

**祖龙娱乐**  
ARCHOSAUR GAMES

**祖龙娱乐有限公司**  
**Archosaur Games Inc.**

(Incorporated in the Cayman Islands with limited liability)  
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 9990

**2021** INTERIM REPORT  
中 期 報 告



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## Definitions

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

“Adoption Date”	5 February 2021, being the date on which the Share Option Scheme was adopted by the Shareholders at the extraordinary general meeting of the Company held on Friday, 5 February 2021
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“China” or “PRC”	the People’s Republic of China, which unless otherwise stated, for the purpose of this interim report, excludes the Hong Kong, the Macao and Taiwan
“Company”	Archosaur Games Inc. 祖龙娱乐有限公司, an exempted company incorporated under the laws of the Cayman Islands with limited liability whose Shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 9990)
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Cresc Chorus”	Cresc Chorus Limited, a BVI business company incorporated under the laws of the BVI with limited liability and one of the controlling Shareholders of the Company
“Director(s)”	the director(s) of the Company
“Eligible Employee”	any full-time employee (excluding any director) of the Company and any subsidiary
“Eligible Participant”	any Eligible Employee who may be invited by the Board to take up Options
“EVA”	EVANGELION, a Japanese mecha anime television series

## Definitions

“Exercise Price”	the price per Share at which a Grantee may subscribe for the Shares on the exercise of an Option
“Global Offering”	the initial public offering of the Shares for subscription by the public and the institutional, professional, corporate and other investors
“Grantee”	any Eligible Participant who accepts an Offer in accordance with the terms of the Share Option Scheme or (where the context so permits) his Personal Representative(s) who is/are entitled to any Option in consequence of the death of the original Grantee
“Group”, “we” or “us”	the Company and all of its subsidiaries and companies whose financial results have been consolidated and accounted for as the subsidiaries of our Company by virtue of certain contractual arrangements, or, where the context so requires, in respect of the period before our Company became the holding company of our current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“HK\$” and “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	the International Financial Reporting Standards
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	the date on which the Shares initially commenced their dealings on the Stock Exchange, i.e. 15 July 2020
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“LuckQ”	LuckQ Technology Limited, a BVI business company incorporated under the laws of the BVI with limited liability and one of the controlling Shareholders of the Company
“Macao”	the Macao Special Administrative Region of the PRC



## Definitions

“MMO”	massively multiplayer online game, a genre of online games in which a player interacts with a large number of other players
“MMORPG”	massively multiplayer online role-playing game, a genre of games that combine role-playing games and massively multiplayer online games in which a large number of players interact with one another within a virtual world
“Model Code”	the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules
“Offer”	an offer for the grant of an Option
“Offer Date”	the date, which must be a Business Day, on which an Offer is made to an Eligible Participant
“Option”	an option to subscribe for the Shares granted pursuant to the Share Option Scheme
“Perfect World”	Perfect World Co., Ltd.* (完美世界股份有限公司), a company established in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002624)
“Perfect World Games”	Perfect World Games Co., Ltd.* (完美世界遊戲有限責任公司), a company established under the laws of the PRC with limited liability on 14 November 2008
“Perfect World Holding”	Perfect World Holding Group Co., Ltd.* (完美世界控股集團有限公司), a company established under the laws of the PRC with limited liability on 14 August 2013
“Perfect World Holding Group”	Perfect World Holding and/or its respective affiliate(s)

## Definitions

“Perfect World Interactive”	Perfect World Interactive Entertainment Co., Ltd., an exempted company incorporated under the laws of the Cayman Islands with limited liability and holds 16.26% of the Shares as of 30 June 2021
“Prospectus”	the prospectus of the Company dated 30 June 2020
“Reporting Period”	the period for the six months ended 30 June 2021
“RMB”	Renminbi, the lawful currency of the PRC
“RSU Scheme”	the restricted share unit scheme of our Company approved and adopted by the Board on 1 April 2020
“RSU(s)”	restricted share units granted pursuant to the RSU Scheme
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
“Share Option Scheme”	the share option scheme in its present form or as may be amended from time to time which was adopted by the Company on the Adoption Date
“Share(s)”	ordinary share(s) of US\$0.00001 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“SLG”	simulation game, a genre of games that attempt to emulate various activities from real life in the game format
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	for the purpose of this interim report, has the meaning ascribed to it in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and includes companies whose financial results have been consolidated and accounted for as the subsidiaries of our Company by virtue of certain contractual arrangements



## Definitions

“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Tencent”	Tencent Holdings Limited, an exempted company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 700) and/or its subsidiaries, as the case may be and holds 16.88% of our Shares as of 30 June 2021
“Tianjin Loong”	Tianjin Loong Technology Co., Ltd.* (祖龍(天津)科技股份有限公司), a Company established under the laws of the PRC with limited liability on 15 April 2015, and by virtue of some contractual arrangements, accounted for as our subsidiary
“Unreal Engine”	game engines developed by Epic Games
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent

\* For identification purpose only in this interim report

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Li Qing (*Chairman and chief executive officer*)  
Mr. Bai Wei

### Non-executive Directors

Ms. Liu Ming  
Mr. Lu Xiaoyin

### Independent Non-executive Directors

Mr. Ge Xuan  
Mr. Zhu Lin  
Mr. Ding Zhiping

## AUDIT COMMITTEE

Mr. Zhu Lin (*Chairman*)  
Mr. Ge Xuan  
Mr. Ding Zhiping

## REMUNERATION COMMITTEE

Mr. Ge Xuan (*Chairman*)  
Mr. Ding Zhiping  
Mr. Li Qing

## NOMINATION COMMITTEE

Mr. Li Qing (*Chairman*)  
Mr. Ge Xuan  
Mr. Ding Zhiping

## RISK MANAGEMENT COMMITTEE

Mr. Ding Zhiping (*Chairman*)  
Mr. Li Qing  
Mr. Zhu Lin

## JOINT COMPANY SECRETARIES

Ms. Hao Lili  
Ms. Zhang Xiao

## AUTHORIZED REPRESENTATIVES

Mr. Li Qing  
Ms. Zhang Xiao

## AUDITOR

PricewaterhouseCoopers  
Certified Public Accountants  
and Registered Public Interest Entity Auditor  
22/F, Prince's Building  
Central, Hong Kong

## COMPLIANCE ADVISER

Red Solar Capital Limited  
Unit 402B, 4/F, China Insurance Group Building  
No. 141 Des Voeux Road Central  
Central, Hong Kong

## LEGAL ADVISERS

*As to Hong Kong laws*  
William Ji & Co. LLP  
in Association with  
Tian Yuan Law Firm Hong Kong Office  
Suites 3304-3309  
33/F, Jardine House  
One Connaught Place  
Central, Hong Kong

Clifford Chance  
27/F, Jardine House  
One Connaught Place  
Hong Kong





## Corporate Information

### REGISTERED OFFICE IN CAYMAN ISLANDS

Harneys Fiduciary (Cayman) Limited  
4/F, Harbour Place  
103 South Church Street, P.O. Box 10240  
Grand Cayman KY1-1002  
Cayman Islands

### HEADQUARTERS

4/F, No. 8 Hangxing Science Park  
No. 11 HePingLi East Street  
Dongcheng District, Beijing  
PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Dah Sing Financial Centre  
248 Queen's Road East  
Wanchai, Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Fiduciary (Cayman) Limited  
4/F, Harbour Place  
103 South Church Street, P.O. Box 10240  
Grand Cayman KY1-1002  
Cayman Islands

### HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### PRINCIPAL BANKS

China Merchants Bank Co., Ltd.  
Tianjin Wuqing Branch  
Basement Shop No. 695, Jiafeng Building  
Yongyang West Road  
Yangcun Town  
Wuqing District, Tianjin  
PRC

China Everbright Bank Co., Ltd.  
Deshengmen Branch  
11th Floor, Beiguang Plaza  
23 Huangsi Street  
Xicheng District, Beijing  
PRC

Industrial Bank Co., Ltd.  
Beijing Haidian Branch  
1st Floor, Beijing Aerospace CPMIEC Building  
Haidian District, Beijing  
PRC

Standard Chartered Bank (Hong Kong) Limited  
3/F, Standard Chartered Bank Building  
4-4A Des Voeux Road Central  
Hong Kong

### COMPANY WEBSITE

[www.zulong.com](http://www.zulong.com)

### STOCK CODE

9990

## Financial Performance Highlights

	For the six months ended 30 June		
	2021 RMB million (Unaudited)	2020 RMB million (Unaudited)	Change %
<b>Revenue</b>	<b>553.8</b>	601.9	(8.0%)
Cost of revenue	<b>(112.7)</b>	(148.5)	(24.1%)
<b>Gross profit</b>	<b>441.1</b>	453.4	(2.7%)
Research and development expenses	<b>(337.3)</b>	(227.6)	48.2%
Selling and marketing expenses	<b>(159.8)</b>	(98.7)	61.9%
Administrative expenses	<b>(43.5)</b>	(84.8)	(48.7%)
Reversal of impairment losses on financial assets	<b>0.7</b>	3.5	(80.0%)
Other income	<b>4.4</b>	5.6	(21.4%)
Other gains, net	<b>6.7</b>	18.4	(63.6%)
<b>Operating (loss)/profit</b>	<b>(87.7)</b>	69.8	(225.6%)
Finance income	<b>12.4</b>	2.2	463.6%
Finance costs	<b>(4.4)</b>	(9.0)	(51.1%)
Finance income/(costs), net	<b>8.0</b>	(6.8)	(217.6%)
Fair value changes on convertible redeemable preferred shares	<b>-</b>	(856.9)	(100.0%)
Share of results of investments accounted for using the equity method	<b>(3.1)</b>	-	N/A
<b>Loss before income tax</b>	<b>(82.8)</b>	(793.9)	(89.6%)
Income tax (expense)/credit	<b>(3.0)</b>	6.7	(144.8%)
<b>Loss for the period</b>	<b>(85.8)</b>	(787.2)	(89.1%)
<b>Non-IFRS measure:</b>			
Adjusted net (loss)/profit <sup>(1)</sup>	<b>(47.1)</b>	151.6	(131.1%)

Note:

- (1) We define adjusted net (loss)/profit as loss for the period adjusted by adding back fair value changes on convertible redeemable preferred shares, share-based compensation expenses, interest expenses accrued from redemption liability and listing expenses (if applicable). We eliminate the impacts of these items that our management does not consider to be indicative of our operating performance, as they are either non-cash items or non-recurring expenses. In particular, fair value changes on convertible redeemable preferred shares, interest expenses accrued from redemption liability and listing expenses will not recur after the Listing. Fair value changes on convertible redeemable preferred shares will not recur after the Listing as convertible redeemable preferred shares have been converted into ordinary shares upon the Listing. Interest expenses accrued from redemption liability will not recur after the Listing because the redemption liability is in relation to a put option that was extinguished and ceased to have effect upon the Listing.

# Management Discussion and Analysis

## BUSINESS REVIEW

Our mission is to be a top-class gaming company in the world, serving global game players by continuously creating industry-leading games of various genres with excellent online entertainment experience.

We are a pioneer in China's mobile game industry focusing on developing next-generation mobile MMOs, SLGs and other genres. We have proven capabilities in developing high-quality mobile games with excellent market reception.

We count on our industry-leading research and development capabilities as a driving force to propel us forward. We have established a new studio in Shanghai at the end of 2020, covering East China, to attract high-end research and development and publishing talents in game industry in the core city Shanghai and the peripheral regions of Jiangsu, Zhejiang and Anhui. At present, many core personnel have joined Shanghai studio, the projects are progressing steadily. A research and development layout of collaboration among Beijing headquarters, Shanghai research and development center, Chengdu and Changchun research and development bases has been formed.

