

**CMGE**  
**中手游**

*为热爱而生*

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

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 0302)

**INTERIM REPORT 2024**





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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

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

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

Mr. FAN Yingjie

### Non-executive Directors

Mr. ZHANG Shengyan

Mr. JIANG Yukai (appointed with effect from 22 April 2024)

### Independent Non-executive Directors

Ms. NG Yi Kum

Mr. TANG Liang

Mr. HO Orlando Yaukai

## AUDIT COMMITTEE

Ms. NG Yi Kum (*Chairlady*)

Mr. TANG Liang

Mr. HO Orlando Yaukai

## REMUNERATION COMMITTEE

Mr. HO Orlando Yaukai (*Chairman*)

Mr. SIN Hendrick *M.H.*

Ms. NG Yi Kum

## NOMINATION COMMITTEE

Mr. XIAO Jian (*Chairman*)

Mr. TANG Liang

Mr. HO Orlando Yaukai

## CORPORATE GOVERNANCE COMMITTEE

Ms. NG Yi Kum (*Chairlady*)

Mr. SIN Hendrick *M.H.*

Mr. HO Orlando Yaukai

## AUTHORISED REPRESENTATIVES

Mr. XIAO Jian

Mr. SIN Hendrick *M.H.*

## COMPANY SECRETARY

Ms. LAI Yau Yan Gladys

## HONG KONG LEGAL ADVISER

Woo Kwan Lee & Lo

26th Floor, Jardine House

1 Connaught Place

Central

Hong Kong

## AUDITOR

BDO Limited

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

## REGISTERED OFFICE

PO BOX 309, Ugland House

Grand Cayman, KY1-1104

Cayman Islands

## HEADQUARTERS

10th Floor, Building No. 4

Zhuoyue Meilin Centre Square

Zhongkang North Road

Futian District

Shenzhen

Guangdong Province

The PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

13th Floor, 8 Wyndham Street

Central

Hong Kong

## PRINCIPAL SHARE REGISTRAR

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

## HONG KONG BRANCH SHARE REGISTRAR

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

## PRINCIPAL BANKERS

China Guangfa Bank  
Shenzhen Branch, Binhai Sub-branch

China Merchants Bank  
Shenzhen Branch, Weisheng Building  
Sub-branch

Guangdong Huaxing Bank  
Shenzhen Branch

China Everbright Bank  
Shenzhen Futian Branch

## COMPANY'S WEBSITE

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

## STOCK CODE

0302

# FINANCIAL SUMMARY

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	1,233,336	1,535,444
(Loss)/profit for the period	(241,051)	50,995
(Loss)/profit for the period attributable to owners of the parent	(236,220)	56,824
Adjusted net (loss)/profit <sup>(1)</sup>	(208,036)	76,168
Basic and diluted (loss)/earnings per Share (RMB)	(8.58) cents	2.06 cents
Adjusted basic and diluted (loss)/earnings per Share (RMB) <sup>(1)</sup>	(7.56) cents	2.77 cents

  

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Total assets	6,847,702	7,089,169
Total liabilities	1,354,280	1,394,356
Total equity	5,493,422	5,694,813

Note:

- "Adjusted net (loss)/profit" is not defined under the HKFRS. It is defined by the Group as net (loss)/profit attributable to owners of the parent excluding equity-settled share-based expense which is not operating and recurring in nature. The adjusted net (loss)/profit more closely reflects the Group's operating results, after excluding the above-mentioned non-operating item. "Adjusted basic and diluted (loss)/earnings per Share" are the Group's adjusted net (loss)/profit divided by the weighted average number of Shares in issue during the six months ended 30 June 2023 and 2024.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Leveraging its advantages and accumulated experience in game publishing and open world research and development, and by integrating its own advantageous and promoting IP resources, the Group focused on creating IP quality games, promoted excellent Chinese culture with quality content and continued placing efforts into global IP quality games, innovative mini games and self-developed games. For self-developed games, the Group has been engaging deeply with RPG games, strategic games and legendary games and advancing its proprietary IP operation of *Legend of Sword and Fairy* (仙劍奇俠傳) IP. *Legend of Sword and Fairy: World* (仙劍世界), the worldwide first open world and cross-platform game featuring Chinese fairy and hero theme, which was self-developed by the Group based on *Legend of Sword and Fairy* (仙劍奇俠傳) IP is planned to launch in 2024.

As the launch of *Fights Break Firmament: Peak Confrontation* (斗破蒼穹: 巔峰對決) and *Soul Land: Space and Time Reversal* (斗罗大陆: 逆轉時空) was deferred from scheduled April 2024 to June 2024 and from the scheduled first half of 2024 to September 2024 respectively, and the Group's self-developed game *Legend of Sword and Fairy: World* (仙劍世界) was in a testing stage during the Reporting Period, which could not generate revenue, the revenue of the Group for the six months ended 30 June 2024 was RMB1,233.3 million representing a period-on-period decrease of 19.7%. A net loss of RMB241.1 million was recorded for the Reporting Period. Such net loss was mainly attributable to the poor business performance of several companies the Group invested in, the Group therefore has recognised the corresponding impairment provisions and other non-operating expenses of RMB175.8 million in total; also recognised the impairment of non-operating financial assets of RMB62.9 million. Save as the impact of the non-operating impairment and other non-operating expenses mentioned above, the operating business of the Group has continued to generate profits during the Reporting Period. Through continuous integration and optimisation of resources as well as cost reduction and efficiency improvement, and since the Group has obtained licences for new games and a number of games will launch and generate revenue in the second half of 2024, the business performance of the Group in the second half of 2024 is expected to improve.

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

	For the six months ended 30 June	
	2024	2023
Average MAUs (thousands)	14,392	15,627
Average MPUs (thousands)	1,027	1,132
ARPPU (RMB)	200.2	226.1
Total new registered users (thousands)	47,297	48,683



### Global Publishing of IP Quality Games and Innovative Mini Games

#### Publishing of IP Quality Game in Mainland China

The mobile game *Soul Land: Shrek Academy* (斗羅大陸:史萊克學院), adapted from the novel and animation of *Soul Land* (斗羅大陸), was published jointly by the Group and Tanwan.com (貪玩遊戲) on 31 January 2024. Before the game was launched, the number of user reservations exceeded 6 million and it ranked first in the Top Free Game List, and 24th in the Best Selling List of Apple's App Store and the first in the TapTap's Popular List during the first month of its launch. The game was rated as the Best Chinese Animation IP Game of 2024 by the Huawei Developer Conference and has recorded gross billing of over RMB100 million in the first month of its launch, showing the great popularity of this IP and the consumption potential of users.

The mobile game *Fights Break Firmament: Peak Confrontation* (斗破蒼穹:巔峰對決), adapted from the novel and animation of *Fights Break Firmament* (斗破蒼穹), which was developed by Shenzhen EZfun Interactive Technology Co., Ltd., which the Group invested in, was officially launched in Mainland China in June 2024. Before the game was launched, the number of reservations on all major platforms exceeded 6 million, and it ranked second on the Top Free Game List and ranked 30th on the Best Selling Game List of Apple's App Store during the first month of its launch, and received Mobile Hardcore Alliance's Super Star Recommendation.

#### Mainland China Publishing of Innovative Mini Games

The Group continues to actively expand the mini-game segment. In the first half of 2024, the Group's new mini-game product *Smash* (消個錘子) has surged to the 32nd place on the Best Selling List of WeGame since its launch, ranked first among tower defence and match-three games. The excellent game performance also proves that players are interested in *Smash* (消個錘子). In addition to the existing channel on WeChat, *Smash* (消個錘子) will be expanded to more Mainland China channels including Huawei AppGallery and other overseas channels in Hong Kong, Macau and

Taiwan, Singapore and Malaysia in the future to reach a wider user group. Various new gameplay elements will be introduced continuously, bringing new experiences for more user groups and further increase market share. Another mini-game *My Lord, Don't Run* (主公別跑), published by the Group, also recorded an excellent performance in gross billing exceeding RMB10 million for months during the Reporting Period.

#### Overseas Publishing of Games

The role playing card game, *Legend of Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), which was developed based on the Group's proprietary IP, *Legend of Sword and Fairy* (仙劍奇俠傳), has been launched in Hong Kong, Macau and Taiwan in December 2023. In the first month of its launch, it ranked first in the Top Free Game List of Apple's App Store in Hong Kong, Macau and Taiwan, ranked first in the Best Selling Game List of Apple's App Store in Hong Kong and Macau and ranked third in the Best Selling Game List of Apple's App Store in Taiwan. For the six months ended 30 June 2024, the Group has recorded business revenue from overseas of RMB176.4 million, representing a period-on-period increase of 41.5% and accounted for 14.3% of the Group's revenue.

#### Long-term Operation of Games

Several IP quality games which were launched and operated by the Group such as *Legend of Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心), *One Piece: The Voyage* (航海王熱血航線), *Dynasty Warriors: Hegemony* (真·三國無雙霸) and *One Piece: the Road of the Strong* (航海王強者之路) along with published innovative mini games such as *Battle of Ling Xiao* (凌霄戰紀) and *The National Gunlord – The Frontier* (全民槍神:邊境王者), kept contributing to the revenue and profits of the Group in 2024. For the six months ended 30 June 2024, the Group recorded game publishing revenue of RMB999.9 million.

### Self-Development of Games

Serving as a vital component of core competitiveness grinded by the Group, the Group's revenue from game development is RMB126.3 million for the six months ended 30 June 2024, and the investment in research and development was RMB110.2 million during the Reporting Period. With the application of innovative artificial intelligence generated content ("AIGC") technology on game development, the Group has effectively reduced and controlled the relevant cost and improved efficiency in 2024.

### The Worldwide First Open-World and Cross-Platform Game Featuring Chinese Fairy and Hero Theme – Legend of Sword and Fairy: World (仙劍世界)

*Legend of Sword and Fairy: World* (仙劍世界), the worldwide first open-world and cross-platform game featuring Chinese fairy and hero theme which was self-developed by the Group's Miantianxing Studio (滿天星工作室) based on *Legend of Sword and Fairy* (仙劍奇俠傳) IP, has been refined for more than three years and obtained licences of PC-end and mobile in June 2023.

The producers and core developing personnel of *Legend of Sword and Fairy: World* (仙劍世界) have extensive experience in the research and development of games. They have participated in the game research and development of *The Journey* (征途), and also led the research and development of *The Giant* (巨人), *Fairy and Hero World* (仙俠世界) series and mobile game *Dragon Ball: The Greatest Battle* (龍珠最強之戰), and therefore are equipped with a unique perspective on design and development and quality control of high-quality games. The team has integrated their previous successful experience into the development process of the *Legend of Sword and Fairy: World* (仙劍世界), bringing magnificent visual quality and effects for players' amazing experience.

*Legend of Sword and Fairy: World* (仙劍世界), a new great game of *Legend of Sword and Fairy* (仙劍) IP series, extended the legacy of *Legend of Sword and Fairy* (仙劍) regarding its story and plot. Under the 33-year worldview of *Legend of Sword and Fairy* (仙劍), *Legend of Sword and Fairy: World* (仙劍世界) created a perfect and open world and owned 384 square kilometres that consisted of a romantic and beautiful Jiangnan scene, majestic Shushan, mysterious Miao and other areas. It has blended Chinese traditional culture symbol into the game. A gorgeous view of Jiangnan and the unique natural wonders of Yuhang Town were unveiled in the game. The Suzhou Pingtan (蘇州評彈) with a long history reappeared in the most classical plot of *Legend of Sword and Fairy* (仙劍) within the game in musical form of intangible cultural heritage. The time-honoured Chinese history culture perfectly matched the game *Legend of Sword and Fairy: World* (仙劍世界). As Chinese domestic games have currently achieved huge success globally, the Group is hoping to further demonstrate the charm of diversified Chinese games to the whole world.

*Legend of Sword and Fairy: World* (仙劍世界) is currently opening for reservation with the number of user reservations close to 5 million and has been rated as the "Most Anticipated Game" (最受期待遊戲) of 2024 several times. It has undergone the third paid and unsaved test, i.e. Fengqi Test (風啟測試), with outstanding performance in test data. The project is scheduled to commence the fourth test, which is the final test, and plans for an official launch in 2024.

### Deepening Research and Development of Strategic Games

The dynasty-themed strategic mobile game *World of Castellan* (城主天下) was self-developed by Wenmai Hudong, a wholly-owned subsidiary of the Group. *World of Castellan* (城主天下) adopted the unique art style of Chinese cartoon image paper-cutting and was exclusively published by 37 Interactive Entertainment (三七互娛) in the Mainland China market. The game had not been promoted on a large scale as it was still in refinement stage during the Reporting Period. It is expected to complete its refinements and scale up its marketing and promotion in the second half of 2024.



### Continuously Creating Legendary Games

Following the self-developed legendary game by Wenmai Hudong, *The World of Legend - Thunder Empire* (傳奇世界之雷霆霸業) which was developed by Wenmai Hudong, which has recorded a monthly peak gross billing in a single month of over RMB200 million, another self-developed legendary category game *Code: Dark Night Legend* (代號：暗夜傳奇) by Wenmai Hudong also finished its research and development during the Reporting Period, and is about to commence test prior to its launch. The gameplay of the latter is in line with the previous successful game *The World of Legend - Thunder Empire* (傳奇世界之雷霆霸業), which is planned to be launched in 2024.

### Large-scale Application of Artificial Intelligence Generated Content ("AIGC")

To effectively and comprehensively reduce costs and increase efficiency in game research and development, innovative AIGC technologies have been applied in the art creation and copy writing of the games. In terms of technology application, a number of technologies were applied to fully improve authenticity of the game environment and intensify perception of virtual world. AIGC technologies were largely applied on non-player characters ("NPC") character shaping, and the team designed an event-oriented AI decision-making framework that can quickly generate NPC behavior. Intelligent NPC will make a corresponding behavior and conversation according to natural environment, forming a natural and real social ecology and improving the authenticity of the virtual world. These innovative technologies have successfully achieved cost reduction and efficiency improvement during the game research and development, which provided significant help to effectively ensure the development and testing progress of the game.

### Legend of Sword and Fairy (仙劍奇俠傳) IP Operation

In the first half of 2024, revenue derived from the Group's IP licensing amounted to approximately RMB107.1 million, representing a period-on-period increase of 79.0%.

