



CMGE
中手游

为热爱而生

CMGE Technology Group Limited
中手游科技集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0302)

INTERIM
REPORT

↕ 2021



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. XIAO Jian (*Chairman and Chief Executive Officer*)

Mr. SIN Hendrick *M.H.* (*Vice Chairman*)

Mr. FAN Yingjie

Non-executive Director

Mr. ZHANG Shengyan (appointed on 10 May 2021)

Independent Non-executive Directors

Ms. NG Yi Kum

Mr. TANG Liang

Mr. HO Orlando Yaukai

AUDIT COMMITTEE

Ms. NG Yi Kum (*Chairlady*)

Mr. TANG Liang

Mr. HO Orlando Yaukai

REMUNERATION COMMITTEE

Mr. HO Orlando Yaukai (*Chairman*)

Mr. SIN Hendrick *M.H.*

Ms. NG Yi Kum

NOMINATION COMMITTEE

Mr. XIAO Jian (*Chairman*)

Mr. TANG Liang

Mr. HO Orlando Yaukai

CORPORATE GOVERNANCE COMMITTEE

Ms. NG Yi Kum (*Chairlady*)

Mr. SIN Hendrick *M.H.*

Mr. HO Orlando Yaukai

AUTHORISED REPRESENTATIVES

Mr. XIAO Jian

Mr. SIN Hendrick *M.H.*

COMPANY SECRETARY

Ms. LAI Yau Yan Gladys

HONG KONG LEGAL ADVISER

Kirkland & Ellis

26th Floor, Gloucester Tower

The Landmark

15 Queen's Road Central

Hong Kong

AUDITOR

Ernst & Young

22nd Floor, CITIC Tower

1 Tim Mei Avenue

Central

Hong Kong

REGISTERED OFFICE

PO BOX 309, Uglan House

Grand Cayman, KY1-1104

Cayman Islands

HEADQUARTERS

10th Floor, Building No. 4

Zhuoyue Meilin Centre Square

Zhongkang North Road

Futian District

Shenzhen

Guangdong Province

The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

13th Floor, 8 Wyndham Street

Central

Hong Kong

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS

China Guangfa Bank
Shenzhen Branch, Binhai Sub-branch

China Merchants Bank
Shenzhen Branch, Weisheng Building
Sub-branch

Guangdong Huaxing Bank
Shenzhen Branch

China Everbright Bank
Shenzhen Futian Branch

COMPANY'S WEBSITE

<http://www.cmge.com>

STOCK CODE

0302

FINANCIAL SUMMARY

	For the six months ended 30 June		Period-to-period %
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	
Revenue	2,180,133	1,714,036	27.2
Profit for the period	378,250	276,061	37.0
Profit for the period attributable to owners of the parent	393,532	287,746	36.8
Adjusted net profit ⁽¹⁾	401,780	341,649	17.6
Earnings per Share (RMB)	15.23 cents	12.35 cents	
Adjusted earnings per Share (RMB) ⁽¹⁾	15.55 cents	14.66 cents	

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
	Total assets	7,128,703
Total liabilities	1,464,935	1,529,743
Total equity	5,663,768	4,800,856

Note:

1. "Adjusted net profit" is not defined under the HKFRS. It is defined by the Group as net profit attributable to owners of the parent excluding equity-settled share-based expense which is not operating and recurring in nature. The adjusted net profit can more closely reflect the Group's operating results, after excluding the above-mentioned non-operating item. "Adjusted earnings per Share" are the Group's adjusted net profit divided by the weighted average number of Shares during the six months ended 30 June 2020 and 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Leveraging the Group's highly competitive IP based game ecosystem, the Group has achieved impressive results in terms of global publishing and self-development of IP-based games in the first half of 2021. The Group has acquired various new high-quality IPs and further consolidated its presence in terms of different genres, regions and gameplays, and held a total of 118 IPs, comprising 50 licensed IPs and 68 proprietary IPs as at 30 June 2021. Statistics from Analysys (易觀智庫) show that, as at 30 June 2021, the Group had the largest number of IPs among game companies in the PRC and had launched the most mobile IP-based games among game companies in the PRC. In the first half of 2021, the Group launched many games to the Mainland China market and various foreign countries. As at 30 June 2021, the Group had 85 games available for download in various application stores and publishing platforms.

Online games have become a powerful outlet for stress-relief during the COVID-19 pandemic. With the effective prevention and control of the epidemic in the PRC, the amount of time that consumers spent outdoor has increased significantly, but the continuous growth in the gaming industry indicates that high-quality development has become the core driving force of the gaming industry in the PRC. For the six months ended 30 June 2021, the Group's revenue reached RMB2,180.1 million, representing a period-on-period increase of approximately 27.2%; gross profit reached RMB839.6 million, representing a period-on-period increase of 58.0%; profit margin increased from 31.0% to 38.5%; profit for the period attributable to owners of the parent amounted to RMB 393.5 million, representing a period-on-period increase of approximately 36.8%; and adjusted net profit amounted to RMB401.8 million, representing a period-on-period increase of approximately 17.6%.

The following table sets forth the key performance indicators of the Group during the periods indicated, namely (i) the average MAUs; (ii) the average MPUs; (iii) ARPPU; and (iv) the total new registered users:

	For the six months ended 30 June	
	2021	2020
Average MAUs (thousands)	19,084	15,053
Average MPUs (thousands)	1,442	1,135
ARPPU (RMB)	251.9	251.7
Total new registered users (thousands)	58,014	54,358

Self-Development and Self-Publishing

Capitalising on its game operation experience accumulated over the years, through continuous and iterative upgrades of game versions, game characters and in-game activities, the Group maintained stable income and revenue contributions in the first half of 2021 from the operation of its self-developed games *The World of Legend – Thunder Empire* (傳奇世界之雷霆霸業), *Legend of Dragon City* (龍城傳奇), its card and board games, its self-published games *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心), as well as other games already launched and under operation before 2020.

In terms of new games, during the six months ended 30 June 2021, the Group launched several new games, which included various jointly developed and large-scale IP adapted mobile games, such as *One Piece: The Voyage* (航海王熱血航線) and *Soul Land: God of Battle Arise* (斗羅大陸—斗神再臨). In particular, *One Piece: The Voyage* (航海王熱血航線) was jointly produced by the Group and Beijing Nuverse Information Technology Co., Ltd. (北京朝夕光年信息技術有限公司) ("Nuverse") under ByteDance Ltd (字節跳動有限公司) ("ByteDance"). The game was launched on 22 April 2021 and topped the Top Free Games List of Apple's App Store in Mainland China, and ranked third on the Best Selling Games List of Apple's App Store in the first month of its launch. It won the Best Game Award in the first month of its launch under the Editors' Recommendation by Apple's App Store. After the launch of *Soul Land: God of Battle Arise* (斗羅大陸—斗神再臨) on 28 April 2021, the game ranked first on the Top Free Games List of Apple's App Store in Mainland China, and was recommended by Apple's App Store Today as a special featured recommendation and current best-selling recommendation several times. The Group's self-developed mobile game *Legend of Sword and Fairy - the Magnificence* (仙劍奇俠傳:九野) and web game *Blood Legend* (血飲傳說) achieved outstanding performance upon their launch in the first half of 2021. These new games have been highly recognised and welcomed by the market, driving the significant increase in the Group's revenue. During the six months ended 30 June 2021, the Group's revenue from its publishing business amounted to RMB1,525.3 million, representing a period-on-period increase of approximately 2.4%; and the Group's revenue from its game development business amounted to RMB567.0 million, representing a period-on-period increase of approximately 156.8%.

Overseas Markets

In the first half of 2021, the Group's overseas publishing business achieved significant breakthroughs. *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心) ranked first on the Top Free Games List of Apple's App Store on the first day of its launch in January 2021 in Hong Kong, Macau and Taiwan. The game ranked first on the Best Selling Games List of both Apple's App Store and Google Play Store in the first month of its launch in Hong Kong, Macau and Taiwan. Subsequently, *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心) was introduced to Singapore and Malaysia in June 2021, and ranked first on the Top Free Games List of Apple's App Store and Google Play Store in the first month of its launch in Singapore and Malaysia. The mobile game *Reborn!* (家庭教師) was launched in Southeast Asian regions in June 2021, and this game ranked third on the Top Free Games List of both Apple's App Store and Google Play Store in the first month of its launch in Southeast Asian regions. Games launched overseas in 2020 also obtained outstanding performance in the first half of 2021. During the six months ended 30 June 2021, the Group's revenue from overseas regions amounted to RMB219.7 million, representing a period-on-period increase of approximately 6,250.4%.

Investment in Developers

In terms of the Group's investment in quality game developers, the Group completed its investment in Shenzhen Heyao Network Technology Co., Ltd. (深圳市赫耀網絡科技有限公司) ("Shenzhen Heyao"), Beijing Xinrui Mutual Entertainment Technology Co., Ltd. (北京新芮互娛科技有限公司) ("Xinrui Mutual Entertainment"), and Fuzhou Tornado Network Technology Co., Ltd. (福州龍捲風網絡科技有限公司) ("Tornado Network") in the first half of 2021 and became their minority shareholders. Leveraging these investments, the Group has formulated a detailed cooperation plan with these three game developers. To this end, the Group will exclusively publish a MMORPG mobile game with an oriental fantasy world background *Code: Mountainous and Seas* (代號:山海) developed by Shenzhen Heyao. Pursuant to the cooperation plan, the Group will exclusively publish a RPG card game adapted from a popular novel IP, *Cultivation Chat Group* (修真聊天群) licensed by China Literature Limited (閱文集團) and developed by Xinrui Mutual Entertainment; the Group and Tornado Network jointly commenced testing a European-American themed simulation development + SLG mobile game developed by them in multiple overseas countries. The Group also jointly developed a tactical mobile game with Shanghai

Bantu Network Technology Co., Ltd. (上海班圖網絡科技有限公司), a company invested by the Group in the second half of 2020.

Licensing Business

In the first half of 2021, revenue derived from the Group's IP licensing business amounted to approximately RMB87.8 million, representing a period-on-period growth of 2,012.6%, which was mainly due to the revenue derived from licensing of various popular IPs of the Group. In terms of IP operation, the Group continued to increase the influence of its proprietary IPs, with a continued focus on enriching its IP universes and developing the merchandise of its IPs. In the first half of 2021, IP *Legend of Sword and Fairy* (仙劍奇俠傳) of the Group participated in the Nanjing, Wuhan, Nanning, Chongqing and Beijing offline animation festivals respectively, with over a hundred thousand guests participated in the festivals. In the first half of 2021, the Group's proprietary IPs *Legend of Sword and Fairy* (仙劍奇俠傳), *Monopoly* (大富翁), and *Xuan Yuan Sword* (軒轅劍) obtained the gold, silver and bronze prizes respectively in the Game Circuit IP (遊戲賽道 IP) in China's Annual IP Selection (中國年度IP評選) held by National Intellectual Property Exchange Centre Alliance (國家版權交易中心聯盟) and directed by National Copyright Administration of CPC (中宣部版權管理局). The Group and Beijing Pop Mart Cultural & Creative Corp., Ltd. (北京泡泡瑪特文化創意有限公司) commenced a series of cooperations regarding the IP *Legend of Sword and Fairy* (仙劍奇俠傳), for the joint development of blind box series products. Meanwhile, the Group cooperated with various outstanding partners to develop different figure and toy products, including a variety of high-quality Chinese-trend figures and toys, such as blind boxes of Super Kamii (超級卡米), female character weapons from *Legend of Sword and Fairy* (仙劍奇俠傳), statues of Xiao Ya Ji Lin Yueru (小雅集林月如), and handicrafts of Tang Xuejian (唐雪見). Through various channels, the Group will be able to penetrate the young consumer base to enhance the influence of *Legend of Sword and Fairy* (仙劍奇俠傳) among the young generation. For the six months ended 30 June 2021, the Group's *Legend of Sword and Fairy* Tmall shop had five major categories of products, including cultural and creative items and handicrafts, the sales of which exceeded RMB8.0 million during the six months ended 30 June 2021. In the first half of 2021, the Group established a strategic cooperation with Riot Games Merchandise, Inc. (拳頭遊戲) regarding the world leading game IP *League of Legends* (英雄聯盟). The Group was granted the license to develop including 11 categories of almost a hundred of *League of Legends* (英雄聯盟) related cultural and creative products, creating a new trend of culture and entertainment consumer products.

Strategic Cooperations

The Group also established strategic cooperations with multiple enterprises. In the first half of 2021, the Group entered into a strategic cooperation with Huawei Device Co., Ltd. (華為終端有限公司) (“Huawei”) in relation to the gaming business. Both parties will actively engage in comprehensive and in-depth cooperation in areas such as deep game cooperation, IP derivatives and branding, HMS ecology and game competitiveness leveraging on advantageous of Huawei Device’s platform, Huawei mobile services with HMS full-scene ecological capabilities, 5G, public cloud, AI, big-data, etc., and the Group’s quality game content, IP derivatives, etc., to achieve resource sharing and mutual benefit, and establish a stable and sustainable strategic partnership. On 29 April 2021, the Group entered into a cooperation agreement with Bilibili Inc., a company listed on NASDAQ (stock code: BILI) and the Stock Exchange (stock code: 9626), pursuant to the terms of the cooperation agreement, for a period of three years after completion of the Subscription (as defined below) and provided that Bilibili Inc. holds not less than 5% of the total issued Shares, Bilibili Inc. shall have priority cooperation rights in relation to the exclusive licensed operation of certain games developed or licensed by the Group and the Group’s IPs for which exclusive license will be granted in certain circumstances. In return, Bilibili agrees to enter into friendly negotiations with the Company to allow the Company to have priority rights in prescribed businesses areas. On 10 May 2021, the Group completed the subscription of new shares by Bilibili Inc. and other subscribers (the “Subscription”). The Group received a total net proceeds of approximately HK\$849.15 million upon completion of the Subscription and the Group intends to apply the net proceeds from the Subscription to further enhance its IP-based game publishing and development business. Further details regarding the use of proceeds from the Subscription are set forth under the section headed “Use of Proceeds from the Subscription of New Shares by Bilibili Inc. and other Subscribers” of this report.