On the self-publishing front, our publishing and operation team has continued to make progress with outstanding results. In February 2021, on the occasion of the first anniversary of Dragon Raja (龍族幻想) launching in Europe and the Americas, our major version updates, EVA collaboration and others were launched and highly recognized by players and the gross billings was stable in the long term.

Going forward, on the basis of continuously accumulating overseas publishing experience, we will actively develop and strategize a business system of conducting independent research and development and integrating research and operation in the vertical field.

## Our Existing Games

We mainly focus on the development for mobile MMOs, SLGs and other genres, and offer a mature and selective portfolio of top-rated mobile games with excellent market reception globally. As of 30 June 2021, we had launched 16 high-quality mobile games with over 70 regional versions in 14 languages available in more than 170 regional markets.

Our existing games achieved a number of "firsts" in China's mobile game industry: Under the Firmament (鴻圖之下) as the first mobile SLG developed by Unreal Engine 4 in China, Dragon Raja (龍族幻想) as China's first next generation real 3D mobile MMORPG powered by Unreal Engine 4, Fantasy Zhuxian (夢幻誅仙) as one of the pioneering real 3D turn-based mobile MMORPGs and Loong Craft (六龍爭霸／六龍御天) as one of the first real 3D mobile MMORPG grand strategy wargames.

During the Reporting Period, we launched a new game in January 2021, The New World (夢想新大陸), which is the first turn-based mobile MMORPG developed by Unreal Engine 4. With the use of Unreal Engine 4, the game creates unique scenes including islands, forests and undersea views, deploying high-light direction modification technology to enable PBR (Physically-Based Rendering) lighting to have better performance in the turn-based aerial perspective. On the first day of launch, the game topped the Top Free Games Chart of the iOS App Store in mainland China.

Under the Firmament (鴻圖之下) as our first mobile SLG was launched and self-published by us in Japan and Southeast Asia region on 31 March 2021. It was recommended by iOS and Google and reached the top five on the Top Free Games Chart of the iOS App Store in Japan in the first week of launch. The game was launched on 14 April 2021 and topped the Top Free Games Chart of the iOS App Store in Hong Kong, Macao and Taiwan on the first day of launch. In addition, the game is expected to be self-published in South Korea, the Europe and the Americas within the year 2021.

# Management Discussion and Analysis

## Our Game Pipeline

To build up a diversified game portfolio across a wide range of genres, we published the first SLG, Under the Firmament (鴻圖之下), in October 2020, realizing a preliminary attempt in the SLG field. Some mobile games are expected to be launched globally in the second half of 2021 and during 2022, covering the genres of MMORPG, SLG and others.

The first closed trial of Noah's Heart (諾亞之心) has been officially commenced on 20 July 2021. This exploration mobile game which is based on the simulated planetary open world created by Unreal Engine 4 has not only drawn on the powerful performance and expressive power of Unreal Engine's technology in creating a unique seamless spherical continuous map for players, but has also broken through the traditional MMORPG professional restrictions, making game play changeable with greater freedom experience for players. Currently, the game is being further fine-tuned and is expected to be officially launched in 2021.

Project C is another mobile SLG launched for the global market following Under the Firmament (鴻圖之下). The game is derived from original IPs of Western fantasy themes, with a more prominent international style, and the American cartoon effects are adopted. All these factors make the game easier to learn and bring it to a wider audience. The game is scheduled for overseas trial in the second half of 2021. We will adopt a global self-publishing approach first abroad and then at home, and various pre-launch marketing campaigns and promotions are in full swing.

Project B is a mobile MMO developed from an international IP. At present, we have respectively formed a collaboration with the entertainment company of blockbusters with a box office record of the IP over US\$1.5 billion and Tencent in respect of the IP authorization and global publishing of the project. We believe the product will benefit from the combined advantages of "IP-R&D-Publishing" to become a game with international influence. At present, the game is expected to be publicized and tested in 2021, and to be published globally in 2022.

Project A is a female-oriented game, based on the technological improvements brought by Unreal Engine, the game has attained the top level on the mobile platform both in terms of on-screen precision and material texture complexity. Every fashion item in the game has undergone repeated polishing by the artists of Archosaur Games. In addition, there are various game plays for players such as plot deduction, cultivation and management. Publicity on the game is expected to start in the near future, and the game is expected to be self-published in mainland China in 2022.



## Management Discussion and Analysis

As at 30 June 2021, the table below sets out certain information regarding our new games which are expected to be launched for the periods indicated, including title, genre, IP source, development stage, expected launch year and major markets.

Title <sup>(1)</sup>	Mobile game genre <sup>(1)</sup>	IP source <sup>(1)</sup>	Development stage as at 30 June 2021 <sup>(1)</sup>	Expected launch year <sup>(1)</sup>	Major markets <sup>(1)</sup>
<b>2021</b>					
Noah's Heart (諾亞之心)	MMORPG	Original IP	Game Production	2021	Worldwide
Project C <sup>(2)</sup>	SLG	Original IP	Game Production	2021	Worldwide
<b>2022</b>					
Project B <sup>(2)</sup>	MMO	Licensed IP	Game Production	2022	Worldwide
Project A <sup>(2)(3)</sup>	Others	Original IP	Game Production	2022	Worldwide
Sango Heroes (三國群英傳)	SLG	Licensed IP	Game Proposal	2022	Worldwide
Project D <sup>(2)</sup>	MMORPG	— <sup>(2)</sup>	Game Proposal	2022	Worldwide

*Notes:*

- (1) The game pipeline is indicative as at 30 June 2021. The title, genre, expected launch year, major markets and other information of each game in the pipeline may be subject to further changes according to their respective development and pre-approval status.
- (2) The game title or IP status, as applicable, of the respective game is pending.
- (3) We plan to integrate female-oriented game design in the game.

During the Reporting Period, we recorded revenue of RMB553.8 million, representing a decrease of 8.0% as compared with RMB601.9 million for the corresponding period in 2020, which was primarily attributable to the first SLG that was self-published outside mainland China during the Reporting Period. Compared with MMORPGs, SLGs require a longer growth stage to build up player base and achieve market coverage, during which the number of game players and gross billings are increased in a more gradual trend. In the future, with the expansion of our game genres from MMORPG to SLG and female-oriented game, and with a variety of styles, the global publishing of various genres of games, and the continuous improvement of our integrated mode of research and operation, the lifecycle of our games is expected to be further extended, which will make a more stable and sustainable contribution to the Group's revenue.

# Management Discussion and Analysis

## Impact of COVID-19

Since the worldwide outbreak of COVID-19 in early 2020, a series of precautionary and control measures have been issued and continued to be implemented across China and other countries in the world.

The foremost priority for the Group is to provide our employees with a safe and healthy working environment during the COVID-19 pandemic, maintaining a firm grasp of all applicable obligations (whether mandated or voluntary). The Group has adopted precautionary measures including online meetings and work from home for our staff to minimize the risk of transmission of COVID-19.

Due to the nature of the gaming industry and benefiting from the Group's sufficient hygiene measures and stable relationships with our suppliers and customers, the COVID-19 outbreak did not have any material adverse impact on our business operations, financial performance or working capital.

## FINANCIAL REVIEW

### REVENUE

The following table sets forth the breakdown of our revenue by business segment for the periods indicated:

	For the six months ended 30 June			
	2021 RMB million (Unaudited)	% of total revenue	2020 RMB million (Unaudited)	% of total revenue
Development and licensing	312.0	56.3%	291.0	48.3%
– Revenue share	290.3	52.4%	267.9	44.5%
– Non-refundable fixed licensing fees	21.7	3.9%	23.1	3.8%
Integrated game publishing and operation	241.8	43.7%	310.9	51.7%
<b>Total</b>	<b>553.8</b>	<b>100.0%</b>	<b>601.9</b>	<b>100.0%</b>

For the six months ended 30 June 2021, our revenue from development and licensing was RMB312.0 million, representing an increase of 7.2% from RMB291.0 million for the corresponding period in 2020, and our revenue from integrated game publishing and operation was RMB241.8 million, representing a decrease of 22.2% from RMB310.9 million for the corresponding period in 2020.

## Management Discussion and Analysis

The following table sets forth the breakdown of our revenue segment by geography for the periods indicated:

	For the six months ended 30 June			
	2021 RMB million (Unaudited)	% of total revenue	2020 RMB million (Unaudited)	% of total revenue
Domestic	255.0	46.0%	195.4	32.5%
Overseas	298.8	54.0%	406.5	67.5%
<b>Total</b>	<b>553.8</b>	<b>100.0%</b>	<b>601.9</b>	<b>100.0%</b>

For the six months ended 30 June 2021, our revenue generated from domestic market was RMB255.0 million, representing an increase of 30.5%, from RMB195.4 million for the corresponding period in 2020, and our revenue generated from markets outside mainland China was RMB298.8 million, representing a decrease of 26.5%, from RMB406.5 million for the corresponding period in 2020.

We are committed to developing mobile games of various genres in addition to MMORPG. During the Reporting Period, our first SLG was self-published mainly in Japan and Southeast Asia. Compared with MMORPGs, SLGs require a longer growth stage to build up player base and achieve market coverage, during which the number of game players and gross billings are increased in a more gradual trend.

### COST OF REVENUE

The following table sets forth a breakdown of our cost of revenue by nature in absolute amounts and as percentages of our cost of revenue for the periods indicated:

	For the six months ended 30 June				
	2021 RMB million (Unaudited)	% of cost of revenue	2020 RMB million (Unaudited)	% of cost of revenue	Change (%)
Commissions charged by distribution channels and payment channels	71.8	63.7%	95.4	64.2%	(24.7%)
Revenue share to IP holders	22.3	19.8%	34.3	23.1%	(35.0%)
Bandwidth and servers custody fee	8.5	7.5%	9.8	6.6%	(13.3%)
Employee benefit expenses	4.4	3.9%	3.2	2.2%	37.5%
Depreciation and amortization charges	3.4	3.0%	3.9	2.6%	(12.8%)
Others	2.3	2.1%	1.9	1.3%	21.1%
<b>Total</b>	<b>112.7</b>	<b>100.0%</b>	<b>148.5</b>	<b>100.0%</b>	<b>(24.1%)</b>

## Management Discussion and Analysis

Our cost of revenue primarily consisted of (i) commissions charged by distribution channels and payment channels, and (ii) revenue share to IP holders. Our cost of revenue decreased to RMB112.7 million for the six months ended 30 June 2021 as compared with RMB148.5 million for the corresponding period in 2020, which was mainly attributable to a decrease in commissions charged by distribution channels and payment channels and a decrease in revenue share to IP holders. The decline was in line with the decrease in the total revenue.

### GROSS PROFIT AND GROSS PROFIT MARGIN

For the six months ended 30 June 2021, the gross profit of the Group decreased by 2.7% to RMB441.1 million as compared with RMB453.4 million for the corresponding period in 2020, maintaining a stable performance. The gross profit margin of the Group increased to 79.6% for the six months ended 30 June 2021 from 75.3% for the corresponding period in 2020, mainly attributable to the proportion of the revenue generated from development and licensing business and the proportion of the revenue generated from integrated game publishing and operation business was 56.3% and 43.7% for the six months ended 30 June 2021, as compared with 48.3% and 51.7% for the corresponding period in 2020. It represented that an increase in revenue generated from development and licensing business as a percentage to our total revenue, and generally the gross profit margin of development and licensing business was higher than integrated game publishing and operation business.