In terms of films and television, the television series, *Legend of Sword and Fairy 4* (仙劍四), which was co-produced by the Group and iQiyi (愛奇藝), was officially broadcasted on iQiyi (愛奇藝) in January 2024. Meanwhile, the films and television series of *Sword and Fairy: Qi Jinzhao* (祈今朝), adapted from *Legend of Sword and Fairy 6* (仙劍奇俠傳六) and filmed by Shandong Film and Television Production Co., Ltd. (山東影視製作股份有限公司), the producer of popular television dramas such as *Nirvana in Fire* (琅琊榜) and *The Disguiser* (偽裝者), was officially broadcasted on Tencent Video in January 2024. These two television series of *Legend of Sword and Fairy* (仙劍) IP were successively broadcasted during the Chinese New Year and have captured great attention from the audience. The television series of *Sword and Fairy: Youjian Xiaoyao* (又見逍遙), adapted from *Legend of Sword and Fairy 1* (仙劍奇俠傳一), which were jointly produced by the Group and Tencent Video (騰訊影視), have been released in April 2024 and gained an excellent reputation. The production of the interactive video works based on the *Legend of Sword and Fairy* (仙劍奇俠傳) IP initiated by the Group together with Dongyang Qishuyouyu Culture Media Co., Ltd. (東陽奇樹有魚文化傳媒有限公司), Guangzhou HippoJoy Game Technology Co., Ltd. (廣州河馬遊戲科技有限公司) and Guangzhou INTINY Content Interactive Entertainment Co., Ltd. (廣州小有內容互動娛樂有限公司) has officially kick-started in November 2023.

For the development of *Legend of Sword and Fairy* (仙劍) IP in animation, the Group has strategically cooperated with Tencent Video (騰訊影視) to jointly produce the animation series of *Legend of Sword and Fairy 1* (仙劍奇俠傳一) and *Legend of Sword and Fairy 3* (仙劍奇俠傳三). The trailer of the animation series of *Legend of Sword and Fairy 3* (仙劍奇俠傳三) was released in 2023. The animated series are scheduled for release in 2025. The production of animation series of *Legend of Sword and Fairy 4* (仙劍奇俠傳四), which are jointly made by the Group and Bilibili, was kick-started.

For the derivatives development of *Legend of Sword and Fairy* (仙劍) IP, the Group continued its collaboration with Pop Mart (泡泡瑪特) and launched blind boxes series The Legend of Sword and Fairy Chinese Traditional Festival Figures Series (仙劍奇俠傳中國傳統節日系列手辦) and The Legend of Sword and Fairy Chinese Traditional Musical Instrument Figures Series (仙劍奇俠傳中國傳統樂器系列手辦) for global sale. Meanwhile, the Group collaborated with Infinity Studio (開天工作室) under Shanghai Qiku Network Technology Co., Ltd. (上海起酷網絡科技有限公司), APEX-TOYS under Apex Cultural Technological Development Co., Ltd (上海湃思文化科技發展有限公司), Myethos under Myethos (Hangzhou) Culture Media Co., Ltd. (彌索 (杭州) 文化傳媒有限公司), TriEagles under Shanghai Yibingzai Animation Co., Limited (上海懌稟仔動漫有限公司), Suplay Toys under Beijing Suplay Technology Co., Ltd. (北京超級玩咖科技有限公司) and other well-known partners to jointly launch products in 2024, including pop beans series of *Legend of Sword and Fairy* (仙劍), Gift + series figures, figure of A Nu (阿奴), statue of Zhao Linger (趙靈兒), statue of Lin Yueru (林月如) and other figures, which gained support from consumers.

In July 2024, the Group successfully held the 29th anniversary celebration of *Legend of Sword and Fairy* (仙劍奇俠傳), and held relevant offline events in Hangzhou, Zhejiang Province, Changzhou, Jiangsu Province and Chongqing to celebrate with players in various forms of activities, including concerts, live-action murder mystery games, float parades, fireworks celebrations, *Legend of Sword and Fairy* (仙劍) inn-themed pop-up stores, etc. The real scene projects of *Legend of Sword and Fairy* (仙劍) have started operations in Chongqing in 2023, and would start operations in Hangzhou, Zhejiang Province and Changzhou, Jiangsu Province in July 2024. The projects in Shanghai and Suzhou are in final preparation and will provide fans of *Legend of Sword and Fairy* (仙劍) with a more immersive, interactive, interesting and rich offline experience.

In the first half of 2024, the Group and Guangzhou Chaojing Investment Co., Ltd. (廣州超競投資有限公司) ("**Chaojing Group**") officially reached a strategic cooperation. Chaojing Group uses the talent resources of its EDG eSports club and two MCN organisations, Shanghai Zhongwo Culture Communication Co., Ltd. (上海眾沃文化傳播有限公司) and Shanghai Chaohuiyuan Culture Co., Ltd. (上海超會元文化有限公司), and procuring Hopson Commercial Co., Ltd. (合生商業有限公司) ("**Hopson Commercial**"), an affiliated company, to leverage its offline business forms such as commercial complexes, hotels and apartments. Chaojing Group will support the Group in IP game publishing and exploring an online + offline, innovative and cross-border business model, which will bring more players to the Group at low cost and enhance player base. *Legend of Sword and Fairy: World* (仙劍世界) is teaming up with Hopson One (合生匯) under Hopson Commercial, to plan a series of activities to cultivate and set up offline consumption groups for *Legend of Sword and Fairy: World* (仙劍世界). Both parties jointly promote a series of creative events in Hopson One (合生匯) to enhance players' immersion, driving customer activation within the mall, deepening emotional connection with customers, and strengthening brand awareness. For the commercial cooperation of *Legend of Sword and Fairy* (仙劍奇俠傳), a proprietary IP of the Group, both parties will jointly promote commercial licensing and cooperation in related businesses such as fast moving consumer goods, cultural tourism, pop-up stores, personal care and beauty, theme parks, theme catering hotels, etc., further exerting the influence of *Legend of Sword and Fairy* (仙劍) IP and exploring its commercial value.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Awards and Recognition

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

Award/Recognition	Date of Award	Awarding Institution/Authority
2024 Innovative Application Award under Golden i Award (金i獎2024年度創新應用獎)	June 2024	China Internet Weekly published by the Chinese Academy of Sciences (中國科學院《互聯網週刊》), IT Research Centre under Chinese Academy of Social Sciences (中國社會科學院信息化研究中心), eNet Research Centre (eNet研究院) and Deben Consultation (Beijing) Co., Ltd. (德本諮詢(北京)有限公司)
Most Anticipated Game of 2024 (2024年度最受期待遊戲) Legend of Sword and Fairy: World (仙劍世界)	June 2024	Huawei Developer Conference (華為開發者大會)
Best Chinese Animation IP Game of 2024 (2024年度最佳國漫IP遊戲) Soul Land: Shrek Academy (斗羅大陸:史萊克學院)	June 2024	Huawei Developer Conference (華為開發者大會)
Top10 Excellent and Leading Game Enterprise (強基領航遊戲企業Top10)	July 2024	CGDC China Game Market Data Insight Forum (CGDC中國遊戲市場數據洞察論壇)
White Horse Award for 2024 Chinese Game Enterprises (2024年度中國遊戲企業白馬獎)	July 2024	CGDC China Game Market Data Insight Forum (CGDC中國遊戲市場數據洞察論壇)
Mobile Hardcore Alliance Annual Best Partner in The 8th Black Stone Awards (第八屆黑石獎硬核年度最佳合作夥伴公司)	July 2024	Mobile Hardcore Alliance (硬核聯盟)
Mobile Hardcore Alliance Most Anticipated Game of the Year in The 8th Black Stone Awards (第八屆黑石獎硬核年度最受期待遊戲) Legend of Sword and Fairy: World (仙劍世界)	July 2024	Mobile Hardcore Alliance (硬核聯盟)



## Social Responsibility

The Group has always fulfilled its social responsibility in different dimensions. The Group has been actively involved in social welfare development, with a particular focus on the healthy learning and growth of youth. The Group has successively collaborated with China Population Welfare Foundation (中國人口福利基金會) and Lingshan Foundation (靈山基金會), and supported the “CMGE Dream Libraries (中手游築夢圖書館)” project for a long time to promote reading among the youth and the operation of this project has been under steady implementation. Twelve “CMGE Dream Libraries (中手游築夢圖書館)” have been constructed since 2017. The Group was also selected as the “Corporate with Outstanding Performance on Corporate Social Responsibility (社會責任表現突出的企業)” in the 2023 China Gaming Corporate Social Responsibility Report released by Gamma Data, and has been awarded with the “2023 Social Responsibility Award (2023年度社會責任獎)” by the Department of Culture and Tourism of Guangdong Province (廣東省文化和旅遊廳) and Guangdong Entertainment & Game Industry Association (廣東省遊戲產業協會).

The Group is dedicated to fulfilling its social responsibility through diversified forms, including actively promoting industry self-regulation, purifying the cyber environment and ensuring the healthy growth of minors. The Group has successively participated in the research and development of four standards, namely, “Online Game Terminology (網絡遊戲術語)” Group Standards, “Game Age-Appropriate Prompt Specification (遊戲適齡提示規範)”, “Game Enterprise Content Self-assessment Process Specification (遊戲企業內容自審流程規範)” and “Parental Monitoring Platform Specification (家長監護平台規範)” contributing its own efforts to the advancement and implementation of the industry standardisation. The Group strictly follows relevant national regulations. All published games are embedded with real-name authentication, anti-addiction system and age limit reminders to ensure the healthy growth of minors. In the first half of 2024, minor players under the age of 18 accounted for less than 0.01% of the Group’s revenue from games in China.

## OUTLOOK FOR THE SECOND HALF OF 2024

### Global Publishing of IP Quality Games and Innovative Mini Games

#### *Publishing of IP Quality Games in Mainland China*

*Soul Land: Space and Time Reversal* (斗羅大陸:逆轉時空), which is developed based on the *Soul Land* (斗羅大陸) IP by Love Games (Shanghai) Internet Technology Co., Ltd. (樂府互娛(上海)網絡科技有限公司) (“Love Games”), a developer which the Group has invested in, was scheduled to be launched in Mainland China in September 2024. *Soul Land: Space and Time Reversal* (斗羅大陸:逆轉時空) opened for player reservation prior to its launch in February 2024, and an online beta test for the monetisation ability of the product was initiated in August 2024 to ensure a smooth progress of the commercial operation of the game. *Soul Land: Space and Time Reversal* (斗羅大陸:逆轉時空), a mobile game with card-based RPG gameplay, is a high-quality game built by Love Games at a cost of RMB200 million, using frame-by-frame hand-drawing to present exquisite game interface and gorgeous full-character animation interpretation, making ultra-high-quality art as the huge selling point for the game. It maximises player base by supporting auto-battle technology which is friendly to causal players. At the same time, its unique dual-form card design not only injects more strategic elements into the battle, but also elevates the diversity of the game to a new height, satisfying players’ infinite desire to explore the game.

The RPG mobile game *Daily Life of Chat Group* (聊天群的日常生活), adapted from the best-selling novel *Cultivation Chat Group* (修真聊天群) written by the famous writer of *The Legend of the Paladin* (聖騎士的傳說) from Qidian Reading (起點讀書) under China Literature Limited (閱文集團), created a feast for young players on exploration, discovery and endless laughter. It has already obtained licence and opened for player reservation in April 2024 prior to its planned launch in 2024, inviting players to embark on a hilarious and unique spiritual journey and experience a wonderful exploration journey. The *Daily Life of Chat Group* (聊天群的日常生活) skillfully combines modern urban life with the oriental culture of cultivating truth, creating a humorous and imaginative game world. The game is designed with six unique and classic maps that can be

gradually unlocked by players in a way of following the subway lines in their daily game lives, including the Luoxin Block (羅信街區), Ghost Temple (鬼燈寺) and Baiyun City (白雲城), with a more dramatic plot than a film. Combined with these bizarre and hilarious plot twists, the game provides players with an unprecedented hilarious urban truth-cultivation experience and an enjoyable absurd humor.

With the official authorisation by the Animation Committee of *Naruto* (火影忍者), the Group's exclusive idle card mobile game, *Naruto: Konoha Masters* (火影忍者:木葉高手), has successfully obtained licence and opened for player reservation in August 2024 prior to its planned launch in 2024. *Naruto: Konoha Masters* (火影忍者:木葉高手) is the second adapted mobile game launched by the Group based on the *Naruto* (火影忍者) IP after *Naruto: Ninja Master* (火影忍者:忍者大師). *Naruto: Konoha Masters* (火影忍者:木葉高手) inherits the classic card playing method of its predecessor, which is easy to operate and play. The game contains competitive challenges, ninja confrontation, survival exploration, daily practice and other gameplay that will give players a rich gaming experience.

Licensed by Koei Tecmo, a brand new tactical role-playing game *New Romance of the Three Kingdoms: The Legend of Cao Cao* (新三國志曹操傳), as an adaptation of the classic and stand-alone tactical role-playing game *Three Kingdoms: The Legend of Cao Cao* (三國志曹操傳), has obtained its license in February 2024 and began its first paid test in August 2024. It is planned to launch during 2025 Chinese New Year. The game combines classic tactical gameplay with innovative card mechanics. While being true to the original version, "Climate" and "Geography" achievements have been applied for weather change and battlefield control. Making good use of favorable climate and geographical advantages with the soldiers is a compulsory course that players need to discreetly consider in a battle. Facing the ever-changing battlefield, the player will be skillful and schemeful towards winning.

### Mainland China Publishing of Innovative Mini Games

Since 2023, mini games have experienced an explosive growth, a rare new track of incremental growth in the current existing market ecology. According to the data

released by Ocean Engine, the overall market size of mini games in China has reached more than RMB40 billion in 2023 and might exceed RMB60 billion in 2024. According to official data from Tencent, the overlap of paying users between the mini games and the original mobile games on the market is only 35%, which means that there is not much overlap between paying users of mini games and paying users of traditional mobile games. The innovative mini games are expected to bring more new users for the game industry and become the new growth point of the Group's business. In the first half of 2024, the Group seized its own publishing advantage to launch new games such as *Smash* (消個錘子), which was released in Hong Kong, Macau and Taiwan, and *My Lord, Don't Run* (主公別跑) after the *Battle of Ling Xiao* (凌霄戰紀) and *The National Gunlord – The Frontier* (全民槍神:邊境王者) and other mini games publishment. In 2024, the Group planned to further enhance the game publishing segment of mini games by continuing to launch a number of mini game products, including *Country Love: Business Life* (鄉村愛情之經營人生), *Chunqiu Mystery* (春秋玄奇) and *Sanqian Huanshi* (三千幻世).

### Overseas Publishing of Games

In Hong Kong, Macau, Taiwan and overseas markets, the mobile game *Soul Land: Shrek Academy* (斗羅大陸:史萊克學院), which has been a knockout success in Mainland China, launched in Hong Kong, Macau and Taiwan on 22 August 2024. Angela Zhang (張韶涵), the original singer of theme song Break Through (破繭) of the animation *Soul Land* (斗羅大陸) with nicknamed "Auroras", played as the celebrity endorser of such game. During the first week of the launch of *Soul Land: Shrek Academy* (斗羅大陸:史萊克學院), it ranked first in the Top Free Game List of Apple's App Store in Hong Kong, Macau and Taiwan, ranked 4th in the Best Selling Game List of Apple's App Store in Hong Kong and 7th in the Best Selling Game List of Apple's App Store in Taiwan. It gained priority publication in the Apple's App Store in Taiwan and won the recommendation of the date. The Google Store in Hong Kong, Macau and Taiwan also recommended the game on the first page on the day of its launch. Meanwhile, the Group plans to launch games in the second half of 2024, including the launch of *Code: FA* (代號:FA) and *Smash* (消個錘子) in Hong Kong, Macau and Taiwan, and the mobile game *Dynasty Warriors: Hegemony* (真·三國無雙霸) in Japan.