Award and Recognition

The Group received the following awards and recognitions for the quality and popularity of its games and services:

Award/Recognition	Date of Award	Awarding Institution/Authority
“Golden Diamond Award” as Most Influential Enterprise of 2020 (金鑽獎2020最具影響力企業)	January 2021	Association of Game Industry of Guangdong (廣東省遊戲產業協會)
Guangdong Top 500 Enterprise 2020 (2020廣東企業500強)	January 2021	Enterprise Association of Guangdong (廣東省企業聯合會) and Entrepreneur Association of Guangdong (廣東省企業家協會)
Mobile Hardcore Alliance Most Popular Game Company in The 6th Black Stone Awards (第六屆黑石獎硬核最受關注遊戲公司)	March 2021	Mobile Hardcore Alliance (硬核聯盟)
Mobile Hardcore Alliance Most Popular Card Game in The 6th Black Stone Awards: The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart (第六屆黑石獎硬核最受歡迎卡牌遊戲: 新射鵰群俠傳之鐵血丹心)	March 2021	Mobile Hardcore Alliance (硬核聯盟)
Mobile Hardcore Alliance Most Anticipated Game in The 6th Black Stone Awards: Rakshasa Street: Chosen One (第六屆黑石獎硬核最受期待遊戲: 鎮魂街: 天生為王)	March 2021	Mobile Hardcore Alliance (硬核聯盟)

MANAGEMENT DISCUSSION AND ANALYSIS

Award/Recognition	Date of Award	Awarding Institution/Authority
2020 Brand of the Year (2020年度品牌)	March 2021	China Internet Week published by the Chinese Academy of Sciences (中國科學院《互聯網週刊》), IT Research Centre under Chinese Academy of Social Sciences (中國社會科學院信息化研究中心), eNet Research Centre (eNet研究院) and Deben Consultation (Beijing) Co., Ltd. (德本諮詢(北京)有限公司)
Shenzhen Top 100 Cultural Enterprise (深圳文化企業100強)	April 2021	Shenzhen Municipal Bureau of Culture, Radio, Television, Tourism and Sports (深圳市文化廣電旅遊體育局)
2021 IP Business Innovative Enterprise (2021年度IP商業創新企業)	June 2021	China Internet Week published by the Chinese Academy of Sciences (中國科學院《互聯網週刊》), IT Research Centre under Chinese Academy of Social Sciences (中國社會科學院信息化研究中心), eNet Research Centre (eNet研究院) and Deben Consultation (Beijing) Co., Ltd. (德本諮詢(北京)有限公司)
National Key Cultural Export Enterprise in 2021-2022 (2021-2022年度國家文化出口重點企業)	August 2021	Ministry of Commerce of The People's Republic of China (商務部)

Social Responsibility

The Group has consistently recognised its board social responsibilities by responding to social concerns and actively fulfilling social responsibilities. On 23 April 2021, the Group set up the eighth "CMGE Dream Libraries (中手遊築夢圖書館)" in the Central Primary School of Lvcongpo Town, Badong County, Enshi Tujia and Miao Autonomous Prefecture, Hubei (湖北恩施土家族苗族自治州巴東縣綠蔥坡鎮中心小學). Beginning on 20 July 2021, some areas in Henan Province encountered wide-ranging and extremely heavy rainstorms, with severe flooding in various cities. The Group initiated emergency assistance actions for Henan and donated a first installment of RMB1.0 million to the Henan Charity General Federation (河南省慈善總會) for recovering people's livelihood in the disaster areas, implementing necessary flood prevention, providing daily supplies, and supporting post-disaster recovery. The Group was selected as an "Outstanding Social Responsibility Performance Enterprise (社會責任表現相對突出的企業)" at the 2021 Game Responsibility Forum (2021遊戲責任論壇) hosted by People's Daily Online (人民網).

The Group has been committed to creating a healthy game environment for players. All games published by the Group are connected to the real-name authentication system, the anti-addiction system and the reminder of age ratings. The Group has further strengthened the protection of minors in the PRC. No game service is provided to minors from everyday's 10:00 p.m. to 8:00 a.m. of the following day. The playing time for minors on non-statutory holidays is limited to 1.5 hours per day, and the playing time for minors on statutory holidays is limited to 3 hours per day. Players under the age of 8 are prohibited from making in-game payment. The cumulative monthly consumption limit for minors between the ages of 8 and 16 in the Group's games shall not exceed RMB200; the cumulative monthly consumption limit for minors between the ages of 16 and 18 in the Group's games shall not exceed RMB400. In the first half of 2021, players under age of 18 accounted for approximately 0.026% of the Group's game revenue in the PRC.

OUTLOOK FOR THE SECOND HALF OF 2021

Increase the Investment in Self-developed Business

The Group will continue to increase its investment in its game development business, expand its research and development team, and will continue its strategic deployments in various game genres, covering mobile games, web games, PC games and other terminals to build a strong research and development team. In terms of self-developed new games, the PC game *Sword and Fairy 7* (仙劍奇俠傳七), self-developed by Beijing Softstar, a subsidiary of the Group, started pre-orders in July 2021 and will be officially launched on 15 October 2021 with its cloud version being launched soon after that. Wenmai Hudong, a wholly-owned subsidiary of the Group, will also launch a self-developed card+SLG mobile game, *Code: World of Castellan* (代號:城主天下), the third-generation mobile game *The World of Legend - Thunder Empire* (傳奇世界之雷霆霸業), and several H5 games and web games in the second half of 2021. After due preparation, the Group has set up various research and development studios, such as Man Tian Xing Studio (滿天星工作室), Zero Point Studio (零點工作室), and DaYu Studio (大禹工作室) in the first half of 2021, among which, Man Tian Xing Studio (滿天星工作室) jointly developed an open world RPG cross-platform game *Code: World* (代號:世界) with Shanghai Softstar, a wholly-owned subsidiary of Beijing Softstar, based on a proprietary IP *Legend of Sword and Fairy* (仙劍奇俠傳), and is expected to launch officially in 2023. Zero Point Studio (零點工作室) is currently developing a 3D asymmetrical and competitive mini-games *Code: EM* (代號:EM), which is expected to launch officially in 2022. DaYu Studio (大禹工作室) which mainly focuses on the development of casual and mobile card games, its project *Code: DF* (代號:DF), which is under development currently, is expected to launch officially in the second half of 2021.

Various Major Games will be Published

In terms of its publishing business, in the second half of 2021, the Group will launch several major games in the Mainland China market. Among which, *Dynasty Warriors: Hegemony* (真·三國無雙霸), developed by Shenzhen EZfun Interactive Technology Co., Ltd. (深圳易帆互動科技有限公司), a developer invested by the Group, and exclusively published by Tencent Games, was officially launched on 10 August 2021 as an ARPG game. In the first month of its launch, the game topped the Top Free Games List of Apple's App Store in Mainland China. The new mobile game *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), which was developed by the original research and development team of *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心) with huge success in 2020, is expected to be launched in the second half of 2021. As the latest generation of the Group's quality card games based on the Group's proprietary IP *Legend of Sword and Fairy* (仙劍奇俠傳), this game will bring its fans a brand new gaming experience. Furthermore, the mobile game *A New Record of a Mortal's Journey to Immortality* (新凡人修仙傳) adapted from the IP *A Record of a Mortal's Journey to Immortality* (凡人修仙傳) will be launched simultaneously with the second season of the animated *A Record of a Mortal's Journey to Immortality* (凡人修仙傳) in the fourth quarter of 2021. *Cultivation Fantasy* (我的御劍日記), developed by Love Games (Shanghai) Internet Technology Co., Ltd. (樂府互娛(上海)網絡科技有限公司), which is invested by the Group, together with many other massive or popular IPs adapted mobile games, including *Drawing Swords: My Individual Team* (亮劍之我的獨立團) and *Rakshasa Street: Chosen One* (鎮魂街:天生為王), have entered the final testing stage, and are expected to launch in the second half of 2021.

Strong Overseas Presence

The overseas market is a core part of the Group's global publishing strategy for IP-based games. The Group will also continue to increase its investment in overseas game operation and marketing, and to bring more high-quality and highly competitive IP-based games to overseas markets. In the second half of 2021, *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心) will be launched in Vietnam, South Korea and Thailand, and *Reborn!* (家庭教師) will also be launched in South Korea. In the second half of 2021, the Group will launch various new games in Hong Kong, Macau, Taiwan, Southeast Asia, Europe and the United States of America, including, among others, *Soul Land: God of Battle Arise* (斗羅大陸—斗神再臨), *Runaway of the Hominids* (暴走原始人), *Code: DF* (代號:DF), *Code: World of Castellan* (代號:城主天下), *Legend of Sword and Fairy – the Magnificence* (仙劍奇俠傳:九野), *Valonia & Puzzles* (瓦羅尼亞與謎題) and *Hua Jiang Hu: Bei Mo Ting* (畫江湖之杯莫停). Self-developed PC game *Sword and Fairy 7* (仙劍奇俠傳七) will also be launched in overseas markets simultaneously with its launch in Mainland China. In addition, *Dynasty Warriors: Hegemony* (真•三國無雙霸) will be launched in Hong Kong, Macau and Taiwan in the first half of 2022 and in Japan and South Korea subsequently. *The King of Fighters: All Stars* (全明星激鬥), another large-scale IP adaptation mobile game jointly developed by the Group and Niverse under ByteDance, will also be launched in overseas regions in the first half of 2022. Other games, such as *Drawing Swords: My Individual Team* (亮劍之我的獨立團), *Bao Qingtian* (包青天), and *Doomsday Chariots* (末世戰車), will also be launched in overseas markets in 2022.

Establish a Top-notch Influential Gaming Brand

On 5 August 2021, the Group conditionally agreed to acquire from Softstar Entertainment Inc. (大宇資訊股份有限公司) its 49% indirect equity interest in Beijing Softstar and all IP rights relating to *Legend of Sword and Fairy* (仙劍奇俠傳) registered, licensed or used in China at a total consideration of HK\$641.8 million. Upon completion, the Group will become the sole owner of the IP *Legend of Sword and Fairy* (仙劍奇俠傳)'s registration, license and right-to-use in Mainland China. This acquisition will strengthen the Group's competitiveness in the IP game ecosystem, supporting and securing the stable advancement of the Group's IP game strategy in the long term. Focusing on the future, the Group will create more high quality content and further enrich the user's interactive experience. In the second half of 2021, the Group will jointly produce TV dramas and animations of *Legend of Sword and Fairy 1* (仙劍奇俠傳一) with Tencent Penguin Pictures, jointly produce TV dramas such as *Legend of Sword and Fairy 4* (仙劍奇俠傳四) and *Legend of Sword and Fairy 5 Prequel* (仙劍奇俠傳五前傳) with iQiyi, and launch several movies, animation movies, internet films, internet short dramas, and etc., based on *Legend of Sword and Fairy* (仙劍奇俠傳), among others with Tencent Video, Wanda Media, and Boxing Culture (鉅星文化). The literary products based on *Legend of Sword and Fairy 1* (仙劍奇俠傳一), *Legend of Sword and Fairy 2* (仙劍奇俠傳二), *Legend of Sword and Fairy 4* (仙劍奇俠傳四), *Xian Xia Zhuan* (仙霞傳), *Yao Tai Xue* (瑤台雪), and *Qiong Hua Hou Zhuan* (瓊華後傳) are in progress, and are expected to be launched in 2021. The Group intended to launch various mobile games based on *Legend of Sword and Fairy* (仙劍奇俠傳), including *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), a new mobile game developed by the original team which developed *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心), and *Code: World* (代號:世界), an open world RPG cross-platform game jointly developed by the self-owned Man Tian Xing Studio (滿天星工作室) under the Group and Shanghai Softstar, which will be launched in the second half of 2021 and 2023 respectively. On the premise of traditional cultural heritage, the Group will dig deeper into the excellent cultural value of the Group's IP, and convey positive values to the outside world, building *Legend of Sword and Fairy* (仙劍奇俠傳) into the world's top influential Chinese game brand, and creating a new high for the influence of IP *Legend of Sword and Fairy* (仙劍奇俠傳), so that the Chinese story and Chinese culture will go further and deeper into people's hearts.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The following sets forth the unaudited condensed consolidated statement of profit or loss for the six months ended 30 June 2021 together with unaudited comparative figures for the six months ended 30 June 2020:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	2,180,133	1,714,036
Cost of sales	(1,340,502)	(1,182,578)
Gross profit	839,631	531,458
Other income and gains	34,098	96,370
Selling and distribution expenses	(225,264)	(102,709)
Administrative expenses	(183,877)	(166,562)
Impairment losses on financial and contract assets, net	(18,738)	(16,681)
Other expenses	(9,653)	(25,146)
Finance costs	(11,271)	(20,650)
Share of losses of a joint venture	(3)	(152)
Share of profits and losses of associates	(2,307)	5,531
Profit before tax	422,616	301,459
Income tax expense	(44,366)	(25,398)
Profit for the period	378,250	276,061
Attributable to owners of the parent	393,532	287,746
Attributable to non-controlling interests	(15,282)	(11,685)
Adjusted net profit ⁽¹⁾	401,780	341,649

Note:

- "Adjusted net profit" is not defined under the HKFRS. It is defined by the Group as net profit attributable to owners of the parent excluding equity-settled share-based expense which is not operating and recurring in nature. The adjusted net profit can more closely reflect the Group's operating results, after excluding the above-mentioned non-operating item.

