine, and 3D rendering technologies. The center standardizes, modularizes, and builds frameworks for projects to provide service tailored to the needs of different teams. As a result, The Technical Center manages to reduce both the resources and time costs of game development, while improving R&D quality. In addition, The Technical Center applies cutting-edge AI technologies across all stages of game development, including planning, development, and testing, improving both the R&D efficiency and the overall gaming experience. In 2023, it established an AI Web Hub within the company, consolidating various commonly used AI drawing tools, thereby facilitating painting-related tasks and enhancing efficiency.

The Company's Art Center focuses on improving the quality and style of game art. It establishes efficient pipelines for 2D, 3D, and content-oriented production lines, laying a solid foundation for both existing and future projects. Tailoring unique art styles to fit each game's theme, the Art Center strives to create differentiated game experiences while catering to diverse aesthetic preferences, incorporating mainstream elements to evoke emotional resonance with players. Through continuous testing and iteration, it seeks the optimal balance between distinctiveness and mainstream appeal. Focusing on artistic excellence, the Art Center sets rigorous standards and guidelines for each product, continually enhancing design capabilities and quality control. The Art Center closely monitors the development of new technologies in its daily work and actively promotes the application of cutting-edge technologies such as AIGC in game art. In the field of game image generation, these techniques are utilized to create artistic original drawings and in-game assets, including icons. These AI drawing tools help reduce the time and resources required for producing a large volume of content, enabling a more efficient workflow and enhancing the productivity of game art production.

The Company's Audio Department is dedicated to creating immersive audio that integrates with the game's narrative and gameplay. It pioneers the use of state-of-the-art audio and AI technology to effectively create audio that enhances the gaming experience and is tailored to player preferences.

The Company's Test Center manages project testing for daily and version updates to ensure that the performance is up to the standard. The center ensures a stable allocation of testing resources, improving both the efficiency and standardization of our testing process. By drawing on past experience, it provides reusable testing methodologies to ensure that our games maintain a stable quality.

## **ii. Exceptional Game Operations**

### **1. Overview of Company's Game Operations**

Leiting Games, an independently operated platform, is committed to a quality-first approach that prioritizes the user experience. The high-quality, unique, and highly engaging games under Leiting Games' operations have gained significant popularity and earned an excellent reputation.

With years of experience, Leiting Games has developed a comprehensive understanding of operating various game genres including MMORPG, Roguelike, idle games, and casual simulation. Leiting Games' operational framework covers everything, such as game version optimization, brand development, media outreach, event planning, cooperative channels, customer support, etc. With a keen understanding of the unique features of mobile games and the target market, as well as a sharp insight into player demographics, behaviors, and spending habits, Leiting Games tailor its strategies to deliver precise and effective promotion.

## ← Exceptional Game Operations →

<p style="text-align: center; background-color: #007bff; color: white; padding: 5px;"><b>Classic MMORPG Game Shows Continued Excellence</b></p> <div style="display: flex; align-items: center; margin-bottom: 10px;"> <div> <p><b>Asktao</b> (Mobile)</p> </div> </div> <ul style="list-style-type: none"> <li>Having been launched for almost 8 years, it maintains excellent performance.</li> <li>The Company has enhanced and prolonged the product lifecycle through ongoing IP development.</li> <li>Regularly, the Company hosts four major version updates to meet users' needs, periodically bringing users together and enhancing user loyalty.</li> </ul>	<p style="text-align: center; background-color: #007bff; color: white; padding: 5px;"><b>Excellent Performance in Idle Games</b></p> <div style="display: flex; align-items: center; margin-bottom: 10px;"> <div> <p><b>Overmortal</b></p> </div> </div> <ul style="list-style-type: none"> <li>Since February 2021, Overmortal has amassed over 25 million users.</li> <li>Consistently update and innovate marketing to sustain product enthusiasm and popularity.</li> <li>The average rankings on the App Store's bestselling game list from 2021 to 2023 were 11th, 12th, and 44th, respectively.</li> </ul>
<p style="text-align: center; background-color: #007bff; color: white; padding: 5px;"><b>Simulation and Casual Games Popular with Young Players</b></p> <div style="display: flex; align-items: center; margin-bottom: 10px;"> <div> <p><b>Aobi Island: Dreamland</b></p> </div> </div> <ul style="list-style-type: none"> <li>Since its launch in July 2022, it has garnered over 17 million registered users.</li> <li>In 2023, collaborated with 11 renowned brands/IPs to launch a series of exciting activities.</li> </ul> <hr style="border-top: 1px dashed #ccc;"/> <div style="display: flex; align-items: center; margin-bottom: 10px;"> <div> <p><b>Dragon POW!</b></p> </div> </div> <ul style="list-style-type: none"> <li>After its launch, it consistently held the second position on the App Store's top free game list for three consecutive days, owing to its innovative differentiation in theme and gameplay, which appealed to players.</li> </ul>	<p style="text-align: center; background-color: #007bff; color: white; padding: 5px;"><b>Unique High-Quality Games</b></p> <div style="display: flex; align-items: center; margin-bottom: 10px;"> <div> <p><b>Tale of Immortal (PC)</b></p> </div> </div> <ul style="list-style-type: none"> <li>It has dominated the charts multiple times as a global bestseller on Steam, selling 1.8 million copies worldwide in its debut month alone.</li> </ul> <hr style="border-top: 1px dashed #ccc;"/> <div style="display: flex; align-items: center; margin-bottom: 10px;"> <div> <p><b>Gumballs</b></p> </div> </div> <ul style="list-style-type: none"> <li>Launched nearly 8 years ago, Gumballs has become a classic game in the Roguelike genre, earning over 180,000 five-star reviews on the App Store.</li> </ul>

## 2. Player-Centric Approach for Long-Term Operations

The Company upholds a "player-centric" game design and operation philosophy, dedicated to fostering enjoyable experiences in the entertainment industry.