### Self-Development of Games

*Legend of Sword and Fairy: World* (仙劍世界), the worldwide first open-world and cross-platform game featuring Chinese fairy and hero theme which was self-developed by the Group's Mantianxing Studio (滿天星工作室) based on *Legend of Sword and Fairy* (仙劍奇俠傳) IP, will commence the fourth test and will proceed to official launch in full speed in 2024. *Legend of Sword and Fairy: World* (仙劍世界) will be welcoming the harvest period. According to the Group's statistics, the number of user reservations for *Legend of Sword and Fairy: World* (仙劍世界) is expected to exceed 10 million prior to its launch.

The dynasty-themed strategic mobile game *World of Castellan* (城主天下) is expected to complete refinements and scale up its marketing and promotion in the second half of 2024. A new self-developed legendary category game *Code: Dark Night Legend* (代號:暗夜傳奇) by Wenmai Hudong also finished its research and development during the Reporting Period, and is about to commence test prior to its launch in the second half of 2024. The gameplay of the latter is in line with the previous successful game *The World of Legend - Thunder Empire* (傳奇世界之雷霆霸業), and is planned to be launched in 2024.

### Legend of Sword and Fairy (仙劍奇俠傳) IP Operation

The serial literary works of *Legend of Sword and Fairy 2* (仙劍奇俠傳二), adapted from *Legend of Sword and Fairy* (仙劍奇俠傳), was published by CITIC Press in June 2024. The text version of *Legend of Sword and Fairy 1* (仙劍奇俠傳一) will be published in the second half of 2024. *Legend of Sword and Fairy 5* (仙劍奇俠傳五), *Prequel of Legend of Sword and Fairy 5* (仙劍奇俠傳五前傳), *Legend of Sword and Fairy 3* (仙劍奇俠傳三), *Legend of Sword and Fairy 3 Gaiden* (仙劍奇俠傳三外傳) and *Legend of Sword and Fairy 6* (仙劍奇俠傳六) and two official original derivative works *Yao Tai Xue* (瑤台雪) and *Qiong Hua Hou Zhuan* (瓊華後傳), all of which are in creation stages, will also be released successively in 2024 and 2025.

The *Legend of Sword and Fairy* (仙劍) Real Scene Project started operation in Chongqing in December 2023 and in Hangzhou, Zhejiang Province and Changzhou, Jiangsu Province in July 2024. The project in Suzhou, Shanghai is under final preparation, which will present a more immersive, interactive and interesting offline experience for *Legend of Sword and Fairy* (仙劍) fans.

Through the Group's efforts over the years, the *Legend of Sword and Fairy* (仙劍) IP Matrix has now covered games, comics, literature, content experience, real-scene entertainment, movies, animation, music, virtual idols, derivative products and other fields. Focusing on the future, the Group will create more high-quality content, reach young consumers who are interested in *Legend of Sword and Fairy* (仙劍) IP and Chinese-style elements by various means, and continuously enhance the reputation of *Legend of Sword and Fairy* (仙劍奇俠傳) among young people and further enrich the users' interactive experience. With the joining of Chaojing Group (超競集團), *Legend of Sword and Fairy's* (仙劍) business development in IP operation services, theme format planning and implementation, derivative design and research and development are expected to accelerate, and both parties will help each other in the IP industry chain with close integration and mutual benefits.

The Group will continue to extend the development strategy of "global publishing of IP quality games and innovative mini games + self-development" and adhere to the proprietary IP operation of *Legend of Sword and Fairy* (仙劍奇俠傳) IP, focusing on improving the core competitiveness of the Group in the game industry and striving to be a prominent game company with a long-term growth. All members of the Group will always uphold the values of "integrity, transparency, honesty, in-depth thinking and long-termism (正直守信、透明坦誠、深度思考、長期主義)" and the mission of "creating quality products with passion (用熱愛鑄造精品)", being a company that is full of passion and creativity! The Group will promote China's wonderful traditional culture and socialist values, becoming a responsible practitioner and a promoter of cultural values.

The Company would like to thank all Shareholders and investors for your consistent support as always!



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The following sets forth the unaudited condensed consolidated statement of profit or loss for the six months ended 30 June 2024 together with unaudited comparative figures for the six months ended 30 June 2023:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	1,233,336	1,535,444
Cost of sales	(860,572)	(1,019,249)
<b>Gross profit</b>	<b>372,764</b>	<b>516,195</b>
Other income and gains, net	4,631	69,573
Selling and distribution expenses	(148,554)	(120,324)
Administrative expenses	(192,430)	(351,732)
Impairment losses on financial assets, net	(62,859)	(35,114)
Other expenses	(175,830)	(35,674)
Finance costs	(11,109)	(9,859)
Share of loss of a joint venture	—	—
Share of profits and losses of associates	2,780	9,507
<b>(Loss)/profit before tax</b>	<b>(210,607)</b>	<b>42,572</b>
Income tax (expense)/credit	(30,444)	8,423
<b>(Loss)/profit for the period</b>	<b>(241,051)</b>	<b>50,995</b>
<b>Attributable to:</b>		
Owners of the parent	(236,220)	56,824
Non-controlling interests	(4,831)	(5,829)
	<b>(241,051)</b>	<b>50,995</b>
<b>Adjusted net (loss)/profit <sup>(1)</sup></b>	<b>(208,036)</b>	<b>76,168</b>

Note:

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

## Adjusted net (loss)/profit

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

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
(Loss)/profit for the period attributable to owners of the parent	(236,220)	56,824
Add:		
Equity-settled share-based expense	28,184	19,344
<b>Adjusted net (loss)/profit</b>	<b>(208,036)</b>	<b>76,168</b>

## Revenue

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

	For the six months ended 30 June			
	2024		2023	
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%
Game publishing	999,925	81.1	1,217,004	79.3
Game development	126,330	10.2	258,634	16.8
IP licensing	107,081	8.7	59,806	3.9
<b>Total</b>	<b>1,233,336</b>	<b>100.0</b>	<b>1,535,444</b>	<b>100.0</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's revenue decreased by approximately 19.7% from RMB1,535.4 million for the six months ended 30 June 2023 to RMB1,233.3 million for the six months ended 30 June 2024. The decrease in revenue was primarily attributable to:

- (i) The Group's game publishing revenue decreased by 17.8% from RMB1,217.0 million for the six months ended 30 June 2023 to RMB999.9 million for the six months ended 30 June 2024. During the Reporting Period, the new game *Soul Land: Shrek Academy* (斗羅大陸:史萊克學院) launched by the Group has achieved very impressive result in Mainland China. Meanwhile, the Group's publication of *Legend of Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) achieved a positive revenue in Hong Kong, Macau, and Taiwan. During the Reporting Period, the several new mini-game products including *Smash* (消個錘子) which were launched by the Group and well regarded by players, together with the mini-game products which had already been launched in the past, including the *Battle of Ling Xiao* (凌霄戰紀) and *The National Gunlord – The Frontier* (全民槍神:邊境王者), generated substantial revenue for the Group. However, several games, such as *One Piece: The Voyage* (航海王熱血航線) and *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心), have been released for more than two years and the revenue capacity of these games has declined; and the Group's newly released game, *Fights Break Firmament: Peak Confrontation* (斗破蒼穹:巔峰對決), was released in June 2024, which is on the market for a very short period of time during the Reporting Period; the above reasons have led to the decline in game publishing revenue;
- (ii) The Group's game development revenue decreased by 51.2% from RMB258.6 million for the six months ended 30 June 2023 to RMB126.3 million for the six months ended 30 June 2024. The strategic mobile game *World of Castellan* (城主天下), self-developed by Wenmai Hudong, a wholly-owned subsidiary of the Group, has been launched in October 2023 and was still in the stage of gathering users during the Reporting Period and was not able to generate a substantial amount of revenue immediately; and several games developed by Wenmai Hudong, such as *The World of Legend – Thunder Empire* (傳奇世界之雷霆霸業) and *Legend of Dragon City* (龍城傳奇), had entered the later stages of their lifecycles, and the revenue capacity of these games continued to decline; and there were no other self-developed games launched during the Reporting Period, resulting in a decrease in game development revenue; and
- (iii) The Group's IP licensing revenue increased by 79.0% from RMB59.8 million for the six months ended 30 June 2023 to RMB107.1 million for the six months ended 30 June 2024. IP licensing revenue was primarily derived from the licensing corporation business related to the *Legend of Sword and Fairy* (仙劍奇俠傳) IP and the game *Street Basketball* (全民街籃) of the Group.



## Cost of sales

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

	For the six months ended 30 June			
	2024		2023	
	RMB'000 (Unaudited)	% to Revenue	RMB'000 (Unaudited)	% to Revenue
Commissions charged by channels and CPs	683,585	55.4	827,683	53.9
Commissions charged by IP owners	67,417	5.5	46,372	3.0
Amortisation of IP royalties	51,709	4.2	35,715	2.3
Amortisation of game royalties	22,925	1.9	12,323	0.8
Others	34,936	2.8	97,156	6.4
<b>Total</b>	<b>860,572</b>	<b>69.8</b>	<b>1,019,249</b>	<b>66.4</b>

The Group's cost of sales decreased by approximately 15.6% from RMB1,019.2 million for the six months ended 30 June 2023 to RMB860.6 million for the six months ended 30 June 2024. The decrease in cost of sale was primarily attributable to: (i) the decrease in the Group's overall game publishing and game development revenue has led to a corresponding decrease in commissions charged by corresponding channels and CPs; (ii) the revenue of the Group in the first half of 2023 was mainly generated from *Legend of Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), which is an IP game of the Group's proprietary IP and no commissions were required to pay to IP owners; and the commissions charged by IP owners increased as compared to the same period of the last year as the majority of the IP games the Group published in the first half of 2024 were non-proprietary IP games; and (iii) during the Reporting Period, the licensing contracts relating to various IPs and the developer contracts of several games of the Group expired, the amortisation of IP royalties and game royalties has increased.

## Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit decreased by 27.8% from RMB516.2 million for the six months ended 30 June 2023 to RMB372.8 million for the six months ended 30 June 2024. The Group's gross profit margin decreased from 33.6% for the six months ended 30 June 2023 to 30.2% for the six months ended 30 June 2024. The decrease in gross profit margin was mainly due to a fall in the Group's game development revenue during the Reporting Period, and many self-developed games were published by the third-party channels, resulting in a rising channel cost for game development income.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Other income and gains, net

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

	For the six months ended 30 June			
	2024		2023	
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%
Bank interest income	1,047	22.6	970	1.4
Income-related government grants	2,171	46.9	11,848	17.0
Fair value gains on financial assets at fair value through profit or loss	—	—	27,769	39.9
Dividend income from investments	—	—	7,561	10.9
Foreign exchange gains	—	—	7,088	10.2
Others	1,413	30.5	14,337	20.6
<b>Total</b>	<b>4,631</b>	<b>100.0</b>	<b>69,573</b>	<b>100.0</b>

The Group's other income and gains decreased by approximately 93.3% from RMB69.6 million for the six months ended 30 June 2023 to RMB4.6 million for the six months ended 30 June 2024. The decrease was primarily attributable to (i) the revenue of certain investee companies of the Group in Mainland China did not meet expectations, and therefore net fair value gains on financial assets at fair value through profit or loss have not been recorded; (ii) the decrease of government grants obtained by the Group during the Reporting Period; and (iii) no gains from investment dividends and foreign exchange were recorded during the Reporting Period.

### Selling and distribution expenses

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

	For the six months ended 30 June			
	2024		2023	
	RMB'000 (Unaudited)	% to Revenue	RMB'000 (Unaudited)	% to Revenue
Marketing expenses	136,027	11.0	100,988	6.5
Salaries and benefits	11,044	0.9	13,304	0.9
Office costs and utilities	629	0.0	3,008	0.2
Others	854	0.1	3,024	0.2
<b>Total</b>	<b>148,554</b>	<b>12.0</b>	<b>120,324</b>	<b>7.8</b>

The Group's selling and distribution expenses increased by 23.5% from RMB120.3 million for the six months ended 30 June 2023 to RMB148.6 million for the six months ended 30 June 2024. The Group actively controlled the costs of sales personnel and promoted cost reduction and efficiency improvement, so the salaries and welfare expenses and the office costs decreased. The overall increase in selling and distribution expenses was primarily attributable to: (i) new IP games, i.e. *Soul Land: Shrek Academy* (斗羅大陸:史萊克學院) and *Fights Break Firmament: Peak Confrontation* (斗破蒼穹:巔峰對決), were published by the Group in the first half of 2024, as well as the continued advertising promotion of a number of WeChat mini games, such as *Battle of Ling Xiao* (凌霄戰紀) and *Smash* (消個錘子), resulting in the promotion expenses increased as compared to the same period of last year; and (ii) *Legend of Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), which was launched in Hong Kong, Macau and Taiwan in December 2023, has been in promotion stage during the Reporting Period, resulting in an increase in related promotion expenses.

## Administrative expenses

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

	For the six months ended 30 June			
	2024		2023	
	RMB'000 (Unaudited)	% to Revenue	RMB'000 (Unaudited)	% to Revenue
Salaries and benefits	56,320	4.6	49,069	3.2
Office costs and utilities	25,719	2.1	34,445	2.2
Research and development expenses	110,173	8.9	266,859	17.4
Others	218	0.0	1,359	0.1
<b>Total</b>	<b>192,430</b>	<b>15.6</b>	<b>351,732</b>	<b>22.9</b>

The Group's administrative expenses decreased by 45.3% from RMB351.7 million for the six months ended 30 June 2023 to RMB192.4 million for the six months ended 30 June 2024. The decrease was primarily attributable to (i) the research and development of Group's self-developed game *World of Castellan* (城主天下) has been completed during the Reporting Period with related expenses decreased. *Legend of Sword and Fairy: World* (仙劍世界) has implemented AIGC technology in its development process to reduce costs, and the main development phase was completed during the Reporting Period, thus the design and development fees relating to research and development expenses have decreased; *Legend of Sword and Fairy: World* (仙劍世界) has now entered the testing phase prior to its launch and the Group has capitalised the research and development expenses of such game. Therefore, the research and development expenses decreased by 58.7% from RMB266.9 million for the six months ended 30 June 2023 to RMB110.2 million for the six months ended 30 June 2024; (ii) control measures strengthened against the office costs and utilities expenses leading to a decrease in office costs; and (iii) during the Reporting Period, the Group implemented a stricter control over the remuneration of management personnel, which has led to a decrease of 19.7% in salaries and benefits from RMB38.2 million for the six months ended 30 June 2023 to RMB30.6 million for the six months ended 30 June 2024. Due to the grant of new share options during the Reporting Period, the overall salaries and benefits for management personnel have therefore increased.