MANAGEMENT DISCUSSION AND ANALYSIS

Adjusted net profit

The table below sets forth a quantitative reconciliation of the Group's adjusted net profit for the periods indicated:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Profit for the period attributable to owners of the parent	393,532	287,746
Add:		
Equity-settled share-based expense	8,248	53,903
Adjusted net profit	401,780	341,649

The Group's adjusted net profit increased by approximately 17.6% from RMB341.6 million for the six months ended 30 June 2020 to RMB401.8 million for the six months ended 30 June 2021. As the adjusted net profit excluded a non-operating item that may impact the Group's net profit for the period, i.e. equity-settled share-based expense, it can more closely reflect the Group's operating results during the six months ended 30 June 2021.

Revenue

The Group derives its revenue from (i) the provision of game publishing services in relation to games developed by third parties; (ii) the licensing and publication of its in-house developed games; and (iii) the licensing of its proprietary IPs to third parties. The table below sets forth the Group's revenue by category for the periods indicated:

	For the six months ended 30 June			
	2021 RMB'000 (Unaudited)		2020 RMB'000 (Unaudited)	
		%		%
Game publishing	1,525,296	70.0	1,489,101	86.9
Game development	567,036	26.0	220,779	12.9
IP licensing	87,801	4.0	4,156	0.2
Total	2,180,133	100.0	1,714,036	100.0

The Group's revenue increased by approximately 27.2% from RMB1,714.0 million for the six months ended 30 June 2020 to RMB2,180.1 million for the six months ended 30 June 2021. This increase was primarily attributable to:

- (i) an increase in the Group's game publishing revenue by approximately 2.4% from RMB1,489.1 million for the six months ended 30 June 2020 to RMB1,525.3 million for the six months ended 30 June 2021, primarily as a result of the popularity of the new IP games *Soul Land: God of Battle Arise* (斗羅大陸—斗神再臨) and *One Piece: The Voyage* (航海王熱血航線) among players soon after their launch in April 2021, which also earned outstanding feedback and contributed significantly to the Group's revenue. Also, *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵬群俠傳之鐵血丹心), a game launched by the Group in 2020, has maintained stable income in the Mainland China. This game was also launched in the first half of 2021 in various overseas regions such as Hong Kong, Macau, Taiwan, Singapore and Malaysia and was recommended by Apple's App Store several times and delivered excellent performance;

- (ii) an increase in the Group's game development revenue by approximately 156.8% from RMB220.8 million for the six months ended 30 June 2020 to RMB567.0 million for the six months ended 30 June 2021, primarily as a result of the stable performance of *The World of Legend – Thunder Empire* (傳奇世界之雷霆霸業) and *Legend of Dragon City* (龍城傳奇), both developed by Wenmai Hudong, a wholly-owned subsidiary of the Group. Further, the income from self-developed card games of the Group also recorded a relatively higher growth; and
- (iii) an increase in the Group's IP licensing revenue by approximately 2,012.6% from RMB4.2 million for the six months ended 30 June 2020 to RMB87.8 million for the six months ended 30 June 2021, primarily as a result of the licensing income generated from various popular IPs of the Group.

Cost of sales

The Group's cost of sales consists primarily of (i) commissions charged by channels; (ii) commissions charged by IPs; (iii) amortisation of royalties from games and famous IPs held by third-party game developers and the Group; and (iv) game development costs. The table below sets forth the Group's cost of sales by category and its contribution to the total revenue of the Group as a percentage for the periods indicated:

	For the six months ended 30 June			
	2021		2020	
	RMB'000 (Unaudited)	% to Revenue	RMB'000 (Unaudited)	% to Revenue
Commissions charged by channels	1,147,316	52.6	1,110,840	64.9
Commissions charged by IP owners	94,228	4.3	17,915	1.0
Amortisation of IP royalties	15,724	0.7	13,532	0.8
Amortisation of game royalties	15,433	0.7	7,081	0.4
Game development costs	12,600	0.6	15,400	0.9
Others ⁽¹⁾	55,201	2.6	17,810	1.0
Total	1,340,502	61.5	1,182,578	69.0

Note:

- (1) Other costs of sales include, among others, amortisation of software copyright, taxation and sundry expenses.

The Group's cost of sales increased by approximately 13.4% from RMB1,182.6 million for the six months ended 30 June 2020 to RMB1,340.5 million for the six months ended 30 June 2021. This increase was primarily attributable to (i) the increase in the Group's total revenue; and (ii) the sharing of revenue with IP owners for certain games with excellent performance published by the Group, such as *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心), *Soul Land: God of Battle Arise* (斗羅大陸—斗神再臨), and *One Piece: The Voyage* (航海王熱血航線).

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by approximately 58.0% from RMB531.5 million for the six months ended 30 June 2020 to RMB839.6 million for the six months ended 30 June 2021. The Group's gross profit margin increased from 31.0% for the six months ended 30 June 2020 to 38.5% for the six months ended 30 June 2021. These increases were mainly due to the increase in the revenue shared by the Group from the primarily launched IP based games *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵬群俠傳之鐵血丹心), *Soul Land: God of Battle Arise* (斗羅大陸—斗神再臨) and *One Piece: The Voyage* (航海王熱血航線). Coupled with robust growth in income of its overseas game publishing business, the Group enjoyed an increase in revenue sharing in the overseas regions.

Other income and gains

The Group's other income and gains consist primarily of (i) bank interest income; (ii) government grants; and (iii) fair value gains on financial assets at fair value through profit or loss. The table below sets forth the Group's other income and gains by category for the periods indicated:

	For the six months ended 30 June			
	2021		2020	
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%
Bank interest income	6,925	20.3	3,052	3.2
Government grants	10,599	31.1	12,642	13.1
Fair value adjustment of contingent consideration	2,670	7.8	—	—
Fair value gains on financial assets at fair value through profit or loss	10,790	31.6	53,589	55.6
Gain on disposal of an investment in an associate	—	—	23,752	24.6
Others	3,114	9.2	3,335	3.5
Total	34,098	100.0	96,370	100.0

The Group's other income and gains decreased by approximately 64.6% from RMB96.4 million for the six months ended 30 June 2020 to RMB34.1 million for the six months ended 30 June 2021. The decrease was primarily attributable to the lower fair values of multiple financial assets at fair value through profit or loss as compared to the corresponding period in 2020.

Selling and distribution expenses

The Group's selling and distribution expenses consist primarily of (i) marketing expenses; and (ii) salaries and welfare for its sales and marketing team. The table below sets forth the Group's selling and distribution expenses by category and its contribution to the total revenue of the Group as a percentage for the periods indicated:

	For the six months ended 30 June			
	2021		2020	
	RMB'000 (Unaudited)	% to Revenue	RMB'000 (Unaudited)	% to Revenue
Marketing expenses	194,115	8.9	85,055	4.9
Salaries and welfare	28,048	1.3	16,339	1.0
Office costs and utilities	2,426	0.1	913	0.1
Others	675	0.0	402	0.0
Total	225,264	10.3	102,709	6.0

The Group's selling and distribution expenses increased by approximately 119.3% from RMB102.7 million for the six months ended 30 June 2020 to RMB225.3 million for the six months ended 30 June 2021. This increase was primarily attributable to (i) increases in the Group's total revenue; (ii) the Group's large scale promotion effort in overseas regions for *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心); and (iii) the Group's large scale promotion effort in the Mainland China for its newly launched game *Soul Land: God of Battle Arise* (斗羅大陸 – 斗神再臨) in the first half of 2021.

Administrative expenses

The Group's administrative expenses consist primarily of (i) salaries and welfare for management and administrative departments; and (ii) research and development expenses. The table below sets forth the Group's administrative expenses by category and its contribution to the total revenue of the Group as a percentage for the periods indicated:

	For the six months ended 30 June			
	2021		2020	
	RMB'000 (Unaudited)	% to Revenue	RMB'000 (Unaudited)	% to Revenue
Salaries and welfare	36,201	1.7	69,345	4.0
Office costs and utilities	23,114	1.0	16,382	1.0
Research and development expenses	123,770	5.7	79,637	4.6
Others	792	0.0	1,198	0.1
Total	183,877	8.4	166,562	9.7

The Group's administrative expenses increased by approximately 10.4% from RMB166.6 million for the six months ended 30 June 2020 to RMB183.9 million for the six months ended 30 June 2021. This increase was primarily attributable to an increase in the Group's investment in the research and development business. The research and development expenses increased by approximately 55.4% from RMB79.6 million for the six months ended 30 June 2020 to RMB123.8 million for the six months ended 30 June 2021.

Impairment losses on financial and contract assets, net

The Group's net impairment losses on financial and contract assets represent impairment loss of trade receivables. The Group's impairment losses on financial and contract assets increased by approximately 12.3% from RMB16.7 million for the six months ended 30 June 2020 to RMB18.7 million for the six months ended 30 June 2021 under the relevant management policies of the Group adopted in accordance with HKFRS 9.

Other expenses

The Group's other expenses decreased by approximately 61.6% from RMB25.1 million for the six months ended 30 June 2020 to RMB9.7 million for the six months ended 30 June 2021. This decrease was primarily attributable to the recognition of a decrease of fair value adjustment by RMB2.7 million in respect of the contingent consideration payable for acquisition of Wenmai Hudong during the six months ended 30 June 2021 (included in the "other income and gains"); while the relevant adjustment was an increase of RMB14.5 million during the six months ended 30 June 2020 (included in the "other expenses"). Thus, other expenses in relation to the matters mentioned above decreased from RMB14.5 million to 0.

Finance costs

The Group's finance costs mainly consist of interest expenses. The Group's finance costs decreased by approximately 45.4% from RMB20.7 million for the six months ended 30 June 2020 to RMB11.3 million for the six months ended 30 June 2021, which was mainly due to a decrease in the interest expenses of the Group's bank borrowings.

Share of losses of a joint venture

As at 30 June 2021, the Group held a 60% equity interest in Shenzhen Boliang Technology Co., Ltd. (深圳博良科技有限公司), which is considered as a joint venture of the Group under applicable accounting policies.

The Group's share of losses of a joint venture decreased by approximately 98.0% from RMB0.15 million for the six months ended 30 June 2020 to RMB3,000 for the six months ended 30 June 2021, which was primarily attributable to the decrease in loss recorded by the joint venture, Shenzhen Boliang Technology Co., Ltd., during the six months ended 30 June 2021 ("Reporting Period").

Share of profits and losses of associates

As at 30 June 2021, the Group held minority equity interests in two associated companies. The Group's share of profits and losses of associates experienced losses of RMB2.3 million for the six months ended 30 June 2021, in contrast of profits of RMB5.5 million recorded for the six months ended 30 June 2020. It was primarily attributable to an increase in research and development expenses of an associated company, Shanghai Fengguo Network Information (上海蜂巢網絡科技有限公司), resulting in a loss during the Reporting Period.

Profit before tax

As a result of the foregoing, the Group's profit before tax increased by approximately 40.2% from RMB301.5 million for the six months ended 30 June 2020 to RMB422.6 million for the six months ended 30 June 2021.

Income tax expense

The Group's income tax expense increased by approximately 74.7% from RMB25.4 million for the six months ended 30 June 2020 to RMB44.4 million for the six months ended 30 June 2021. This increase was primarily attributable to the significant increase of the Group's profit before tax for the six months ended 30 June 2021.

Profit for the period

As a result of the foregoing, the Group's profit for the period increased by approximately 37.0% from RMB276.1 million for the six months ended 30 June 2020 to RMB378.3 million for the six months ended 30 June 2021.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent funding and treasury management policy to ensure that the Group maintains a healthy financial position. Details on the Group's liquidity and financial resources, and the Group's financial capital structure is set forth below.

The Group's total cash and cash equivalents increased by approximately 33.3% from RMB794.9 million as at 31 December 2020 to RMB1,059.8 million as at 30 June 2021, which was primarily attributable to the time deposits and restricted cash released on maturity to cash and cash equivalents during the six months ended 30 June 2021. The time deposits and restricted cash decreased from RMB799.2 million as at 31 December 2020 to RMB499.0 million as at 30 June 2021.

As at 30 June 2021, the current assets of the Group amounted to approximately RMB3,510.5 million, and the current liabilities of the Group amounted to approximately RMB1,222.6 million.

As at 30 June 2021, the current ratio (being the current assets divided by current liabilities as at the end of each period) of the Group was 2.9 times as compared with 2.1 times as at 31 December 2020, which ratio was relatively stable as at 31 December 2020 and 30 June 2021.