### RESEARCH AND DEVELOPMENT EXPENSES

Our research and development expenses primarily consisted of (i) employee benefit expenses; (ii) outsourced technical services; and (iii) depreciation and amortization charges. For the six months ended 30 June 2021, our research and development expenses increased by 48.2% to RMB337.3 million as compared with RMB227.6 million for the corresponding period in 2020, mainly attributable to (i) the increase in employee benefit expenses, including share-based compensation expenses, and (ii) outsourced technical services to satisfy our business expansion.

### SELLING AND MARKETING EXPENSES

Our selling and marketing expenses primarily consisted of (i) promotion and advertising expenses; and (ii) employee benefit expenses. For the six months ended 30 June 2021, our selling and marketing expenses increased by 61.9% to RMB159.8 million as compared with RMB98.7 million for the corresponding period in 2020, mainly attributable to the increase in promotion and advertising expenses. During the Reporting Period, we published our first SLG mobile game in Japanese market, where the user acquisition cost is generally higher than other overseas market where we used to conduct self-publishing business.

### ADMINISTRATIVE EXPENSES

Our administrative expenses primarily consisted of (i) employee benefit expenses; (ii) utilities and office expenses and (iii) other professional consulting fees. For the six months ended 30 June 2021, our administrative expenses decreased by 48.7% to RMB43.5 million as compared with RMB84.8 million for the corresponding period in 2020, mainly attributable to the elimination of non-recurring expenses, i.e. share-based compensation costs arising from the re-designation of ordinary shares into Series C-1 Preferred Shares as defined in the Prospectus and listing expenses, compared with the corresponding period in 2020.



# Management Discussion and Analysis

## OTHER INCOME

For the six months ended 30 June 2021, our other income decreased by 21.4% to RMB4.4 million as compared with RMB5.6 million for the corresponding period in 2020, due to a decrease in government grants.

## FINANCE INCOME/(COSTS), NET

Finance income represented interest income from bank deposits, including bank balance and term deposits. Finance costs primarily consisted of interest expenses accrued from our lease liabilities. For the six months ended 30 June 2021, our net finance income increased by 217.6% to RMB8.0 million as compared with net finance cost RMB6.8 million for the corresponding period in 2020, mainly attributable to (i) an increase in interest income from term deposit and (ii) the elimination of non-recurring expenses, i.e. interest expenses accrued from our redemption liability, compared with the corresponding period in 2020.

## OTHER GAINS, NET

Our other gains primarily consisted of (i) gains on financial assets at fair value through profit or loss; and (ii) net foreign exchange (losses)/gains. For the six months ended 30 June 2021, our net other gains decreased by 63.6% to RMB6.7 million as compared with RMB18.4 million for the corresponding period in 2020, mainly attributable to the foreign exchange losses.

## INCOME TAX (EXPENSE)/CREDIT

Our income tax (expense)/credit consisted of current income tax and deferred income tax. We had income tax expense of RMB3.0 million for the six months ended 30 June 2021 and tax credit of RMB6.7 million for the corresponding period in 2020. The income tax expense for the six months ended 30 June 2021 was primarily attributable to the reversal of deferred tax assets mainly due to a decrease in the deductible losses, which can be utilized against the future taxable income by certain subsidiaries, while the income tax credit for the corresponding period in 2020 was mainly attributable to the reversal made due to the change in the applicable tax rate as the uncertainties regarding the interpretation and implementation for criteria as a Software Enterprise was eliminated then.

## ADJUSTED NET (LOSS)/PROFIT

The adjusted net loss for the six months ended 30 June 2021 amounted to RMB47.1 million as compared with adjusted net profit of RMB151.6 million for the corresponding period in 2020. Such loss was primarily attributable to (i) the increase in research and development expenses to satisfy the Group's business expansion needs, which was mainly brought by the increase in employee benefit expenses for employees engaging in research and development activities and outsourced technical services; and (ii) the increase in selling and marketing expenses, which was primarily brought by the increase in promotion and advertising expenses.

The Company believes that adjusted net loss for the six months ended 30 June 2021, as compared with loss for the six months ended 30 June 2021 as reported under the IFRS, can better reflect the underlying operating performance of the Group as well as facilitate period to period comparison. The use of these non-IFRS measures has limitations as an analytical tool, and one should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies.

## Management Discussion and Analysis

The following table sets forth the reconciliations of the Group's non-IFRS financial measures for the six months ended 30 June 2021 and 2020 to the nearest measures prepared in accordance with IFRS.

	For the six months ended 30 June	
	2021	2020
	RMB million	RMB million
	(Unaudited)	(Unaudited)
<b>Reconciliation of loss for the period to adjusted net (loss)/profit for the period</b>		
<b>Loss for the period</b>	<b>(85.8)</b>	(787.2)
Add:		
Fair value changes on convertible redeemable preferred shares	-	856.9
Share-based compensation expenses	<b>38.7</b>	47.0
Interest expenses accrued from redemption liability	-	6.8
Listing expenses	-	28.1
<b>Adjusted net (loss)/profit for the period</b>	<b>(47.1)</b>	151.6

### LIQUIDITY AND FINANCIAL RESOURCES

We have historically funded our cash requirements principally from cash generated from operations, and to a lesser extent, equity financing. We adopt a prudent treasury management policy to ensure that our Group maintains a healthy financial position. Taking into account the financial resources available to the Group, including cash and cash equivalents on hand, cash generated from operations and available facilities of the Group, and the net proceeds from the issuance of ordinary shares relating to the initial public offering, and after diligent and careful investigation, the Directors are of the view that the Group has sufficient working capital required for the Group's operations at present.

## Management Discussion and Analysis

The following table sets out our cash flows for the periods indicated:

	For the six months ended 30 June		Change (%)
	2021	2020	
	RMB million (Unaudited)	RMB million (Unaudited)	
Net cash (used in)/generated from operating activities	(75.6)	277.9	(127.2%)
Net cash used in investing activities	(389.3)	(12.2)	3,091.0%
Net cash used in financing activities	(20.4)	(244.8)	(91.7%)
Net (decrease)/increase in cash and cash equivalents	(485.3)	20.9	(2,422.0%)
Cash and cash equivalents at the beginning of the period	3,055.7	728.3	319.6%
Exchange (losses)/gains on cash and cash equivalents	(27.1)	4.3	(730.2%)
Cash and cash equivalents at the end of the period	2,543.3	753.5	237.5%

### Operating Activities

For the six months ended 30 June 2021, net cash used in operating activities was RMB75.6 million, compared with RMB277.9 million generated from operating activities for the corresponding period in 2020, representing a decrease of 127.2%. The decrease was mainly attributable to (i) an increase in cash used in game development and publishing activities and (ii) a decrease in the subsequent collection of trade receivables compared with the corresponding period in 2020.

### Investing Activities

For the six months ended 30 June 2021, net cash used in investing activities was RMB389.3 million, compared with RMB12.2 million for the corresponding period in 2020, representing an increase of 3,091.0%. The increase was mainly attributable to investing in funds and upstream and downstream companies of the industry in the Reporting Period.

### Financing Activities

For the six months ended 30 June 2021, net cash used in financing activities was RMB20.4 million, compared with RMB244.8 million for the corresponding period in 2020, representing a decrease of 91.7%. The decrease was mainly attributable to dividends declared in February 2020 and paid by Tianjin Loong to its then holders of the outstanding ordinary shares.

# Management Discussion and Analysis

## GEARING RATIO

As at 30 June 2021, our gearing ratio, which is calculated as total debt divided by total assets, was 11.4%, as compared with 11.3% as at 31 December 2020.

## CAPITAL EXPENDITURE

Our capital expenditure comprised expenditures on purchases of intangible assets and purchases of property, plant and equipment. For the six months ended 30 June 2021 and 2020, total capital expenditure amounted to RMB51.4 million and RMB6.2 million respectively, representing an increase of 729.0%. The increase was mainly attributable to purchases of intangible assets and leasehold improvements during six months ended 30 June 2021.

## SIGNIFICANT INVESTMENTS HELD/FUTURE PLANS FOR SIGNIFICANT INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2021, there was no significant investment held by the Group or future plans for significant investments or capital assets.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the six months ended 30 June 2021, there was no material acquisitions or disposal of subsidiaries, associates and joint ventures.

## CHARGE ON ASSETS

As at 30 June 2021, no property, plant and equipment was pledged.

## CONTINGENT LIABILITIES

As at 30 June 2021, we did not have any unrecorded significant contingent liabilities against us.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, we employed approximately 1,300 full-time staff in total, approximately 85% of whom are research and development personnel. Substantially all of our employees are based in China, primarily at our headquarters in Beijing, with the remainder in Chengdu, Changchun and Shanghai. For the six months ended 30 June 2021, cost of employees' remuneration and benefit was approximately RMB297.7 million as compared with RMB209.1 million for the six months ended 30 June 2020.



## Management Discussion and Analysis

We are committed to establishing a competitive and fair remuneration and benefits environment for our employees. To effectively motivate our business development team through remuneration incentives and ensure that our employees receive competitive remuneration packages, we continually refine our remuneration and incentive policies through market research and comparisons with our competitors. We conduct performance evaluations of our employees quarterly to provide feedback on their performance. Remuneration for our employees typically consists of a base salary and performance-based and year-end bonuses. To incentivize our Directors, senior management and employees of the Group for their contribution to our Group, the Company adopted the RSU Scheme and the Share Option Scheme on 1 April 2020 and 5 February 2021, respectively. For details, please refer to “RSU Scheme” and “Share Option Scheme” under the section “Other Information” in this interim report.

As required by PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including housing provident fund, pension insurance, medical insurance, maternity insurance, work-related injury insurance and unemployment insurance.

We provide regular and specialized training tailored to the needs of our employees in different departments. We regularly organize training sessions conducted by senior employees or external consultants, covering various aspects of our business operations, including overall management, project execution and technical know-how. We constantly review the content of training and follow up with employees to evaluate the effect of such training. Through the training, we help our employees to stay up to date with both industry development, skills and technologies. We also organize workshops, from time to time, to discuss specific topics.

### FOREIGN CURRENCY EXCHANGE RISKS

For the six months ended 30 June 2021, most of transactions of the Group and our cash and cash equivalents were denominated in RMB, US\$ and HK\$. The management team closely monitors foreign currency exchange risks to ensure that appropriate measures are implemented in a timely and effective manner. Save as disclosed in this interim report, the Group has not incurred any significant foreign currency exchange losses in its operations for the six months ended 30 June 2021. The management will continue to monitor the Group’s foreign exchange risk exposure and consider adopting prudent measures as appropriate.

### USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Shares of the Company were listed on the Stock Exchange on 15 July 2020. The net proceeds raised from the Global Offering (after taking account of the exercise of over-allotment option), after deduction of the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the Global Offering, were approximately HK\$2,358.5 million.

## Management Discussion and Analysis

The below table sets forth the proposed and actual applications of the net proceeds from the Listing Date to 30 June 2021:

Use of net proceeds	Percentage	Net proceeds from the Global Offering (HK\$ million)	As at 30 June 2021		Expected timeline for utilizing the remaining net proceeds <sup>(1)</sup>
			Utilized amount (HK\$ million)	Unutilized amount (HK\$ million)	
Enhancing the development capabilities and technology and expanding our game portfolio	40%	943.5	556.2	387.3	2021.07-2023.07
Expanding game publishing and operation business, particularly in markets outside of mainland China	20%	471.7	194.1	277.6	2021.07-2023.07
Funding strategic acquisition of and investment in upstream and downstream businesses along the industry value chain and investment in investment funds focusing on pan-entertainment or technology, media, and telecom	20%	471.7	115.5	356.2	2021.07-2022.07
Expanding the IP reserve and enriching our content offerings	10%	235.8	24.4	211.4	2021.07-2022.07
Working capital and general corporate uses	10%	235.8	71.1	164.7	N/A
<b>Total</b>	<b>100%</b>	<b>2,358.5</b>	<b>961.3</b>	<b>1,397.2</b>	

Note:

- (1) The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to changes based on the current and future development of the market conditions.