### Impairment losses on financial assets, net

The Group's asset impairment loss refers to the impairment loss on financial assets of trade receivables, other receivables and other assets. According to the relevant accounting policies under HKFRS 9, the impairment loss on financial assets recorded by the Group increased by 79.0% from RMB35.1 million for the six months ended 30 June 2023 to RMB62.9 million for the six months ended 30 June 2024. The increase was mainly due to the Group's provision for impairment losses in respect of certain pending legal cases.

### Other expenses

The Group's other expenses increased by approximately 392.9% from RMB35.7 million for the six months ended 30 June 2023 to RMB175.8 million for the six months ended 30 June 2024. The increase was primarily attributable to: (i) the revenue of certain investee companies of the Group in Mainland China not meeting expectations, thus the Group has made impairment provisions corresponding to the above-mentioned investee companies; (ii) the Group recognised the impairment of prepayments for games and IP that have not yet launched and whose contracts have expired during the Reporting Period; and (iii) fair value losses on financial assets at fair value through profit or loss arose.

### Finance costs

The Group's finance costs mainly consist of interest expenses, which increased by 12.7% from RMB9.9 million for the six months ended 30 June 2023 to RMB11.1 million for the six months ended 30 June 2024, mainly due to an increase in interest expenses of the bank and other borrowings of the Group.

### Share of loss of a joint venture

As at 30 June 2024, the Group held a 60% equity interest in Shenzhen Boliang Technology Co., Ltd. (深圳博良科技有限公司), which is regarded as a joint venture of the Group under the applicable accounting policies. The Group's share of loss of a joint venture for the six months ended 30 June 2024 was nil (for the six months ended 30 June 2023: nil).

### Share of profits and losses of associates

As at 30 June 2024, the Group held minority equity interests in several associates. The Group's share of profits and losses of associates decreased from a profit of RMB9.5 million for the six months ended 30 June 2023 to a profit of RMB2.8 million for the six months ended 30 June 2024. It was primarily attributable to the decrease in the share of profits of Shenzhen Zhichengqianli Investment Enterprise (Limited Partnership) (深圳市志成千里投資企業 (有限合夥)) as compared to the same period of last year.

### Loss/profit before tax

As a result of the foregoing, the Group's loss/profit before tax turned from a profit of RMB42.6 million for the six months ended 30 June 2023 to a loss of RMB210.6 million for the six months ended 30 June 2024.

### Income tax expense/credit

The Group's income tax expense/credit turned from a credit of RMB8.4 million for the six months ended 30 June 2023 to an expense of RMB30.4 million for the six months ended 30 June 2024. It was mainly because the Group recognised deferred income tax expense of RMB24.0 million.

### Loss/profit for the period

As a result of the foregoing, the Group's loss/profit for the period turned from a profit of RMB51.0 million for the six months ended 30 June 2023 to a loss of RMB241.1 million for the six months ended 30 June 2024.

### LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent treasury management policy to ensure that the Group maintains a healthy financial position. During the Reporting Period, the Group funded its cash requirements principally from cash generated from its operating activities and financing activities. The Group had cash and cash equivalents of approximately RMB164.8 million and RMB210.6 million as at 30 June 2024 and 31 December 2023, respectively. For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. For the purpose of the interim condensed consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash which are not restricted as to use.

The Group generally deposits its excess cash in its interest-bearing bank accounts and current accounts. The Group believes that its liquidity requirements will be satisfied by using a combination of (i) cash generated from its operating activities; (ii) bank borrowings; (iii) other funds raised from the capital markets from time to time; and (iv) the net proceeds received from the Subscription.

As at 30 June 2024, the current assets of the Group amounted to approximately RMB2,068.5 million, and the current liabilities of the Group amounted to approximately RMB1,241.4 million.

As at 30 June 2024, the current ratio (being the current assets divided by current liabilities as at the end of each period) of the Group was 1.67 times as compared with 1.71 times as at 31 December 2023, which was relatively stable.

As at 30 June 2024, the gearing ratio (being the total debt divided by total equity as at the end of each period) of the Group was 8.5% as compared with 8.7% as at 31 December 2023, which was relatively stable.

### Indebtedness

During the Reporting Period, the Group obtained bank and other borrowings of RMB333.6 million and repaid bank borrowings of RMB359.1 million.

As at 30 June 2024, the Group had total bank and other borrowings of RMB469.6 million which were unsecured (31 December 2023: RMB495.0 million). The Group's effective interest rates on its unsecured bank borrowings ranged from 2.1% to 5.5%.

As at 30 June 2024, the lease liabilities of the Group were RMB29.0 million (31 December 2023: RMB26.9 million).

### Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss as at 30 June 2024 have decreased as compared to 31 December 2023. The decrease was mainly attributable to disposals of certain unlisted equity investments amounting to a total of approximately RMB54.8 million and the unrealised fair value losses of approximately RMB59.1 million recognised mainly for unlisted equity investments during the Reporting Period. As at 30 June 2024, the Group's financial assets at fair value through profit or loss mainly include listed equity investments, unlisted equity investments, and convertible loans and other debt instruments, representing 10.6%, 60.3% and 29.1% of financial assets at fair value through profit or loss, respectively. As at 30 June 2024, the Group has invested in approximately 30 companies, the business nature of which is mainly game development. The Group regularly appoints professional independent valuers to evaluate the fair value of unlisted investments, including financial assets falling under Level 2 and Level 3 of the fair value hierarchy. The fair values of the unlisted investments have been estimated by using various applicable valuation techniques, including the discounted cash flow approach, adjusted net assets value method and other option pricing models.

### Prepayments

As at 30 June 2024, the prepayments of the Group amounted to approximately RMB1,353.2 million, representing a decrease of 5.3% as compared with 31 December 2023; the prepayments of the Group mainly included prepaid licence fees (non-current) of approximately RMB792.8 million, prepaid minimum guarantee (current) of approximately RMB467.6 million and other prepayments of approximately RMB92.8 million. The underlying contracts for such prepayments for licence fees and minimum guarantee were made with more than 70 renowned enterprises worldwide, representing more than 70 operating or developing games and will be amortised monthly after the game development is completed and officially launched.

### Off-balance sheet commitments and arrangements

As at 30 June 2024, the Group did not enter into any off-balance sheet transactions (31 December 2023: Nil).

### Pledge of assets

As at 30 June 2024, the Group did not have any pledge of assets (31 December 2023: Nil).

### Capital expenditures

The Group's historical capital expenditures primarily included royalties paid to game developers and IP owners. The Group funded its capital expenditure requirements during the six months ended 30 June 2024 mainly with its internal resources.

The Group's capital commitments as at 31 December 2023 and 30 June 2024 amounted to RMB280.0 million and RMB251.2 million, respectively. The Group's capital commitments as at 30 June 2024 was primarily for the purchase of IP and game licences.

## SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS OR DISPOSAL

During the six months ended 30 June 2024, and up to the date of this report, the Group did not make any significant investment, or perform any material acquisition or disposal of subsidiaries, associates and joint ventures.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group will continue to focus on its existing business and will apply the net proceeds from the Subscription as set out in the relevant announcements dated 29 May 2024 and 22 July 2024. The Group did not have concrete plans for material investments or capital assets as at 30 June 2024.

## USE OF PROCEEDS FROM THE SUBSCRIPTION OF NEW SHARES BY FARRICH INVESTMENTS LIMITED

The net proceeds from the Subscription was approximately HK\$167.0 million after deducting related fees and expenses in connection with the Subscription. The Company will apply the net proceeds in the manner as set out in the Company's announcements dated 29 May 2024 and 22 July 2024.

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

No.	Purposes	Amount of net proceeds utilised between the completion of the Subscription and the date of this report			Expected timeline for the full utilisation of the remaining net proceeds
		Amount of the net proceeds (HK\$ in millions)	of this report (HK\$ in millions)	Amount of unutilised net proceeds as at the date of this report (HK\$ in millions)	
1.	Further enhance IP-based game publishing and development business through acquisitions and/or investments	167.0	113.7	53.3	Before 30 June 2025

The Company will continue to evaluate the situation and adopt a prudent and flexible approach when utilising its net proceeds from the Subscription for the long-term benefit and development of the Group. The current expected timelines for using the unutilised net proceeds from the Subscription are based on the Directors' best estimation barring unforeseeable circumstances, and are subject to change based on the future development of market conditions. Should there be any material change in the intended usage of the net proceeds from the Subscription, the Company will publish an announcement as and when appropriate.



### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2024, the Group repurchased an aggregate of 1,036,000 ordinary shares for a total consideration of approximately HK\$1.05 million (equivalent to approximately RMB0.97 million) on the Stock Exchange. The repurchased shares will subsequently be cancelled. Details of the shares repurchased are as follows:

Month of repurchase	Number of ordinary shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration paid HK\$ in millions (Approximate)
April 2024	1,036,000	1.03	0.99	1.05

On 29 May 2024 (after trading hours), the Company entered into a subscription agreement with Farrich Investments Limited (as subscriber), pursuant to which the subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 100,000,000 ordinary shares (the “**Subscription Shares**”) at the subscription price of HK\$1.68 per share (with the closing price of HK\$1.49 per share as quoted on the Stock Exchange on the trading day on the date of the subscription agreement) (the “**Subscription**”).

The Subscription was completed on 22 July 2024 and the Group received a total net proceeds of approximately HK\$167.0 million upon completion. The Subscription Shares have an aggregate nominal value of US\$10,000. The Group intends to apply the net proceeds from the Subscription to further enhance its IP-based game publishing and development business through acquisitions and/or investments in (i) leading game developers with good research and development capabilities; and (ii) strong IP rights relating to popular and promising animations, literature, game and motion pictures, in Greater China. The Directors consider that the issue of the Subscription Shares represents an opportunity to raise capital for the Group’s general working capital needs. The Directors also believe that the Company, by entering into the subscription agreement, will benefit the Group’s long term development and broaden its shareholder and capital base to facilitate the future growth and development of its business. Further details regarding the use of proceeds from the Subscription are set forth under the section headed “*Use of Proceeds from the Subscription of New Shares by Farrich Investments Limited*” of this report.

Save as disclosed above, the Group did not purchase, sell or redeem any of the Company’s listed securities during the six months ended 30 June 2024.

### FOREIGN CURRENCY RISK

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

As at 30 June 2024, the Group does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group’s cash value.

### DIVIDENDS

The Board did not propose payment of any interim dividend for the six months ended 30 June 2024 (30 June 2023: Nil).

### CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

The Board appointed Mr. JIANG Yukai ("**Mr. Jiang**") as a non-executive Director with effect from 22 April 2024. Biographical details of Mr. Jiang are set out in the announcement of the Company dated 22 April 2024. In compliance with the provisions in the articles of association of the Company, Mr. Jiang retired from office at the annual general meeting on 27 May 2024 (the "**AGM**") and was re-elected in the AGM as a non-executive Director.

Ms. NG Yi Kum, an independent non-executive Director, has resigned as an executive director of Tse Sui Luen Jewellery (International) Limited ("**Tse Sui Luen Jewellery**"), a company listed on the Stock Exchange (stock code: 0417), with effect from 27 May 2024 and has acted as a consultant of Tse Sui Luen Jewellery until 30 June 2024.

Save as disclosed above, there has been no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the six months ended 30 June 2024 and up to the date of this report.

### CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2024, the Company had complied with the applicable code provisions of Part 2 of the CG Code except for a deviation from code provision C.2.1 of the CG Code. Pursuant to code provision C.2.1 of the CG Code, the roles of the chairman and the chief executive officer of a listed company should be segregated and should not be performed by the same individual. However, the Group does not have a separate chairman and chief executive officer and Mr. Xiao Jian currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board currently comprises three executive Directors (namely Mr. Xiao Jian, Mr. Sin Hendrick *M.H.*, and Mr. Fan Yingjie), two non-executive Directors and three independent non-executive Directors, and therefore considers that it has a fairly strong independence element in its composition. The Board also considers that the balance of power and authority under the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider separating the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Company as a whole.



## OTHER INFORMATION

### **DIRECTORS' DEALING IN SECURITIES TRANSACTIONS**

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

All Directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standards set out in the Model Code throughout the period from 1 January 2024 to 30 June 2024.

### **DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES**

The Directors have confirmed that during the six months ended 30 June 2024, there had been no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

### **AUDIT COMMITTEE**

The Audit Committee has reviewed the Company's unaudited consolidated financial statements, the Company's interim results announcement for the Reporting Period dated 28 August 2024 and this interim report, including the accounting principles and practices adopted by the Group, and discussed with management regarding auditing, risk management and internal control, and financial reporting matters.

### **EMPLOYEES REMUNERATION AND RELATIONS**

As at 30 June 2024, the Group had approximately 837 full-time employees (30 June 2023: 841). The success of the Group depends on its ability to attract, retain and motivate qualified personnel. As part of the Group's human resources strategy, the Group offers employees competitive salaries, performance based promotion systems and other incentives. Some of the Group's employees have also been granted share options under the Post-IPO Share Option Scheme. The Group provides training programmes to employees, including new hire training for new employees and continuing technical training for the Group's research and development team and game operation team to enhance their skill and knowledge.