As at 30 June 2021, the gearing ratio (being the total debt divided by total equity as at the end of each period) of the Group was 8.0% as compared with 9.4% as at 31 December 2020, which ratio was relatively stable as at 31 December 2020 and 30 June 2021.

Indebtedness

During the Reporting Period, the Group obtained bank borrowings of RMB298.1 million and repaid bank borrowings of RMB295.2 million.

As at 30 June 2021, the Group had interest-bearing bank and other borrowings of RMB454.3 million (31 December 2020: RMB451.4 million), including (i) unsecured bank borrowings amounting to RMB262.3 million; (ii) bank borrowings amounting to RMB167.0 million, secured by the pledge of the Group's time deposits in the sum of RMB196.0 million; and (iii) a borrowing amounting to RMB25.0 million, secured by a computer software copyright. The Group's effective interest

rates on its secured bank and other borrowings ranged from 4.50% to 4.96%, and the Group's effective interest rates on its unsecured bank borrowings ranged from 4.50% to 5.50%.

As at 30 June 2021, the Group's total principal amount of bank and other borrowings was denominated in RMB and such borrowings were repayable within one year.

As at 30 June 2021, the lease liabilities of the Group were RMB29.6 million (31 December 2020: RMB27.6 million).

Off-balance sheet commitments and arrangements

As at 30 June 2021, the Group did not enter into any off-balance sheet transactions (31 December 2020: Nil).

Pledges of assets

Among the total bank and other borrowings of the Group as at 30 June 2021, approximately RMB192.0 million (31 December 2020: RMB332.2 million) were secured, which accounted for approximately 42.3% (31 December 2020: 73.6%) of the Group's total borrowings.

Saved as disclosed above, the Group had no charges on its assets as at 30 June 2021.

Capital expenditures

The Group's historical capital expenditures primarily included royalties paid to game developers and IP owners. The Group funded its capital expenditure requirements during the six months ended 30 June 2021 mainly with its internal resources, net proceeds from the Listing, the top-up placing on 4 December 2020 (the "Top-up Placing") and the Subscription.

The Group's capital commitments as at 31 December 2020 and 30 June 2021 amounted to RMB43.7 million and RMB120.8 million, respectively. The Group's capital commitments as at 30 June 2021 was primarily for the purchase of IP, game licenses and equity investments.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS OR DISPOSAL

Save as disclosed below, during the six months ended 30 June 2021, and up to the date of this report, the Group did not make any significant investment, or perform any material acquisition or disposal of subsidiaries, associates and joint ventures.

On 5 August 2021, the Group conditionally agreed to acquire from Softstar Entertainment Inc. (大宇資訊股份有限公司) its indirect 49% equity interest in Beijing Softstar and all IP rights relating to *Legend of Sword and Fairy* (仙劍奇俠傳) registered, licensed or used in China at a total consideration of HK\$641.8 million. For further details, please refer to the Company's announcements dated 5 August 2021 and 18 August 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group will continue to focus on its existing business and will apply the net proceeds from the Top-up Placing and the Subscription as set out in the relevant announcements dated 4 December 2020 and 29 April 2021, respectively. No concrete plan for material investments or capital assets is in place for the Group as at the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 29 April 2021 (before trading hours), the Company entered into subscription agreements with each of Bilibili Inc., Wide Fortune Enterprises Limited and Century Network (Hongkong) Limited (collectively the "Subscribers"), pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 257,900,000 ordinary shares (the "Subscription Shares") at the subscription price of HK\$3.30 per subscription share (with the closing price of HK\$3.66 per share as quoted on the Stock Exchange on the trading day immediately before the date of the subscription agreement).

The Subscription was completed on 10 May 2021 and the Group received a total net proceeds of approximately HK\$849.15 million upon completion. The subscription shares have an aggregate nominal value of US\$25,790. Taking into account the expenses of the Subscription in the amount of approximately HK\$1.92 million, the net price per subscription share will be approximately HK\$3.29. The Group intends to apply the net proceeds from the Subscription to further enhance its IP-based game publishing and development business. Further details regarding the use of proceeds from the Subscription are set forth under the section headed "Use of Proceeds from the Subscription of New Shares by Bilibili Inc. and other Subscribers" of this report.

Save for the subscription of new shares by Bilibili Inc. and other subscribers as set forth in the Company's announcements dated 29 April 2021 and 10 May 2021, the Group did not purchase, sell or redeem any of the Company's listed securities during the six months ended 30 June 2021.

IMPORTANT EVENTS AFFECTING THE GROUP SINCE 30 JUNE 2021

A new strain of coronavirus, COVID-19, was identified in 2020. The Group has been closely monitoring the impact of the COVID-19 pandemic. Meanwhile, no employee of the Group has been diagnosed with COVID-19, and the COVID-19 outbreak has not currently had any significant impact on the Group's operations. The Group will continue to review its contingency measures as the COVID-19 outbreak situation evolves.

Save as disclosed above, no other important events affecting the Group have taken place since 30 June 2021 and up to the date of this report.

FOREIGN CURRENCY RISK

The Group has transactional currency exposures, which arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

USE OF PROCEEDS FROM LISTING

The net proceeds from the Listing were approximately HK\$1,347.1 million after deducting underwriting fees and expenses in connection with the Listing. The Company applied the net proceeds as set out in the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 19 October 2019, and there was no material change or delay in the use of proceeds.

The table below sets forth (i) the amount of net proceeds utilised by the Company from the Listing Date to 31 December 2019, during the year ended 31 December 2020, and during the six months ended 30 June 2021; (ii) the amount of unutilised net proceeds of the Company as at 30 June 2021; and (iii) the expected timeline of the Company for the full utilisation of the remaining unutilised net proceeds:

No.	Purposes	Amount of the net proceeds HK\$ in millions	Amount utilised			Amount of unutilised net proceeds as at 30 June 2021 HK\$ in millions	Expected timeline for the full utilisation of the remaining proceeds
			between the Listing Date and 31 December 2019 HK\$ in millions	Amount utilised during the year ended 31 December 2020 HK\$ in millions	Amount utilised during the six months ended 30 June 2021 HK\$ in millions		
1.	Expanding and enhancing the Company's IP-based game publishing and development business	673.55 (50% of the total net proceeds)	209.65	269.54	194.36	—	N/A
2.	Conducting merger and acquisition activities of participants in the mobile game ecosystem	538.84 (40% of the total net proceeds)	200.64	338.20	—	—	N/A
3.	Working capital and general corporate purposes	134.71 (10% of the total net proceeds)	15.35	112.70	6.66	—	N/A
Total		1,347.10	425.64	720.44	201.02	—	

As illustrated in the above table, the Company has fully utilised the net proceeds from the Listing and there is no unutilised net proceeds from the Listing as at 30 June 2021.

USE OF PROCEEDS FROM THE TOP-UP PLACING

The net proceeds from a Top-up Placing was approximately HK\$536.78 million after deducting related fees and expenses in connection with the Top-up Placing. The Company will apply the net proceeds as set out in the Company's announcements dated 24 November 2020 and 4 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth (i) the amount of net proceeds utilised by the Company from the completion of the Top-up Placing to 31 December 2020, and during the six months ended 30 June 2021; (ii) the amount of unutilised net proceeds of the Company as at 30 June 2021; and (iii) the expected timeline of the Company for the full utilisation of the remaining unutilised net proceeds:

No.	Purposes	Amount of the net proceeds HK\$ in millions	Amount utilised between the completion of the Top-up Placing and 31 December 2020 HK\$ in millions	Amount utilised during the six months ended 30 June 2021 HK\$ in millions	Amount of unutilised net proceeds as at 30 June 2021 HK\$ in millions	Expected timeline for the full utilisation of the remaining proceeds
1.	Further enhance IP-based game publishing and development business through acquisitions and/or investments	536.78	—	76.06	460.72	Before 31 December 2021

USE OF PROCEEDS FROM THE SUBSCRIPTION OF NEW SHARES BY BILIBILI INC. AND OTHER SUBSCRIBERS

The net proceeds from the Subscription was approximately HK\$849.15 million after deducting related fees and expenses in connection with the Subscription. The Company will apply the net proceeds as set out in the Company's announcements dated 29 April 2021 and 10 May 2021.

The table below sets forth (i) the amount of net proceeds utilised by the Company from the completion of the Subscription to 30 June 2021; (ii) the amount of unutilised net proceeds of the Company as at 30 June 2021; and (iii) the expected timeline of the Company for the full utilisation of the remaining unutilised proceeds:

No.	Purposes	Amount of the net proceeds HK\$ in millions	Amount utilised between the completion of the Subscription and 30 June 2021 HK\$ in millions	Amount of unutilised net proceeds as at 30 June 2021 HK\$ in millions	Expected timeline for the full utilisation of the remaining proceeds
1.	Further enhance IP-based game publishing and development business through acquisitions and/or investments	849.15	—	849.15	Before 31 December 2022

Given the impact of the global COVID-19 pandemic on the economy, the Company will continue to evaluate the situation and adopt a prudent and flexible approach when utilising its net proceeds from the Top-up Placing and the Subscription, for the long-term benefit and development of the Group. The current expected timelines for using the unutilised net proceeds from the Top-up Placing and the Subscription are based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of market conditions. Should there be any material change in the intended usage of the net proceeds from the Top-up Placing and the Subscription, the Company will make appropriate announcements in due course.

DIVIDENDS

The Board did not propose payment of any interim dividend for the six months ended 30 June 2021 (30 June 2020: Nil).

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

The Board appointed Mr. ZHANG Shengyan ("Mr. Zhang") as a non-executive Director with effect from 10 May 2021. Biographical details of Mr. Zhang are set out in the announcement of the Company dated 10 May 2021. In compliance with the provisions in the articles of association of the Company, Mr. Zhang retired from office at the annual general meeting on 25 May 2021 (the "AGM") and was re-elected in the AGM as a non-executive Director.

Mr. Sin Hendrick *M.H.*, an executive Director and the vice chairman of the Company, received the Medal of Honour awarded from the Government of Hong Kong on 1 July 2021.

Mr. Tang Liang, an independent non-executive Director, was appointed as an external Director and a Supervisor of Actoz Sott Co., Ltd, a company listed on the Korea Exchange (stock code: 052790.KQ) in March 2021, with the term till March 2024.

Save as disclosed above, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the six months ended 30 June 2021 and up to the date of this report.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2021, the Company had complied with the applicable code provisions of the CG Code except for a deviation from code provision A.2.1 of the CG Code. Pursuant to code provision A.2.1 of the CG Code, the responsibilities of the chairman and the chief executive officer of a listed company should be segregated and should not be performed by the same individual. However, the Group does not have a separate chairman and chief executive officer and Mr. XIAO Jian currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for

the Group. The Board currently comprises three executive Directors (namely Mr. XIAO Jian, Mr. SIN Hendrick *M.H.* and Mr. FAN Yingjie), one non-executive Director and three independent non-executive Directors, and therefore considers that it has a fairly strong independence element in its composition. The Board also considers that the balance of power and authority under the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider separating the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Company as a whole.

DIRECTORS' DEALING IN SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors, senior management members, and employees who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

All Directors have confirmed, following specific enquiring by the Company, that they have fully complied with the required standard set out in the CG Code as well as Model Code throughout the period from 1 January 2021 to 30 June 2021.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

The Directors have confirmed that during the six months ended 30 June 2021, there had been no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed the Company's unaudited consolidated financial statements and interim report for the Reporting Period, including the accounting principles and practices adopted by the Group, and discussed with management regarding auditing, risk management and internal control, and financial reporting matters.

EMPLOYEES REMUNERATION AND RELATIONS

As at 30 June 2021, the Group had approximately 1,115 full-time employees. The success of the Group depends on its ability to attract, retain and motivate qualified personnel. As part of the Group's human resources strategy, the Group offers employees competitive salaries, performance based promotion systems and other incentives. Some of the Group's employees also received RSUs under the Pre-IPO RSU schemes. The Group provides training programmes to employees, including new hire training for new employees and continuing technical training for the Group's research and development team and game operation team to enhance their skill and knowledge.

PRE-IPO RSU SCHEMES AND POST-IPO SHARE OPTION SCHEME

Pre-IPO RSU Schemes

RSUs in respect of a total of 180,000,000 Shares were granted under the Pre-IPO RSU Schemes, all of which were vested as of 30 June 2021. As of 30 June 2021, there were no outstanding RSUs under the Pre-IPO RSU Schemes. Set forth below are the details of the vestings of the RSUs under the Pre-IPO RSU Schemes during the Reporting Period:

- (i) During the period between 1 January 2021 and 30 June 2021, 15,599,876 RSUs held by Mr. Xiao, an executive Director, were vested upon satisfaction of the relevant vesting conditions. As of 30 June 2021, there were no outstanding RSUs held by Mr. Xiao under the Pre-IPO RSU Schemes;
- (ii) During the period between 1 January 2021 and 30 June 2021, 15,120,000 RSUs held by Mr. Sin, an executive Director, were vested upon satisfaction of the relevant vesting conditions. As of 30 June 2021, there were no outstanding RSUs held by Mr. Sin under the Pre-IPO RSU Schemes;
- (iii) During the period between 1 January 2021 and 30 June 2021, 41,663 RSUs held by Ms. LAI Yau Yan Gladys, the company secretary of the Company and a director of some of the Company's subsidiaries, were vested upon satisfaction of the relevant vesting conditions. As of 30 June 2021, there were no outstanding RSUs held by Ms. LAI Yau Yan Gladys under the Pre-IPO RSU Schemes;
- (iv) During the period between 1 January 2021 and 30 June 2021, 1,254,041 RSUs held by Ms. LIANG Yan, a director of some of the Company's subsidiaries, were vested upon satisfaction of the relevant vesting conditions. As of 30 June 2021, there were no outstanding RSUs held by Ms. LIANG Yan under the Pre-IPO RSU Schemes; and
- (v) During the period between 1 January 2021 and 30 June 2021, 10,107,703 RSUs held by the other grantees, who are not the core connected persons of the Company, were vested upon satisfaction of the relevant vesting conditions. As of 30 June 2021, there were no outstanding RSUs held by such other grantees under the Pre-IPO RSU Schemes.