The Company deeply understands user needs and creates high-quality original games beloved by players. After the game launches, the Company strengthens communication with players through various channels. For example, the *Asktao (Mobile)* project team conducts online activities annually and organizes offline events to interact with core players regarding game version planning, promotion plans, and other aspects. Moreover, the Company listens to feedback from key opinion leaders (KOLs) and collaborates with players to "customize" the game.

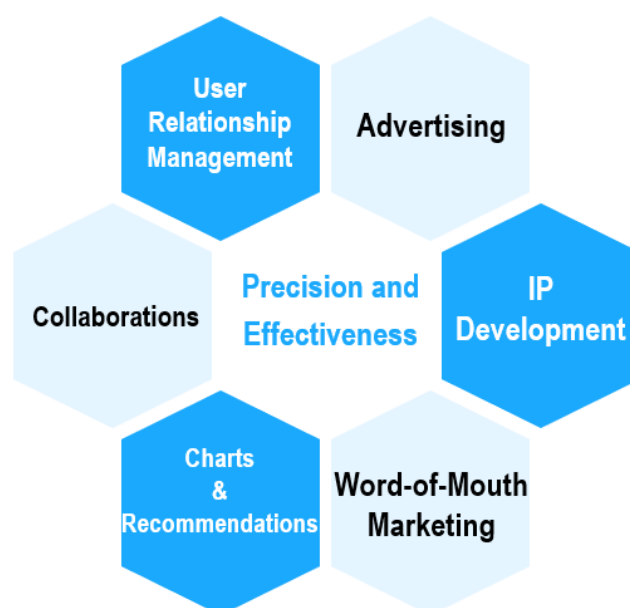
The Company actively responds to user demands, providing sincere and comprehensive customer service. Guided by the service philosophy of "becoming an official friend to users and creating a wonderful service experience," the Company embeds a "Contact Customer Service" button within games. It provides players with comprehensive and meticulous service through

various channels such as a 24-hour customer service hotline, WeChat customer service official account, customer service forums, and customer service email, catering to users' real-time inquiries, complaints, feedback, and other requests. Additionally, to improve response speed, the Company utilizes advanced technologies such as AI to build an intelligent self-service system, further enhancing customer service levels. A service quality inspection team is also established to monitor service quality daily, aiming to enhance player experience.

### 3. Precision and Effective Marketing Promotion Strategies

In recent years, "buying traffic" has become an important promotion method in the game industry. However, its rising cost can negatively impact a game's profitability. Over the years, the Company has consistently prioritized creating unique, high-quality products and tailoring its promotion strategies accordingly. The Company's promotion plans are based on the game's features, the target market, and our understanding of the player base — their preferred platforms, behaviors, and spending habits. Simultaneously, the Company explores customer acquisition from various methods, including daily live streaming, Key Opinion Customer (KOC) promotion, content creation, e-commerce, and community re-engagement. This allows the Company to reach its target audience effectively and precisely, while avoiding over-reliance on "buying traffic".

## —————▶ **Leading Game Key Marketing Strategies** ◀—————



## **(1) User Relationship Management**

The Company values user relationship management as it facilitates communication between the Company and its players. It allows the Company to meet the evolving demands of our players by understanding their needs deeply, a strategy that benefits its relationship with the users and enhances the Company's reputation within the industry. With sincerity towards the players being the core of the Company's operations, game designers, promotions staff, and customer support personnel organized numerous events for players. Some activities for users of *Asktao (Mobile)* are as follow:

Since 2016, *Asktao (Mobile)* project team has been organizing multiple "Designers Talk" events annually in different cities, providing an opportunity for game designers to engage with players. By the end of 2023, they have covered a total of 18 cities, including Wuhan, Chengdu, Hangzhou, and others. Starting from 2018, *Asktao (Mobile)* project team has held an annual *Asktao* Conference, which gives players an opportunity to engage in in-depth discussions and participate in fun events, either online or offline. In 2023, *Asktao (Mobile)* project team gathered offline with 51 players to discuss 102 topics. Since 2017, *Asktao (Mobile)* has held a national competition every year, attracting a huge number of participants. The competition includes warm-ups, point-based matches, city matches (offline), knockout stages, and finals (offline), creating an energetic and engaging environment. In 2023, the national championship-related live broadcasts or videos of *Asktao (Mobile)* reached 5.33 million people, with an official online live broadcast accumulating 0.19 million views.

## **(2) Advertising**

The Company primarily engages in advertising promotion activities on platforms with active user engagement by deploying advertising materials, Key Opinion Customer (KOC) recommendations, gaming live streams, and various other methods. At the same time, the Company supports UGC (user-generated content) across multiple platforms to spread the product information faster and further. The Company also focuses on user retention with well-designed gameplay and customer service. The Company believes that improving the user experience is the key to higher user retention and long-term product success.