## POST-IPO SHARE OPTION SCHEME

### Post-IPO Share Option Scheme

On 20 September 2019, the Post-IPO Share Option Scheme of the Company was approved and adopted by the Shareholders. The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date. The terms of the Post-IPO Share Option Scheme are governed by Chapter 17 of the Listing Rules. The purpose of the Post-IPO Share Option Scheme is to incentivise and reward the eligible persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company. The following table discloses movements in the Company's share options outstanding during the six months ended 30 June 2024:

Name of Grantees	Date of grant of share options	Closing price of the Shares on the date the share options were granted (HK\$)	Number of Shares underlying options outstanding as at 1 January 2024	Number of share options granted during the period	Number of share options exercised during the period	Weighted average price of Shares immediately before the date of exercise (HK\$)	Number of share options expired/lapsed during the period	Number of share options canceled during the period	Number of Shares underlying options outstanding as at 30 June 2024	Exercise period of share options <sup>(1)</sup>	Exercise price of share option per Share (HK\$)	Fair value of options at the date of grant <sup>(2)</sup> (HK\$)
Mr. Xiao	20 January 2023 <sup>(4)</sup>	1.96	2,750,000	—	—	—	—	—	2,750,000	20 January 2023 to 19 January 2026	2.50	0.62
	24 April 2024 <sup>(5)</sup>	1.22	—	2,750,000	—	—	—	—	2,750,000	24 April 2024 to 24 April 2027	1.50	0.38
Mr. Sin	20 January 2023 <sup>(4)</sup>	1.96	2,750,000	—	—	—	—	—	2,750,000	20 January 2023 to 19 January 2026	2.50	0.62
	24 April 2024 <sup>(5)</sup>	1.22	—	2,750,000	—	—	—	—	2,750,000	24 April 2024 to 24 April 2027	1.50	0.38
Mr. FAN Yingjie	29 March 2021 <sup>(2)</sup>	2.83	2,000,000	—	—	—	(2,000,000)	—	—	29 March 2021 to 28 March 2024	2.90	0.95 - 0.96
	20 January 2023 <sup>(4)</sup>	1.96	800,000	—	—	—	—	—	800,000	20 January 2023 to 19 January 2026	2.50	0.62
	24 April 2024 <sup>(5)</sup>	1.22	—	800,000	—	—	—	—	800,000	24 April 2024 to 24 April 2027	1.50	0.38
Mr. ZHANG Shengyan	20 January 2023 <sup>(4)</sup>	1.96	200,000	—	—	—	—	—	200,000	20 January 2023 to 19 January 2026	2.50	0.62
	24 April 2024 <sup>(5)</sup>	1.22	—	200,000	—	—	—	—	200,000	24 April 2024 to 24 April 2027	1.50	0.38
Mr. JIANG Yukai	24 April 2024 <sup>(5)</sup>	1.22	—	200,000	—	—	—	—	200,000	24 April 2024 to 24 April 2027	1.50	0.38
Ms. NG Yi Kum	29 March 2021 <sup>(2)</sup>	2.83	150,000	—	—	—	(150,000)	—	—	29 March 2021 to 28 March 2024	2.90	0.95 - 0.96
	20 January 2023 <sup>(4)</sup>	1.96	200,000	—	—	—	—	—	200,000	20 January 2023 to 19 January 2026	2.50	0.62
	24 April 2024 <sup>(5)</sup>	1.22	—	200,000	—	—	—	—	200,000	24 April 2024 to 24 April 2027	1.50	0.38
Mr. TANG Liang	29 March 2021 <sup>(2)</sup>	2.83	125,000	—	—	—	(125,000)	—	—	29 March 2021 to 28 March 2024	2.90	0.95 - 0.96
	20 January 2023 <sup>(4)</sup>	1.96	200,000	—	—	—	—	—	200,000	20 January 2023 to 19 January 2026	2.50	0.62
	24 April 2024 <sup>(5)</sup>	1.22	—	200,000	—	—	—	—	200,000	24 April 2024 to 24 April 2027	1.50	0.38
Mr. HO Orlando Yaukai	29 March 2021 <sup>(2)</sup>	2.83	125,000	—	—	—	(125,000)	—	—	29 March 2021 to 28 March 2024	2.90	0.95 - 0.96
	20 January 2023 <sup>(4)</sup>	1.96	200,000	—	—	—	—	—	200,000	20 January 2023 to 19 January 2026	2.50	0.62
	24 April 2024 <sup>(5)</sup>	1.22	—	200,000	—	—	—	—	200,000	24 April 2024 to 24 April 2027	1.50	0.38
Other Employees	29 March 2021 <sup>(2)</sup>	2.83	32,747,000	—	—	—	(32,747,000)	—	—	29 March 2021 to 28 March 2024	2.90	0.94 - 0.96
Other Employees	27 May 2022 <sup>(3)</sup>	2.01	1,930,000	—	—	—	(1,930,000)	—	—	27 May 2022 to 28 March 2024	2.90	0.32 - 0.33
Other Employees	20 January 2023 <sup>(4)</sup>	1.96	42,900,000	—	—	—	—	(2,151,000)	40,749,000	20 January 2023 to 19 January 2026	2.50	0.56 - 0.62
Other Employees	24 April 2024 <sup>(5)</sup>	1.22	—	72,700,000	—	—	—	—	72,700,000	24 April 2024 to 24 April 2027	1.50	0.35
<b>Total</b>			<b>87,077,000</b>	<b>80,000,000</b>	<b>—</b>	<b>—</b>	<b>(37,077,000)</b>	<b>(2,151,000)</b>	<b>127,849,000</b>			



## OTHER INFORMATION

### Notes:

- (1) There is no minimum vesting period or any performance target attached to the share options granted on 20 January 2023 and 24 April 2024.
- (2) The share options are exercisable in installments from the commencement of the relevant vesting period until 28 March 2024: (a) one third of the options can be exercised from 29 March 2021 to 28 March 2024; (b) one third of the options can be exercised from 29 March 2022 to 28 March 2024; and (c) the remaining one third of the options can be exercised from 29 March 2023 to 28 March 2024.
- (3) The share options are exercisable in installments from the commencement of the relevant vesting period until 28 March 2024: (a) two thirds of the options can be exercised from 27 May 2022 to 28 March 2024; and (b) the remaining one third of the options can be exercised from 29 March 2023 to 28 March 2024.
- (4) The share options are exercisable in installments from the date of grant (i.e. 20 January 2023) until 19 January 2026 (both days inclusive): (a) half of the options can be exercised from 20 January 2023 to 19 January 2026; and (b) the remaining half of the options can be exercised from 20 January 2024 to 19 January 2026.
- (5) The share options are exercisable from the date of grant (i.e. 24 April 2024) to 24 April 2027 (both days inclusive).
- (6) None of the grants of share options to any eligible persons is in excess of the 1% individual limit (as defined under Chapter 17 of the Listing Rules).
- (7) There was no related entity participant or service provider (as defined under Chapter 17 of the Listing Rules) with share options granted or to be granted by the Company exceeding 0.1% of the total issued Shares of the Company in any 12-month period; and the Company has not granted any share options to any related entity participants or service providers during the six months ended 30 June 2024.
- (8) Details of the valuation of share options during the six months ended 30 June 2024, including the accounting standard and policy adopted for the Post-IPO Share Option Scheme, are set out in note 18 to the interim condensed consolidated financial statements in this interim report.

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

The number of share options available for grant under the Post-IPO Share Option Scheme at the beginning and the end of the six-month period ended 30 June 2024 were approximately 139,023,000 and 98,251,000 respectively.

During the six months ended 30 June 2024, the ratio of the number of Shares that may be issued in respect of options granted under all share option schemes adopted by the Company (i.e. 127,849,000 share options) to the weighted average number of Shares in issue for the period (i.e. 2,752,672,000 Shares) was approximately 4.64%.

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

As at 30 June 2024, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### (i) Interest in the Shares

Name of Directors/ Chief Executive	Nature of Interest	Number of Shares held /interested <sup>(1)</sup>	Approximate percentage of interest in the Company <sup>(2)</sup>
Mr. Xiao	Founder of a discretionary trust, interest in a controlled corporation, beneficial interests and other <sup>(3)</sup>	785,358,067(L)	28.53%
Mr. Sin	Interest in a controlled corporation, beneficial interests and other <sup>(4)</sup>	824,887,663(L)	29.96%
Mr. FAN Yingjie	Beneficial interests <sup>(5)</sup>	2,518,000(L)	0.09%
Mr. ZHANG Shengyan	Beneficial interests <sup>(6)</sup>	400,000(L)	0.01%
Mr. JIANG Yukai	Beneficial interests <sup>(7)</sup>	200,000(L)	0.00%
Ms. NG Yi Kum	Beneficial interests <sup>(8)</sup>	400,000(L)	0.01%
Mr. TANG Liang	Beneficial interests <sup>(9)</sup>	400,000(L)	0.01%
Mr. HO Orlando Yaukai	Beneficial interests <sup>(10)</sup>	400,000(L)	0.01%

#### Notes:

- (1) The letter "L" denotes the person's long position in such Shares.
- (2) The percentages are calculated on the basis of 2,752,672,000 Shares in issue as at 30 June 2024.
- (3) As at 30 June 2024, Mr. Xiao was interested in 785,358,067 Shares, among which, Mr. Xiao:
  - (i) was the beneficial owner of 15,950,000 Shares;
  - (ii) through ZSY Holding, a company which is nominated by Trident Trust Company (B.V.I.) Limited, the trustee of the Xiao Family Trust, (a) was deemed to be interested in 70,598,642 Shares held by his wholly-owned company, Zhongshouyou Brothers BVI; (b) was deemed to be interested in 693,309,425 Shares held by Fairview Ridge through Motion Game, Profound Power, Changpei Cayman and Ambitious Profit (the general partner of Changpei Cayman owned as to 64% by Zhongshouyou Brothers BVI); and
  - (iii) Mr. Xiao was also interested in share options for 5,500,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (4) As at 30 June 2024, Mr. Sin was interested in 824,887,663 Shares, among which, Mr. Sin (i) was the beneficial owner of 2,328,000 Shares; (ii) was deemed to be interested in 123,750,238 Shares held by his wholly-owned company, Silver Joyce; (iii) was deemed to be interested in 693,309,425 Shares held by Fairview Ridge through Motion Game, Profound Power, Changpei Cayman and Ambitious Profit (the general partner of Changpei Cayman owned as to 36% by Silver Joyce); and (iv) Mr. Sin was also interested in share options for 5,500,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (5) As at 30 June 2024, Mr. FAN Yingjie was interested in 2,518,000 Shares, among which, Mr. FAN Yingjie (i) was the beneficial owner of 918,000 Shares; and (ii) was interested in share options for 1,600,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (6) As at 30 June 2024, Mr. ZHANG Shengyan was interested in share options for 400,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (7) As at 30 June 2024, Mr. JIANG Yukai was interested in share options for 200,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (8) As at 30 June 2024, Ms. NG Yi Kum was interested in share options for 400,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (9) As at 30 June 2024, Mr. TANG Liang was interested in share options for 400,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (10) As at 30 June 2024, Mr. HO Orlando Yaukai was interested in share options for 400,000 Shares pursuant to the Post-IPO Share Option Scheme.

## OTHER INFORMATION

### (ii) Interest in associated corporations

Name of Director	Name of associated corporation	Approximate percentage of shareholding
Mr. Xiao	Chengdu Zhuoxing <sup>(1)</sup>	31.53%
Mr. Xiao	Shenzhen Zhongshouyou <sup>(1)</sup>	31.53%
Mr. Xiao	Shenzhen Douyue <sup>(1)</sup>	31.53%

*Note:*

(1) Mr. Xiao, through Zhongshouyou Brothers PRC, indirectly held 31.53% equity interests of the PRC Operating Entities.

Save as disclosed above, as at 30 June 2024, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2024, to the best knowledge of the Directors, the following persons had interests or short positions in the shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares held <sup>(1)</sup>	Approximate percentage of interest in the Company <sup>(2)</sup>
Mr. Xiao	Founder of a discretionary trust, interest in a controlled corporation, beneficial owners and other <sup>(3)</sup>	785,358,067(L)	28.53%
Trident Trust Company (B.V.I.) Limited	Trustee of a trust <sup>(3)</sup>	763,908,067(L)	27.75%
ZSY Holding	Interest in a controlled corporation <sup>(3)</sup>	763,908,067(L)	27.75%
Zhongshouyou Brothers BVI	Beneficial owner <sup>(3)</sup>	70,598,642(L)	2.56%
	Interest in a controlled corporation <sup>(3)</sup>	693,309,425(L)	25.19%
Mr. Sin	Interest in a controlled corporation, beneficial owners and other <sup>(4)</sup>	824,887,663(L)	29.96%
Silver Joyce	Beneficial owner <sup>(4)</sup>	123,750,238(L)	4.49%
	Interest in a controlled corporation <sup>(4)</sup>	693,309,425(L)	25.19%
Fairview Ridge	Beneficial owner <sup>(3)(4)</sup>	693,309,425(L)	25.19%
Motion Game	Interest in a controlled corporation <sup>(3)(4)</sup>	693,309,425(L)	25.19%
Profound Power	Interest in a controlled corporation <sup>(3)(4)</sup>	693,309,425(L)	25.19%
Changpei Cayman	Interest in a controlled corporation <sup>(3)(4)</sup>	693,309,425(L)	25.19%
Ambitious Profit	Interest in a controlled corporation <sup>(3)(4)</sup>	693,309,425(L)	25.19%
Zhongrong Trust	Interest in a controlled corporation <sup>(5)(6)</sup>	369,461,107(L)	13.42%
Beijing Zhongrong Dingxin	Interest in a controlled corporation <sup>(5)(6)</sup>	369,461,107(L)	13.42%
Dazi Dingcheng	Interest in a controlled corporation <sup>(5)(6)</sup>	369,461,107(L)	13.42%
Shanghai Pegasus	Interest in a controlled corporation <sup>(5)</sup>	293,327,517(L)	10.66%
Pegasus Technology	Interest in a controlled corporation <sup>(5)</sup>	293,327,517(L)	10.66%
Pegasus BVI	Interest in a controlled corporation <sup>(5)</sup>	293,327,517(L)	10.66%
Pegasus HK	Beneficial owner <sup>(5)</sup>	293,327,517(L)	10.66%
Farrich Investments Limited	Beneficial owner <sup>(7)</sup>	165,426,248(L)	6.01%
CHU Yat Hong	Interest in a controlled corporation <sup>(7)</sup>	165,426,248(L)	6.01%
Clear Build Investments Limited	Interest in a controlled corporation <sup>(7)</sup>	165,426,248(L)	6.01%
Thebest Investments Limited	Interest in a controlled corporation <sup>(7)</sup>	165,426,248(L)	6.01%



## OTHER INFORMATION

### Notes:

- (1) The letter "L" denotes the person's long position in such Shares.
- (2) The percentages are calculated on the basis of 2,752,672,000 Shares in issue as at 30 June 2024.
- (3) Mr. Xiao, (i) was the beneficial owner of 15,950,000 Shares; (ii) through ZSY Holding, a company which is nominated by Trident Trust Company (B.V.I.) Limited, the trustee of the Xiao Family Trust, (a) was deemed to be interested in 70,598,642 Shares held by his wholly-owned company, Zhongshouyou Brothers BVI; (b) was deemed to be interested in 693,309,425 Shares held by Fairview Ridge through Motion Game, Profound Power, Changpei Cayman and Ambitious Profit (the general partner of Changpei Cayman owned as to 64% by Zhongshouyou Brothers BVI); and (iii) Mr. Xiao was also interested in share options for 5,500,000 Shares pursuant to the Post-IPO Share Option Scheme. Ms. HUO Dongyan is the spouse of Mr. Xiao and was deemed to be interested in the 785,358,067 Shares Mr. Xiao is interested in.
- (4) Mr. Sin (i) was the beneficial owner of 2,328,000 Shares; (ii) was deemed to be interested in 123,750,238 Shares held by his wholly-owned company, Silver Joyce; (iii) was deemed to be interested in 693,309,425 Shares held by Fairview Ridge through Motion Game, Profound Power, Changpei Cayman and Ambitious Profit (the general partner of Changpei Cayman owned as to 36% by Silver Joyce); and (iv) Mr. Sin was also interested in share options for 5,500,000 Shares pursuant to the Post-IPO Share Option Scheme. Ms. SIN LO Siu Wai Sylvia is the spouse of Mr. Sin and was deemed to be interested in the 824,887,663 Shares Mr. Sin is interested in.
- (5) Pegasus Network HK Limited (譽格瑟斯網絡香港有限公司) ("Pegasus HK"), a Hong Kong company, is wholly-owned by Pegasus Technology Limited ("Pegasus BVI"), a BVI company, which is in turn wholly-owned by Shanghai Pegasus Technology Development Limited (上海譽歌科技發展有限公司) ("Pegasus Technology"), a PRC limited liability company. Pegasus Technology is owned as to 0.4% by an independent third party and 99.6% by Shanghai Pegasus Investment Centre (Limited Partnership) (上海譽格瑟斯投資中心(有限合夥)) ("Shanghai Pegasus"), a PRC limited partnership, the general partner of which is Dazi Dingcheng Capital Investment Co., Ltd. (達孜縣鼎誠資本投資有限公司) ("Dazi Dingcheng"), a limited liability company established in the PRC, which is wholly-owned by Beijing Zhongrong Dingxin Investment Management Co., Ltd. (北京中融鼎新投資管理有限公司) ("Beijing Zhongrong Dingxin") and in turn wholly-owned by Zhongrong International Trust Co., Ltd. (中融國際信託有限公司) ("Zhongrong Trust").
- (6) Yichong Technology HK Limited (一翀科技香港有限公司) ("Yichong HK"), a Hong Kong company, held 76,133,590 Shares, representing approximately 2.76% of the total issued Shares, as at 30 June 2024. Yichong HK is wholly-owned by Yichong Technology Limited, a BVI company, which is in turn wholly-owned by Shanghai Jichong Technology Development Limited (上海紀翀科技發展有限公司) ("Jichong Shanghai"), a PRC limited liability company. Jichong Shanghai is owned as to 0.4% by an independent third party and 99.6% by Yichong Investment, a PRC limited partnership, the general partner of which is Dazi Dingcheng, a limited liability company established in the PRC, which is wholly-owned by Beijing Zhongrong Dingxin and in turn wholly-owned by Zhongrong Trust.