Please refer to the Prospectus for full details of the Pre-IPO RSU Schemes.

Post-IPO Share Option Scheme

On 20 September 2019, the Post-IPO Share Option Scheme of the Company was approved and adopted by the Shareholders. The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date. The terms of the Post-IPO Share Option Scheme are governed by Chapter 17 of the Listing Rules. The purpose of the Post-IPO Share Option Scheme is to incentivise and reward the eligible persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company. The following table discloses movements in the Company's share options outstanding during the six months end 30 June 2021:

Name of Grantees	Date of grant of share options	Closing price of the Shares immediately before the date on which the share options were granted (HK\$)	Number of Shares underlying options outstanding as at 1 January 2021	Number of share options granted during the period	Number of share options exercised during the period	Weighted average price of Shares immediately before the date of exercise (HK\$)	Number of share options expired/lapsed/canceled during the period	Number of Shares underlying options outstanding as at 30 June 2021	Exercise period of share options ⁽¹⁾⁽²⁾	Exercise price of share option per Share (HK\$)
Mr. XIAO Jian	29 March 2021	2.83	—	5,000,000	—	—	—	5,000,000	29 March 2021 to 28 March 2024	2.90
Mr. SIN Hendrick	29 March 2021	2.83	—	3,000,000	—	—	—	3,000,000	29 March 2021 to 28 March 2024	2.90
Mr. FAN Yingjie	29 March 2021	2.83	—	2,000,000	—	—	—	2,000,000	29 March 2021 to 28 March 2024	2.90
Ms. NG Yi Kum	29 March 2021	2.83	—	150,000	—	—	—	150,000	29 March 2021 to 28 March 2024	2.90
Mr. TANG Liang	29 March 2021	2.83	—	125,000	—	—	—	125,000	29 March 2021 to 28 March 2024	2.90
Mr. HO Orlando Yaukai	29 March 2021	2.83	—	125,000	—	—	—	125,000	29 March 2021 to 28 March 2024	2.90
Ms. LIANG Yan	29 March 2021	2.83	—	1,500,000	—	—	—	1,500,000	29 March 2021 to 28 March 2024	2.90
Ms. LAI Yau Yan Gladys	29 March 2021	2.83	—	300,000	—	—	—	300,000	29 March 2021 to 28 March 2024	2.90
Other Employees	29 March 2021	2.83	—	37,800,000	—	—	—	37,800,000	29 March 2021 to 28 March 2024	2.90
Total			—	50,000,000	—	—	—	50,000,000		

Notes:

- (1) With regard to the vesting conditions of the share options, the share options are exercisable, subject to the performance targets as specified by the Board having been satisfied.
- (2) The share options are exercisable in installments from the commencement of the relevant vesting period until 28 March 2024: (a) one third of the options can be exercised from 29 March 2021 to 28 March 2024, (b) one third of the options can be exercised from 29 March 2022 to 28 March 2024 and (c) the remaining one third of the options can be exercised from 29 March 2023 to 28 March 2024.

Please refer to the Prospectus for full details of the terms and conditions of the Post-IPO Share Option Scheme.

OTHER INFORMATION

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

As at 30 June 2021, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interest in the Shares

Name of Directors/ Chief Executive	Nature of Interest	Number of Shares held /interested ⁽¹⁾	Approximate percentage of interest in the Company ⁽²⁾
Mr. Xiao	Founder of a discretionary trust and interest in a controlled corporation, beneficial interests and other ⁽³⁾	858,908,067(L)	31.03%
Mr. Sin	Interest in a controlled corporation, beneficial interests and other ⁽⁴⁾	822,387,663(L)	29.71%
Mr. FAN Yingjie	Beneficial interests ⁽⁵⁾	2,918,000(L)	0.11%
Ms. NG Yi Kum	Beneficial interests ⁽⁶⁾	150,000(L)	0.00%
Mr. TANG Liang	Beneficial interests ⁽⁷⁾	125,000(L)	0.00%
Mr. HO Orlando Yaukai	Beneficial interests ⁽⁸⁾	125,000(L)	0.00%

Notes:

- (1) The letter "L" denotes the person's long position in such Shares.
- (2) The percentages are calculated on the basis of 2,768,050,000 Shares in issue as at 30 June 2021.
- (3) As at 30 June 2021, Mr. Xiao was interested in 858,908,067 Shares, among which, Mr. Xiao, through Victory Aspire, a company wholly-owned by Antopex Limited, which is nominated by CMB Wing Lung (Trustee) Limited, the trustee of the Xiao Family Trust, (i) was deemed to be interested in 160,598,642 Shares held by his wholly-owned company, Zhongshouyou Brothers BVI; (ii) was deemed to be interested in 693,309,425 Shares held by Fairview Ridge through Motion Game, Profound Power, Changpei Cayman and Ambitious Profit (the general partner of Changpei Cayman owned as to 64% by Zhongshouyou Brothers BVI); and (iii) Mr. Xiao was also interested in share options for 5,000,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (4) As at 30 June 2021, Mr. Sin was interested in 822,387,663 Shares, among which, Mr. Sin (i) was deemed to be interested in 123,750,238 Shares held by his wholly-owned company, Silver Joyce; (ii) was deemed to be interested in 693,309,425 Shares held by Fairview Ridge through Motion Game, Profound Power, Changpei Cayman and Ambitious Profit (the general partner of Changpei Cayman owned as to 36% by Silver Joyce); and (iii) Mr. Sin was also interested in share options for 3,000,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (5) As at 30 June 2021, Mr. Fan Yingjie was interested in 2,918,000 Shares, among which, Mr. FAN Yingjie (i) was the beneficial owner of 918,000 Shares; and (ii) was interested in share options for 2,000,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (6) As at 30 June 2021, Ms. NG Yi Kum was interested in share options for 150,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (7) As at 30 June 2021, Mr. TANG Liang was interested in share options for 125,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (8) As at 30 June 2021, Mr. HO Orlando Yaukai was interested in share options for 125,000 Shares pursuant to the Post-IPO Share Option Scheme.

(ii) Interest in associated corporations

Name of Director	Name of associated corporation	Approximate percentage of shareholding
Mr. Xiao	Chengdu Zhuoxing ⁽¹⁾	9.20%
Mr. Xiao	Shenzhen Zhongshouyou ⁽¹⁾	9.20%
Mr. Xiao	Shenzhen Douyue ⁽¹⁾	9.20%

Note:

(1) Mr. Xiao, through Zhongshouyou Brothers PRC, indirectly held 9.20% equity interests of the PRC Operating Entities.

Save as disclosed above, as at 30 June 2021, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

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

As at 30 June 2021, to the best knowledge of the Directors, the following persons had interests or short positions in the shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares held ⁽¹⁾	Approximate percentage of interest in the Company ⁽²⁾
Mr. Xiao	Founder of a discretionary trust, interest in a controlled corporation, beneficial owners and other ⁽³⁾⁽⁴⁾	858,908,067(L)	31.03%
CMB Wing Lung (Trustee) Limited	Trustee of a trust ⁽³⁾⁽⁴⁾	853,908,067(L)	30.85%
Antopex Limited	Nominee for another person ⁽³⁾⁽⁴⁾	853,908,067(L)	30.85%
Victory Aspire	Interest in a controlled corporation ⁽³⁾⁽⁴⁾	853,908,067(L)	30.85%
Zhongshouyou Brothers BVI	Beneficial owner ⁽³⁾⁽⁴⁾	160,598,642(L)	5.80%
	Interest in a controlled corporation ⁽³⁾	693,309,425(L)	25.05%
Mr. Sin	Interest in a controlled corporation, beneficial owners and other ⁽⁵⁾⁽⁶⁾	822,387,663(L)	29.71%
Silver Joyce	Beneficial owner ⁽⁵⁾⁽⁶⁾	123,750,238(L)	4.47%
	Interest in a controlled corporation ⁽⁵⁾	693,309,425(L)	25.05%
Fairview Ridge	Beneficial owner ⁽³⁾⁽⁵⁾	693,309,425(L)	25.05%
Motion Game	Interest in a controlled corporation ⁽³⁾⁽⁵⁾	693,309,425(L)	25.05%
Profound Power	Interest in a controlled corporation ⁽³⁾⁽⁵⁾	693,309,425(L)	25.05%
Changpei Cayman	Interest in a controlled corporation ⁽³⁾⁽⁵⁾	693,309,425(L)	25.05%
Ambitious Profit	Interest in a controlled corporation ⁽³⁾⁽⁵⁾	693,309,425(L)	25.05%
Zhongrong Trust	Interest in a controlled corporation ⁽⁷⁾⁽⁸⁾	369,461,107(L)	13.35%
Beijing Zhongrong Dingxin	Interest in a controlled corporation ⁽⁷⁾⁽⁸⁾	369,461,107(L)	13.35%
Dazi Dingcheng	Interest in a controlled corporation ⁽⁷⁾⁽⁸⁾	369,461,107(L)	13.35%
Shanghai Pegasus	Interest in a controlled corporation ⁽⁷⁾	293,327,517(L)	10.60%
Pegasus Technology	Interest in a controlled corporation ⁽⁷⁾	293,327,517(L)	10.60%
Pegasus BVI	Interest in a controlled corporation ⁽⁷⁾	293,327,517(L)	10.60%
Pegasus HK	Beneficial owner ⁽⁷⁾	293,327,517(L)	10.60%
Bilibili Inc.	Beneficial owner	198,000,000(L)	7.15%

Notes:

- (1) The letter "L" denotes the person's long position in such Shares.
- (2) The percentages are calculated on the basis of 2,768,050,000 Shares in issue as at 30 June 2021.
- (3) Mr. Xiao, through Victory Aspire, a company wholly-owned by Antopex Limited, which is nominated by CMB Wing Lung (Trustee) Limited, the trustee of the Xiao Family Trust, (i) was deemed to be interested in 160,598,642 Shares held by his wholly-owned company, Zhongshouyou Brothers BVI, and (ii) was deemed to be interested in 693,309,425 Shares held by Fairview Ridge through Motion Game, Profound Power, Changpei Cayman and Ambitious Profit (the general partner of Changpei Cayman owned as to 64% by Zhongshouyou Brothers BVI). Ms. HUO Dongyan is the spouse of Mr. Xiao and was deemed to be interested in 858,908,067 Shares Mr. Xiao is interested in.
- (4) As at 30 June 2021, Mr. Xiao was also interested in share options for 5,000,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (5) Mr. Sin (i) was deemed to be interested in 123,750,238 Shares held by his wholly-owned company, Silver Joyce, and (ii) was deemed to be interested in 693,309,425 Shares held by Fairview Ridge through Motion Game, Profound Power, Changpei Cayman and Ambitious Profit (the general partner of Changpei Cayman owned as to 36% by Silver Joyce). Ms. SIN LO Siu Wai Sylvia is the spouse of Mr. Sin and was deemed to be interested in 822,387,663 Shares Mr. Sin is interested in.
- (6) As at 30 June 2021, Mr. Sin was also interested in share options for 3,000,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (7) Pegasus Network HK Limited (響格瑟斯網絡香港有限公司) ("Pegasus HK"), a Hong Kong company, is wholly-owned by Pegasus Technology Limited ("Pegasus BVI"), a BVI company, which is in turn wholly-owned by Shanghai Pegasus Technology Development Limited (上海響歌科技發展有限公司) ("Pegasus Technology"), a PRC limited liability company. Pegasus Technology is owned as to 0.4% by an independent third party and 99.6% by Shanghai Pegasus Investment Centre (Limited Partnership) (上海響格瑟斯投資中心(有限合夥)) ("Shanghai Pegasus"), a PRC limited partnership, the general partner of which is Dazi Dingcheng Capital Investment Co., Ltd. (達孜縣鼎誠資本投資有限公司) ("Dazi Dingcheng"), a limited liability company established in the PRC, which is wholly-owned by Beijing Zhongrong Dingxin Investment Management Co., Ltd. (北京中融鼎新投資管理有限公司) ("Beijing Zhongrong Dingxin") and in turn wholly-owned by Zhongrong International Trust Co., Ltd. (中融國際信託有限公司) ("Zhongrong Trust").

- (8) Yichong Technology HK Limited (一翀科技香港有限公司) ("Yichong HK"), a Hong Kong company, held 76,133,590 Shares, representing approximately 2.75% of the total issued Shares, as at 30 June 2021. Yichong HK is wholly-owned by Yichong Technology Limited, a BVI company, which is in turn wholly-owned by Shanghai Jichong Technology Development Limited (上海紀翀科技發展有限公司) ("Jichong Shanghai"), a PRC limited liability company. Jichong Shanghai is owned as to 0.4% by an independent third party and 99.6% by Yichong Investment, a PRC limited partnership, the general partner of which is Dazi Dingcheng, a limited liability company established in the PRC, which is wholly-owned by Beijing Zhongrong Dingxin and in turn wholly-owned by Zhongrong Trust.