Since the Listing Date and up to 30 June 2021, approximately HK\$961.3 million out of net proceeds from the Global Offering had been used. As at the date of this interim report, there was no change in the intended use of net proceeds and the expected timeline as previously disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus. To the extent that net proceeds are not immediately used for the intended use, the Company currently intends to place such proceeds in short-term interest bearing instruments, such as liquid fixed income securities, short-term bank deposits, short-term and low risk wealth management products or money market instruments with licensed commercial banks or other authorized financial institutions so long as it is deemed to be in the best interests of the Company.

### EVENTS AFTER REPORTING PERIOD

As at the date of this interim report, the Group did not have any significant events after the Reporting Period.

## Other Information

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2021, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director or chief executive	Nature of interest	Number of ordinary Shares interested <sup>(1)</sup>	Approximate percentage of the Company's issued share capital <sup>(2)</sup>
Mr. Li Qing <sup>(3)</sup>	Interest in controlled corporation	278,799,802	34.19%
Mr. Bai Wei <sup>(4)</sup>	Interest in controlled corporation	15,447,304	1.89%

*Notes:*

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of 815,510,000 Shares in issue as at 30 June 2021.
- (3) 278,329,802 Shares were held through Cresc Chorus, a company owned as to 81.96% by LuckQ, which in turn is wholly-owned by Mr. Li Qing and 470,000 Shares were held through Pondweed Holdings Limited, a company wholly-owned by Mr. Li Qing. Accordingly, Mr. Li Qing was deemed to be interested in such Shares held by Cresc Chorus and Pondweed Holdings Limited for the purpose of part XV of the SFO.
- (4) These Shares were held by Wade Data Services Limited ("Wade Data") which was wholly-owned by Mr. Bai Wei. Accordingly, Mr. Bai Wei was deemed to be interested in such Shares held by Wade Data for the purpose of Part XV of the SFO.

## Other Information

### SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as our Directors are aware, as at 30 June 2021, the following persons have interests or short positions in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be maintained by the Company under Section 336 of the SFO:

Name	Nature of interest	Number of Shares interested <sup>(1)</sup>	Approximate percentage of the Company's issued share capital <sup>(2)</sup>
Mr. Li Qing <sup>(3)</sup>	Interest in controlled corporation	278,799,802	34.19%
Cresc Chorus <sup>(3)</sup>	Beneficial owner	278,329,802	34.13%
LuckQ <sup>(3)</sup>	Interest in controlled corporation	278,329,802	34.13%
Perfect World Interactive <sup>(4)</sup>	Beneficial owner	132,593,999	16.26%
Perfect Game Speed Company Limited <sup>(4)</sup>	Interest in controlled corporation	132,593,999	16.26%
Perfect Freedom Company Limited <sup>(4)</sup>	Interest in controlled corporation	132,593,999	16.26%
Beijing Perfect World Software Technology Development Co., Ltd. <sup>(4)</sup>	Interest in controlled corporation	132,593,999	16.26%
Perfect World Games <sup>(4)</sup>	Interest in controlled corporation	132,593,999	16.26%
Perfect World <sup>(4)</sup>	Interest in controlled corporation	132,593,999	16.26%
Mr. Chi Yufeng (池宇峰) <sup>(4)</sup>	Interest in controlled corporation	132,593,999	16.26%
Image Frame <sup>(5)</sup>	Beneficial owner	105,077,999	12.88%
Tencent <sup>(5)</sup>	Interest in controlled corporation	137,698,399	16.88%
GIC Private Limited	Beneficial owner	65,369,000	8.02%

*Notes:*

- (1) All interests stated are long positions.
- (2) The percentages represented the number of Shares over the total issued share capital of the Company as at 30 June 2021 of 815,510,000 Shares.
- (3) Based on the latest disclosure of interest form filed by each of Cresc Chorus, LuckQ and Mr. Li Qing, Cresc Chorus was owned as to 81.96% by LuckQ, which was in turn wholly owned by Mr. Li Qing. Accordingly, each of LuckQ and Mr. Li Qing was deemed to be interested in all the Shares held by Cresc Chorus by virtue of the SFO.
- (4) Based on the confirmation by Perfect World Holding Group as at 30 June 2021, Perfect World Interactive was wholly owned by Perfect Game Speed Company Limited, which was in turn wholly owned by Perfect Freedom Company Limited. Perfect Freedom Company Limited was wholly owned by Beijing Perfect World Software Technology Development Co., Ltd., which was in turn wholly owned by Perfect World Games. Perfect World Games was wholly owned by Perfect World, which was in turn owned as to 35.36% by Mr. Chi Yufeng. Accordingly, each of Perfect Game Speed Company Limited, Perfect Freedom Company Limited, Beijing Perfect World Software Technology Development Co., Ltd., Perfect World Games, Perfect World and Mr. Chi Yufeng was deemed to be interested in all the Shares held by Perfect World Interactive by virtue of the SFO.
- (5) Based on the latest disclosure of interest form filed by Tencent as at 30 June 2021, 105,077,999 Shares were held through Image Frame Investment (HK) Limited ("Image Frame"), a company wholly-owned by Tencent and 32,620,400 Shares were held through Image Flag Investment (HK) Limited ("Image Flag"), a company wholly-owned by Tencent. Accordingly, Tencent was deemed to be interested in all the Shares held by Image Frame and Image Flag by virtue of the SFO.



## Other Information

### RSU SCHEME

On 1 April 2020, the Company adopted the RSU Scheme. As at 30 June 2021, 137 employees participated in the RSU Scheme. RSUs representing a total of 18,414,796 underlying Shares (representing approximately 2.26% of the total issued share capital of our Company as at 30 June 2021) were granted to the above participants.

The purpose of the RSU Scheme is to incentivize our Directors, senior management and employees of the Group for their contribution to our Group, and to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of our Group by providing them with the opportunity to own equity interests in our Company.

Details of the RSUs granted under the RSU Scheme as at 30 June 2021 are set out below. None of the RSU participants in respect of the grant below is our Director, senior management of our Company or directors of our subsidiaries.

<b>Position held in our Group (by department)</b>	<b>Number of employees granted RSUs</b>	<b>Number of underlying Shares represented by RSUs</b>	<b>Date of grant</b>	<b>Vesting period</b>	<b>Approximate percentage of shareholding<sup>(1)</sup></b>
Research and Development	114	14,180,540	April 2020-March 2021	3 years	1.74%
Publishing and Operation Center	7	655,040	April 2020-March 2021	3 years	0.08%
Administration	16	3,579,216	April 2020-March 2021	3 years	0.44%
<b>Total</b>	<b>137</b>	<b>18,414,796</b>			<b>2.26%</b>

*Note:*

(1) The calculation is based on the total number of issued Shares of the Company as at 30 June 2021 of 815,510,000 Shares.

The grantees of the RSUs granted under the RSU Scheme as referred to in the table above are not required to pay for the grant of any RSU under the RSU Scheme. As of 30 June 2021, none of the RSUs so granted had been vested.

The above RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by the Company to subscribe for new Shares.

## Other Information

### SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 5 February 2021. Details of the Share Option Scheme are set out in the circular of the Company dated 19 January 2021.

The purpose of the Share Option Scheme is to provide incentive or reward to our employees (excluding any director) of the Group for their contribution to, and continuing efforts to promote the interests of, the Group, and to incentive them to remain with the Group.

On 14 April 2021, 8,155,100 Options were granted to eligible Grantees under the Share Option Scheme. For details, please refer to the announcement of the Company dated 14 April 2021.

Details of the movement of Options granted under the Share Option Scheme during the six months ended 30 June 2021 are as follows:

Participants	Date of grant	Vesting period	Exercise Price per Share (HK\$)	Closing price immediately before the date of grant (HK\$)	Number of Options outstanding at 1 January 2021	Number of Options granted during the period	Number of Options lapsed during the period	Number of Options cancelled during the period	Number of Options exercised during the period	Number of Options outstanding at 30 June 2021
Employees	14 April 2021 <sup>(1)</sup>	3 years <sup>(1)</sup>	14.756	14.320	-	8,155,100	-	-	-	8,155,100

Note:

- (1) The Options are exercisable in installments from the commencement of the relevant vesting period until 14 April 2031. Subject to the terms of the Share Option Scheme and conditions stated in the letter containing the Offer, 40% of the Options can be exercised 1 year after the grant date, 30% of the Options will become exercisable 2 years after the grant date and the remaining 30% of the Options will become exercisable 3 years after the grant date.

## Other Information

### MOVEMENTS IN SHARE CAPITAL

There is no change to share capital of the Company during the six months ended 30 June 2021.

### REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the listed securities of the Company.

### INTERIM DIVIDEND

The Board has resolved not to declare payment of any interim dividend for the six months ended 30 June 2021.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules. During the six months ended 30 June 2021, the Company has complied with all applicable code provisions as set out in the Corporate Governance Code save for the deviation from code provision A.2.1 of the Corporate Governance Code.

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Li Qing is the executive Director, chairman of the Board and the chief executive officer of the Company. With extensive experience in the information technology and game industry, Mr. Li Qing is responsible for the overall management, decision-making and strategy planning of the Group and has been instrumental to the Group's growth and business expansion since the establishment of the Group. Since Mr. Li Qing is one of the key persons for the Group's management, the Board considers that vesting the roles of chairman and chief executive officer in the same person, Mr. Li Qing, would not create any potential harm to the interest of the Group and it is, on the contrary, beneficial to the management of the Group. In addition, the operation of the senior management of the Group and the Board, which are comprised of experienced individuals, effectively checks and balances the power and authority of Mr. Li Qing. The Board currently comprises two executive Directors (including Mr. Li Qing), two non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

The Board will continue to review the effectiveness of the corporate governance structure in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

## Other Information

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code during the six months ended 30 June 2021.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and the knowledge of the Directors, the Company maintained sufficient public float during the six months ended 30 June 2021.

### CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

The Company is not aware of any changes in the Directors' information which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the date of the 2020 annual report.

### AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code. As at the date of this interim report, the Audit Committee consists of three members, namely Mr. Zhu Lin, Mr. Ge Xuan and Mr. Ding Zhiping. Mr. Zhu Lin is the chairman of the Audit Committee.

### REVIEW OF THE INTERIM REPORT

The Audit Committee has reviewed the unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2021 and the interim report of the Group for the six months ended 30 June 2021. The Audit Committee has no disagreement with the accounting treatment in unaudited interim financial statements and this interim report. In addition, the independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2021.