- (7) Farrich Investments Limited, a BVI company, is wholly-owned by Thebest Investments Limited, which is also a BVI company. Thebest Investments Limited is a wholly-owned subsidiary of Clear Build Investments Limited, a BVI company, which is in turn wholly-owned by Mr. CHU Yat Hong.

Save as disclosed above, as at 30 June 2024, the Directors were not aware of any person (who were not directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein.

## PARTNERSHIP STRUCTURE OF CHANGPEI CAYMAN

Changpei Cayman is an exempted limited partnership registered in the Cayman Islands holding 25.19% of the total issued Shares as at 30 June 2024. The general partner of Changpei Cayman is Ambitious Profit, a company incorporated in the Cayman Islands and indirectly owned as to 64% by Mr. Xiao through Zhongshouyou Brothers BVI, and 36% by Mr. Sin through Silver Joyce.

As at 30 June 2024, Changpei Cayman was held by Ambitious Profit, the general partner, as to 0.004%, and Zhejiang Century Huatong Group Limited, a listed company on the Shenzhen Stock Exchange (SZSE: 002602), the limited partner, as to 99.996%.

# REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF CMGE TECHNOLOGY GROUP LIMITED  
(incorporated in the Cayman Islands with limited liability)

## INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 34 to 64 which comprise the condensed consolidated statement of financial position of CMGE Technology Group Limited and its subsidiaries as of 30 June 2024 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the interim condensed consolidated financial statements, including material accounting policy information (the "interim condensed consolidated financial statements"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim concluded financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made 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 Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. 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 Hong Kong 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**BDO Limited**  
*Certified Public Accountants*

**Wong Kwok Wai**  
Practising Certificate Number P06047  
Hong Kong, 28 August 2024

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Notes	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>REVENUE</b>	5	1,233,336	1,535,444
Cost of sales		(860,572)	(1,019,249)
Gross profit		372,764	516,195
Other income and gains, net	6	4,631	69,573
Selling and distribution expenses		(148,554)	(120,324)
Administrative expenses		(192,430)	(351,732)
Impairment losses on financial assets, net		(62,859)	(35,114)
Other expenses		(175,830)	(35,674)
Finance costs	7	(11,109)	(9,859)
Share of profits and losses of:			
A joint venture		—	—
Associates		2,780	9,507
<b>(LOSS)/PROFIT BEFORE TAX</b>	8	(210,607)	42,572
Income tax (expense)/credit	9	(30,444)	8,423
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		(241,051)	50,995
Attributable to:			
Owners of the parent		(236,220)	56,824
Non-controlling interests		(4,831)	(5,829)
		(241,051)	50,995
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	11		
Basic and diluted			
– For (loss)/profit for the period		RMB(8.58) cents	RMB2.06 cents

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>(LOSS)/PROFIT FOR THE PERIOD</b>	<b>(241,051)</b>	<b>50,995</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	1,693	(26,669)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation from functional currency to presentation currency	10,636	62,137
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>12,329</b>	<b>35,468</b>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>	<b>(228,722)</b>	<b>86,463</b>
Attributable to:		
Owners of the parent	(223,891)	92,292
Non-controlling interests	(4,831)	(5,829)
	<b>(228,722)</b>	<b>86,463</b>



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property and equipment	12	13,092	14,222
Right-of-use assets		26,524	24,860
Goodwill		1,042,460	1,059,304
Other intangible assets		721,855	610,665
Investment in a joint venture		—	—
Investments in associates		157,520	159,329
Financial assets at fair value through profit or loss	13	1,918,832	2,021,044
Deferred tax assets		65,589	73,870
Prepayments	15	833,319	910,287
Total non-current assets		4,779,191	4,873,581
<b>CURRENT ASSETS</b>			
Trade receivables	14	1,138,922	1,187,136
Prepayments, other receivables and other assets	15	756,956	808,992
Due from related parties	21	7,851	8,851
Cash and cash equivalents		164,782	210,609
Total current assets		2,068,511	2,215,588
<b>CURRENT LIABILITIES</b>			
Trade payables	16	241,543	261,054
Other payables and accruals		302,362	311,556
Contingent consideration for business combination		101,000	100,000
Interest-bearing bank and other borrowings		469,564	495,000
Tax payable		109,694	114,717
Due to related parties	21	2,334	1,998
Lease liabilities		14,925	11,077
Total current liabilities		1,241,422	1,295,402
<b>NET CURRENT ASSETS</b>		<b>827,089</b>	<b>920,186</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>5,606,280</b>	<b>5,793,767</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		98,798	83,124
Lease liabilities		14,060	15,830
Total non-current liabilities		112,858	98,954
Net assets		5,493,422	5,694,813
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	17	1,915	1,915
Reserves		5,497,230	5,693,790
		5,499,145	5,695,705
Non-controlling interests		(5,723)	(892)
Total equity		5,493,422	5,694,813

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Attributable to owners of the parent								Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 17)	Capital reserve RMB'000	Treasury shares RMB'000	Statutory surplus reserve RMB'000	Share incentive reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000		
At 1 January 2024 (Audited)	1,915	3,406,791*	—*	26,408*	804,215*	(15,023)*	1,471,399*	5,695,705	(892)	5,694,813
Loss for the period	—	—	—	—	—	—	(236,220)	(236,220)	(4,831)	(241,051)
Other comprehensive income for the period:										
Exchange differences on translation	—	—	—	—	—	12,329	—	12,329	—	12,329
Total comprehensive income/(loss) for the period	—	—	—	—	—	12,329	(236,220)	(223,891)	(4,831)	(228,722)
Repurchase of shares	—	—	(974)	—	—	—	—	(974)	—	(974)
Share-based compensation (Note 18)	—	—	—	—	28,305	—	—	28,305	—	28,305
At 30 June 2024 (Unaudited)	1,915	3,406,791*	(974)*	26,408*	832,520*	(2,694)*	1,235,179*	5,499,145	(5,723)	5,493,422

\* These reserve accounts comprise the consolidated reserves of RMB5,693,790,000 (audited) and RMB5,497,230,000 (unaudited) in the interim condensed consolidated statement of financial position as of 31 December 2023 and 30 June 2024 respectively.

	Attributable to owners of the parent								Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 17)	Capital reserve RMB'000	Treasury shares RMB'000	Statutory surplus reserve RMB'000	Share incentive reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000		
At 1 January 2023 (Audited)	1,925	3,426,097	(19,316)	18,510	778,613	(30,392)	1,499,376	5,674,813	17,070	5,691,883
Profit/(loss) for the period	—	—	—	—	—	—	56,824	56,824	(5,829)	50,995
Other comprehensive income for the period:										
Exchange differences on translation	—	—	—	—	—	35,468	—	35,468	—	35,468
Total comprehensive income/(loss) for the period	—	—	—	—	—	35,468	56,824	92,292	(5,829)	86,463
Cancellation of ordinary shares	(10)	(19,306)	19,316	—	—	—	—	—	—	—
Share-based compensation (Note 18)	—	—	—	—	20,069	—	—	20,069	—	20,069
At 30 June 2023 (Unaudited)	1,915	3,406,791	—	18,510	798,682	5,076	1,556,200	5,787,174	11,241	5,798,415

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Notes	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/profit before tax		(210,607)	42,572
Adjustments for:			
Finance costs	7	11,109	9,859
Share of profits and losses of associates		(2,780)	(9,507)
Interest income	8	(1,047)	(970)
Fair value losses/(gains) on financial assets at fair value through profit or loss	8	59,099	(27,769)
Fair value adjustment of contingent consideration for business combination	8	1,000	3,075
Equity-settled share-based expense	8	28,184	19,344
Impairment of trade receivables, net	8	29,123	52,854
Provision/(reversal) of expected credit loss of other receivables	8	33,736	(17,740)
Write-off of prepayments, other receivables and other assets	8	65,240	15,299
Loss/(gain) on disposals of items of property and equipment	8	7	(10)
Gain on lease modification	8	—	(317)
Depreciation of property and equipment	8	2,615	3,789
Depreciation of right-of-use assets	8	7,877	6,712
Impairment on goodwill	8	16,844	—
Amortisation of other intangible assets	8	87,321	55,074
Impairment losses on investments in a joint venture and an associate	8	4,589	12,484
Impairment losses on other intangible assets	8	24,251	3,933
		156,561	168,682
Decrease/(increase) in trade receivables		8,860	(139,771)
(Increase)/decrease in prepayments, other receivables and other assets		(72,944)	219,262
Decrease in amounts due from related parties		—	929
Decrease in trade payables		(19,511)	(46,275)
Decrease in other payables and accruals		(50,390)	(69,050)
Increase/(decrease) in amounts due to related parties		336	(1,100)
		22,912	132,677
Cash generated from operations		(10,778)	(7,803)
Income tax paid			
		12,134	124,874

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Notes	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		801	970
Dividends received from financial assets at fair value through profit or loss		—	7,561
Purchases of items of property and equipment	12	(1,491)	(2,398)
Additions to other intangible assets		(105,287)	(105,594)
Repayment from related parties		1,000	—
Proceeds from disposal of items of property and equipment		—	126
Purchases of financial assets at fair value through profit or loss		(4,071)	(141,910)
Disposals of financial assets at fair value through profit or loss		49,531	117,882
Release of pledged deposits		—	1,000
Net cash used in investing activities		(59,517)	(122,363)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from new bank loans		333,636	354,000
Repayment of bank loans		(359,118)	(407,409)
Principal portion of lease payment		(7,462)	(6,022)
Injection from a shareholder		40,442	—
Repurchase of shares		(974)	—
Interest paid		(11,109)	(9,859)
Net cash used in financing activities		(4,585)	(69,290)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of period		210,609	236,960
Effect of foreign exchange rate changes on cash and cash equivalents, net		6,141	18,217
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>164,782</b>	<b>188,398</b>



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2024

## 1. CORPORATE AND GROUP INFORMATION

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

The Company is an investment holding company. The Company's subsidiaries are principally engaged in mobile game publishing, game development and licensing of intellectual property in Mainland China, Hong Kong, Taiwan, Korea and Japan, and investment business in Mainland China.

## 2. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the six months ended 30 June 2024 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting*. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2023 annual report.

## 3. ACCOUNTING POLICIES

The Company and its subsidiaries (the "Group") have applied the same accounting policies and methods of computation in its interim condensed consolidated financial statements as in its 2023 annual report, except for the following new standards and amendments which apply for the first time in 2024. However, not all of such new standards and amendments are expected to impact the Group as they are either not relevant to the Group's activities or the required accounting policy is consistent with the Group's current accounting policies. The following new standards and amendments are effective for the period beginning from 1 January 2024.

Amendments to HKAS 7 and HKFRS 7

Amendments to HKFRS 16

Amendments to HKAS 1

Amendments to HKAS 1

HK Interpretation 5 (Revised)

*Supplier Finance Arrangements*

*Lease Liability in a Sale and Leaseback*

*Classification of Liabilities as Current or Non-current*

*Non-current Liabilities with Covenants*

*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

The adoption of these new or amended HKFRSs did not have any material impact on the Group's accounting policies.

**NOTES TO INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION  
30 JUNE 2024**

**4. OPERATING SEGMENT INFORMATION**

For the six months ended 30 June 2024

Segments	Game publishing RMB'000 (Unaudited)	Game development RMB'000 (Unaudited)	Licensing of intellectual property RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Segment revenue (Note 5)</b>				
Sales to external customers	999,925	126,330	107,081	1,233,336
Intersegment sales	—	956	—	956
	999,925	127,286	107,081	1,234,292
Reconciliation:				
Elimination of intersegment sales				(956)
Total revenue from contracts with customers				1,233,336
<b>Segment results</b>	<b>254,818</b>	<b>19,526</b>	<b>98,420</b>	<b>372,764</b>
Reconciliation:				
Other income and gains, net				4,631
Selling and distribution expenses				(148,554)
Administrative expenses				(192,430)
Impairment losses on financial assets, net				(62,859)
Other expenses				(175,830)
Finance costs				(11,109)
Share of profits and losses of:				
Associates				2,780
<b>LOSS BEFORE TAX</b>				<b>(210,607)</b>

**NOTES TO INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION  
30 JUNE 2024**

**4. OPERATING SEGMENT INFORMATION** *(Continued)*

For the six months ended 30 June 2023

Segments	Game publishing RMB'000 (Unaudited)	Game development RMB'000 (Unaudited)	Licensing of intellectual property RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Segment revenue (Note 5)</b>				
Sales to external customers	1,217,004	258,634	59,806	1,535,444
Intersegment sales	—	18,529	—	18,529
	1,217,004	277,163	59,806	1,553,973
Reconciliation:				
Elimination of intersegment sales				(18,529)
Total revenue from contracts with customers				1,535,444
Segment results	266,511	193,340	56,344	516,195
Reconciliation:				
Other income and gains, net				69,573
Selling and distribution expenses				(120,324)
Administrative expenses				(351,732)
Impairment losses on financial assets, net				(35,114)
Other expenses				(35,674)
Finance costs				(9,859)
Share of profits and losses of: Associates				9,507
<b>PROFIT BEFORE TAX</b>				<b>42,572</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION 30 JUNE 2024

## 5. REVENUE

An analysis of revenue is as follows:

During the six months ended 30 June 2024, various games published by the Groups recorded suboptimal performance led to a decrease in revenue.