In response to traditional “buying traffic” methods, the company consistently refines its advertising delivery model to adapt to changes in the market and user demands. It strives to reach the target audience with lower acquisition costs, enhancing the level of Return on Investment (ROI). In terms of innovative marketing, the Company’s games like *Ashtao (Mobile)* and *Overmortal* have run KOL (key opinion leader) promotional campaigns on short video platforms based on the dates of major version updates and user activities. These targeted promotions ensure a continuous flow of new users. Furthermore, the Company continuously explores and experiments with various innovative marketing strategies, including the TikTok Creator Program, native bidding ad placements, cloud-based micro-end advertising, and e-commerce live streaming.

### (3) IP Development

The Company’s IP development aims to enrich the game's world, character portrayals, and storylines to deepen players' immersion and emotional connection to the game.

*Ashtao (Mobile)*, a classic IP that has been in operation for almost 18 years, represents the Company’s efforts to strengthen the *Ashtao* brand. To build the brand, the Company is enhancing game stories and player immersion through various *Ashtao* IP derivatives, including novels, audiobooks, merchandise, and short films. From 2018 to 2021, *Ashtao (Mobile)* successively released two official novels, *Ashtao: Dashing Spear* and *Ashtao: Tao in the Heart*. The Company invited dozens of veteran players to participate in creative discussions and trial readings for the novels, aiming to vividly depict the world of *Ashtao (Mobile)* as envisioned by the players. In November 2023, adopting a "Co-creation with Fellow Daoists" approach, the Company launched the first animated series of *Ashtao (Mobile)* titled *Wulong Daoist Adventures in Zhongzhou*. This series faithfully reproduces classic scenes and NPC characters from the game, presenting players with a more diverse and immersive gaming world.

*Overmortal* is a unique Taoist immortality cultivation-themed IP which is enhanced by music recordings, comics, novels, animations, and more. Since its launch in 2022, the derivative IP animation has been consistently updated on platforms such as Tik Tok, Kuaishou, and Bilibili. The cumulative fan base across all platforms has exceeded 2.5 million. Additionally, the game

continues to engage and retain users through a long-term strategy of IP content. It has released brand documentaries such as the film *Ordinary Yet Extraordinary*, the mini-drama *Mr. White Fox*, the audiobook *Between Demon and Immortal*, the game's theme song, animation, and more. These contents maintain consistently high levels of popularity on major platforms and have received widespread acclaim from players.

#### **(4) Collaborations**

Based on the characteristics of games and players, the Company frequently collaborates with products that have a high overlap with the target user base to conduct joint activities. This approach aims to attract more user attention and recognition. Collaborative partners include games, novels, animated films, online animated series, and other well-known IPs.

During the reporting period, *Asktao (Mobile)* collaborated with the China Academy of Art and the inheritor of the art of velvet flowers, creating a seventh-anniversary costume and a Qixi (Chinese Valentine's Day) velvet flower gift box that integrate traditional Chinese colors and patterns. This initiative aimed to promote the protection, inheritance, and innovation of Chinese traditional culture and intangible cultural heritage. In addition, *Overmortal* partnered with the West Lake Scenic Area and the classic cultivation IP *Shrouding the Heavens* working towards constructing a "Self-Cultivation Universe" for players to enhance their immersive experience. *Aobi Island: Dreamland* maintained frequent content updates throughout the year. It collaborated with 11 well-known brands/IPs, including CCTV Animation (*Journey to the West*, *The Legend of Nezha*, *The Adventures of Little Carp*), as well as *Pleasant Goat and Big Big Wolf*, launching a series of exciting activities to provide players with a rich gaming experience.

#### **(5) Charts & Recommendations**

The Company's high-quality, unique, and intriguing games have earned the recognition from leading platforms such as the App Store and TapTap. The Company is regularly featured in its charts, attracting a significant number of downloads and earning widespread attention. In addition, players' ratings and discussions on these platforms have further increased its games' popularity. During the reporting period, several of the Company's

games, including *Ashtao (Mobile)*, *Overmortal*, *Aobi Island: Dreamland*, *World Flipper*, *Dungeon Survivor III: Dark Genesis*, *Beasts Evolved 2*, and *Path of Immortals: Survivor* were featured on popular platforms such as the App Store.

#### **(6) Word-of-Mouth Marketing**

The Company leverages its excellent product quality to drive word-of-mouth marketing through various third-party gaming platforms, recommendations from KOCs (key opinion consumers), WeChat accounts, QQ groups, and its official channels. The Company's approach includes user selection, expectation management, feature communication, and user feedback tracking to refine and improve its operations.

## Part IV Financial Statements

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

Prepared by: G-bits Network Technology (Xiamen) Co., Ltd.