Save as disclosed above, as at 30 June 2021, the Directors were not aware of any person (who were not directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein.

PARTNERSHIP STRUCTURE OF CHANGPEI CAYMAN

Changpei Cayman is an exempted limited partnership registered in the Cayman Islands holding 25.05% of the total issued Shares as at 30 June 2021. The general partner of Changpei Cayman is Ambitious Profit, a company incorporated in the Cayman Islands and indirectly owned as to 64% by Mr. Xiao through Zhongshouyou Brothers BVI, and 36% by Mr. Sin through Silver Joyce.

As at 30 June 2021, Changpei Cayman was held by Ambitious Profit, the general partner, as to 0.004%, and Zhejiang Shiji Huatong Group Limited, a listed company on the Shenzhen Stock Exchange (SZSE:002602), the limited partner, as to 99.996%.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board of directors of the Company (the "Board") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2021 together with the unaudited comparative figures for the corresponding period in 2020. The interim results for the reporting period have been reviewed by the Company's Audit Committee.

	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
REVENUE	5	2,180,133	1,714,036
Cost of sales		(1,340,502)	(1,182,578)
Gross profit		839,631	531,458
Other income and gains		34,098	96,370
Selling and distribution expenses		(225,264)	(102,709)
Administrative expenses		(183,877)	(166,562)
Impairment losses on financial and contract assets, net		(18,738)	(16,681)
Other expenses		(9,653)	(25,146)
Finance costs		(11,271)	(20,650)
Share of profits and losses of:			
A joint venture		(3)	(152)
Associates		(2,307)	5,531
PROFIT BEFORE TAX	6	422,616	301,459
Income tax expense	7	(44,366)	(25,398)
PROFIT FOR THE PERIOD		378,250	276,061
Attributable to:			
Owners of the parent		393,532	287,746
Non-controlling interests		(15,282)	(11,685)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted			
– For profit for the period		RMB15.23 cents	RMB12.35 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	378,250	276,061
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(432)	388
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	(432)	388
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(15,444)	23,993
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	(15,444)	23,993
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(15,876)	24,381
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	362,374	300,442
Attributable to:		
Owners of the parent	377,656	312,127
Non-controlling interests	(15,282)	(11,685)
	362,374	300,442

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property and equipment	10	6,947	5,847
Right-of-use assets		29,331	27,732
Goodwill		1,107,937	1,107,937
Other intangible assets		133,085	154,555
Investment in a joint venture		8,820	8,823
Investments in associates		94,237	96,544
Financial assets at fair value through profit or loss	11	1,733,284	1,539,312
Deferred tax assets		53,369	49,262
Prepayments	13	451,230	330,766
Total non-current assets		3,618,240	3,320,778
CURRENT ASSETS			
Trade receivables	12	1,273,283	882,644
Prepayments, other receivables and other assets	13	650,725	519,806
Due from related parties	19	27,673	13,319
Time deposits and restricted cash		498,962	799,164
Cash and cash equivalents		1,059,820	794,888
Total current assets		3,510,463	3,009,821
CURRENT LIABILITIES			
Trade payables	14	350,053	268,720
Other payables and accruals		230,616	572,121
Interest-bearing bank and other borrowings		454,272	451,350
Tax payable		156,157	137,632
Due to related parties	19	15,650	19,298
Lease liabilities		15,837	14,718
Total current liabilities		1,222,585	1,463,839

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2021

	Note	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NET CURRENT ASSETS		2,287,878	1,545,982
TOTAL ASSETS LESS CURRENT LIABILITIES		5,906,118	4,866,760
NON-CURRENT LIABILITIES			
Deferred tax liabilities		53,562	53,014
Contingent consideration for business combination		175,028	—
Lease liabilities		13,760	12,890
Total non-current liabilities		242,350	65,904
Net assets		5,663,768	4,800,856
EQUITY			
Equity attributable to owners of the parent			
Issued capital	15	1,925	1,759
Reserves		5,580,708	4,702,680
		5,582,633	4,704,439
Non-controlling interests		81,135	96,417
Total equity		5,663,768	4,800,856

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Attributable to owners of the parent						Total	Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory surplus reserve	Share incentive reserve	Exchange fluctuation reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021 (audited)	1,759	2,918,282*	18,510*	751,397*	(78,150)*	1,092,641*	4,704,439	96,417	4,800,856
Profit for the period	—	—	—	—	—	393,532	393,532	(15,282)	378,250
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	—	—	—	—	(15,876)	—	(15,876)	—	(15,876)
Total comprehensive income for the period	—	—	—	—	(15,876)	393,532	377,656	(15,282)	362,374
Issue of shares	166	705,881	—	—	—	—	706,047	—	706,047
Share-based compensation (note 16)	—	—	—	8,237	—	—	8,237	—	8,237
Final 2020 dividend declared	—	(213,746)	—	—	—	—	(213,746)	—	(213,746)
At 30 June 2021 (unaudited)	1,925	3,410,417*	18,510*	759,634*	(94,026)*	1,486,173*	5,582,633	81,135	5,663,768

* These reserve accounts comprise the consolidated reserves of RMB4,702,680,000 and RMB5,580,708,000 in the consolidated statements of financial position as of 31 December 2020 and 30 June 2021, respectively.

	Attributable to owners of the parent						Total	Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory surplus reserve	Share incentive reserve	Exchange fluctuation reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020 (audited)	1,641	2,544,370	18,038	651,364	(3,129)	391,794	3,604,078	107,536	3,711,614
Profit for the period	—	—	—	—	—	287,746	287,746	(11,685)	276,061
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	—	—	—	—	24,381	—	24,381	—	24,381
Total comprehensive income for the period	—	—	—	—	24,381	287,746	312,127	(11,685)	300,442
Share-based compensation (note 16)	—	—	—	54,286	—	—	54,286	—	54,286
Final 2019 dividend declared	—	(75,414)	—	—	—	—	(75,414)	—	(75,414)
At 30 June 2020 (unaudited)	1,641	2,468,956	18,038	705,650	21,252	679,540	3,895,077	95,851	3,990,928

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		422,616	301,459
Adjustments for:			
Finance costs		11,271	20,650
Share of profits and losses of a joint venture and associates		2,310	(5,379)
Interest income	6	(6,925)	(3,052)
Gain on disposal of an investment in an associate	6	—	(23,752)
Fair value gains on financial assets at fair value through profit or loss	6	(10,790)	(53,589)
Fair value adjustment of contingent consideration	6	(2,670)	14,508
Equity-settled share-based expense	6 & 16	8,248	53,903
Impairment of trade receivables	6	18,738	16,681
Write-off of prepayments	6	3,283	6,729
Loss/(gain) on disposal of items of property and equipment	6	259	(14)
Depreciation of property and equipment	6	1,555	1,471
Depreciation of right-of-use assets	6	10,284	9,545
Amortisation of other intangible assets	6	39,204	34,895
Impairment of other intangible assets	6	6,018	442
Increase in trade receivables		(409,377)	(149,716)
Increase in prepayments, other receivables and other assets		(33,662)	(103,939)
(Increase)/decrease in amounts due from related parties		(1,189)	15,780
Increase in trade payables		81,333	76,272
Decrease in other payables and accruals		(64,154)	(23,850)
Decrease in amounts due to related parties		(3,648)	(2,224)
Cash generated from operations		72,704	186,820
Income tax paid		(29,378)	(14,718)
Net cash flows from operating activities		43,326	172,102

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Note	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		8,765	3,052
Purchases of items of property and equipment	10	(2,918)	(1,556)
Additions to other intangible assets		(256,668)	(33,915)
Proceeds from disposal of items of property and equipment		2	39
Acquisition of a subsidiary		(100,000)	(99,994)
Purchase of investment in a joint venture		—	(6,800)
Purchase of investment in an associate		(29,418)	—
Disposal of investments in associates		26,000	—
Purchases of financial assets at fair value through profit or loss		(191,940)	(91,626)
Disposal of financial assets at fair value through profit or loss		—	20
Proceeds from withdrawal of a financial institution for assets management		—	64,156
Decrease/(Increase) in time deposits and restricted cash		300,202	(364,949)
Net cash flows used in investing activities		<u>(245,975)</u>	<u>(531,573)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		706,047	—
New bank loans		298,072	235,150
Repayment of bank loans		(295,150)	(102,200)
Dividends paid		(213,746)	(75,414)
Principal portion of lease payment		(9,818)	(9,522)
Interest paid		(10,949)	(20,650)
Net cash flows from financing activities		<u>474,456</u>	<u>27,364</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		794,888	771,090
Effect of foreign exchange rate changes, net		(6,875)	12,137
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u><u>1,059,820</u></u>	<u><u>451,120</u></u>

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 20 March 2018 as an exempted company with limited liability under the Companies Law, Chapter 22 of the Cayman Islands. The registered address of the office of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in mobile game publishing, game development and investment business in the Mainland China, overseas countries and regions.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The Group expects these amendments will not have significant impact on the Group's financial performance and financial position.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2021

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

The nature and impact of the revised HKFRSs are described below: *(Continued)*

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group expects these amendments will not have significant impact on the Group's financial performance and financial position.

4. OPERATING SEGMENT INFORMATION

For the six months ended 30 June 2021

Segments	Game	Game	Licensing of	Total
	Publishing	Development	Intellectual	
	RMB'000	RMB'000	Property	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue (note 5)				
Sales to external customers	1,525,296	567,036	87,801	2,180,133
Intersegment sales	—	321,299	—	321,299
	1,525,296	888,335	87,801	2,501,432
Reconciliation:				
Elimination of intersegment sales				(321,299)
Total revenue from contracts with customers				2,180,133
Segment results	513,951	263,144	62,536	839,631
Reconciliation:				
Other income and gains				34,098
Selling and distribution expenses				(225,264)
Administrative expenses				(183,877)
Impairment losses on financial and contract assets, net				(18,738)
Other expenses				(9,653)
Finance costs				(11,271)
Share of profits and losses of:				
A joint venture				(3)
Associates				(2,307)
PROFIT BEFORE TAX				422,616

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
30 JUNE 2021

4. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2020

Segments	Game Publishing RMB'000 (Unaudited)	Game Development RMB'000 (Unaudited)	Licensing of Intellectual Property RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue (note 5)				
Sales to external customers	1,489,101	220,779	4,156	1,714,036
Intersegment sales	—	387,037	—	387,037
	1,489,101	607,816	4,156	2,101,073
Reconciliation:				
Elimination of intersegment sales				(387,037)
Total revenue from contracts with customers				1,714,036
Segment results	422,649	110,987	(2,178)	531,458
Reconciliation:				
Other income and gains				96,370
Selling and distribution expenses				(102,709)
Administrative expenses				(166,562)
Impairment losses on financial and contract assets, net				(16,681)
Other expenses				(25,146)
Finance costs				(20,650)
Share of profits and losses of:				
A joint venture				(152)
Associates				5,531
PROFIT BEFORE TAX				301,459

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2021

5. REVENUE

An analysis of revenue is as follows:

Revenue from contracts with customers

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2021

Segments	Game Publishing RMB'000 (Unaudited)	Game Development RMB'000 (Unaudited)	Licensing of Intellectual Property RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services				
Mobile game publishing services	1,525,296	—	—	1,525,296
Game development related services	—	567,036	—	567,036
Licensing of intellectual property	—	—	87,801	87,801
Total revenue from contracts with customers	1,525,296	567,036	87,801	2,180,133
Geographical markets				
Mainland China	1,305,636	567,036	87,801	1,960,473
Other countries/regions	219,660	—	—	219,660
Total revenue from contracts with customers	1,525,296	567,036	87,801	2,180,133
Timing of revenue recognition				
Services transferred over time	1,525,296	497,499	38,388	2,061,183
Services transferred at a point in time	—	69,537	49,413	118,950
Total revenue from contracts with customers	1,525,296	567,036	87,801	2,180,133

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
30 JUNE 2021

5. REVENUE *(Continued)*

Revenue from contracts with customers *(Continued)*

Disaggregated revenue information for revenue from contracts with customers *(Continued)*

For the six months ended 30 June 2020

Segments	Game Publishing RMB'000 (Unaudited)	Game Development RMB'000 (Unaudited)	Licensing of Intellectual Property RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services				
Mobile game publishing services	1,489,101	—	—	1,489,101
Game development related services	—	220,779	—	220,779
Licensing of intellectual property	—	—	4,156	4,156
Total revenue from contracts with customers	1,489,101	220,779	4,156	1,714,036
Geographical markets				
Mainland China	1,485,642	220,779	4,156	1,710,577
Other countries/regions	3,459	—	—	3,459
Total revenue from contracts with customers	1,489,101	220,779	4,156	1,714,036
Timing of revenue recognition				
Services transferred over time	1,489,101	192,477	—	1,681,578
Services transferred at a point in time	—	28,302	4,156	32,458
Total revenue from contracts with customers	1,489,101	220,779	4,156	1,714,036

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2021

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Commissions charged by channels		1,147,316	1,110,840
Commissions charged by IPs		94,228	17,915
Game development cost		12,600	15,400
Promotion expenses		194,115	85,055
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages and salaries		115,571	89,492
Equity-settled share-based expense	16	8,248	53,903
Pension scheme contributions (defined contribution scheme)		12,428	1,925
		136,247	145,320
Depreciation of property and equipment		1,555	1,471
Depreciation of right-of-use assets		10,284	9,545
Amortisation of other intangible assets*		39,204	34,895
Research and development costs		123,770	79,637
Lease payments not included in the measurement of lease liabilities		977	32
Foreign exchange differences, net		(1,407)	2,088
Impairment losses on financial and contract assets, net:			
Impairment of trade receivables, net**		18,738	16,681
Write-off of prepayments, net***		3,283	6,729
Impairment of other intangible assets****		6,018	442
Bank interest income		(6,925)	(3,052)
Loss/(gain) on disposal of items of property and equipment	10	259	(14)
Auditor's remuneration		1,050	900
Gain on disposal of an investment in an associate		—	(23,752)
Fair value gains on financial assets at fair value through profit or loss		(10,790)	(53,589)
Fair value adjustment of contingent consideration		(2,670)	14,508

* The amortisation of other intangible assets is included in "cost of sales" in the consolidated statement of profit or loss.