Disaggregated revenue information

For the six months ended 30 June 2024

Segments	Game publishing RMB'000 (Unaudited)	Game development RMB'000 (Unaudited)	Licensing of intellectual property RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Types of goods or services:</b>				
Mobile game publishing services	999,925	—	—	999,925
Game development related services	—	126,330	—	126,330
Licensing of intellectual property	—	—	107,081	107,081
<b>Total revenue</b>	<b>999,925</b>	<b>126,330</b>	<b>107,081</b>	<b>1,233,336</b>
<b>Revenue from contracts with customers under HKFRS 15 by geographical markets:</b>				
Mainland China	833,084	116,795	107,081	1,056,960
Other countries/regions	166,841	9,535	—	176,376
	<b>999,925</b>	<b>126,330</b>	<b>107,081</b>	<b>1,233,336</b>
<b>Revenue from contracts with customers under HKFRS 15 by timing of revenue recognition:</b>				
Services transferred over time	999,925	126,330	13,442	1,139,697
Services transferred at a point in time	—	—	93,639	93,639
	<b>999,925</b>	<b>126,330</b>	<b>107,081</b>	<b>1,233,336</b>

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**5. REVENUE** *(Continued)*

For the six months ended 30 June 2023

Segments	Game publishing RMB'000 (Unaudited)	Game development RMB'000 (Unaudited)	Licensing of intellectual property RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Types of goods or services:</b>				
Mobile game publishing services	1,217,004	—	—	1,217,004
Game development related services	—	258,634	—	258,634
Licensing of intellectual property	—	—	59,806	59,806
<b>Total revenue</b>	<b>1,217,004</b>	<b>258,634</b>	<b>59,806</b>	<b>1,535,444</b>
<b>Revenue from contracts with customers under HKFRS 15 by geographical markets:</b>				
Mainland China	1,108,813	258,634	43,318	1,410,765
Other countries/regions	108,191	—	16,488	124,679
	<b>1,217,004</b>	<b>258,634</b>	<b>59,806</b>	<b>1,535,444</b>
<b>Revenue from contracts with customers under HKFRS 15 by timing of revenue recognition:</b>				
Services transferred over time	1,217,004	258,634	32,421	1,508,059
Services transferred at a point in time	—	—	27,385	27,385
	<b>1,217,004</b>	<b>258,634</b>	<b>59,806</b>	<b>1,535,444</b>



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## 6. OTHER INCOME AND GAINS, NET

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Bank interest income	1,047	970
Government grants*	2,171	11,848
Fair value gains on financial assets at fair value through profit or loss	—	27,769
Dividend income from financial assets at fair value through profit or loss	—	7,561
Foreign exchange differences, net	—	7,088
Others	1,413	14,337
<b>Total</b>	<b>4,631</b>	<b>69,573</b>

\* Various government grants have been received from local government authorities. There are no unfulfilled conditions and other contingencies relating to these grants.

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Interest expenses on:		
Bank and other borrowings	10,364	8,923
Lease liabilities	745	936
<b>Total</b>	<b>11,109</b>	<b>9,859</b>

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## 8. [LOSS]/PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Commissions charged by channels and third-party game developers	(a)	683,585	827,683
Commissions charged by intellectual properties ("IP") owners		67,417	46,372
Promotion expenses		136,027	100,988
Employee benefit expenses (including directors' and chief executive's remuneration):			
Wages and salaries		143,496	192,044
Equity-settled share-based expense		28,184	19,344
Pension scheme contributions (defined contribution scheme)	(b)	16,518	25,325
		188,198	236,713
Depreciation of property and equipment		2,615	3,789
Depreciation of right-of-use assets		7,877	6,712
Amortisation of other intangible assets		87,321	55,074
Research and development costs		210,459	266,859
Less: Amounts capitalised in intangible assets		(100,286)	—
		110,173	266,859
Lease payments not included in the measurement of lease liabilities		1,582	4,357
Foreign exchange differences, net		4,392	(7,088)
Impairment losses on financial assets, net:			
Impairment of trade receivables, net		29,123	52,854
Provision/(reversal) of expected credit loss of other receivables		33,736	(17,740)
Write-off of prepayments, other receivables and other assets	(c)	65,240	15,299
Gain on lease modification		—	(317)
Impairment losses on other intangible assets	(d)	24,251	3,933
Impairment losses on investments in a joint venture and an associate	(d)	4,589	12,484
Impairment on goodwill	(d)	16,844	—
Bank interest income		(1,047)	(970)
Loss/(gain) on disposals of items of property and equipment		7	(10)
Auditor's remuneration		1,400	1,400
Fair value losses/(gains) on financial assets at fair value through profit or loss		59,099	(27,769)
Fair value adjustment of contingent consideration for business combination		1,000	3,075

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION 30 JUNE 2024

### 8. [LOSS]/PROFIT BEFORE TAX *(Continued)*

Notes:

- (a) Zhejiang Century Huatong Group Co., Ltd ("Century Huatong") is a listed company on the Shenzhen Stock Exchange (SZSE:002602), and a wholly-owned subsidiary of Century Huatong is a limited partner of Changpei (Shanghai) Investment Centre (Limited Partnership) ("Changpei Shanghai"). Pursuant to the partnership agreement of Changpei Shanghai, the general partner shall have the exclusive and sole right of management of the affairs of the partnership and limited partners shall have no power to conduct the business of the partnership nor shall limited partners represent the partnership. Also, limited partners shall not participate in the management or control of the investment business of the partnership. As Century Huatong neither has any voting rights in the Company through its holding vehicles nor has significant influence on the Company, the directors of the Company believe that Century Huatong is an independent third party with the Group. Century Huatong provided channel services to the Group, which amounted to RMB11,670,000 during the six months ended 30 June 2024 (2023: RMB35,282,000), and the balance of trade receivables from Century Huatong as at 30 June 2024 was RMB632,000 (31 December 2023: RMB909,000).
- (b) There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.
- (c) Write-off of prepayments, other receivables and other assets is included in "Other expenses" in the condensed consolidated statement of profit or loss. These prepayments are relating to certain mobile game projects which the Group had decided to terminate.
- (d) Impairment losses on goodwill and other intangible assets, a joint venture and an associate are included in "Other expenses" in the condensed consolidated statement of profit or loss.

### 9. INCOME TAX

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

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

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2023: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 16.5%).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

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

Shenzhen Douyue Network Technology Co., Ltd. ("Shenzhen Douyue") and China Mobile Games and Entertainment Group Limited Shenzhen ("Shenzhen Zhongshouyou") were accredited as high and new technology enterprises ("HNTE") in 2023 under relevant PRC laws and regulations. Accordingly, Shenzhen Douyue and Shenzhen Zhongshouyou were entitled to a preferential Corporate Income Tax ("CIT") rate of 15% from 2023 to 2026.

## 9. INCOME TAX *(Continued)*

Beijing Wenmai Hudong Technology Company Limited was accredited as a HNTE since 2016 and is entitled to a tax rate of 15% when the certificate was valid for three years since its renewal in 2022.

Softstar Technology (Beijing) Co., Ltd. has been accredited as a HNTE since 2009 and is entitled to a tax rate of 15% when the certificate was valid for three years since its renewal in 2021.

Beijing Zhongsheng Huyu Entertainment Technology Company Limited was accredited as a "software enterprise" in 2021 under relevant PRC laws and regulations. According to relevant policies, it was entitled to tax exemption from 2020 to 2021 and a preferential CIT rate of 12.5% from 2022 to 2024.

Shengyue Software (Shenzhen) Co., Ltd. was accredited as a "software enterprise" in 2021 under relevant PRC laws and regulations. Accordingly, it was entitled to tax exemption from 2020 to 2021 and is entitled to a preferential CIT rate of 12.5% from 2022 to 2024.

Tibet Jichuang Internet Technology Co., Ltd. ("Tibet Jichuang") was established in Lhasa Tibet. According to the applicable regulations promulgated by the State Council and relevant authorities, the applicable tax rate for Tibet Jichuang was 15% for 2023 and 2024.

Hainan Chuangyue Technology Company Limited ("Hainan Chuangyue") and Hainan Zhanshen Internet Technology Company Limited ("Hainan Zhanshen") were established in the Hainan Free Trade Port. According to the applicable regulations promulgated by the State Council and relevant authorities, the applicable tax rate for Hainan Chuangyue and Hainan Zhanshen was 15% each for 2023 and 2024.

Shanghai Fanying Network Technology Co., Ltd. was accredited as a "software enterprise" in 2021 under relevant PRC laws and regulations. According to relevant policies, it was entitled to tax exemption from 2021 to 2022 and is entitled to a preferential CIT rate of 12.5% from 2023 to 2026.

### Super Deduction

According to a policy promulgated by the State Tax Bureau of the PRC that was effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development ("R&D") expenses incurred as tax deductible expenses in determining tax assessable profits. Certain qualified subsidiaries of the Group have claimed such super deduction in ascertaining their tax assessable profits/(losses) for the six months ended 30 June 2023 and 2024.

On 26 March 2023, the State Tax Bureau of the PRC issued the Public Notice 2023 No.7, announcing that the enterprises engaging in research and development activities are entitled to claim 200% of their "R&D" expenses incurred as tax deductible expenses in determining tax assessable profits from 2023 onwards. Certain qualified subsidiaries of the Group have claimed such super deduction in ascertaining their tax assessable profits/(losses) for the six months ended 30 June 2023 and 2024.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION 30 JUNE 2024

### 9. INCOME TAX *(Continued)*

The major components of the income tax expense/(credit) for the period are as follows:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current tax expense		
PRC	5,086	10,389
Hong Kong		
Charge for the period	54	2,666
Overprovision in prior years	—	(5,415)
Elsewhere	1,349	1,388
	6,489	9,028
Deferred tax expense/(credit)		
Original and reversal of temporary difference and tax losses	23,955	(17,451)
Total tax expense/(credit) for the period	30,444	(8,423)

### 10. DIVIDENDS

The board of directors of the Company resolved not to pay any interim dividend to the shareholders in respect of the six months ended 30 June 2024 (2023: nil).



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION 30 JUNE 2024

### 11. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of basic and diluted (loss)/earnings per share are based on:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<u>(Loss)/earnings</u>		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted (loss)/earnings per share calculation	(236,220)	56,824
	For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
<u>Shares</u>		
Weighted average number of ordinary shares in issue (excluding treasury shares) during the period used in the basic and diluted (loss)/earnings per share calculation	2,752,241,000	2,752,672,000

The Group had no dilutive potential ordinary shares in issue during the six months ended 30 June 2024 and 2023 for which the exercise price of the share options exceeds the average market price of the ordinary shares during the respective period. Therefore, both basic and diluted (loss)/earnings per share are the same.

### 12. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired assets with a cost of RMB1,491,000 (30 June 2023: RMB2,398,000).

Assets with a net book value of RMB7,000 were disposed by the Group during the six months ended 30 June 2024 (30 June 2023: RMB116,000), resulting in a net loss on disposal of RMB7,000 (30 June 2023: net gain of RMB10,000).

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**13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Listed equity investments, at fair value	204,158	201,133
Unlisted equity investments, at fair value	1,155,715	1,251,887
Convertible loans and other debt instruments, at fair value	558,959	568,024
Total	1,918,832	2,021,044

In May 2018, the Group acquired 26% of the issued shares of Angel Fund (Asia) Investments Limited ("Angel Fund") from Angel (Partners) Investments Limited with the consideration of 1,270,963 issued shares of Ridgeview Well Investment Limited, the then sole shareholder of the Company. Angel Fund held 9,740,562 shares, representing 20.368% of the total issued shares of Softstar Entertainment Inc, which is a company listed on the Taiwan Stock Exchange (TAIPEI: 6111). The fair value of the investment in Angel Fund was RMB37,463,000 (31 December 2023: RMB39,906,000) as at 30 June 2024.

In April 2018, CMGE Group Limited, transferred the investment in China Prosperity Capital Mobile Internet Fund L.P ("CPC Fund") to the Group. In June 2018, the Group injected cash of US\$8,300,000 (equivalent to RMB54,442,000) to CPC Fund. The Group acted as a limited partner and held 25.65% of its limited partnership interests. The fair value of the investment in CPC Fund was RMB223,446,000 (31 December 2023: RMB218,359,000) as at 30 June 2024.

In February 2020, Guohong Jiaxin (Shenzhen) Angel Venture Capital Enterprise (L.P.) ("Angel Venture") has been set up after obtaining all the related licenses and approval documentations. The fair value of the investment in Angel Venture was RMB212,000,000 (31 December 2023: RMB219,000,000) as at 30 June 2024.

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

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## 14. TRADE RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables	1,431,233	1,450,544
Allowance for impairment	(292,311)	(263,408)
Trade receivables, net	<u>1,138,922</u>	<u>1,187,136</u>

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

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 6 months	758,495	746,711
6 months to 1 year	219,397	325,281
1 year to 18 months	114,753	52,405
18 months to 2 years	34,435	36,474
Over 2 years	11,842	26,265
<b>Total</b>	<u><b>1,138,922</b></u>	<u><b>1,187,136</b></u>

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**15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS**

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Non-current portion		
Prepayments (note)	833,319	910,287
Current portion		
Prepayments (note)	519,866	519,035
Deposits and other receivables	202,450	205,595
Contract costs	34,640	84,362
	756,956	808,992
Total	1,590,275	1,719,279

Note:

Prepayments as at 30 June 2024 mainly included prepaid minimum guarantee of approximately RMB467,580,000 (31 December 2023: RMB513,229,000) and prepaid license fees of approximately RMB792,761,000 (31 December 2023: RMB899,731,000).

**16. TRADE PAYABLES**

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	101,590	93,933
3 to 6 months	68,740	54,625
6 months to 1 year	40,591	47,358
Over 1 year	30,622	65,138
Total	241,543	261,054

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION 30 JUNE 2024

### 17. SHARE CAPITAL

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Issued and fully paid:		
2,752,672,000 (31 December 2023: 2,752,672,000) ordinary shares	1,915	1,915

The Company repurchased 1,036,000 ordinary shares in the open market which were held as treasury shares and have not been cancelled during the six months ended 30 June 2024 (2023: Nil).

On 22 July 2024, pursuant to the subscription agreement entered into with an independent third-party on 29 May 2024, all the conditions precedent set out in the subscription agreement to allot and issue 100,000,000 subscription shares at the price of HK\$1.68 per subscription share for a total consideration of HK\$168,000,000 have been fulfilled and satisfied and the completion took place at the same date. Further details of the completion of the subscription are set out in the Company's announcements dated 29 May 2024 and 22 July 2024.

### 18. SHARE-BASED COMPENSATION

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, and other employees of the Group.

On 29 March 2021, the Company granted options to subscribe for a total of 50,000,000 ordinary shares to eligible participants of the Group to incentivise and reward the eligible persons for their contribution to the Group ("2021 Share Options").

On 27 May 2022, the Company granted options to subscribe for a total of 2,080,000 ordinary shares to eligible participants of the Group to incentivise and reward for their contribution to the Group ("2022 Share Options").

On 20 January 2023, the Company granted options to subscribe for a total of 50,000,000 ordinary shares to eligible participants of the Group to incentivise and reward for their contribution to the Group ("2023 Share Options").