Unit: RMB Yuan

Item	31 December 2023	31 December 2022
<b>CURRENT ASSETS:</b>		
Cash and Cash equivalents	2,397,018,382.09	2,628,619,551.17
Settlements Provision		
Loans to banks and other financial institutions		
Financial assets held for trading	1,125,621,695.38	629,605,938.78
Derivative financial assets		
Notes receivable		
Accounts receivable	238,756,746.14	264,695,831.84
Financing receivables		
Prepayments	21,422,780.34	13,330,296.84
Insurance premium receivable		
Due from reinsurers		
Receivable reinsurance contract reserve		
Other receivables	5,599,445.09	8,022,029.25
Including: Interest receivable		
Dividends receivable		4,000,000.00
Financial assets purchased under agreements to resell		
Inventories		
Contract assets		
Assets classified as held for sale		
Current portion of non-current assets	11,536,441.92	20,502,738.32
Other current assets	11,746,515.71	14,078,760.20
Total current assets	3,811,702,006.67	3,578,855,146.40
<b>NON-CURRENT ASSETS:</b>		
Loans and advances		
Debt investment		
Other debt investments		
Long-term receivables	11,908,237.48	16,707,513.05
Long-term equity investments	1,164,814,123.76	1,187,261,211.65
Other equity instruments investments		
Other non-current financial assets	620,273,547.42	656,389,807.13
Investment properties	170,713,042.03	185,051,014.53
Fixed assets	596,402,026.29	639,100,053.20
Construction in progress	1,660,948.61	
Productive biological assets		
Oil and gas assets		
Right-of-use assets	36,327,899.47	7,639,002.23
Intangible assets	69,766,821.60	72,135,456.36
Development expenditures		
Goodwill	3,808,266.80	3,808,266.80
Long-term prepaid expenses	20,045,631.47	5,681,818.18
Deferred tax assets	83,259,745.81	97,185,342.58
Other non-current assets	46,088,941.01	40,605,666.67
Total non-current assets	2,825,069,231.75	2,911,565,152.38
Total assets	6,636,771,238.42	6,490,420,298.78
<b>CURRENT LIABILITIES:</b>		
Short-term borrowings		
Borrowing from the central bank		

Item	31 December 2023	31 December 2022
Deposits and balances from banks and other financial institutions		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable	188,815,811.08	282,198,091.94
Receipts in advance	501,832.24	64,876.98
Contract liabilities	417,007,621.68	509,694,875.47
Financial assets sold under agreements to buy		
Customer deposits and balances from banks and other financial institutions		
Customer brokerage deposits		
Securities underwriting brokerage deposits		
Payroll and employee benefits payable	455,196,050.52	530,906,045.00
Taxes payable	182,803,660.02	262,203,676.39
Other payables	34,516,136.28	75,527,618.02
Including: Interest payable		
Dividend payable		
Fees and commission payable		
Payable reinsurance		
Liabilities classified as held for sale		
Current portion of non-current liabilities	10,800,876.22	4,148,677.00
Other current liabilities	13,186,313.60	25,882,386.82
Total current liabilities	1,302,828,301.64	1,690,626,247.62
<b>NON-CURRENT LIABILITIES:</b>		
Insurance reserves		
Long-term borrowings		
Bonds payable		
Including: Preference share		
Perpetual debt		
Lease liabilities	28,132,847.55	3,606,651.23
Long-term Payable		
Long-term payroll and employee benefits payable		
Provisions		
Deferred income	159,642.70	684,231.97
Deferred tax liabilities	705,651.53	3,464,492.20
Other non-current liabilities	57,336,347.24	82,537,676.23
Total non-current liabilities	86,334,489.02	90,293,051.63
Total liabilities	1,389,162,790.66	1,780,919,299.25
<b>SHAREHOLDERS' EQUITY:</b>		
Paid-in capital	72,041,101.00	71,866,482.00
Other equity instruments		
Including: Preference share		
Perpetual debt		
Capital reserve	1,400,918,753.30	1,334,367,676.34
Less: treasury shares		
Other comprehensive income	73,375,545.86	59,710,028.24
Special reserve		
Surplus reserve	36,020,550.50	35,941,112.50
General reserve		
Retained earnings	2,881,486,077.30	2,476,849,266.95
Equity attributable to shareholders of the Company	4,463,842,027.96	3,978,734,566.03
Non-controlling interests	783,766,419.80	730,766,433.50
Total shareholders' equity	5,247,608,447.76	4,709,500,999.53
Total liabilities and shareholders' equity	6,636,771,238.42	6,490,420,298.78

Legal Representative: Lu Hongyan    Chief Accountant: Lin Jiajin    Head of Accounting  
 Department: Chen Hualiang

### COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

Prepared by: G-bits Network Technology (Xiamen) Co., Ltd.

Unit: RMB Yuan

Item	31 December 2023	31 December 2022
<b>CURRENT ASSETS:</b>		
Cash and Cash equivalents	172,514,364.01	316,357,502.93
Financial assets held for trading	328,976,474.94	60,342,000.00
Derivative financial assets		
Notes receivable		
Accounts receivable	45,693,275.98	31,868,438.63
Financing receivables		
Prepayments	1,158,216.36	560,714.17
Other receivables	70,829,561.42	116,613,690.66
Including: Interest receivable		
Dividends receivable	69,977,500.00	114,576,000.00
Inventories		
Contract assets		
Assets classified as held for sale		
Current portion of non-current assets	5,555,356.97	4,089,865.87
Other current assets	383,623.67	177,765.77
Total current assets	625,110,873.35	530,009,978.03
<b>NON-CURRENT ASSETS:</b>		
Debt investment		
Other debt investments		
Long-term receivables	2,486,121.17	5,861,968.11
Long-term equity investments	2,150,458,973.88	2,128,930,582.66
Other equity instruments investments		
Other non-current financial assets	148,546,250.01	148,339,140.34
Investment properties	283,235,747.11	304,655,429.83
Fixed assets	10,328,855.38	10,849,209.46
Construction in progress		
Productive biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	423,898.63	518,200.56
Development expenditures		
Goodwill		
Long-term prepaid expenses	364,995.95	
Deferred tax assets		
Other non-current assets		
Total non-current assets	2,595,844,842.13	2,599,154,530.96
Total assets	3,220,955,715.48	3,129,164,508.99
<b>CURRENT LIABILITIES:</b>		
Short-term borrowings		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable	3,091,805.96	7,546,577.55
Receipts in advance	534,094.42	34,710.95
Contract liabilities	19,695,860.98	28,818,229.76
Payroll and employee benefits payable	103,614,920.85	118,552,169.31
Taxes payable	27,210,531.94	47,822,500.61