By order of the Board

**Li Qing**

*Chairman*

Beijing, China, 25 August 2021



# Report on Review of Interim Financial Information

## To the Board of Directors of Archosaur Games Inc.

(incorporated in the Cayman Islands with limited liability)

### INTRODUCTION

We have reviewed the interim financial information set out on pages 29 to 68, which comprises the interim condensed consolidated balance sheet of Archosaur Games Inc. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2021 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

### **PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 25 August 2021

# Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Revenue</b>	6	<b>553,781</b>	601,945
Cost of revenue	9	<b>(112,643)</b>	(148,588)
<b>Gross profit</b>		<b>441,138</b>	453,357
Research and development expenses	9	<b>(337,346)</b>	(227,564)
Selling and marketing expenses	9	<b>(159,801)</b>	(98,656)
Administrative expenses	9	<b>(43,503)</b>	(84,849)
Reversal of impairment losses on financial assets	9	<b>711</b>	3,538
Other income	7	<b>4,449</b>	5,565
Other gains, net	8	<b>6,696</b>	18,383
<b>Operating (loss)/profit</b>		<b>(87,656)</b>	69,774
Finance income	10	<b>12,374</b>	2,217
Finance costs	10	<b>(4,381)</b>	(9,023)
Finance income/(costs), net	10	<b>7,993</b>	(6,806)
Fair value changes on convertible redeemable preferred shares		–	(856,843)
Share of results of investments accounted for using the equity method	17	<b>(3,096)</b>	–
<b>Loss before income tax</b>		<b>(82,759)</b>	(793,875)
Income tax (expense)/credit	11	<b>(3,076)</b>	6,676
<b>Loss for the period</b>		<b>(85,835)</b>	(787,199)
<b>Loss attributable to:</b>			
– Owners of the Company		<b>(85,835)</b>	(787,199)
– Non-controlling interests		–	–
		<b>(85,835)</b>	(787,199)
<b>Loss per share attributable to owners of the Company for the period (in RMB/share)</b>	12		
– Basic		<b>(0.11)</b>	(2.46)
– Diluted		<b>(0.11)</b>	(2.46)

The above interim condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

## Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Loss for the period</b>		<b>(85,835)</b>	(787,199)
<b>Other comprehensive (loss)/income, net of tax:</b>			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		<b>(3,597)</b>	1,610
<i>Items that will not be reclassified to profit or loss</i>			
Currency translation differences		<b>(23,248)</b>	–
Fair value changes on convertible redeemable preferred shares due to own credit risk		–	(1,873)
<b>Total comprehensive loss for the period</b>		<b>(112,680)</b>	(787,462)
<b>Attributable to:</b>			
– Owners of the Company		<b>(112,680)</b>	(787,462)
– Non-controlling interests		–	–
		<b>(112,680)</b>	(787,462)

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with these accompanying notes.

# Interim Condensed Consolidated Balance Sheet

As at 30 June 2021

	Note	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	28,055	18,413
Right-of-use assets	16	153,348	166,744
Intangible assets	15	67,110	37,990
Investments accounted for using the equity method	17	68,378	31,474
Prepayment, other receivables and other assets	19	28,647	24,509
Financial assets at fair value through profit or loss	20	75,565	5,000
Deferred tax assets		10,848	13,692
		<u>431,951</u>	<u>297,822</u>
<b>Current assets</b>			
Trade receivables	18	313,993	328,682
Prepayment, other receivables and other assets	19	64,112	39,955
Financial assets at fair value through profit or loss	20	382,958	201,039
Term deposits		103,687	78,627
Restricted cash		29,871	–
Cash and cash equivalents		2,543,334	3,055,711
		<u>3,437,955</u>	<u>3,704,014</u>
<b>Total assets</b>		<u>3,869,906</u>	<u>4,001,836</u>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		55	55
Share premium		6,907,441	6,907,441
Other reserves	21	(1,782,198)	(1,794,051)
Accumulated losses		(1,698,214)	(1,564,160)
		<u>3,427,084</u>	<u>3,549,285</u>
<b>Non-controlling interests</b>		<u>–</u>	<u>–</u>
<b>Total equity</b>		<u>3,427,084</u>	<u>3,549,285</u>



# Interim Condensed Consolidated Balance Sheet

As at 30 June 2021

	Note	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Contract liabilities		4,814	9,502
Lease liabilities	16	<u>117,563</u>	<u>132,777</u>
		<u>122,377</u>	<u>142,279</u>
<b>Current liabilities</b>			
Trade and other payables	23	217,565	206,417
Contract liabilities		58,865	65,249
Current income tax liabilities		7,814	6,540
Lease liabilities	16	<u>36,201</u>	<u>32,066</u>
		<u>320,445</u>	<u>310,272</u>
<b>Total liabilities</b>		<u>442,822</u>	<u>452,551</u>
<b>Total equity and liabilities</b>		<u>3,869,906</u>	<u>4,001,836</u>

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

The Interim Condensed Consolidated Financial Information on pages 29 to 68 were approved by the Board of Directors on 25 August 2021 and were signed on its behalf.

**Li Qing**  
Director

**Bai Wei**  
Director

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
<b>(Unaudited)</b>						
<b>Balance at 1 January 2021</b>		<u>55</u>	<u>6,907,441</u>	<u>(1,794,051)</u>	<u>(1,564,160)</u>	<u>3,549,285</u>
<b>Comprehensive loss</b>						
Loss for the period		-	-	-	(85,835)	(85,835)
<b>Other comprehensive loss</b>						
<i>Items that may be reclassified to profit or loss</i>						
Currency translation differences		-	-	(3,597)	-	(3,597)
<i>Items that will not be reclassified to profit or loss</i>						
Currency translation differences		-	-	(23,248)	-	(23,248)
<b>Total comprehensive loss</b>		<u>-</u>	<u>-</u>	<u>(26,845)</u>	<u>(85,835)</u>	<u>(112,680)</u>
<b>Transactions with owners in their capacity as owners</b>						
Share-based compensation	22	-	-	38,698	-	38,698
Dividends	13	-	-	-	(48,219)	(48,219)
<b>Total transactions with owners in their capacity as owners</b>		<u>-</u>	<u>-</u>	<u>38,698</u>	<u>(48,219)</u>	<u>(9,521)</u>
<b>Balance at 30 June 2021</b>		<u>55</u>	<u>6,907,441</u>	<u>(1,782,198)</u>	<u>(1,698,214)</u>	<u>3,427,084</u>

## Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Note	Combined capital RMB'000	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
<b>(Unaudited)</b>							
<b>Balance at 1 January 2020</b>		577,975	-	-	189,877	(597,750)	170,102
<b>Comprehensive loss</b>							
Loss for the period		-	-	-	-	(787,199)	(787,199)
<b>Other comprehensive income/(loss)</b>							
<i>Items that may be reclassified to profit or loss</i>							
Currency translation differences		-	-	-	1,610	-	1,610
<i>Items that will not be reclassified to profit or loss</i>							
Fair value changes on convertible redeemable preferred shares due to own credit risk		-	-	-	(1,873)	-	(1,873)
<b>Total comprehensive loss</b>		-	-	-	(263)	(787,199)	(787,462)
<b>Transactions with owners in their capacity as owners</b>							
Issuance of ordinary shares for reorganization		(577,975)	4	2,433,890	(1,855,915)	-	4
Re-designation of ordinary shares into Series C-1 Preferred Shares		-	(1)	(409,649)	-	-	(409,650)
Share-based compensation		-	-	-	16,636	-	16,636
Distribution to owners		-	-	-	(3,783)	3,783	-
Dividends	13	-	-	-	-	(211,171)	(211,171)
<b>Total transactions with owners in their capacity as owners</b>		(577,975)	3	2,024,241	(1,843,062)	(207,388)	(604,181)
<b>Balance at 30 June 2020</b>		-	3	2,024,241	(1,653,448)	(1,592,337)	(1,221,541)

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations		(75,333)	285,433
Interest received		2,077	1,457
Income tax paid		(2,330)	(9,039)
<b>Net cash (used in)/generated from operating activities</b>		<b>(75,586)</b>	<b>277,851</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(13,423)	(3,885)
Purchases of intangible assets		(38,022)	(2,266)
Purchases of wealth management products classified as fair value through profit or loss assets	20	(547,000)	(1,598,550)
Payments for investments in venture capital funds designated as fair value through profit or loss	20	(35,000)	–
Purchases of other fund investments classified as fair value through profit or loss	20	(139,202)	–
Payments for preferred shares investments designated as fair value through profit or loss	20	(25,517)	–
Payments for investments accounted for using the equity method	17	(40,000)	–
Placements of restricted cash		(29,871)	(2,832)
Purchases of term deposits		(152,118)	–
Proceeds from maturity of wealth management products classified as fair value through profit or loss assets		496,987	1,440,580
Proceeds from maturity of term deposits		126,435	144,231
Interest income from term deposits		2,638	1,931
Investment income from wealth management products		4,806	8,579
<b>Net cash used in investing activities</b>		<b>(389,287)</b>	<b>(12,212)</b>

## Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of convertible redeemable preferred shares		-	100,000
Principal elements of lease payments		(16,556)	(4,821)
Dividends paid		-	(332,500)
Interest paid	16	(3,879)	(2,162)
Payment of listing expenses		-	(5,295)
<b>Net cash used in financing activities</b>		<b>(20,435)</b>	<b>(244,778)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(485,308)</b>	<b>20,861</b>
Cash and cash equivalents at beginning of the period		<b>3,055,711</b>	728,318
Exchange (losses)/gains on cash and cash equivalents		<b>(27,069)</b>	4,369
<b>Cash and cash equivalents at end of the period</b>		<b>2,543,334</b>	<b>753,548</b>

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the Interim Condensed Consolidated Financial Information

## 1 GENERAL INFORMATION

Archosaur Games Inc. (the “Company”) was incorporated in the Cayman Islands on 2 January 2020 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in the development and operating of mobile games in the People’s Republic of China (the “PRC”) and other countries and regions (the “Group’s Business”).

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 15 July 2020 (“Listing”, “IPO”).

The interim condensed consolidated financial information for the six months ended 30 June 2021 are presented in Renminbi and all values are rounded to the nearest thousand (RMB’000) unless otherwise indicated. The interim condensed consolidated financial information for the six months ended 30 June 2021 have been approved on 25 August 2021.

This interim condensed consolidated financial information for the six months ended 30 June 2021 has not been audited.

## 2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”). This interim condensed consolidated financial information should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2020 (the “2020 Financial Statements”), which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those set out in the 2020 Financial Statements.

### (a) New and amended standards adopted by the Group

The Group has applied the following standard and amendment for the first time for their annual reporting period commencing 1 January 2021:

Standards and amendments	<b>Effective for annual periods beginning on or after</b>
Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 January 2021

In addition, the Group has early adopted Amendment to IFRS 16 – COVID-19-Related Rent Concessions retrospectively from 1 January 2020.

The adoption of the above amendments to IFRSs in the current period has had no material effect on the Group’s interim condensed consolidated financial information.

## Notes to the Interim Condensed Consolidated Financial Information

### 3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory in this interim condensed consolidated financial information and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Standards and amendments	Effective for annual periods beginning on or after
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	1 January 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
IFRS 17 Insurance Contracts	1 January 2023
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	To be determined

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial statements required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key source of estimation uncertainty were the same as those that applied to the 2020 Financial Statements.

## Notes to the Interim Condensed Consolidated Financial Information

### 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

#### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial information as set out in the 2020 Financial Statements.

#### 5.2 Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total contractual cash flows RMB'000
<b>Group</b>					
<b>At 30 June 2021</b>					
<b>(Unaudited)</b>					
Trade and other payables (excluding payroll liabilities and tax payables) (Note 23)	182,590	-	-	-	182,590
Lease liabilities	42,753	42,879	83,488	-	169,120
	<u>225,343</u>	<u>42,879</u>	<u>83,488</u>	<u>-</u>	<u>351,710</u>
<b>At 31 December 2020</b>					
<b>(Audited)</b>					
Trade and other payables (excluding payroll liabilities and tax payables) (Note 23)	111,378	-	-	-	111,378
Lease liabilities	39,305	40,717	103,789	-	183,811
	<u>150,683</u>	<u>40,717</u>	<u>103,789</u>	<u>-</u>	<u>295,189</u>



## Notes to the Interim Condensed Consolidated Financial Information

### 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

#### 5.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at 30 June 2021 and 31 December 2020 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The following table presents the Group's financial assets that are measured at fair value as at 30 June 2021, none of the Group's financial liabilities are measured at fair value.