** Impairment of trade receivables is included in "impairment losses on financial and contract assets" in the consolidated statement of profit or loss.

*** Write-off of prepayments is included in "other expenses" in the consolidated statement of profit or loss.

**** Impairment of other intangible assets is included in "other expenses" in the consolidated statement of profit or loss.

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

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

Hong Kong profits tax rate is 16.5% (2020: 16.5%). But under the two-tiered profits tax rates regime, the first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof. Pursuant to the PRC Corporate Income Tax Law (the "PRC Tax Law") effective on 1 January 2008, the PRC Corporate Income Tax ("CIT") rate of the Group's subsidiaries operating in Mainland China during the reporting period was 25% of their taxable profits.

Shenzhen Douyue Network Technology Co., Ltd. and China Mobile Games and Entertainment Group Limited Shenzhen were accredited as a high and new technology enterprise ("HNTE") and the certificate is valid for three years since 2020. For the years ending 31 December 2021 and 31 December 2022, Shenzhen Douyue Network Technology Co., Ltd. and China Mobile Games and Entertainment Group Limited Shenzhen were entitled to a tax rate of 15%. The HNTE certificate needs to be renewed every three years so as to enable Shenzhen Douyue Network Technology Co., Ltd. and China Mobile Games and Entertainment Group Limited Shenzhen to enjoy the reduced tax rate of 15%.

Beijing Wenmai Hudong Technology Company Limited was accredited as a HNTE and the certificate is valid for three years since its renewal in 2019. For the years ending 31 December 2020 and 31 December 2021, Beijing Wenmai Hudong Technology Company Limited was entitled to a tax rate of 15%. The HNTE certificate needs to be renewed every three years so as to enable Beijing Wenmai Hudong Technology Company Limited to enjoy the reduced tax rate of 15%.

Beijing Zhongsheng Huyu Entertainment Technology Company Limited was accredited as a "software enterprise" in 2020 under relevant PRC laws and regulations. It was entitled to tax exemption from 2019 to 2020 and entitled to a preferential CIT rate of 12.5% from 2021 to 2023.

Shengyue Software (Shenzhen) Company Limited was accredited as a "software enterprise" in 2019 under relevant PRC laws and regulations. It was entitled to tax exemption from 2019 to 2020 and was entitled to a preferential CIT rate of 12.5% from 2021 to 2023.

Horgos Wenmai Hudong Technology Company Limited was established in the Horgos Development Zone of Xinjiang in 2020. According to the applicable regulations promulgated by the State Council and relevant authorities, it was entitled to tax exemption for five years beginning with the tax year of the first production and operation income from 2020 to 2024.

Tibet Jichuang Internet Technology Co., Ltd. was established in Lhasa Tibet. According to the applicable regulations promulgated by the State Council and relevant authorities, the applicable tax rate for Tibet Jichuang Internet Technology Co., Ltd. was 15% for the year ending 31 December 2021.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2021

7. INCOME TAX *(Continued)*

Hainan Chuangyue Technology Company Limited and Hainan Zhanshen Internet Technology Company Limited were established in the Hainan Free Trade Port. According to the applicable regulations promulgated by the State Council and relevant authorities, the applicable tax rate for Hainan Chuangyue Technology Company Limited and Hainan Zhanshen Internet Technology Company Limited was 15% for the year ending 31 December 2021.

The major components of the income tax expense for the period are as follows:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current Tax Expense		
PRC	47,926	27,983
Deferred Tax Credit		
PRC	(3,560)	(2,585)
Total tax charge for the period	44,366	25,398

8. DIVIDENDS

The Board of Directors declared not to pay any interim dividend to the shareholders in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,584,242,818 (30 June 2020: 2,330,150,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	393,532	287,746
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,584,242,818	2,330,150,000

10. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired assets at a cost of RMB2,918,000 (30 June 2020: RMB1,556,000).

Assets with a net book value of RMB261,000 were disposed by the Group during the six months ended 30 June 2021 (30 June 2020: RMB25,000), resulting in a net loss on disposal of RMB259,000 (30 June 2020: net gain of RMB14,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2021

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Listed equity investments, at fair value	370,746	220,828
NEEQ quoted equity investment, at fair value	64,812	69,486
Unlisted equity investments, at fair value	1,278,840	1,230,112
Convertible loans, at fair value	18,886	18,886
	1,733,284	1,539,312

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

In May 2018, the Group acquired 26% of the issued shares of Angel Fund (Asia) Investments Limited ("Angel Fund") from Angel (Partners) Investments Limited with the consideration of 1,270,963 issued shares of Ridgeview Well Investment Limited, the then sole shareholder of the Company. Angel Fund held 9,740,562 shares, representing 20.368% of the total issued shares of Softstar Entertainment Inc, which is a company listed on the Taiwan Stock Exchange (TAIPEI: 6111). The fair value of the investment in Angel Fund was RMB56,246,000 (31 December 2020: RMB55,874,000) as at 30 June 2021.

In April 2018, CMGE Group Limited transferred the investment in China Prosperity Capital Mobile Internet Fund L.P ("CPC Fund") to the Group. In June 2018, the Group injected cash of US\$8,300,000 (equivalent to RMB54,442,000) to CPC Fund. The Group acted as a limited partner and held 25.65% of its limited partnership interests. The fair value of the investment in CPC Fund was RMB221,854,000 (31 December 2020: RMB224,387,000) as at 30 June 2021.

In February 2020, Guohong Jiaxin (Shenzhen) Angel Venture Capital Enterprise (L.P.) ("Angel Venture") has been set up after obtaining all the related licenses and approval documentations. The fair value of the investment in Angel Venture was RMB156,890,000 (31 December 2020: RMB160,671,000) as at 30 June 2021.

The Group holds 26%, 25.65% and 38.08% limited partnership interests in Angel Fund, CPC Fund, and Angel Venture, respectively. Pursuant to the relevant partnership agreements of these three funds, the Group is entitled to investment return, but has no right or power to participate in the management or control of the funds. Therefore, the Group has neither control nor significant influence on Angel Fund, CPC Fund and Angel Venture and they are treated as financial instruments at fair value through profit or loss.

12. TRADE RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	1,359,159	954,790
Allowance for impairment	(85,876)	(72,146)
	1,273,283	882,644

Trade receivables mainly represent amounts receivable from third-party publishing channels or other counterparties. The Group normally allows credit terms of 180 days to established channels and other counterparties and extends credit terms up to 270 days for major channels and other major counterparties. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the billing date and net of loss allowance, is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 6 months	829,791	605,207
6 months to 1 year	293,707	214,856
1 year to 18 months	129,716	49,285
18 months to 2 years	14,639	13,296
Over 2 years	5,430	—
	1,273,283	882,644

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2021

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Non-current portion		
Prepayments*	451,230	330,766
Current portion		
Prepayments	415,925	375,258
Deposits and other receivables	200,217	112,422
Contract costs**	34,583	32,126
	650,725	519,806
	1,101,955	850,572

* Prepayments as at 30 June 2021 included RMB29,418,000 paid for the share purchase of Shenzhen EZfun Interactive Technology Co., Ltd..

Prepayments as at 31 December 2020 included RMB110,000,000 paid for the conditional share purchase of Angel Fund.

** Contract costs relate to commissions charged by the platforms which meet the contract acquisition cost criteria. They are capitalised as contract acquisition costs and amortised over the Player Relation Period, which is consistent with the pattern of recognition of the associated revenue. The Group had no impairment losses recognised on contract costs.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 30 June 2021 and 31 December 2020, the loss allowance was assessed to be minimal.

14. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the reporting period, based on the billing date, is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 3 months	221,150	105,156
3 to 6 months	46,748	51,958
6 months to 1 year	39,012	53,843
1 year to 2 years	38,674	54,360
2 years to 3 years	1,617	562
Over 3 years	2,852	2,841
Total	350,053	268,720

The trade payables are non-interest-bearing and are normally settled on 180-day terms.

15. SHARE CAPITAL

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Issued and fully paid:		
2,768,050,000 (2020: 2,510,150,000) ordinary shares	1,925	1,759

On 10 May 2021, the Company allotted and issued a total of 257,900,000 shares to the subscribers among which 198,000,000, 56,400,000 and 3,500,000 shares were allotted and issued to Bilibili Inc., Wide Fortune Enterprises Limited and Century Network (Hongkong) Limited, respectively.

16. SHARE-BASED COMPENSATION

On 30 October 2019, the Company granted 180,000,000 ordinary shares to certain employees of the Group to incentivise and reward the eligible persons for their contribution to the Group. For the 180,000,000 granted ordinary shares, 30% shall vest on the listing date, and 70% shall vest if the required performance targets are achieved. The Group recognised a share-based compensation expense of RMB53,903,000 during the six months ended 30 June 2020.

On 29 March 2021, the Company granted 50,000,000 ordinary shares to certain employees of the Group to incentivise and reward the eligible persons for their contribution to the Group. The Group recognised a share-based compensation expense of RMB8,248,000 during the six months ended 30 June 2021.

The fair values of the share options granted by the Company were determined by using the Binomial Model to estimate the fair value of a share option. The weighted average fair value of share options granted on 29 March 2021 was HK\$0.95 per share (equivalent to approximately RMB0.79 per share) based on the following variables and assumptions (which are subject to subjectivity and uncertainty):

Risk free rate	0.37%
Dividend yield	0%
Expected volatility (Note)	51.43%

Note:

The expected volatility, measured as the standard deviation of expected share price returns, is determined based on the average daily trading price volatility of the shares of the Company.

17. CONTINGENT LIABILITIES

In April 2019, two claimants filed a civil litigation before the Intermediate People's Court of Wuhan City, alleging that the game, the World of Legend-Thunder Empire (傳奇世界之雷霆霸業), infringed their copyright and that by marketing the game, the Group had engaged in unfair competition (the "Litigation"). The maximum exposures in respect of the Litigation consisted of taking the aforementioned game offline, paying damages in the maximum sum of RMB10,000,000, eliminating any negative impact by making a declaration on the Group's websites and reimbursing all litigation expenses incurred by the claimants. As the game was developed with the appropriate authorisation of Shengqu Information Technology (Shanghai) Company Limited, the owner of the underlying copyright, in the opinion of the directors, the Group has sufficient and valid legal grounds to defend the allegations in the Litigation, and that the likelihood of an unfavourable court ruling is low.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2021

18. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contracted, but not provided for:		
Purchase of IP and game licenses	86,677	30,723
Equity investments	34,157	13,000
	<u>120,834</u>	<u>43,723</u>

19. RELATED PARTY TRANSACTIONS

(a) Names of related parties

	Relationship with the Group
Softstar Entertainment Inc.	Minority Shareholder of a subsidiary and equity invested by the Group
Shanghai Fengguo Network Information	Associate
Shenzhen Boliang Technology Co., Ltd.	Joint venture
Mr. Fan Yingjie	Executive director

19. RELATED PARTY TRANSACTIONS *(Continued)*

In addition to the transactions detailed elsewhere in the financial statements, the Group had the following material related party transactions during the reporting period:

(b) Transactions with related parties

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Publishing services provided to Shanghai Fengguo Network Information	1,341	35,219
Promotion services received from Shanghai Fengguo Network Information	970	6,653
Licensing of intellectual property received from Softstar Entertainment Inc.	786	—
Promotion services received from Softstar Entertainment Inc.	486	—
Publishing services provided to Shanghai Langkun Digital Technology Co., Ltd.*	—	100
	3,583	41,972

* In December 2020, the Group disposed of a 5% interest in Shanghai Langkun Digital Technology Co., Ltd. with a consideration of RMB10,000,000 and then the ownership percentage in Shanghai Langkun Digital Technology Co., Ltd. decreased to 18.5%. The investment in Shanghai Langkun Digital Technology Co., Ltd. is subsequently reclassified from an investment in an associate to a financial asset at fair value through profit or loss.

(c) Outstanding balances with related parties

As disclosed in the statement of financial position, the Group had outstanding balances with related parties as at 30 June 2021 and 31 December 2020.

Amounts due from related parties

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Softstar Entertainment Inc.*	16,608	3,165
Mr. Fan Yingjie**	9,850	7,850
Shenzhen Boliang Technology Co., Ltd.*	1,200	1,200
Shanghai Langkun Digital Technology Co., Ltd.*	—	1,086
Shanghai Fengguo Network Information*	15	18
	27,673	13,319

* These balances are trade in nature.