Item	31 December 2023	31 December 2022
Other payables	5,012,208.17	5,109,242.69
Including: Interest payable		
Dividend payable		
Liabilities classified as held for sale		
Current portion of non-current liabilities		
Other current liabilities	1,454,183.60	1,976,867.48
Total current liabilities	160,613,605.92	209,860,298.35
<b>NON-CURRENT LIABILITIES:</b>		
Long-term borrowings		
Bonds payable		
Including: Preference share		
Perpetual debt		
Lease liabilities		
Long-term payable		
Long-term payroll and employee benefits payable		
Provisions		
Deferred income	151,675.64	533,731.97
Deferred tax liabilities		3,061,614.95
Other non-current liabilities	1,777,206.67	1,653,646.50
Total non-current liabilities	1,928,882.31	5,248,993.42
Total liabilities	162,542,488.23	215,109,291.77
<b>SHAREHOLDERS' EQUITY:</b>		
Paid-in capital	72,041,101.00	71,866,482.00
Other equity instruments		
Including: Preference share		
Perpetual debt		
Capital reserve	1,210,019,236.80	1,143,391,521.98
Less: treasury shares		
Other comprehensive income	-24,035.06	-24,035.06
Special reserve		
Surplus reserve	36,020,550.50	35,941,112.50
Retained earnings	1,740,356,374.01	1,662,880,135.80
Total shareholders' equity	3,058,413,227.25	2,914,055,217.22
Total liabilities and shareholders' equity	3,220,955,715.48	3,129,164,508.99

Legal Representative: Lu Hongyan      Chief Accountant: Lin Jiajin      Head of Accounting  
Department: Chen Hualiang

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

Prepared by: G-bits Network Technology (Xiamen) Co., Ltd.

Unit: RMB Yuan

Item	2023	2022
1. Total revenue	4,184,851,388.03	5,167,615,488.17
Including: Operating revenue	4,184,851,388.03	5,167,615,488.17
Interest income		
Net earned premiums		
Net fee and commission revenue		
2. Total cost of sales	2,500,157,080.35	2,800,021,736.04
Including: Cost of sales	479,905,478.93	582,139,390.15
Interest expenses		
Fees and commission expenses		
Surrenders		
Net payments for insurance claims		
Net provision of insurance reserve		

Item	2023	2022
Policyholder dividends		
Reinsurance expenses		
Taxes and surcharges	25,074,744.32	20,542,210.28
Selling expenses	1,127,241,515.96	1,401,713,286.40
General and administrative expenses	314,983,930.97	340,059,533.55
Research and development expenses	679,358,601.39	672,606,989.65
Financial expenses	-126,407,191.22	-217,039,673.99
Including: Interest expenses	1,561,576.37	371,657.45
Interest income	90,555,821.67	44,784,179.87
Add: Other income	41,385,502.91	48,614,213.47
Investment income/(losses)	34,921,944.16	106,355,390.43
Including: Share of profits or loss of associates and joint ventures	9,207,061.64	74,292,570.87
Gain from derecognition of financial assets measured at amortized cost		
Exchange gains or losses		
Net exposure hedging gains/ (losses)		
Gain/ (losses) on the changes in fair value	-32,966,781.00	-27,356,324.21
Credit impairment losses	3,727,608.72	6,004,840.37
Assets impairment losses	-25,895,706.04	-180,603,588.49
Gain/ (losses) from disposal of assets	326,039.11	-74,690.07
3. Operating profit	1,706,192,915.54	2,320,533,593.63
Add: Non-operating income	576,190.90	4,111,201.50
Less: Non-operating expenses	6,800,538.08	9,706,890.19
4. Profit/(loss) before tax	1,699,968,568.36	2,314,937,904.94
Less: Income tax expense	238,876,135.03	355,440,226.60
5. Net profit /(loss)	1,461,092,433.33	1,959,497,678.34
(1) Categorized by operation continuity		
Net profit from continuing operations	1,461,092,433.33	1,959,497,678.34
Net profit from discontinuing operations		
(2) Categorized by ownership		
Net profit attributable to shareholders of the Company	1,125,119,212.35	1,460,874,459.68
Net profit attributable to non-controlling interests	335,973,220.98	498,623,218.66
6. Other comprehensive income, net of tax	14,236,742.09	76,362,714.35
(1) Other comprehensive income, net of tax, attributable to shareholders of the Company	13,665,517.62	73,759,967.18
(i) Other comprehensive income that will not be reclassified to profit or loss		
Remeasurement gains or losses of a defined benefit plan		
Other comprehensive income using the equity method that will not be reclassified to profit or loss		
Changes in fair value of other equity instrument investments		
Changes in fair value of enterprise's own credit risk		
(ii) Other comprehensive income to be reclassified to profit or loss	13,665,517.62	73,759,967.18
Other comprehensive income that can be reclassified to profit or loss in equity method	3,870,111.84	24,210,160.88
Changes in fair value of other debt investments		
Amount of financial assets reclassified into other comprehensive income		
Provision for credit impairment of other debt investments		
Cash flow hedging reserves (effective part of profit and loss of cash flow hedging)		
Exchange differences on translation of foreign currency financial statements	9,795,405.78	49,549,806.30
Others		



Item	2023	2022
(2) Other comprehensive income, net of tax, attributable to non-controlling interests	571,224.47	2,602,747.17
7. Total comprehensive income	1,475,329,175.42	2,035,860,392.69
Total comprehensive income attributable to shareholders of the Company	1,138,784,729.97	1,534,634,426.86
Total comprehensive income attributable to non-controlling interests	336,544,445.45	501,225,965.83
8. Earnings per share		
Basic earnings per share (RMB yuan / share)	15.63	20.33
Diluted earnings per share (RMB yuan / share)	/	/

Legal Representative: Lu Hongyan      Chief Accountant: Lin Jiajin      Head of Accounting  
Department: Chen Hualiang

### INCOME STATEMENT OF COMPANY

For the year ended 31 December 2023

Prepared by: G-bits Network Technology (Xiamen) Co., Ltd.