(Unaudited)

As at 30 June 2021

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Assets</b>				
<b>Current</b>				
Investments in wealth management products (Note 20)	-	-	253,262	253,262
Other fund investments (Note 20)	-	-	129,696	129,696
	-	-	382,958	382,958
<b>Non-current</b>				
Investments in venture capital funds (Note 20)	-	-	40,000	40,000
Preferred shares investments (Note 20)	-	-	25,517	25,517
Other fund investments (Note 20)	-	-	10,048	10,048
	-	-	75,565	75,565
	-	-	458,523	458,523

## Notes to the Interim Condensed Consolidated Financial Information

### 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

#### 5.3 Fair value estimation *(Continued)*

The following table presents the Group's financial assets that are measured at fair value as at 31 December 2020, none of the Group's financial liabilities is measured at fair value.

(Audited)

As at 31 December 2020	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Assets</b>				
<b>Current</b>				
Investments in wealth management products (Note 20)	-	-	201,039	201,039
<b>Non-current</b>				
Investments in venture capital funds (Note 20)	-	-	5,000	5,000
	-	-	206,039	206,039

The changes in level 3 instruments of financial assets at fair value through profit or loss for the six months ended 30 June 2021 and 2020 have been disclosed in Note 20. There were no transfers among Levels 1, 2 and 3 during the periods.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The net asset value of the investments;
- The latest round financing, i.e. the prior transaction price or the third-party pricing information;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

The Group has a team that manages the valuation of level 3 instruments for financial reporting purpose. The team manages the valuation exercise of the investments on a case by case basis. At least once a year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

## Notes to the Interim Condensed Consolidated Financial Information

### 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

#### 5.3 Fair value estimation *(Continued)*

The components of the level 3 instruments include investments in bank wealth management products, other fund investments, preferred shares investments and investments in venture capital funds. As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques including discounted cash flow and market approach, etc.

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurement of the investments in bank wealth management products and other fund investments.

	Significant unobservable inputs	Percent or ratio range		Sensitive of fair value to the input
		As at 30 June 2021	As at 31 December 2020	
Wealth management products	Expected rate of return	2.88% to 4.36%	2.70% to 4.00%	Increasing/decreasing expected rate of return by 50 basis points would increase/decrease fair value by RMB342,793 and RMB116,897 as at 30 June 2021 and 31 December 2020.
Other fund investments (a)	N/A	N/A	N/A	N/A

Note:

- (a) The Group determines the fair values of other fund investments as at the reporting date based on the reported net asset values of the respective funds as provided by fund managers.

## Notes to the Interim Condensed Consolidated Financial Information

### 6 SEGMENT INFORMATION AND REVENUE

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision maker. As a result of this evaluation, the directors of the Company consider that the Group's operations are operated and managed as a single segment and no segment information is presented, accordingly.

As at 30 June 2021 and 31 December 2020, substantially all of the non-current assets of the Group were located in the PRC.

Revenue for the six months ended 30 June 2021 and 2020 are as follows: the Group considered itself as an agent in arrangements of "development and licensing business", and recorded revenue on a net basis; whereas, the Group considered itself as a principal in arrangements of "integrated game publishing and operation business", and recorded revenue on a gross basis.

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Online game revenue		
– Development and licensing		
<i>Revenue share</i>	<b>290,323</b>	267,874
<i>Non-refundable fixed licensing fees</i>	<b>21,687</b>	23,157
– Integrated game publishing and operation	<b>241,771</b>	310,914
	<b>553,781</b>	601,945
Online game revenue		
– Mobile Game	<b>553,781</b>	601,945
Timing of revenue recognition		
– At a point in time	<b>290,323</b>	267,874
– Over time	<b>263,458</b>	334,071
	<b>553,781</b>	601,945

Revenues of approximately RMB312,011,000 and RMB290,774,000 for the six months ended 30 June 2021 and 2020, respective were derived from five largest single external customers.

During the six months ended 30 June 2021, revenue of approximately RMB267,142,000 was derived from a single external customer accounted for more than 10% of total revenue.

During the six months ended 30 June 2020, revenue of approximately RMB221,912,000 was derived from a single external customer accounted for more than 10% of total revenue.

## Notes to the Interim Condensed Consolidated Financial Information

### 6 SEGMENT INFORMATION AND REVENUE *(Continued)*

The amount of its revenue from external customers broken down by location of the customers is shown in the table below.

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue segment by geography</b>		
Domestic	<b>254,992</b>	195,377
Overseas	<b>298,789</b>	406,568
	<b>553,781</b>	601,945

### 7 OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Government grants	<b>4,449</b>	5,565

Government grants received by certain subsidiaries were mainly related to their local development. Those grants are not stipulated with any specified uses, nor unfulfilled conditions or contingencies.

### 8 OTHER GAINS, NET

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Gains on financial assets at fair value through profit or loss (Note 20)	<b>7,558</b>	8,939
Foreign exchange (losses)/gains, net	<b>(1,646)</b>	8,685
Others	<b>784</b>	759
	<b>6,696</b>	18,383

## Notes to the Interim Condensed Consolidated Financial Information

### 9 EXPENSES BY NATURE

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Employee benefit expenses	297,783	209,043
Commissions charged by distribution channels and payment channels	71,796	95,398
Promotion and advertising expenses	136,842	85,138
Outsourced technical services	63,615	32,825
Revenue share to the intellectual property ("IP") holders	22,339	34,343
Depreciation and amortization charges (Note 14, 15, 16)	28,639	22,786
Listing expenses	-	28,120
Share-based compensation costs arising from the re-designation of ordinary shares into Series C-1 Preferred Shares	-	30,350
Bandwidth and servers custody fee	8,543	9,796
Utilities and office expenses	11,477	5,420
VAT input transfer out and tax surcharges	2,567	2,317
Other professional consulting fees	4,432	2,735
Travelling expenses	2,575	1,975
COVID-19-related rent concessions (Note 16)	-	(1,883)
Reversal of impairment of trade receivables	(711)	(3,538)
Others	2,685	1,294
	652,582	556,119

### 10 FINANCE INCOME/(COSTS), NET

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Finance income</b>		
Interest income	12,374	2,217
<b>Finance costs</b>		
Interest expenses accrued from redemption liability	-	(6,771)
Interest expenses on lease liabilities (Note 16)	(3,879)	(2,162)
Others	(502)	(90)
	(4,381)	(9,023)
Finance income/(costs), net	7,993	(6,806)

## Notes to the Interim Condensed Consolidated Financial Information

### 11 INCOME TAX (EXPENSE)/CREDIT

The income tax (expense)/credit of the Group for the six months ended 30 June 2021 and 2020 is analyzed as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Current income tax (expense)/credit	<b>(232)</b>	4,925
Deferred income tax	<b>(2,844)</b>	1,751
	<b>(3,076)</b>	6,676

#### (a) Cayman Islands and the British Virgin Islands (“BVI”) Income Tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Group entities established under the International Business Companies Acts of BVI are exempted from BVI income taxes.

#### (b) Hong Kong Income Tax

The entity incorporated in Hong Kong is subject to Hong Kong profit tax at rate of 16.5% on the assessable profits for the six months ended 30 June 2021 and 2020, based on the existing legislation, interpretations and practices in respect thereof.

## Notes to the Interim Condensed Consolidated Financial Information

### 11 INCOME TAX (EXPENSE)/CREDIT *(Continued)*

#### (c) PRC Enterprise Income Tax (“EIT”)

The income tax provision of the Group in respect of its operations in PRC was calculated at the tax rate of 25% on the assessable profits for the six months ended 30 June 2021, based on the existing legislation, interpretations and practices in respect thereof.

Tianjin Loong Technology Co., Ltd. (祖龍(天津)科技股份有限公司) (“Tianjin Loong”) renewed its qualification as a “High and New Technology Enterprise” (“HNTE”) in 2020 and it is subject to a reduced preferential EIT rate of 15% for a three-year period from 2020 to 2022 according to the preferential tax treatment applicable to the HNTE.

Huai’an Loong Technology Co., Ltd. (淮安祖龍科技有限公司) (“Huai’an Loong”) qualified as a HNTE for a three-year period since 2018 and is renewing its qualification in 2021. The management expects that Huai’an Loong will still be qualified as a HNTE for 2021. Therefore, Huai’an Loong was entitled to a preferential income tax rate of 15% on its estimated assessable profits for the six months ended 30 June 2021.

According to a policy promulgated by the State Tax Bureau of the PRC that was effective from 2018 onwards (“Announcement No. 64 of 2018”), enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses incurred as tax deductible expenses in determining tax assessable profits (“Super Deduction”) Under the Announcement No. 13 of 2021 issued by Ministry of Finance and State Administration of Taxation in March 2021, the policy of Super Deduction is extended. Several PRC subsidiaries of the Group have claimed such Super Deduction in ascertaining its tax assessable profits/(losses) for the six months ended 30 June 2021 and 2020.



## Notes to the Interim Condensed Consolidated Financial Information

### 12 LOSS PER SHARE

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share for the six months ended 30 June 2020 has been retrospectively adjusted for the capitalization issue triggered by IPO (“Capitalization Issue”) in 2020.

#### (a) Basic

Basic loss per share is calculated by dividing the Group’s loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the periods.

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
Loss attributable to owners of the Company (RMB’000)	<b>(85,835)</b>	(787,199)
Weighted average number of ordinary shares in issue (in thousands)	<b>786,110</b>	320,267
Basic loss per share (in RMB/share)	<b>(0.11)</b>	(2.46)

#### (b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the six months ended 30 June 2021, the Company has two categories of dilutive potential ordinary shares: the restricted share unit (“RSU”) and the share options (“Share Option”) as described in Note 22.

For the six months ended 30 June 2020, the Company has two categories of dilutive potential ordinary shares: preferred shares (including convertible redeemable preferred shares and redemption liability) and the RSUs as described in Note 22.

## Notes to the Interim Condensed Consolidated Financial Information

### 12 LOSS PER SHARE *(Continued)*

#### (b) Diluted *(Continued)*

For the purpose of calculating diluted loss per share for the six months ended 30 June 2020, the preferred shares are assumed to have been converted into ordinary shares with a consequential reduction in net loss attributable to ordinary shareholders for the six months ended 30 June 2020 resulting from adding back the loss from the change in fair value of the convertible redeemable preferred shares and interest expenses on redemption liability. This potential adjustment resulted in an anti-dilutive effect in the calculation of diluted loss per share for the six months ended 30 June 2020.

For the purpose of calculating diluted loss per share for six months ended 30 June 2021 and 2020, RSUs and Share Options are assumed to have been converted into ordinary shares with no corresponding change in net loss attributable to ordinary shareholders. This potential adjustment resulted in an anti-dilutive effect in the calculation of diluted loss per share for the six months ended 30 June 2021 and 2020.

### 13 DIVIDENDS

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Declared a final dividend for the year ended 31 December 2020 of HK\$7.4 cents (2019: Nil) per ordinary share (Note (a))	<b>50,022</b>	–
Less: Dividend for shares held for the restricted share unit scheme (“RSU Scheme”)	<b>(1,803)</b>	–
Dividends declared in February 2020 and paid by Tianjin Loong to its then holders of outstanding ordinary shares	–	211,171
	<b>48,219</b>	211,171

Note:

- (a) The final dividend of HK\$7.4 cents per share (tax inclusive) for the year ended 31 December 2020, totalling HK\$60,347,740 was approved in the Company’s annual general meeting held on 18 June 2021 and was paid on 18 August 2021.

The Company did not declare an interim dividend for the six months ended 30 June 2021 (2020: Nil).