On 24 April 2024, the Company granted options to subscribe for a total of 80,000,000 ordinary shares to eligible participants of the Group to incentivise and reward for their contribution to the Group ("2024 Share Options")

2021 Share Options, 2022 Share Options, 2023 Share Options and 2024 Share Options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

The Group recognised a share-based compensation expense of RMB 28,184,000 (2023: RMB19,344,000) calculated based on fair value which ranging from HK\$0.35 to HK\$0.62 per option (2023: HK\$0.32 to HK\$0.96) during the six months ended 30 June 2024.



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## 18. SHARE-BASED COMPENSATION *(Continued)*

The fair value of equity-settled share options granted was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2024 Share Options	2023 Share Options	2022 Share Options	2021 Share Options
<i>Equity-settled</i>				
Option pricing model used	Binomial model	Binomial model	Binomial model	Binomial model
Exercise price (HK\$ per share)	HK\$1.50	HK\$2.50	HK\$2.90	HK\$2.90
Expected dividend	0%	0%	0%	0%
Expected volatility (note)	52.14%	54.87%	51.51%	51.43%
Risk-free interest rate	3.86%	3.42%	1.86%	0.37%
Suboptimal factor	2.2-2.8	2.2-2.8	2.2	2.2-2.8
Expected life of options (year)	3 years	3 years	1.84 years	3 years
Spot price (HK\$ per share)	HK\$1.22	HK\$1.96	HK\$2.01	HK\$2.83

Note:

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

No other feature of the options granted was incorporated into the measurement of fair value.

## 19. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as of 30 June 2024.

## 20. COMMITMENTS

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Contracted, but not provided for:		
Purchase of IP and game licenses	251,195	280,017

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## 21. RELATED PARTY TRANSACTIONS

### (a) Name of related parties

	Relationship with the Group
Shanghai Fengguo Network Technology Co., Ltd.	Associate
Shenzhen Sparks Interactive Entertainment Co., Ltd.	Associate
Mr. Fan Yingjie	Executive director

### (b) Transactions with related parties

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

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Promotion services received from Shanghai Fengguo Network Technology Co., Ltd.	5	—
Promotion services received from Shenzhen Sparks Interactive Entertainment Co., Ltd.	18,953	3,034

### (c) Outstanding balances with related parties

As disclosed in the condensed consolidated statement of financial position, the Group had outstanding balances with related parties at 30 June 2024 and 31 December 2023.

Amounts due from related parties

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Mr. Fan Yingjie*	7,851	8,851

\* The balance is non-trade in nature.

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**21. RELATED PARTY TRANSACTIONS** *(Continued)*

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

Amounts due to related parties

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Shenzhen Sparks Interactive Entertainment Co., Ltd.*	2,334	1,998

\* The balance is trade in nature.

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

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

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	5,216	6,089
Equity-settled share-based expense	17,766	13,750
Pension scheme contributions	251	227
	23,233	20,066

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## 22. FINANCIAL INSTRUMENTS BY CATEGORY

### Financial assets

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Financial assets at fair value through profit or loss	1,918,832	2,021,044
At amortised cost:		
Trade receivables	1,138,922	1,187,136
Due from related parties	7,851	8,851
Financial assets included in prepayments, other receivables and other assets	202,450	205,595
Cash and cash equivalents	164,782	210,609
	1,514,005	1,612,191
	3,432,837	3,633,235

### Financial liabilities

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Financial liabilities at fair value through profit or loss:		
Contingent consideration for business combination	101,000	100,000
At amortised cost:		
Trade payables	241,543	261,054
Due to related parties	2,334	1,998
Financial liabilities included in other payables and accruals	85,612	85,679
Interest-bearing bank and other borrowings	469,564	495,000
	799,053	843,731
Other financial liabilities:		
Lease liabilities	28,985	26,907
	929,038	970,638

## **23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

As at 30 June 2024 and 31 December 2023, the fair values of the Group's financial assets or liabilities at amortised cost approximated to their respective carrying amounts.

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

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

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

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

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

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments as at 30 June 2024 and 31 December 2023:

	Valuation technique	Significant unobservable inputs	Range	Relationship between fair value and the inputs
Financial assets at fair value through profit or loss	Discounted cash flow method	Long term growth rate	2% (31 December 2023: 2%)	Increase/(decrease) in growth rate would result in increase/(decrease) in fair value
		Long term operating margin	15% to 58% (31 December 2023: 16% to 64%)	Increase/(decrease) in operating margin would result in increase/(decrease) in fair value
		Weighted average cost of capital ("WACC")	17% to 26% (31 December 2023: 17% to 25%)	Increase/(decrease) in WACC would result in (decrease)/increase in fair value
	Adjusted net assets value method with equity allocation model	Marketability discount	16% (31 December 2023: 16%)	Increase/(decrease) in marketability discount would result in (decrease)/increase in fair value
		Minority discount	12% (31 December 2023: 12%)	Increase/(decrease) in minority discount would result in (decrease)/increase in fair value
	Binomial method	Volatility	55% to 94% (31 December 2023: 53% to 94%)	Increase/(decrease) in volatility would result increase/(decrease) in fair value
		Discount rate	23% to 29% (31 December 2023: 22% to 26%)	Increase/(decrease) in discount rate would result in (decrease)/increase in fair value
	Valuation technique	Significant unobservable inputs	Range	Relationship between fair value and the inputs
Financial liabilities at fair value through profit or loss	Discounted cash flow method with the Monte Carlo simulation model	Estimated volatility of net income	54% (31 December 2023: 51%)	Increase/(decrease) in volatility would result in increase/(decrease) in fair value
		Discount rate	8% (31 December 2023: 7%)	Increase/(decrease) in discount rate would result in (decrease)/increase in fair value

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

**Fair value hierarchy**

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

*Assets measured at fair value:*

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 30 June 2024 (Unaudited)				
Financial assets at fair value through profit or loss				
– Listed equity investments	204,158	—	—	204,158
– Unlisted equity investments	—	435,446	720,269	1,155,715
– Convertible loans and other debt instruments	—	—	558,959	558,959
	<u>204,158</u>	<u>435,446</u>	<u>1,279,228</u>	<u>1,918,832</u>
As at 31 December 2023 (Audited)				
Financial assets at fair value through profit or loss				
– Listed equity investments	201,133	—	—	201,133
– Unlisted equity investments	—	437,359	814,528	1,251,887
– Convertible loans and other debt instruments	—	—	568,024	568,024
	<u>201,133</u>	<u>437,359</u>	<u>1,382,552</u>	<u>2,021,044</u>



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

### Fair value hierarchy *(Continued)*

#### Liabilities measured at fair value:

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
As at 30 June 2024 (Unaudited)				
Contingent consideration for business combination	—	—	101,000	101,000
As at 31 December 2023 (Audited)				
Contingent consideration for business combination	—	—	100,000	100,000

The movements in fair value measurements within level 3 during the reporting period are as follows:

	Financial assets at fair value through profit or loss		Contingent consideration for business combination	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Opening balances	1,382,552	1,488,872	(100,000)	(168,925)
(Loss)/gain recognised in profit or loss	(55,887)	(66,813)	(1,000)	68,925
Addition	4,071	184,172	—	—
Disposals	(51,508)	(223,679)	—	—
Closing balances	1,279,228	1,382,552	(101,000)	(100,000)



## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION 30 JUNE 2024**

### **24. EVENTS AFTER THE REPORTING PERIOD**

Saved as disclosed elsewhere in these interim condensed consolidated financial statements, as at the date of approval of these interim condensed consolidated financial statements, there are no significant events after the reporting period.

### **25. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 28 August 2024.

## DEFINITIONS

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

"Ambitious Profit"	Ambitious Profit Investment Limited, an exempted company incorporated in the Cayman Islands with limited liability on 5 January 2018 and one of the Controlling Shareholders
"ARPPU"	average revenue per month per paying user, which represents the Group's revenue recognised for a particular game, a particular type of game or all of its games, as applicable, in the period divided by the number of paying users of the game, the type of game or all of its games, as applicable, in such period
"Audit Committee"	the audit committee of the Company
"Auditor"	BDO Limited, the independent auditor of the Company
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Changpei Cayman"	Changpei Investment Centre, L.P., an exempted limited partnership registered in the Cayman Islands on 2 March 2018 and one of the Controlling Shareholders
"Changpei Shanghai"	Changpei (Shanghai) Investment Centre (Limited Partnership) (長霽(上海)投資中心(有限合伙)), a limited partnership registered in the PRC on 2 June 2015
"Chengdu Zhuoxing"	Chengdu Zhouxing Technology Co., Ltd. (成都卓星科技有限公司), a company established in the PRC on 24 June 2013 and wholly-owned by Shenzhen Lanyue, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
"CMGE Mobile Tech"	China Mobile Game Technology Company Limited (中手游移動科技有限公司), a limited liability company established under the laws of the PRC on 14 October 2015, which is held as to 44.67% by Changpei Shanghai, 18.90% by Shanghai Pegasus, 31.53% by Zhongshouyou Brothers PRC and 4.90% by Yichong Investment
"Company"	CMGE Technology Group Limited (中手游科技集团有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 20 March 2018, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 0302)
"Contractual Arrangements"	the series of contractual arrangements entered into by Shengyue Software (Shenzhen) Co., Ltd. (盛悦軟件(深圳)有限公司) and the PRC Operating Entities
"Controlling Shareholder(s)"	has the meaning ascribed to it/them under the Listing Rules
"Corporate Governance Committee"	the corporate governance committee of the Company

## DEFINITIONS

"Director(s)"	the director(s) of the Company
"Fairview Ridge"	Fairview Ridge Investment Limited, a company incorporated in the BVI with limited liability on 6 March 2018 and one of the Controlling Shareholders
"Group"	the Company, its subsidiaries and the PRC Operating Entities
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards, as issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IP"	intellectual property
"Listing Date"	31 October 2019, being the date on which the Shares of the Company became listed and commenced trading on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MAUs"	monthly active users, which refers to the number of active users in the relevant calendar month; average MAUs for a particular period is the average of the MAUs in each month during that period
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Motion Game"	Motion Game Company Limited (動力遊戲娛樂有限公司), a company incorporated in Hong Kong with limited liability on 20 July 2017 and one of the Controlling Shareholders
"MPUs"	monthly paying users, which refers to the number of paying users in the relevant calendar month; average MPUs for a particular period is the average of the MPUs in each month during that period
"Mr. Sin"	Mr. SIN Hendrick (洗漢迪) <i>M.H.</i> , the executive Director and vice chairman of the Company, and one of the Controlling Shareholders
"Mr. Xiao"	Mr. XIAO Jian (肖健), the executive Director, chairman and chief executive officer of the Company, and one of the Controlling Shareholders
"Nomination Committee"	the nomination committee of the Company
"PC"	personal computer

"Post-IPO Share Option Scheme"	the post-IPO share option scheme of the Company approved and adopted by the Shareholders on 20 September 2019
"PRC" or "China"	the People's Republic of China excluding, for the purpose of this report only, Hong Kong, the Macau Special Administrative Region and Taiwan
"PRC Operating Entities"	Chengdu Zhuoxing, Shenzhen Zhongshouyou, Shenzhen Douyue, Hainan Chuangyue Technology Company Limited (海南創躍科技有限公司), Yichun Dongdian Huyu Internet Technology Company Limited (宜春市動點互娛網絡科技有限公司), Hainan Zhanshen Internet Technology Company Limited (海南戰神網絡科技有限公司), Shenzhen Fansheng Network Technology Co., Ltd. (深圳市凡盛網絡科技有限公司), Shanghai Fanying Network Technology Co., Ltd. (上海凡影網絡科技有限公司), Guangzhou Chuxin Technology Company Limited (廣州初歆科技有限公司), Hainan Guming Technology Company Limited (海南古茗科技有限公司), Shanghai Zhoujing Network Technology Co., Ltd. (上海洲競網絡科技有限公司), Shanghai Yunnan Network Technology Co., Ltd. (上海雲藍網絡科技有限公司), Guangzhou Manshikong Network Technology Co., Ltd. (廣州漫時空網絡科技有限公司) and Beijing Hengwan Network Technology Co., Ltd. (北京恒玩網絡科技有限公司)
"Profound Power"	Profound Power Investment Limited, a company incorporated in BVI with limited liability on 8 March 2018 and one of the Controlling Shareholders
"Prospectus"	the Company's prospectus dated 19 October 2019 issued for listing purpose
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the six months ended 30 June 2024
"RMB"	Renminbi, the lawful currency of the PRC
"RPG"	role-playing game
"SFO"	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of the Company with nominal value of US\$0.0001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen Douyue"	Shenzhen Douyue Network Technology Co., Ltd. (深圳市豆悅網絡科技有限公司), a company established in the PRC on 21 November 2014 and wholly-owned by Shenzhen Lanyue, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements

## DEFINITIONS

"Shenzhen Lanyue"	Shenzhen Lanyue Internet Technology Company Limited (深圳市嵐悅網絡科技有限公司), a company established in the PRC on 7 June 2013 and the registered shareholder of the PRC Operating Entities
"Shenzhen Zhongshouyou"	China Mobile Games and Entertainment Group Limited Shenzhen (深圳市中手游網絡科技有限公司), a company established in the PRC on 10 July 2015 and wholly-owned by Shenzhen Lanyue, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
"Silver Joyce"	Silver Joyce International Limited, a company incorporated in the BVI on 5 July 2012 and wholly-owned by Mr. Sin, which is one of the Controlling Shareholders
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	has the meaning ascribed to it in the section headed "Purchase, Sale or Redemption of Listed Securities" of this report
"Subsidiary(ies)"	has the meaning ascribed to it/them under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed to it/them under the Listing Rules
"US\$"	U.S. dollars, the lawful currency of the United States of America
"Wenmai Hudong"	Beijing Wenmai Hudong Technology Company Limited (北京文脈互動科技有限公司), a company established in the PRC on 12 December 2014, which is an indirect wholly-owned subsidiary of the Company
"Xiao Family Trust"	the ZSY Trust, a discretionary trust set up by Mr. Xiao, as settlor, and Trident Trust Company (B.V.I.) Limited, as trustee, for the benefit of Mr. Xiao and his spouse
"Yichong Investment"	Shanghai Yichong Investment Centre (Limited Partnership) (上海一翀投資中心(有限合夥)), one of the Shareholders and a limited partnership established in the PRC on 20 April 2015, the general partner of which is Dazi Dingcheng
"Zhongshouyou Brothers BVI"	Zhongshouyou Brothers Limited (中手游兄弟有限公司), a company incorporated in the BVI on 2 January 2018 and wholly-owned by ZSY Holding for the Xiao Family Trust, which is one of the Controlling Shareholders
"Zhongshouyou Brothers PRC"	Shaoxing Shangyu Zhongshouyou Brothers Investment Partnership (Limited Partnership) (紹興市上虞中手游兄弟投資合夥企業(有限合夥)), a limited partnership established on 23 November 2015 under the laws of the PRC, a shareholder of CMGE Mobile Tech
"ZSY Holding"	ZSY Holding Company Limited, a limited company incorporated in the BVI on 20 June 2022, which is nominated by Trident Trust Company (B.V.I.) Limited, the trustee of the Xiao Family Trust