Unit: RMB Yuan

Item	2023	2022
1. Total revenue	358,670,329.43	366,952,095.41
Less: Total cost of sales	47,110,325.74	52,957,080.97
Taxes and surcharges	4,621,644.92	3,978,019.77
Selling expenses		
Administrative expenses	49,461,736.62	56,893,848.36
Research and development expenses	119,182,218.79	121,330,495.33
Finance expenses	-13,529,502.51	-1,478,215.01
Including: Interest expenses (expressed with positive value)		
Interest income (expressed with positive value)	11,999,749.20	1,437,605.32
Add: Other income	23,161,446.02	9,852,216.87
Investment income/(losses)	643,832,058.16	1,069,054,203.86
Including: Share of profits or losses of associates and joint ventures	-45,879,868.75	-12,277,587.40
Gain from derecognition of financial assets measured at amortized cost		
Net exposure hedging gains/ (losses)		
Gain/ (losses) on the changes in fair value	-4,565,761.05	9,449,592.39
Credit impairment losses	-509,115.93	-278,868.81
Assets impairment losses		
Gain/ (losses) from disposal of assets	419.03	-26,349.81
2. Operating profit/Loss	813,742,952.10	1,221,321,660.49
Add: Non-operating income	6,345.58	22,245,626.22
Less: Non-operating expenses	1,525,892.86	1,838,051.86
3. Profit/(loss) before tax	812,223,404.82	1,241,729,234.85
Less: Income tax expense	14,264,764.61	30,618,060.18
4. Net profit /(loss)	797,958,640.21	1,211,111,174.67
(1) Net profit from continuing operations	797,958,640.21	1,211,111,174.67
(2) Net profit from discontinuing operations		
5. Other comprehensive income, net of tax		
(1) Other comprehensive income, net of tax		
Other comprehensive income that will not be reclassified to profit or loss		
Other comprehensive income using the equity method that will not be reclassified to profit or loss		
Changes in fair value of other equity instrument investments		

Item	2023	2022
Changes in fair value of enterprise's own credit risk		
(2) Other comprehensive income to be reclassified to profit or loss		
Other comprehensive income that can be reclassified to profit or loss in equity method		
Changes in fair value of other debt investments		
Amount of financial assets reclassified into other comprehensive income		
Provision for credit impairment of other debt investments		
Cash flow hedging reserves (effective part of profit and loss of cash flow hedging)		
Exchange differences on translation of foreign currency financial statements		
Others		
6. Total comprehensive income	797,958,640.21	1,211,111,174.67
7. Earnings per share		
(1) Basic earnings per share (RMB yuan / share)		
(1) Diluted earnings per share (RMB yuan / share)		

Legal Representative: Lu Hongyan      Chief Accountant: Lin Jiajin      Head of Accounting  
Department: Chen Hualiang

### CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

Prepared by: G-bits Network Technology (Xiamen) Co., Ltd.

Unit: RMB Yuan

Item	2023	2022
<b>1. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from the sale of goods and the rendering of services	4,275,602,815.62	5,283,768,708.60
Net increase in customer bank deposits and due to banks and other financial institutions		
Net increase in loans from the central bank		
Net increase in funds borrowed from other financial institutions		
Cash premiums received on original insurance contracts		
Net cash received from re-insurance business		
Net increase in deposits and investments from insurers		
Cash received from interest, fees and commission		
Net increase in funds deposit		
Net increase in repurchase business funds		
Net income from securities trading brokerage business		
Tax refunds received		
Cash received relating to other operating activities	153,020,528.31	102,742,365.44
Sub-total of cash inflows from operating activities	4,428,623,343.93	5,386,511,074.04
Cash paid for purchase of goods and services	689,290,600.25	805,723,313.49
Net increase in loans and payments on behalf of customers		
Net increase in deposits with central bank and other financial institutions		
Payments for claims for original insurance contracts		
Net increase in funds lent		
Cash paid for interest, fees and commission		
Commissions on insurance policies paid		
Cash paid to and on behalf of employee	1,042,923,072.57	927,760,338.06
Cash paid for taxes	465,104,414.01	676,767,132.59
Cash paid relating to other operating activities	1,045,804,273.43	1,223,866,327.36
Sub-total of cash outflows from operating activities	3,243,122,360.26	3,634,117,111.50
Net cash flows from operating activities	1,185,500,983.67	1,752,393,962.54