## Notes to the Interim Condensed Consolidated Financial Information

### 14 PROPERTY, PLANT AND EQUIPMENT

	Office equipment RMB'000	Furniture RMB'000	Leasehold improvements RMB'000	Total RMB'000
<b>Six months ended 30 June 2021</b>				
<b>(Unaudited)</b>				
Opening net book amount	11,816	143	6,454	18,413
Additions	6,138	46	6,514	12,698
Depreciation charge	(2,294)	(29)	(733)	(3,056)
<b>Closing net book amount</b>	<b>15,660</b>	<b>160</b>	<b>12,235</b>	<b>28,055</b>
<b>Six months ended 30 June 2020</b>				
<b>(Unaudited)</b>				
Opening net book amount	7,281	141	1,286	8,708
Additions	2,619	3	2,721	5,343
Depreciation charge	(1,478)	(26)	(1,025)	(2,529)
<b>Closing net book amount</b>	<b>8,422</b>	<b>118</b>	<b>2,982</b>	<b>11,522</b>

### 15 INTANGIBLE ASSETS

	Software RMB'000	Copyrights and game licenses RMB'000	Trademark and domain names RMB'000	Total RMB'000
<b>Six months ended 30 June 2021</b>				
<b>(Unaudited)</b>				
Opening net book amount	19,490	18,413	87	37,990
Additions	26,499	9,434	-	35,933
Amortisation charge	(3,898)	(2,800)	(12)	(6,710)
Currency translation differences	(103)	-	-	(103)
<b>Closing net book amount</b>	<b>41,988</b>	<b>25,047</b>	<b>75</b>	<b>67,110</b>
<b>Six months ended 30 June 2020</b>				
<b>(Unaudited)</b>				
Opening net book amount	18,917	24,992	124	44,033
Additions	1,872	-	-	1,872
Amortisation charge	(2,691)	(3,383)	(18)	(6,092)
Currency translation differences	188	-	-	188
<b>Closing net book amount</b>	<b>18,286</b>	<b>21,609</b>	<b>106</b>	<b>40,001</b>

## Notes to the Interim Condensed Consolidated Financial Information

### 16 LEASES

#### (a) Amounts recognised in the consolidated balance sheet

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
<b>Right-of-use assets</b>		
Properties	152,609	165,878
Vehicles	739	866
	<u>153,348</u>	<u>166,744</u>
	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
<b>Lease liabilities</b>		
Current	36,201	32,066
Non-current	117,563	132,777
	<u>153,764</u>	<u>164,843</u>

Additions to the right-of-use assets during the six months ended 30 June 2021 and year ended 31 December 2020 were RMB5,477,000 and RMB154,501,000.

## Notes to the Interim Condensed Consolidated Financial Information

### 16 LEASES (Continued)

#### (b) Amounts recognised in the consolidated statement of profit or loss

The statement of profit or loss show the following amounts relating to leases:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Depreciation charge of right-of-use assets</b>		
Properties	18,746	13,700
Vehicles	127	465
	<b>18,873</b>	14,165
<b>Six months ended 30 June</b>		
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Interest expenses (included in finance cost)	3,879	2,162
Expense relating to short-term leases (included in cost of revenue, research and development expenses, selling and marketing expenses and administrative expenses)	401	100
COVID-19-related rent concessions	-	(1,883)
	<b>4,280</b>	379

The total cash outflow for leases in the six months ended 30 June 2021 and 2020 were RMB20,435,000 and RMB6,983,000.

#### (c) The Group's leasing activities and how these are accounted for

The Group leases various offices and vehicles. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options as described in (d) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

## Notes to the Interim Condensed Consolidated Financial Information

### 16 LEASES (Continued)

#### (d) Extension options

Extension options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension options held are exercisable only by the Group and not by the respective lessor.

### 17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The carrying amount of investments accounted for using the equity method has changed as follows in the six months to June 2021 and 2020:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Investments in associates using equity method	<u>68,378</u>	<u>31,474</u>
	<u>Six months ended 30 June</u>	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Beginning of the period	31,474	–
Additions (Note (a))	40,000	–
Share of losses for the period	(3,096)	–
Dividends paid	–	–
End of the period	<u>68,378</u>	<u>–</u>

Note:

- (a) On 7 June 2021, the Group made its first capital injection of RMB40,000,000 to Gaoda Technology Innovation (Hubei) Private Equity Partnership Enterprise (Limited Partnership) (高達科創引領(湖北)私募基金合夥企業(有限合夥)) ("Gaoda"). The Group has the right to appoint one committee member out of a total of five investment committee seats in Gaoda and thereby considered to have significant influence in it. Accordingly, the investment in Gaoda was accounted for using the equity method.

As at 30 June 2021, the Group invested in two associates. In the opinion of the directors of the Company, neither of the associates is material to the Group.

## Notes to the Interim Condensed Consolidated Financial Information

### 18 TRADE RECEIVABLES

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 31 December 2020 RMB'000 (Audited)
Trade receivables	<b>318,549</b>	333,949
Less: allowance for impairment of trade receivables	<b>(4,556)</b>	(5,267)
Trade receivables – net	<b>313,993</b>	328,682

The following table sets forth the gross carrying amount of trade receivables by customer types:

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 31 December 2020 RMB'000 (Audited)
Related parties (Note 25(c))	<b>226,714</b>	239,713
Third parties	<b>91,835</b>	94,236
	<b>318,549</b>	333,949

The gross carrying amount of the Group's trade receivables is dominated in the following currencies:

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 31 December 2020 RMB'000 (Audited)
RMB	<b>206,827</b>	208,635
United States Dollar ("U.S. dollars", "US\$")	<b>100,710</b>	115,486
Hong Kong Dollar ("HK\$")	<b>11,012</b>	9,828
	<b>318,549</b>	333,949

## Notes to the Interim Condensed Consolidated Financial Information

### 18 TRADE RECEIVABLES *(Continued)*

The Group allows a credit period of 90 – 150 days to its customers. An aging analysis of trade receivables based on revenue recognition date is as follows:

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 31 December 2020 RMB'000 (Audited)
Up to 3 months	<b>181,109</b>	227,624
3 to 6 months	<b>123,025</b>	62,097
6 months to 1 year	<b>14,365</b>	44,111
Over 1 year	<b>50</b>	117
	<b>318,549</b>	333,949

Movements on the Group's provision for impairment of trade receivables are as follows:

	<b>Six months ended 30 June</b>	
	<b>2021 RMB'000 (Unaudited)</b>	2020 RMB'000 (Unaudited)
At beginning of the period	<b>(5,267)</b>	(7,337)
Provision for impairment	<b>(405)</b>	(397)
Reversal of impairment	<b>1,116</b>	3,935
At end of the period	<b>(4,556)</b>	(3,799)

The creation and release of provision for impaired receivables have been included in "Reversal of impairment losses on financial assets" in the consolidated statement of profit or loss.

The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables. The Group does not hold any collateral as security.



## Notes to the Interim Condensed Consolidated Financial Information

### 19 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
<b>Included in non-current assets</b>		
Prepaid revenue share to IP holders (Note (a))	12,311	12,788
Rental deposits	11,474	10,829
Others	4,862	892
	<u>28,647</u>	<u>24,509</u>
<b>Included in current assets</b>		
Recoverable value-added tax	16,623	8,402
Contract fulfilment costs	16,060	14,392
Prepaid revenue share to IP holders	1,376	2,453
Rental deposits	134	144
Interest receivable	11,937	4,278
Prepaid advertising expenses	980	367
Others	17,002	9,919
	<u>64,112</u>	<u>39,955</u>

Note:

- (a) Prepaid revenue share to IP holders will be amortized to cost when the gross billings generated from games meet the pre-agreed threshold.

## Notes to the Interim Condensed Consolidated Financial Information

### 20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
<b>Current</b>		
Wealth management products (Note (a))	253,262	201,039
Other fund investments (Note (d))	129,696	–
	<u>382,958</u>	<u>201,039</u>
<b>Non-current</b>		
Investments in venture capital funds (Note (b))	40,000	5,000
Preferred shares investments (Note (c))	25,517	–
Other fund investments (Note (d))	10,048	–
	<u>75,565</u>	<u>5,000</u>
	<u>458,523</u>	<u>206,039</u>

## Notes to the Interim Condensed Consolidated Financial Information

### 20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Movements in financial assets at fair value through profit or loss during the six months ended 30 June 2021 and 2020 are as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
At beginning of the period	<b>206,039</b>	330,968
Addition-wealth management products	<b>547,000</b>	1,598,550
Addition-other fund investments	<b>139,202</b>	–
Addition-investments in venture capital funds	<b>35,000</b>	–
Addition-preferred shares investments	<b>25,517</b>	–
Disposal	<b>(501,793)</b>	(1,449,159)
Realized and unrealized gains (Note 8)	<b>7,558</b>	8,939
	<b>458,523</b>	489,298
Unrealized gains recognized in the consolidated statement of profit or loss included in the above balance	<b>3,603</b>	3,328

Note:

- (a) The Group purchased certain wealth management products issued by certain major commercial banks in the PRC. The Group has classified its investments in such wealth management products as financial assets at fair value through profit or loss. Fair values of these investments were estimated based on expected return of each wealth management products held by the Group.
- (b) Investments in venture capital funds represent the Group's investment in certain venture funds as a limited partner. As the Group didn't have control or significant influence on these funds, the investments were classified as financial assets at fair value through profit or loss. These funds were established to obtain capital appreciation and investment income.
- (c) Preferred shares investments on unlisted companies represent the Group's investment in ordinary shares with preferential rights to require and demand the investee to redeem all of the shares held by the Group at guaranteed predetermined fixed amount upon redemption events which are out of control of issuers. Hence, these investments are accounted for as debt instruments and are measured at financial assets at fair value through profit or loss.
- (d) Other fund investments represent the Group's investment in various securities funds, which were offered by several international financial institutions.

## Notes to the Interim Condensed Consolidated Financial Information

### 21 OTHER RESERVES

	Capital reserve RMB'000	Statutory reserve RMB'000	Share-based compensation reserve RMB'000	Currency translation differences RMB'000	Others RMB'000	Total RMB'000
<b>At 1 January 2021</b>	<b>(1,851,237)</b>	<b>5,000</b>	<b>249,840</b>	<b>(174,363)</b>	<b>(23,291)</b>	<b>(1,794,051)</b>
Share-based compensation (Note 22)	-	-	38,698	-	-	38,698
Currency translation differences	-	-	-	(26,845)	-	(26,845)
<b>At 30 June 2021 (Unaudited)</b>	<b>(1,851,237)</b>	<b>5,000</b>	<b>288,538</b>	<b>(201,208)</b>	<b>(23,291)</b>	<b>(1,782,198)</b>
<b>At 1 January 2020</b>	4,678	8,783	199,000	(1,166)	(21,418)	189,877
Issuance of ordinary shares for reorganization	(1,855,915)	-	-	-	-	(1,855,915)
Fair value changes of convertible redeemable preferred shares due to own credit risk	-	-	-	-	(1,873)	(1,873)
Share-based compensation	-	-	16,636	-	-	16,636
Distribution to owners	-	(3,783)	-	-	-	(3,783)
Currency translation differences	-	-	-	1,610	-	1,610
<b>At 30 June 2020 (Unaudited)</b>	<b>(1,851,237)</b>	<b>5,000</b>	<b>215,636</b>	<b>444</b>	<b>(23,291)</b>	<b>(1,653,448)</b>

### 22 SHARE-BASED PAYMENTS

#### (a) Restricted Share Unit Scheme

On 1 April 2020, to incentivize directors, senior management and employees, a RSU Scheme was approved and adopted by the Company. Smooth Ebony Limited ("Smooth Ebony") was incorporated to hold 5,000,000 ordinary shares (in equivalent to 29,400,000 underlying shares upon the completion of the Capitalization Issue). Smooth Ebony acts as the holding company to hold the shares on trust under the RSU Scheme. Smooth Ebony was consolidated by the Company as to the Company is able to execute power over the control and management over Smooth Ebony.