** The balance is non-trade in nature.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
30 JUNE 2021

19. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Outstanding balances with related parties *(Continued)*

Amounts due to related parties

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Softstar Entertainment Inc.*	10,756	12,642
Shanghai Fengguo Network Information*	4,894	6,171
Shanghai Langkun Digital Technology Co., Ltd.*	—	485
	15,650	19,298

* These balances are trade in nature.

The amounts due to related parties are unsecured, interest-free and repayable on credit terms similar to those offered to the major customers of the Group.

(d) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	6,630	3,788
Equity-settled share-based expense	3,687	47,152
Pension scheme contributions	201	57
	10,518	50,997

20. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Financial assets

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss	1,733,284	1,539,312
At amortised cost:		
Trade receivables	1,273,283	882,644
Due from related parties	27,673	13,319
Financial assets included in prepayments, other receivables and other assets	200,217	112,422
Time deposits and restricted cash	498,962	799,164
Cash and cash equivalents	1,059,820	794,888
	<u>3,059,955</u>	<u>2,602,437</u>
	<u>4,793,239</u>	<u>4,141,749</u>

Financial liabilities

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Financial liabilities at fair value through profit or loss:		
Contingent consideration for business combination	175,028	177,692
At amortised cost:		
Trade payables	350,053	268,720
Due to related parties	15,650	19,298
Financial liabilities included in other payables and accruals	13,289	186,295
Interest-bearing bank and other borrowings	454,272	451,350
	<u>833,264</u>	<u>925,663</u>
	<u>1,008,292</u>	<u>1,103,355</u>

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2020 and 30 June 2021, the fair values of the Group's financial assets or liabilities approximated to their respective carrying amounts.

Management has assessed that the carrying amounts of cash and cash equivalents, time deposits and restricted cash, trade receivables, amounts due from related parties, financial assets included in prepayments, other receivables and other assets, trade payables, amounts due to related parties, financial liabilities included in other payables and accruals, and interest-bearing bank and other borrowings reasonably approximate to their fair values because these financial instruments are mostly short term in nature.

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices. The fair values of the unlisted equity investments have been estimated by using various applicable valuation techniques, including the discounted cash flow approach, comparable transactions approach, and other option pricing models. The fair value of contingent consideration payable is estimated by using the discounted cash flow model and Monte Carlo simulation model.

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2021 and 31 December 2020:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Discounted cash flow method	Long term growth rate	3% (31 December 2020: 3%)	1% (31 December 2020: 1%) increase/ (decrease) in growth rate would result in increase/(decrease) in fair value by RMB12,531,000 (31 December 2020: RMB12,531,000)
		Long term operating margin	41% to 64% (31 December 2020: 41% to 64%)	1% (31 December 2020: 1%) increase/ (decrease) in operating margin would result in increase/(decrease) in fair value by RMB4,044,000 (31 December 2020: RMB4,044,000)
		Weighted average cost of capital (WACC)	20% to 22% (31 December 2020: 20% to 22%)	1% (31 December 2020: 1%) increase/ (decrease) in WACC would result in (decrease)/ increase in fair value by RMB23,335,000 (31 December 2020: RMB23,335,000)
Financial liabilities at fair value through profit or loss	Discounted cash flow method with the Monte Carlo simulation model	Volatility	46% (31 December 2020: 46%)	1% (31 December 2020: 1%) increase/ (decrease) in volatility would result in (decrease)/increase in fair value by RMB1,000,000 (31 December 2020: RMB1,500,000)
		Discount rate	4.9% (31 December 2020: 4.9%)	1% (31 December 2020: 1%) increase/ (decrease) in discount rate would result in (decrease)/increase in fair value by RMB2,000,000 (31 December 2020: RMB1,000,000)

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2021 (unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	370,746	391,598	970,940	1,733,284

As at 31 December 2020 (audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	220,828	396,072	922,412	1,539,312

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Liabilities measured at fair value:

As at 30 June 2021 (unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Contingent consideration for business combination	—	—	175,028	175,028

As at 31 December 2020 (audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Contingent consideration for business combination	—	—	177,692	177,692

22. EVENTS AFTER THE REPORTING PERIOD

On 5 August 2021, the Company has conditionally agreed to acquire from Softstar Entertainment Inc. 100% equity interests of Best Classic International Limited and Mighty Leader Limited, respectively. The total consideration of the acquisitions is HK\$641,840,000.

Best Classic International Limited is an investment holding company and it indirectly holds 49% of the equity interests in Softstar Technology (Beijing) Co., Ltd., a direct non-wholly owned subsidiary of the Company. Mighty Leader Limited is an investment holding company and will be the sole owner (or exclusive licensee, as applicable) of all IP rights relating to Legend of Sword and Fairy registered, licensed or used in China, prior to the completion of the acquisition of 100% equity interests in Mighty Leader Limited by the Company.

23. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 23 August 2021.

DEFINITIONS

In this interim report, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“Ambitious Profit”	Ambitious Profit Investment Limited, an exempted company incorporated in the Cayman Islands with limited liability on 5 January 2018 and one of the Controlling Shareholders
“ARPG”	action role playing game
“ARPPU”	average revenue per month per paying user, which represents the Group’s revenue recognised for a particular game, a particular type of game or all of its games, as applicable, in the period divided by the number of paying users of the game, the type of game or all of its games, as applicable, in such period
“Audit Committee”	the audit committee of the Company
“Auditor”	Ernst & Young, the independent auditor of the Company
“Beijing Orient L.P.”	Beijing Orient Zhike Equity Investment Centre (Limited Partnership) (北京東方智科股權投資中心(有限合夥)), one of the Substantial Shareholders and an investment fund established on 22 May 2015 in the form of a limited partnership under the laws of the PRC, and is controlled by its executive general partner ultimately controlled by Mr. Ma Yuntao
“Beijing Softstar”	Softstar Technology (Beijing) Co., Ltd. (軟星科技(北京)有限公司), a company established in the PRC on 19 September 2000, which is a direct non-wholly owned subsidiary owned as to 51% by the Company. Beijing Softstar is an insignificant subsidiary (as defined under the Listing Rules) for the period ended 30 June 2021 and up to the Latest Practicable Date.
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CG Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“Changpei Cayman”	Changpei Investment Centre, L.P., an exempted limited partnership registered in the Cayman Islands on 2 March 2018 and one of the Controlling Shareholders
“Changpei Shanghai”	Changpei (Shanghai) Investment Centre (Limited Partnership) (長霽(上海)投資中心(有限合夥)), a limited partnership registered in the PRC on 2 June 2015
“Chengdu Zhuoxing”	Chengdu Zhuo Xing Technology Co., Ltd. (成都卓星科技有限公司), a company established in the PRC on 24 June 2013 and wholly-owned by Shenzhen Lanyue, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
“CMGE Mobile Tech”	China Mobile Game Technology Company Limited (中手游移動科技有限公司), a limited liability Company established under the laws of the PRC on 14 October 2015, which is held as to 44.67% by Changpei Shanghai, 22.33% by Beijing Orient L.P., 18.90% by Shanghai Pegasus, 9.20% by Zhongshouyou Brothers PRC and 4.90% by Yichong Investment
“Company”	CMGE Technology Group Limited (中手游科技集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 20 March 2018, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 0302)

DEFINITIONS

“connected person(s)”	has the meaning ascribed to it/them under the Listing Rules
“Contractual Arrangements”	the series of contractual arrangements entered into by Shengyue Software (Shenzhen) Company Limited (盛悦软件(深圳)有限公司) and the PRC Operating Entities
“Controlling Shareholder(s)”	has the meaning ascribed to it/them under the Listing Rules
“core connected person(s)”	has the meaning ascribed to it/them under the Listing Rules
“Corporate Governance Committee”	the corporate governance committee of the Company
“Director(s)”	the director(s) of the Company
“Fairview Ridge”	Fairview Ridge Investment Limited, a company incorporated in the BVI with limited liability on 6 March 2018 and one of the Controlling Shareholders
“Group”	the Company, its subsidiaries and the PRC Operating Entities
“H5”	hypertext markup language 5, the fifth and current major version of the hypertext markup language standard; used for structuring and presenting content on web pages and for creating web applications
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards, as issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IP”	intellectual property
“Latest Practicable Date”	27 August 2021, being the latest practicable date prior to the printing of this interim report for the purpose of ascertaining certain information for inclusion there in
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	31 October 2019, being the date on which the Shares of the Company became listed and commenced trading on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MAUs”	monthly active users, which refers to the number of active users in the relevant calendar month; average MAUs for a particular period is the average of the MAUs in each month during that period
“MMORPG”	massive multiplayer online role-playing game, in which a vast number of players play their selected game character in the virtual world, and interact with each other
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Motion Game”	Motion Game Company Limited (動力遊戲娛樂有限公司), a company incorporated in Hong Kong with limited liability on 20 July 2017 and one of the Controlling Shareholders
“MPUs”	monthly paying users, which refers to the number of paying users in the relevant calendar month; average MPUs for a particular period is the average of the MPUs in each month during that period

“Mr. Sin”	Mr. SIN Hendrick (洗漢迪) <i>M.H.</i> , the executive Director and vice chairman of the Company, and one of the Controlling Shareholders
“Mr. Xiao”	Mr. XIAO Jian (肖健), the executive Director, chairman and chief executive officer of the Company, and one of the Controlling Shareholders
“Nomination Committee”	the nomination committee of the Company
“PC”	personal computer
“Post-IPO Share Option Scheme”	the post-IPO share option scheme of the Company approved and adopted by the Shareholders on 20 September 2019
“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this report only, Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC Operating Entities”	Chengdu Zhuoxing, Shenzhen Zhongshouyou, Shenzhen Douyue, Hainan Chuangyue Technology Company Limited (海南創躍科技有限公司), Shangrao Interactive Network Technology Co., Ltd. (上饒市逗號互動網絡科技有限公司), Yichun Dongdian Huyu Internet Technology Company Limited (宜春市動點互娛網絡科技有限公司) and Hainan Zhanshen Internet Technology Company Limited (海南戰神網絡科技有限公司)
“Pre-IPO RSU Schemes”	the pre-IPO restricted share unit schemes of the Company approved and adopted by the Shareholders on 20 September 2019
“Profound Power”	Profound Power Investment Limited, a company incorporated in BVI with limited liability on 8 March 2018 and one of the Controlling Shareholders
“Prospectus”	the Company’s prospectus dated 19 October 2019 issued for Listing purpose
“Remuneration Committee”	the remuneration committee of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“RPG”	role-playing game
“RSUs”	a restricted share unit granted under the Pre-IPO RSU Schemes
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Softstar”	Softstar Technology (Shanghai) Co., Ltd. (軟星科技(上海)有限公司), a company established in the PRC on 14 June 2001, which is an indirect non-wholly owned subsidiary owned as to 51% by the Company
“Share(s)”	ordinary share(s) of the Company with nominal value of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

"Shenzhen Douyue"	Shenzhen Douyue Network Technology Co., Ltd. (深圳市豆悅網絡科技有限公司), a company established in the PRC on 21 November 2014 and wholly-owned by Shenzhen Lanyue, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
"Shenzhen Lanyue"	Shenzhen Lanyue Internet Technology Company Limited (深圳市嵐悅網絡科技有限公司), a company established in the PRC on 7 June 2013 and the registered shareholder of the PRC Operating Entities
"Shenzhen Zhongshouyou"	China Mobile Games and Entertainment Group Limited Shenzhen (深圳市中手游網絡科技有限公司), a company established in the PRC on 10 July 2015 and wholly-owned by Shenzhen Lanyue, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
"Silver Joyce"	Silver Joyce International Limited, a company incorporated in the BVI on 5 July 2012 and wholly-owned by Mr. Sin, which is one of the Controlling Shareholders
"SLG"	simulation game
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it/them under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed to it/them under the Listing Rules
"US\$" or "USD"	U.S. dollars, the lawful currency of the United States of America
"Victory Aspire"	Victory Aspire Group Limited (勝志集團有限公司), a limited company incorporated in the BVI on 28 May 2019, which is wholly-owned by Antopex Limited, the nominee for CMB Wing Lung (Trustee) Limited acting as trustee for the Xiao Family Trust
"Wenmai Hudong"	Beijing Wenmai Hudong Technology Company Limited (北京文脈互動科技有限公司), a company established in the PRC on 12 December 2014, which is an indirect wholly-owned subsidiary of the Company
"Xiao Family Trust"	the ZSY Trust, a discretionary trust set up by Mr. Xiao, as settlor, and CMB Wing Lung (Trustee) Limited, as trustee, for the benefit of Mr. Xiao and his spouse
"Yichong Investment"	Shanghai Yichong Investment Centre (Limited Partnership) (上海一翀投資中心(有限合伙)), one of the Shareholders and a limited partnership established in the PRC on 20 April 2015, the general partner of which is Dazi Dingcheng
"Zhongshouyou Brothers BVI"	Zhongshouyou Brothers Limited (中手游兄弟有限公司), a company incorporated in the BVI on 2 January 2018 and wholly-owned by Victory Aspire for the Xiao Family Trust, which is one of the Controlling Shareholders
"Zhongshouyou Brothers PRC"	Shaoxing Shangyu Zhongshouyou Brothers Investment Partnership (Limited Partnership) (紹興市上虞中手游兄弟投資合夥企業(有限合伙)), a limited partnership established on 23 November 2015 under the laws of the PRC, a shareholder of CMGE Mobile Tech