Item	2023	2022
<b>2. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash received from disposal of investments	5,032,510,000.00	5,396,627,362.89
Cash received from investment income	78,529,048.99	80,526,820.62
Net proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets	1,310.00	60,970.00
Cash received from disposal of subsidiaries and other business units		
Cash received relating to other investing activities		6,841,666.67
Sub-total of cash inflows from investing activities	5,111,040,358.99	5,484,056,820.18
Purchase of property, plant and equipment, intangible assets and other non-current assets	55,673,991.85	43,603,059.73
Cash paid for investments	5,545,911,111.00	5,254,320,492.69
Net increase in secured loans		
Net cash paid for acquisition of a subsidiary and other operating units		
Cash paid relating to other investing activities		
Sub-total of cash outflows from investing activities	5,601,585,102.85	5,297,923,552.42
Net cash flows from investing activities	-490,544,743.86	186,133,267.76
<b>3. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from investment	63,743,604.71	677,105.70
Including: Cash receipts from capital contributions from non-controlling interests of subsidiaries		
Proceeds from borrowings		
Cash receipts relating to other financing activities		
Subtotal of cash inflows from financing activities	63,743,604.71	677,105.70
Repayments for debts		
Cash payments for distribution of dividends or profit and interest expenses	1,013,195,819.00	2,398,348,767.95
Including: Dividends or profit paid to non-controlling shareholders of subsidiaries	283,992,000.00	252,000,000.00
Cash payments relating to other financing activities	9,796,328.24	6,132,880.88
Subtotal of cash outflows from financing activities	1,022,992,147.24	2,404,481,648.83
Net cash flows from financing activities	-959,248,542.53	-2,403,804,543.13
<b>4. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	36,832,233.24	187,832,199.74
<b>5. NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	-227,460,069.48	-277,445,113.09
Add: Cash and cash equivalents at beginning of year	2,622,640,821.07	2,900,085,934.16
<b>6. CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	2,395,180,751.59	2,622,640,821.07

Legal Representative: Lu Hongyan      Chief Accountant: Lin Jiajin      Head of Accounting  
Department: Chen Hualiang

### COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

Prepared by: G-bits Network Technology (Xiamen) Co., Ltd.

Unit: RMB Yuan

Item	2023	2022
<b>1. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from the sale of goods and the rendering of services	311,647,085.47	351,742,009.71
Tax refunds received		
Cash received relating to other operating activities	86,859,266.26	103,204,659.03
Sub-total of cash inflows from operating activities	398,506,351.73	454,946,668.74
Cash paid for purchase of goods and services	4,520,905.45	7,222,101.67
Cash paid to and on behalf of employee	182,754,174.90	176,848,240.26
Cash paid for taxes	54,430,631.86	99,585,994.33

Item	2023	2022
Cash paid relating to other operating activities	24,747,344.33	38,592,651.08
Sub-total of cash outflows from operating activities	266,453,056.54	322,248,987.34
Net cash flows from operating activities	132,053,295.19	132,697,681.40
<b>2. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash received from disposal of investments	760,500,000.00	2,235,600,000.00
Cash received from investment income	735,185,796.88	1,811,930,454.50
Net proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets		30,033.00
Cash received from disposal of subsidiaries and other business units		
Cash received relating to other investing activities		336,800.00
Sub-total of cash inflows from investing activities	1,495,685,796.88	4,047,897,287.50
Purchase of property, plant and equipment, intangible assets and other non-current assets	3,792,909.09	2,322,412.61
Cash paid for investments	1,098,900,000.00	2,014,400,000.00
Cash Paid for disposal of subsidiaries and other business units		
Cash paid relating to other investing activities		
Sub-total of cash outflows from investing activities	1,102,692,909.09	2,016,722,412.61
Net cash flows from investing activities	392,992,887.79	2,031,174,874.89
<b>3. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from investment	63,743,604.71	677,105.70
Proceeds from borrowings		
Cash receipts relating to other financing activities		
Subtotal of cash inflows from financing activities	63,743,604.71	677,105.70
Repayments for debts		
Cash payments for distribution of dividends or profit and interest expenses	729,203,819.00	2,146,864,067.95
Cash payments relating to other financing activities	413,368.72	1,231,686.64
Subtotal of cash outflows from financing activities	729,617,187.72	2,148,095,754.59
Net cash flows from financing activities	-665,873,583.01	-2,147,418,648.89
<b>4. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	993.26	46,784.25
<b>5. NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	-140,826,406.77	16,500,691.65
Add: Cash and cash equivalents at beginning of year	312,508,715.23	296,008,023.58
<b>6. CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	171,682,308.46	312,508,715.23

Legal Representative: Lu Hongyan      Chief Accountant: Lin Jiajin  
Department: Chen Hualiang

Head of Accounting

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

Prepared by: G-bits Network Technology (Xiamen) Co., Ltd.

Unit: RMB Yuan

Item	2023														
	Equity attributable to shareholders of the Company													Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury Shares	Other comprehensive income	Special reserve	Surplus reserve	General reserve	Retained earnings	Others	Subtotal		
	preference share	Perpetual debt	Others												
1. Balance at the end of previous year	71,866,482.00				1,334,367,676.34		59,710,028.24		35,941,112.50		2,476,849,266.95		3,978,734,566.03	730,766,433.50	4,709,500,999.53
Changes in accounting policies															
Corrections of prior period errors															
Others															
2. Balance at the beginning of the year	71,866,482.00				1,334,367,676.34		59,710,028.24		35,941,112.50		2,476,849,266.95		3,978,734,566.03	730,766,433.50	4,709,500,999.53
3. Increase/(decrease) during the period	174,619.00				66,551,076.96		13,665,517.62		79,438.00		404,636,810.35		485,107,461.93	52,999,986.30	538,107,448.23
(1) Total comprehensive income							13,665,517.62				1,125,119,212.35		1,138,784,729.97	336,544,445.45	1,475,329,175.42
(2) Shareholders' contributions and reduction	174,619.00				66,279,676.56								66,454,295.56	348,038.26	66,802,333.82
(i) Shareholders' contributions in ordinary share	174,619.00				63,568,985.71								63,743,604.71	-	63,743,604.71
(ii) Other equity instruments contributions															
(iii) Amount of share-based payments recognized in equity					2,710,690.85								2,710,690.85	348,038.26	3,058,729.11
(iv) Others															
(3). Profit distribution									79,438.00		-720,482,402.00		-720,402,964.00	-283,992,000.00	-1,004,394,964.00
(i) Transfer to surplus reserve									79,438.00		-79,438.00				