On 1 April 2020 and 24 June 2020, in exchange for employee services to the Group, 3,180,700 RSUs in equivalent to 3,180,700 shares, or 18,702,516 underlying shares after taking into account the Capitalization Issue, were granted to certain eligible employees selected by the Board of Directors. Pursuant to the RSU Scheme, subject to grantee's employment or service to the Group through the applicable vesting date, the RSUs shall become vested with respect to 40%, 30% and 30% of the RSUs on each of the first trading day after 12, 24 and 36 months from the Listing date of the Company.

## Notes to the Interim Condensed Consolidated Financial Information

### 22 SHARE-BASED PAYMENTS *(Continued)*

#### (a) Restricted Share Unit Scheme *(Continued)*

On 1 February 2021 and 29 March 2021, the Company granted RSUs representing an aggregate of 794,200 underlying shares to certain eligible employees pursuant to the RSU Scheme. Subject to grantee's employment or service to the Group through the applicable vesting date, the RSUs shall become vested with respect to 40%, 30% and 30% of the RSUs on each of the first trading day after 12, 24 and 36 months from a certain date.

Movements in the number of underlying shares represented by RSUs after taking into account the Capitalization Issue for the six months ended 30 June 2021 and 2020 are as follows:

	Number of underlying shares represented by RSUs	Weighted average grant date fair value per RSU (HKD)
<b>Outstanding as of 1 January 2021</b>	<b>17,996,916</b>	<b>8.684</b>
Granted	794,200	17.561
Forfeited	<u>(376,320)</u>	<u>10.586</u>
<b>Outstanding as of 30 June 2021</b>	<b><u>18,414,796</u></b>	<b><u>9.028</u></b>
<b>Outstanding as of 1 January 2020</b>	–	–
Granted	18,702,516	8.680
Forfeited	<u>(205,800)</u>	<u>8.564</u>
<b>Outstanding as of 30 June 2020</b>	<b><u>18,496,716</u></b>	<b><u>8.681</u></b>

As the Group will receive employment or service of these employees in exchange for the grant of RSUs, share-based compensation expenses in respect of the employee services received is to be recognized as an expense over the vesting period. The total amount to be expensed is determined by the fair value of the RSUs granted at the grant date and taking into account the number of RSUs that are expected to be vested.

## Notes to the Interim Condensed Consolidated Financial Information

### 22 SHARE-BASED PAYMENTS *(Continued)*

#### (a) Restricted Share Unit Scheme *(Continued)*

Prior to the completion of IPO, the Group has used the discounted cash flow method to determine the underlying equity fair value of the Company and to determine the fair value of the RSUs granted as at the grant date. Key assumptions, such as discount rate, risk-free interest rate and volatility, are required to be determined by the Group with best estimate.

The fair value of the RSUs granted on 1 February 2021 and 29 March 2021 was determined using the market method with reference to the grant date closing share price of the Company.

#### (b) Share Option Scheme

The Company adopted the share option scheme at the extraordinary general meeting on 5 February 2021 (“the Adoption Date”) (“the Share Option Scheme”). The purpose of the Share Option Scheme is to provide incentive or reward to employees (excluding any director) of the Group for their contribution to, and continuing efforts to promote the interests of, the Group, and to incentive them to remain with the Group.

Upon the Share Option Scheme, the aggregate number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not exceed 40,775,500 shares representing 5% of the total number of shares in issue as at the Adoption Date.

On 14 April 2021, 8,155,100 Share Options were granted to eligible grantees under the Share Option Scheme. Pursuant to the Share Option Scheme, subject to grantee’s employment or service to the Group through the applicable vesting date, the Share Options shall become vested with respect to 40%, 30% and 30% of the Share Options on each of the first trading day after 12, 24 and 36 months from the grant date.

The options may be exercised at any time after they have vested subject to the terms and conditions described in the offer letter until the last day of the 10-year period after the date of grant.



## Notes to the Interim Condensed Consolidated Financial Information

### 22 SHARE-BASED PAYMENTS *(Continued)*

#### (b) Share Option Scheme *(Continued)*

Movements in the number of Share Options granted and their related weighted average exercise prices are as follows:

	Number of Share Options	Weighted average exercise price per Share Option (HKD)
<b>Outstanding as of 1 January 2021</b>	–	–
Granted	8,155,100	14.756
Forfeited	(305,625)	14.756
<b>Outstanding as of 30 June 2021</b>	<u>7,849,475</u>	<u>14.756</u>
Vested and exercisable as of 30 June 2021	<u>–</u>	<u>–</u>

No Share Option was expired or exercised during the six months ended 30 June 2021 and the weighted average remaining contractual life of outstanding Share Options was 10 years as of 30 June 2021.

The Company used binomial pricing model to determine the fair value of the Share Option granted, which is to be expensed over the vesting period.

Management estimated the risk-free interest rate based on the yield of Hong Kong government bond with a maturity life equal to the life of the Share Option. Volatility was estimated at grant date based on the average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the Share Options. Dividend yield is based on management estimation at the grant date.

	As at 14 April 2021
Risk-free interest rate	1.30%
Volatility	56.00%
Dividend yield	0.52%
Fair value per Share Option (HKD)	<u>6.02</u>

## Notes to the Interim Condensed Consolidated Financial Information

### 22 SHARE-BASED PAYMENTS *(Continued)*

#### (c) Expenses arising from share-based payment transactions

For the six months ended 30 June 2021 and 2020, share-based compensation expenses arising from the RSUs and Share Options granted by the Company have been charged to the interim condensed consolidated statement of profit or loss as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b> <b>RMB'000</b> <b>(Unaudited)</b>	<b>2020</b> <b>RMB'000</b> <b>(Unaudited)</b>
Cost of revenue	306	154
Administrative expenses	7,011	3,173
Selling and marketing expenses	1,586	648
Research and development expenses	29,795	12,661
	<b>38,698</b>	<b>16,636</b>

### 23 TRADE AND OTHER PAYABLES

	<b>As at</b> <b>30 June</b> <b>2021</b> <b>RMB'000</b> <b>(Unaudited)</b>	<b>As at</b> <b>31 December</b> <b>2020</b> <b>RMB'000</b> <b>(Audited)</b>
	Trade payables	124,550
Payroll liabilities	28,707	80,852
Tax payables	6,268	14,187
Asset procurement	5,833	6,667
Dividend payable (Note 13)	48,219	–
Others	3,988	9,015
	<b>217,565</b>	<b>206,417</b>



## Notes to the Interim Condensed Consolidated Financial Information

### 23 TRADE AND OTHER PAYABLES *(Continued)*

The following table sets forth the carrying amount of trade payables by customer types:

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 31 December 2020 RMB'000 (Audited)
Related parties (Note 25(c))	<b>29,151</b>	20,392
Third parties	<b>95,399</b>	75,304
	<b>124,550</b>	95,696

The aging analysis of trade payables based on recognition date is as follows:

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 31 December 2020 RMB'000 (Audited)
Up to 6 months	<b>49,857</b>	38,366
6 months to 1 year	<b>21,361</b>	29,670
Over 1 year	<b>53,332</b>	27,660
	<b>124,550</b>	95,696

## Notes to the Interim Condensed Consolidated Financial Information

### 24 COMMITMENTS

#### (a) Capital Commitments

The Group had the following capital commitments under non-cancelable purchase agreements at the end of each reporting period.

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	<b>As at 31 December 2020 RMB'000 (Audited)</b>
Intangible assets	<u>27,778</u>	<u>28,057</u>

#### (b) Operating lease commitments

The Group has non-cancelable operating lease agreements with initial terms of 12 months or less. The portfolio of short-term leases to which the Group was committed as at 30 June 2021 and 31 December 2020 is similar to the portfolio of short-term lease to which the short-term lease expenses is disclosed in Note 16.

### 25 RELATED PARTY TRANSACTIONS

Save as disclosed in other notes, the following significant transactions were carried out between the Group and its related parties. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

#### (a) Names and relationships with related parties

The following companies are related parties of the Group that had balances and/or transactions with the Group.

<b>Company</b>	<b>Relationship</b>
Shenzhen Tencent Computer Systems Company Limited	Subsidiary of a shareholder that has significant influence on the Group
Beijing Perfect World Software Technology Development Co., Ltd.	Subsidiary of a shareholder that has significant influence on the Group
Chengdu Perfect World Network Technology Co., Ltd.	Subsidiary of a shareholder that has significant influence on the Group
Tencent Cloud Computing (Beijing) Company Limited	Subsidiary of a shareholder that has significant influence on the Group
Sixjoy Hong Kong Limited	Subsidiary of a shareholder that has significant influence on the Group
Tencent Technology (Shenzhen) Company Limited	Subsidiary of a shareholder that has significant influence on the Group
Beijing Tencent Culture Media Company Limited	Subsidiary of a shareholder that has significant influence on the Group

## Notes to the Interim Condensed Consolidated Financial Information

### 25 RELATED PARTY TRANSACTIONS *(Continued)*

#### (b) Significant transactions with related parties

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Provision of services :</b>		
Shenzhen Tencent Computer Systems Company Limited	234,336	155,060
Sixjoy Hong Kong Limited	32,806	66,852
	<u>267,142</u>	<u>221,912</u>

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Purchase of services:</b>		
Chengdu Perfect World Network Technology Co., Ltd.	12,501	5,792
Beijing Perfect World Software Technology Development Co., Ltd.	1,748	3,420
Shenzhen Tencent Computer Systems Company Limited	–	477
Tencent Cloud Computing (Beijing) Company Limited	1,489	1,963
	<u>15,738</u>	<u>11,652</u>

#### (c) Period/Year end balances with related parties

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
	<b>Trade receivables from related parties :</b>	
Shenzhen Tencent Computer Systems Company Limited	194,595	193,368
Sixjoy Hong Kong Limited	30,709	44,203
Tencent Technology (Shenzhen) Company Limited	1,410	2,142
	<u>226,714</u>	<u>239,713</u>

## Notes to the Interim Condensed Consolidated Financial Information

### 25 RELATED PARTY TRANSACTIONS (Continued)

#### (c) Period/Year end balances with related parties (Continued)

The receivables from related parties arise mainly from sale transactions. The receivables are unsecured in nature and interest-free.

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
<b>Contract liabilities to related parties:</b>		
Shenzhen Tencent Computer Systems Company Limited	2,754	3,672
Sixjoy Hong Kong Limited	5,653	7,341
	<u>8,407</u>	<u>11,013</u>

The contract liabilities to related parties arise from trade transactions.

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
<b>Trade payables to related parties:</b>		
Beijing Perfect World Software Technology Development Co., Ltd.	8,591	6,739
Chengdu Perfect World Network Technology Co., Ltd.	20,394	13,477
Tencent Cloud Computing (Beijing) Company Limited	166	176
	<u>29,151</u>	<u>20,392</u>

## Notes to the Interim Condensed Consolidated Financial Information

### 25 RELATED PARTY TRANSACTIONS *(Continued)*

#### (d) Key management compensation

Key management includes executive directors and other members of the Company's senior management team. The compensation paid or payable to key management for employee services is shown below:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Wages, salaries and bonuses	<b>5,699</b>	3,636
Other social security costs and housing benefits and other employee benefits	<b>244</b>	133
Pension costs – defined contribution plans	<b>163</b>	19
	<b>6,106</b>	3,788

### 26 CONTINGENCIES

The Group did not have any material contingent liabilities as at 30 June 2021 and 31 December 2020.

### 27 SUBSEQUENT EVENTS

There are no material subsequent events undertaken by the Group after 30 June 2021.



祖龙娱乐有限公司  
Archosaur Games Inc.