2023

Item	Equity attributable to shareholders of the Company														Non-controlling interests	Total shareholders' equity	
	Share capital	Other equity instruments			Capital reserve	Less: Treasury Shares	Other comprehensive income	Special reserve	Surplus reserve	General reserve	Retained earnings	Others	Subtotal				
		preference share	Perpetual debt	Others													
(ii) Transfer to general Reserve																	
(iii) Distribution to shareholders													-720,402,964.00		-720,402,964.00	-283,992,000.00	-1,004,394,964.00
(iv) Others																	
(4) Transfer within equity																	
(i) Capital reserves converted to share capital																	
(ii) Surplus reserves converted to share capital																	
(iii) Loss made up by surplus reserves																	
(iv) Changes in the defined benefit plan transferred to retained earnings																	
(v) Other comprehensive income transferred to retained earnings																	
(vi) Others																	
(5). Special reserve																	
(i). Additions																	
(ii). Utilisation																	
(6) Others					271,400.40										271,400.40	99,502.59	370,902.99
4. Balance at the end of the period	72,041,101.00				1,400,918,753.30		73,375,545.86		36,020,550.50		2,881,486,077.30		4,463,842,027.96	783,766,419.80	5,247,608,447.76		



Item	2022														
	Equity attributable to shareholders of the Company													Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury Shares	Other comprehensive income	Special reserve	Surplus reserve	General reserve	Retained earnings	Others	Subtotal		
	preference share	Perpetual debt	Others												
(4) Transfer within equity															
(i) Capital reserves converted to share capital															
(ii) Surplus reserves converted to share capital															
(iii) Loss made up by surplus reserves															
(iv) Changes in the defined benefit plan transferred to retained earnings															
(v) Other comprehensive income transferred to retained earnings															
(vi) Others															
(5). Special reserve															
(i). Additions															
(ii). Utilisation															
(6) Others					12,528,823.41								12,528,823.41	749,703.27	13,278,526.68
4. Balance at the end of the period	71,866,482.00				1,334,367,676.34		59,710,028.24		35,941,112.50		2,476,849,266.95		3,978,734,566.03	730,766,433.50	4,709,500,999.53

Legal Representative: Lu Hongyan  
Hualiang

Chief Accountant: Lin Jiajin

Head of Accounting Department: Chen





Item	2023										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury Shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
		preference share	Perpetual debt	Others							
(iv) Changes in the defined benefit plan transferred to retained earnings											
(v) Other comprehensive income transferred to retained earnings											
(vi) Others											
(5). Special reserve											
(i). Additions											
(ii). Utilisation											
(6) Others											
4. Balance at the end of the period	72,041,101.00				1,210,019,236.80		-24,035.06		36,020,550.50	1,740,356,374.01	3,058,413,227.25

Item	2022										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury Shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
		preference share	Perpetual debt	Others							
1. Balance at the end of previous year	71,864,752.00				1,134,650,612.13		-24,035.06		35,941,112.50	2,607,757,021.13	3,850,189,462.70
Changes in accounting policies											
Corrections of prior period errors											
Others											
2. Balance at the beginning of the year	71,864,752.00				1,134,650,612.13		-24,035.06		35,941,112.50	2,607,757,021.13	3,850,189,462.70
3. Increase/(decrease) during the period	1,730.00				8,740,909.85					-944,876,885.33	-936,134,245.48
(1) Total comprehensive income										1,211,111,174.67	1,211,111,174.67
(2) Shareholders' contributions and reduction	1,730.00				8,729,182.25						8,730,912.25
(i) Shareholders' contributions in ordinary share	1,730.00				675,375.70						677,105.70
(ii) Other equity instruments contributions											
(iii) Amount of share-based payments recognized in equity					8,053,806.55						8,053,806.55

Item	2022										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury Shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
		preference share	Perpetual debt	Others							
(iv) Others											
(3). Profit distribution										-2,155,988,060.00	-2,155,988,060.00
(i) Transfer to surplus reserve											
(ii) Distribution to shareholders										-2,155,988,060.00	-2,155,988,060.00
(iii) Others											
(4) Transfer within equity											
(i) Capital reserves converted to share capital											
(ii) Surplus reserves converted to share capital											
(iii) Loss made up by surplus reserves											
(iv) Changes in the defined benefit plan transferred to retained earnings											
(v) Other comprehensive income transferred to retained earnings											
(vi) Others											
(5). Special reserve											
(i). Additions											
(ii). Utilisation											
(6) Others					11,727.60						11,727.60
4. Balance at the end of the period	71,866,482.00				1,143,391,521.98		-24,035.06	35,941,112.50	1,662,880,135.80	2,914,055,217.22	

Legal Representative: Lu Hongyan  
Hualiang

Chief Accountant: Lin Jiajin

Head of Accounting Department: Chen